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FOR IMMEDIATE RELEASE

27 July 2020

CAIRN ENERGY PLC ("Cairn")

Sale of Senegal interests and planned special dividend of at least US\$250 million

Cairn is pleased to announce that it has entered into an agreement to sell to LUKOIL its entire 40 per cent interest in the Rufisque Offshore, Sangomar Offshore and Sangomar Deep Offshore (RSSD) Contract Area, including the Sangomar development, offshore Senegal, for a cash consideration of up to US\$400 million (m) plus reimbursement of development capital expenditure incurred since 1st January 2020. Following Completion, Cairn intends to return at least US\$250m to shareholders.

The Transaction, which follows a comprehensive sales process, is consistent with Cairn's disciplined approach to portfolio management and capital allocation, and its long-term strategy to return capital to shareholders. It will also enhance the Group's financial flexibility to sustain and grow a balanced and robust portfolio during the current challenging and uncertain oil market conditions.

Transaction Highlights

- Cairn to sell its entire 40 per cent interest in the RSSD assets to LUKOIL with effective date of 1st January 2020, subject to required JV partner and government of Senegal consents;
- Completion currently expected in Q4 2020;
- Cash consideration payable on Completion of US\$300m plus working capital adjustments including reimbursement of development capital expenditure incurred since 1st January 2020 (Cairn's net capex guidance for Sangomar in 2020 is US\$330m);
- Further contingent consideration of up to US\$100m, dependent on the timing of first oil and the average Brent oil price during the first six months of production;
- Realises value and reduces concentration of development risk, financing risk and the need for significant capital expenditure over four years;
- Further strengthens Cairn's balance sheet and provides flexibility to invest in and grow the business; and
- Intention to provide a substantial and certain return of capital to shareholders of at least US\$250m by special dividend following Completion, consistent with Cairn's approach to capital allocation.

Simon Thomson, Chief Executive of Cairn said:

"We are proud of what Cairn has achieved in Senegal. Our discoveries were the country's first deep-water wells and opened up a new basin play on the Atlantic Margin. What's more, they successfully laid the foundations for Senegal's first oil and gas development, which will deliver enduring benefits to its people."

"With a strong balance sheet, low breakeven production and limited capital commitments, Cairn will have enhanced financial flexibility to invest in and grow the business whilst always remaining committed to returning excess cash to shareholders."

The planned special dividend from the sale of the Sangomar asset reflects Cairn's long-standing strict capital allocation strategy of active portfolio management and returning cash to shareholders.

We will work closely with the Government of Senegal, LUKOIL and joint venture partners to ensure the transaction is completed as soon as possible."

Circular

The disposal is a Class 1 transaction and subject to shareholder approval. Cairn will publish a circular to shareholders in due course setting out further details of the Transaction and convening the General Meeting, at which shareholder approval will be sought for the Transaction.

Rothschild & Co is acting as sponsor and financial advisor to Cairn in connection with the Transaction.

Jefferies International Limited is acting as financial advisor to Cairn in connection with the Transaction.

This summary should be read in conjunction with the full text of this announcement. Capitalised terms used in this announcement have the meanings given to them in the Appendix.

Enquiries:

Analysts/Investors

David Nisbet, Corporate Affairs

Tel: 0131 475 3000

Media

Linda Bain, Corporate Affairs

Tel: 0131 475 3000

Patrick Handley/David Litterick, Brunswick Group LLP

Tel: 0207 404 5959

There will be a live audio webcast of the conference call being held to discuss the transaction at:

9am on Monday 27 July 2020

This can be accessed via:

<https://www.cairnenergy.com/investors/>

or directly via <https://brrmedia.news/p8ml3>.

If you would like to join the conference call to ask a question, you can do so by dialling:

+44 33 0606 1122 and by entering room number 077072 and then PIN code 0660.

NOTES TO EDITORS

The information contained within this announcement is deemed by Cairn to constitute inside information as stipulated under the MAR. By the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain. The person responsible for arranging for the release of this announcement on behalf of Cairn is Mr James Smith, Chief Financial Officer.

Disclaimers

This announcement has been issued by and is the sole responsibility of Cairn. The information contained in this announcement is for information purposes only and does not purport to be complete. The information in this announcement is subject to change.

This announcement has been prepared in accordance with English law, the MAR and the Disclosure Guidance and Transparency Rules and Listing Rules of the FCA and information disclosed may not be the same as that which would have been prepared in accordance with the laws of jurisdictions outside England.

N. M. Rothschild & Sons Limited ("Rothschild & Co"), which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively for Cairn and for no-one else in connection with the contents of this announcement and the Transaction and will not regard any other person as its client in relation to the matters in this announcement and will not be responsible to anyone other than Cairn for providing the protections afforded to clients of Rothschild & Co nor for providing advice in connection with the contents of this announcement or the Transaction or any transaction, arrangement or other matter referred to in this announcement.

The contents of this announcement are not to be construed as legal, business or tax advice. Each Shareholder should consult their own legal adviser, financial adviser or tax adviser for legal, financial or tax advice respectively.

Cautionary Note Regarding Forward-looking Statements

This announcement includes certain forward-looking statements with respect to the financial condition, results of operations and business of the Group and certain plans and objectives of the Board. These forward-looking statements can be identified by the fact that they do not relate to any historical or current facts. Forward-looking statements often use words such as "proposed", "anticipate", "expect", "estimate", "intend", "plan", "believe", "will", "may", "should", "would", "could" or other words with a similar meaning. These statements are based on assumptions and assessments made by the Board in light of its experience and its perception of historical trends, current conditions, expected future developments and other factors it believes appropriate. By their nature, forward-looking statements involve risk and uncertainty and there are a number of factors that could cause actual results and developments to differ materially from those expressed in, or implied by, such forward-looking statements.

These forward-looking statements speak only as at the date of this announcement. Save as required by the requirements of the Listing Rules or the Disclosure Guidance and Transparency Rules of the FCA or otherwise arising as a matter of law or regulation, Cairn expressly disclaims any obligation or undertaking to disseminate after publication of this announcement any updates or revisions to any forward-looking statements contained herein to reflect any change in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Neither the content of Cairn's website (or any other website) nor the content of any website accessible from hyperlinks on Cairn's website (or any other website) is incorporated into or forms part of this announcement.

Unless otherwise indicated, all references in this announcement to all references to "US dollars", "US\$" and "US cents" are to the lawful currency of the United States.

About Cairn Energy PLC

Cairn is one of Europe's leading independent oil and gas exploration and development companies and has been listed on the London Stock Exchange for 30 years. Cairn has explored, discovered, developed and produced oil and gas in a variety of locations throughout the world as an operator and partner in all stages of the oil and gas lifecycle.

Cairn's exploration activities have a geographical focus in the North Sea, West Africa and Latin America, underpinned by interests in production and development assets. Cairn has its headquarters in Edinburgh, Scotland supported by operational offices in London, Senegal and Mexico.

For further information on Cairn please see: www.cairnenergy.com

DETAILS OF THE TRANSACTION

1. Introduction

On 24th July 2020, Capricorn Senegal, a wholly owned subsidiary of Cairn, entered into a conditional agreement to sell and dispose to LUKOIL its entire 40 per cent participating interest in the RSSD PSC together with a corresponding proportion of the rights, obligations and liabilities under the RSSD JOA.

The initial cash consideration to be received by the Group at Completion for the Transaction is approximately US\$300m, together with an interim period adjustment from the economic date of 1 January 2020. The Group is entitled to receive further contingent consideration of up to US\$100m in cash dependent on the average Brent oil price for the first six months of production and the timing of first oil.

The Transaction is conditional upon, inter alia, the approval of the Government of Senegal, approval or deemed approval of the RSSD co-venturers and the waiver or non-exercise by the same co-venturers of Pre-Emption Rights. If Pre-Emption Rights are exercised, Cairn will dispose of the assets to the party or parties exercising such rights on the same terms and conditions as the agreement with LUKOIL.

The Transaction is of sufficient size relative to that of the Group to constitute a Class 1 transaction under the UK Listing Rules of the FCA and is therefore also conditional upon the approval of shareholders. Cairn will publish a circular to shareholders in due course setting out further details of the Transaction and convening the General Meeting, at which Shareholder approval will be sought for the Transaction.

2. Background to and Reasons for the Transaction

In 2013, Cairn acquired a 65 per cent operating interest under the RSSD PSC offshore Senegal. Cairn farmed down to a 40 per cent operating interest shortly thereafter. Since its initial acquisition of the interest in RSSD, Cairn has carried out multiple exploration and appraisal drilling programmes resulting in the successful discovery of the Sangomar and FAN fields. The Sangomar field was discovered in 2014 and subsequent drilling laid the foundation for a multi-phase development programme with first oil targeted in 2023.

Substantial progress was made on the Sangomar field multi-phase development during the course of 2019, with a number of key milestones achieved. Cairn's partner Woodside has now assumed the role of operator and the RSSD JV reached FID on 14 January 2020 in relation to the Sangomar Phase 1 development, following grant of the exploitation authorisation by the Government of Senegal.

Cairn's long-term capital allocation strategy is to actively manage its portfolio and to realise and return capital for shareholders, and the Transaction is consistent with that. The Board believes the Transaction will provide the Group with the financial flexibility that is appropriate for the current challenging and uncertain oil market conditions. The Transaction eliminates the need for significant capital expenditure in a multi-year development with its requirement for additional financing. In addition, the Board intends to return a significant portion of the proceeds to shareholders through a special dividend of at least US\$250m following Completion.

Following the Transaction, Cairn will be well positioned to continue to implement its long-term strategy. With a strong balance sheet, low breakeven cash flows from North Sea assets and limited capital commitments, Cairn will enter a new phase with enhanced financial flexibility to invest and deliver additional value in the future using its strict capital allocation framework.

3. Summary of the key terms of the Transaction

The Sale and Purchase Agreement was entered into on 24th July 2020 by and between Capricorn Senegal, LUKOIL and Cairn, pursuant to which Capricorn Senegal has conditionally agreed to sell to LUKOIL the Sale Interest.

- Capricorn Senegal will receive US\$300m in cash for its 40 per cent interest in the RSSD PSC and the RSSD JOA, together with an interim period adjustment for expenditure related to the Sale Interest from the economic date of 1 January 2020;
- In addition, after Completion Capricorn Senegal may become entitled to the following additional payments from LUKOIL:
 - if first oil occurs in 2023:
 - a payment of US\$100m if the Brent oil price during the first six months of production averages above US\$60 per barrel
 - a payment of US\$50m if the Brent oil price during the first six months of production averages above US\$55 per barrel but less than US\$60 per barrel
 - if first oil occurs in the first half of 2024:
 - a payment of US\$50m if the Brent oil price during the first six months of production averages above US\$60 per barrel
 - a payment of US\$25m of the Brent oil price during the first months of production averages above US\$55 per barrel but less than US\$60 per barrel

The Transaction is conditional upon the satisfaction or, where applicable, waiver of the following conditions, amongst others:

- written approval from the Minister of the transfer of the Sale Interest being obtained;
- the written waiver by the other parties to the RSSD JOA of the Pre-Emption Rights in respect of, and the written approvals of, the Transaction being obtained;
- no material adverse change in relation to the RSSD PSC or the Sale Interest having occurred;
- certain customary warranties remaining true, accurate and not misleading at closing in all material respects; and,
- shareholders passing a resolution to approve the Transaction at the General Meeting.

During the period between the date of the Sale and Purchase Agreement and Completion, Capricorn Senegal has agreed to interim period undertakings in relation to the RSSD PSC and RSSD JOA that are customary for disposals similar to the Transaction.

Each of the parties has also given customary warranties to the others in connection with the Transaction, certain of which will be repeated on the date of Completion. Capricorn Senegal's liability in relation to the warranties in the Sale and Purchase Agreement is subject to customary limitations and exclusions.

The Sale and Purchase Agreement includes a guarantee from Cairn in favour of LUKOIL in respect of all of Capricorn Senegal's liabilities and obligations, financial and otherwise, under or arising out of the agreement. Similarly, LUKOIL International Upstream Holding B.V. is providing a guarantee in favour of Capricorn Senegal in respect of LUKOIL's obligations under the Sale and Purchase Agreement.

4. Information on the RSSD Contract Area

Overview and history of development

The RSSD Contract Area lies to the South of Dakar, Senegal, in offshore waters and comprises three blocks (Rufisque Offshore, Sangomar Offshore and Sangomar Deep Offshore). The Sangomar field is located primarily in the Sangomar Deep Offshore block approximately 90 km offshore in water depths of 900 metres to 1,500 metres. The proposed Sangomar exploitation area is 711 km². The Sangomar field is a large, low relief NNE-SSW oriented field that is dip closed to the south and east, and stratigraphically closed to the north and west.

Eleven exploration and appraisal wells have been drilled in the RSSD Contract Area to date:

- Eight wells within the Sangomar field (SNE-1,2,3,4,5 and -6, BEL-1 and VR1)
- Three wells outside the Sangomar field (one each in FAN, FAN South and Sangomar North)

Phase 1 of the FAN South-1 and SNE North-1 evaluation programmes for areas outside the proposed Sangomar exploitation area were agreed with the Ministry of Petroleum and Energy of the Republic of Senegal and completed in January 2019. Evaluation extension programs for these areas and FAN were requested by the RSSD JV, and on 16th October 2019 the Minister issued a decree granting a two-year extension of the RSSD PSC exploration period covering the FAN and Sangomar North/SPICA areas. The grant of this extension included a commitment by the RSSD JV to drill at least one exploration or appraisal well on the relevant acreage.

Approval of Sangomar Exploitation Plan and grant of Exploitation Authorisation

On 2nd December 2019, the RSSD JV submitted to the Minister the final Sangomar Exploitation Plan and the corresponding application for an exploitation authorisation for Sangomar, covering the exploitation area. On 8th January 2020 Woodside notified Capricorn Senegal that the government of Senegal had approved the Sangomar Exploitation Plan and granted the exploitation authorisation. The effective date of the Sangomar exploitation authorisation was 8th January 2020, from which date the initial 25-year exploitation period for Sangomar commenced under the RSSD PSC. The Sangomar Exploitation Plan, as approved, envisages a phased development, allowing installation of foundation elements of the overall development through Phase 1 and incorporating the flexibility of future oil phases as well as the opportunity to bring domestic gas to shore. The Sangomar development concept for the life of the project is a standalone FPSO vessel facility with a capacity of around 100,000 bopd and supporting subsea infrastructure, with up to 23 subsea wells drilled during Phase 1 of the development. Phase 1 of the Sangomar Exploitation Plan has been designed to allow for the integration of subsequent Sangomar development phases, including options for gas export to shore and future subsea tiebacks from other reservoirs and fields.

The project has now entered the development execution phase of activities and Operator Woodside has completed the purchase contract for the FPSO facility and issued full notices to proceed for the drilling and subsea construction and installation contracts.

Estimated Reserves and Resources

In its 2019 Annual Report, the Group reported the following 2P reserves and 2C resources relating to its participating interest in the Sangomar project (being 36.4% on the assumption that Petrosen will exercise its right to increase its participating interest from 10% to 18%):

<u>Cairn's reported net reserves and resources</u>			
	Net 2P reserves (entitlement interest basis)	Net 2P reserves (working interest basis)	Net 2C resources
mmboe	91.4	99	109.4

Interests and operatorship

Following approval of the Sangomar Exploitation Plan and award of the corresponding exploitation authorisation on 8 January 2020, the 25-year exploitation period has now commenced, securing long term title to the acreage for the RSSD JV. The RSSD contractor group currently consists of: (a) 35 per cent Woodside; (b) 40 per cent Capricorn Senegal; (c) 15 per cent FAR (Senegal) and (d) 10 per cent Petrosen. Woodside is the operator designated under the RSSD JOA, having acquired operatorship from Capricorn Senegal in December 2018.

Assuming the Transaction completes the impact on the holdings of interests in the RSSD PSC will be as set out in the table below:

Party	Interest pre-Transaction (%)	Interest post-Transaction (%)
Woodside	35 and operator	35 and operator
Cairn Senegal	40	Nil
FAR (Senegal)	15	15
Petrosen	10	10
LUKOIL	Nil	40

5. Financial effects of the Transaction and use of proceeds

The initial cash consideration to be received by the Group at Completion is US\$300m, together with a conventional interim period adjustment for the working capital attributable to the Sale Interest as at the economic date of 1st January 2020 and for post-economic date expenditure referable to the Sale Interest. In addition, the Group may be entitled to further cash consideration of up to US\$100m dependent on the average price of Brent oil during the first six months of production and timing of first oil.

Cairn's current intention is to use the initial cash proceeds of the Transaction to:

- augment working capital;
- return capital of at least US\$250m to shareholders; and
- assist with the development and acquisition of other oil and gas assets within the Group.

As at 31st December 2019 the gross assets attributable to the Sale Interest were US\$522.1m. For the year ended 31 December 2019 there was no profit or loss attributable to the Sale Interest.

The Transaction is not expected to result in any material cash tax liability for the Group.

6. General Meeting

Completion of the Transaction is conditional upon shareholders' approval being obtained at the General Meeting. A circular setting out further details of the Transaction, together with the notice to convene the General Meeting and the form of proxy for use at the General Meeting, will be published in due course.

The resolution to approve the Transaction will be proposed as an ordinary resolution that will be passed if a simple majority of the votes cast are in favour of the resolution.

As a result of the ongoing coronavirus (COVID-19) global pandemic and the legislative measures and guidance introduced by the Scottish Government to restrict public gatherings and all but essential travel, it is anticipated that the General Meeting will take place as a closed meeting. This approach reflects the arrangements adopted for Cairn's recent annual general meeting and is intended to ensure the safety of our shareholders, our employees, our advisers and the general public. Further information will be contained in the circular to be sent to shareholders in connection with the Transaction, including notice of the General Meeting. The Company will continue to monitor the relevant legislative measures and guidance and, if circumstances change resulting in the lifting of measures preventing the movement of people before the General Meeting, it will consider if it is appropriate to open up the General Meeting for attendance by shareholders.

Appendix – Definitions

The following definitions apply throughout this announcement unless the context otherwise requires:

Board	the board of directors of Cairn
Capricorn Senegal	Capricorn Senegal Limited, incorporated in Scotland with company number SC444808, an indirect wholly owned subsidiary of Cairn
Cairn	Cairn Energy PLC
Completion	completion of the Transaction in accordance with the Sale and Purchase Agreement
Exploitation authorisation	an authorisation to exploit and produce petroleum awarded or issued under the Senegalese Petroleum Code (Law 2019-03)
FAN	the FAN offshore exploration or evaluation area within the RSSD Contract Area
FAR	FAR Limited, incorporated in Australia with company number ACN 009 117 293, a co-venturer of Capricorn Senegal under the RSSD JOA
FCA	the Financial Conduct Authority
FID	final investment decision, a term used in the oil and gas industry to describe the decision to commence the development of a project, at which point material contract awards can commence, and each partner in the project is effectively committed to pay its share in accordance with its participating interest
FPSO	a floating production, storage and offloading unit, which is a vessel used for processing and storing hydrocarbons
General Meeting	the general meeting of Cairn to be convened to approve the Transaction
Group	Cairn, its subsidiary undertakings and any other body corporate, legal entity, partnership or unincorporated joint venture in which Cairn or any of its subsidiary undertakings holds a participating interest (as such term is defined by section 1162 of the Companies Act 2006) from time to time and references to a “member of the Group” shall be construed accordingly
JV	joint venture
LUKOIL	LUKOIL Upstream Senegal B.V.
MAR	Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse
Minister	the Minister of Petroleum and Energy of the Republic of Senegal (or such other minister, person or branch of government of the Republic of Senegal designated under the RSSD PSC as “Minister”) or his qualified representative
Participation Option	has the meaning given to it in section [3] of this announcement
Petrosen	la Société des Pétroles du Sénégal, the national oil company of Senegal and a co-venturer of Capricorn Senegal under the RSSD JOA

Pre-Emption Rights	the rights of pre-emption held by the parties to the RSSD JOA in respect of any proposed assignment or transfer of a participating interest in the RSSD JOA and RSSD PSC to a non-affiliated third party
RSSD	Rufisque Offshore, Sangomar Offshore and Sangomar Deep Offshore
RSSD Contract Area	the “Contract Area” as defined in the RSSD PSC
RSSD JOA	the joint operating agreement dated 28 January 2005 in relation to the RSSD JOA, originally between Petrosen and Senegal Hunt Oil Company, as the same has been and may be amended or novated from time to time
RSSD PSC	the Contract for Exploration and Hydrocarbon Production Sharing dated 15 th July 2004 originally between the Republic of Senegal, Senegal Hunt Oil Company and Petrosen, as the same has been and may be amended or novated from time to time
Sale and Purchase Agreement	the sale and purchase agreement relating to the Transaction dated 24 th July 2020 between Capricorn Senegal, LUKOIL and Cairn
Sale Interest	an undivided 40% legal and beneficial interest in the RSSD PSC and a corresponding proportion of the legal and beneficial right, title and interest in and under the RSSD JOA (subject to the Participation Option)
Sangomar	the Sangomar oil and gas field located in the RSSD Contract Area, formerly known as the SNE discovery or field
Sangomar Exploitation Plan	the development and exploitation plan for Sangomar prepared under Article 9.5 of the RSSD PSC, submitted in final form on 2 December 2019 and approved by the Minister on 8 January 2020
Sangomar North/SPICA	the Sangomar North and SPICA offshore exploration or evaluation area within the RSSD Contract Area
Shareholders	the holders of the ordinary shares of 231/169 pence each in the capital of Cairn
SPICA	the prospect of the same name within Sangomar North/SPICA, more particularly described demarcated as such in the corresponding application for extension of the exploration period
Transaction	the proposed sale and disposal of the Sale Interest to (i) LUKOIL pursuant to the Sale and Purchase Agreement; or (ii) to one or more of the other parties to the RSSD JOA on the same terms and conditions as the Sale and Purchase Agreement, in the event of exercise by that party or those parties of their Pre-Emption Rights in relation to the Sale Interest
Woodside	Woodside Energy (Senegal) B.V., a subsidiary of Woodside Petroleum Limited and the current operator under the RSSD JOA