

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended immediately to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other appropriate independent financial adviser who is duly authorised under the Financial Services and Markets Act 2000, if you are in the United Kingdom, or from another appropriately authorised independent financial adviser if you are in a territory outside the United Kingdom.

If you have sold or transferred, or sell or transfer before 6.30 p.m. on 6 January 2021, your entire holding of Ordinary Shares, please send this document (but not any personalised Form of Proxy) as soon as possible to the purchaser or transferee of those shares or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee. However, such documents should not be forwarded or transmitted in or into any jurisdiction in which such an act would constitute a violation of the relevant laws of such jurisdiction.

The distribution of this document and any accompanying documents in or into jurisdictions other than the United Kingdom may be restricted by local law and therefore persons into whose possession this document and any accompanying documents come should inform themselves about and observe such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Applications will be made to the FCA and the London Stock Exchange for the New Ordinary Shares resulting from the proposed Share Consolidation to be admitted to the premium segment of the Official List and to trading on the main market for listed securities of the London Stock Exchange in place of the Existing Ordinary Shares. It is expected that dealings in the Existing Ordinary Shares will continue until 4.30 p.m. on 8 January 2021 and that Listing of the New Ordinary Shares will become effective and dealings in them for normal settlement will commence on the London Stock Exchange at 8.00 a.m. on 11 January 2021. Nothing in this document should be taken as constituting an offer of shares in Cairn.



CAIRN ENERGY PLC

(incorporated in Scotland with Registered number SC226712)

**Proposed US\$250 million Return of Cash to Shareholders,
Share Consolidation and
Notice of General Meeting**

This document should be read as a whole and in conjunction with the accompanying Form of Proxy. Your attention is drawn to the letter from the Chairman of Cairn which is set out in Part I of this document recommending, on behalf of the Directors, that you vote in favour of the Resolutions to be proposed at the General Meeting referred to below.

Notice of the General Meeting, to be held at the Company's head office at 50 Lothian Road, Edinburgh EH3 9BY at 9.00 a.m. on 8 January 2021, is set out at the end of this document.

As a result of the current COVID-19 pandemic and the legislative measures and associated guidance introduced by the Scottish and UK governments in response, for the safety of our Shareholders, our employees, our advisers and the general public, the General Meeting will be held as a closed meeting. Attendance by Shareholders at the General Meeting in person will not be possible and Shareholders or their appointed proxies (other than the chair of the General Meeting) will not be permitted entry to the General Meeting. Further information on the arrangements for the General Meeting are set out in Part I (Letter from the Chairman of Cairn Energy PLC) of this document.

Enclosed with this document is a Form of Proxy for use in respect of the General Meeting. You are requested to complete, sign and return the Form of Proxy as soon as possible, and in any event, so as to arrive at the offices of the Company's registrars, Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, not later than 9.00 a.m. on 6 January 2021. Alternatively, you may register your proxy appointment or voting directions electronically via the www.sharevote.co.uk website (further information regarding the use of this facility is set out in the notes to the notice of General Meeting) not later than 9.00 a.m. on 6 January 2021. If you hold your Ordinary Shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction so as to be received by the Company's registrars, Equiniti, not later than 9.00 a.m. on 6 January 2021.

N. M. Rothschild & Sons Limited (“Rothschild & Co”), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively for Cairn and for no-one else in connection with the contents of this document and the Return of Cash and will not regard any other person as its client in relation to the matters in this document 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 document or the Return of Cash or any transaction, arrangement or other matter referred to in this document. Rothschild & Co has given and not withdrawn its written consent to the inclusion in this document of its advice and its name in the form and context in which it appears.

Save for the responsibilities and liabilities, if any, of Rothschild & Co under the Financial Services and Markets Act 2000 or the regulatory regime established thereunder, Rothschild & Co assumes no responsibility whatsoever and makes no representations or warranties, express or implied, in relation to the contents of this document, including its accuracy, completeness or verification or for any other statement made or purported to be made by Cairn, or on Cairn’s behalf, or by Rothschild & Co or on Rothschild & Co’s behalf. Nothing contained in this document is, or shall be, relied on as a promise or representation in this respect, whether as to the past or the future, in connection with Cairn or the Return of Cash. Rothschild & Co accordingly disclaims to the fullest extent permitted by law all and any responsibility and liability whether arising in tort, contract or otherwise which it might otherwise be found to have in respect of this document or any such statement.

None of the Existing Ordinary Shares or the New Ordinary Shares have been or will be registered under the US Securities Act or the securities laws of any other US jurisdiction, and none of them may be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to the registration requirements of, the US Securities Act or except pursuant to a transaction that has been registered under the US Securities Act and the securities laws of any other relevant US jurisdiction.

None of the Existing Ordinary Shares, the New Ordinary Shares, or this document have been approved, disapproved or otherwise recommended by the SEC or any US state securities commission or any non-US securities commission or regulatory authority nor have such authorities confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

Forward-looking statements

This document contains (or may contain) certain forward-looking statements with respect to certain of Cairn’s plans and its current goals and expectations relating to its future financial condition and performance and which involve a number of risks and uncertainties. Cairn cautions readers that no forward-looking statement is a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking statements. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements sometimes use words such as “aim”, “anticipate”, “target”, “expect”, “estimate”, “intend”, “plan”, “goal”, “believe”, or other words of similar meaning. Examples of forward-looking statements include statements regarding or which make assumptions in respect of future events. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances, including, but not limited to, economic and business conditions, the effects of continued volatility in credit markets, market-related risks such as changes in the price of oil or changes in interest rates and foreign exchange rates, the policies and actions of governmental and regulatory authorities, changes in legislation, the success of future acquisitions and other strategic transactions and the impact of competition. A number of these factors are beyond Cairn’s control. As a result, Cairn’s actual future results may differ materially from the plans, goals and expectations set forth in Cairn’s forward-looking statements. Any forward-looking statements made in this document by or on behalf of Cairn speak only as of the date they are made. Except as required by any applicable laws, the Listing Rules, the Disclosure and Transparency Rules or other regulations, Cairn expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this document to reflect any changes in Cairn’s expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

Note regarding presentation of currencies

All references in this document to “pence”, “pounds sterling” or “£” are to the lawful currency of the United Kingdom and all references to “US dollars”, “US\$” and “\$” are to the lawful currency of the United States. For the purpose of this document and unless otherwise stated, a pound sterling to US dollar exchange rate of 1.33 has been applied. Such translation should not be considered as a representation that such currencies could have been or could be converted into pounds sterling or US dollars (as the case may be) at any particular rate, the rate stated above, or at all.

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SHAREHOLDER HELPLINE

Questions of a factual nature relating to the Resolutions to be proposed at the General Meeting may be directed to the Company's registrars, Equiniti, using the telephone helpline number 0333-207-6524 (for calls from within the United Kingdom) and +44 333-207-6524 (for calls from outside the United Kingdom). Lines are open from 9.00 a.m. to 5.00 p.m. (UK time) Monday to Friday (excluding English and Welsh public holidays). Calls to the helpline from outside the UK will be charged at the applicable international rate. Please note that calls to these numbers may be monitored or recorded for security and training purposes.

This helpline will not be able to provide advice on the merits of the Resolutions to be proposed at the General Meeting or the Return of Cash, or give personal, legal, financial or tax advice.

PART I

LETTER FROM THE CHAIRMAN OF CAIRN ENERGY PLC

CAIRN ENERGY PLC

(Incorporated in Scotland with registered number SC226712)

Ian Tyler (Non-Executive Chairman)
Keith Lough (Non-Executive Director)
Peter Kallos (Non-Executive Director)
Nicoletta Giadrossi (Non-Executive Director)
Alison Wood (Non-Executive Director)
Catherine Krajicek (Non-Executive Director)
Erik Daugbjerg (Non-Executive Director)
Simon Thomson (Chief Executive)
James Smith (Chief Financial Officer)

Registered and Head Office
50 Lothian Road
Edinburgh
EH3 9BY

17 December 2020

To Shareholders and, for information only, to participants in the Cairn Share Schemes

Dear Shareholder

Proposed Return of Cash to Shareholders

1. Introduction

As announced today, Cairn has received all Government and third-party approvals in respect of the sale of the Group's entire participating interest in the RSSD Production Sharing Contract together with a corresponding proportion of the rights, obligations and liabilities under the RSSD Joint Operating Agreement to Woodside. Completion is expected to take place prior to year-end. Under the terms of the Woodside SPA, cash received by Cairn at completion is expected to be approximately US\$525 million, comprising the US\$300m acquisition consideration and a US\$225 million reimbursement of expenditure incurred on the sale assets since 1 January 2020.

Cairn now proposes to return to Eligible Shareholders approximately US\$250 million (approximately £188 million) of the proceeds of the sale by way of dividend, representing a return of 32 pence for each Eligible Existing Ordinary Share held by Eligible Shareholders at the Record Time (expected to be 6.00 p.m. on 8 January 2021). The remainder of the sale proceeds will be retained to augment working capital and assist with the development and potential acquisition of other oil and gas assets within the Group. In connection with this proposed return of cash to Shareholders, Cairn also proposes to undertake a consolidation and division of its Existing Ordinary Shares, with the aim of making the market price of an Ordinary Share comparable before and after the Return of Cash, subject to normal market movements.

The purpose of this document is to provide Shareholders with information on the proposed Return of Cash. A general meeting of the Company is to be held at the Company's head office at 50 Lothian Road, Edinburgh EH3 9BY at 9.00 a.m. on 8 January 2021 to seek the approval of Shareholders to the proposed Return of Cash. The notice of that general meeting is set out at the end of this document.

As a result of the current COVID-19 pandemic and the legislative measures and associated guidance introduced by the Scottish and UK governments in response, for the safety of our Shareholders, our employees, our advisers and the general public, the General Meeting will be held as a closed meeting. Attendance by Shareholders at the General Meeting in person will not be possible and Shareholders or their appointed proxies (other than the chair of the General Meeting) will not be permitted entry to the General Meeting.

Shareholders are advised to read the whole of this document and not just the summarised information set out in this letter.

2. Special Dividend

The Return of Cash is proposed to be made by means of a Special Dividend, in terms of which each Eligible Shareholder will receive 32 pence per Eligible Existing Ordinary Share held at the Record Time (expected to be 6.00 p.m. on 8 January 2021).

Payment of the Special Dividend, and the associated Share Consolidation, is conditional on completion under the Woodside SPA and Shareholder approval of Resolution 1 to be proposed at the General Meeting. If these conditions are not satisfied, the Special Dividend will not be paid and the Share Consolidation will not take place. If approved, the Special Dividend is expected to be paid to Eligible Shareholders on 25 January 2021.

Further details of the Special Dividend are set out in Part III (Details of the Return of Cash) of this document.

3. Share Consolidation

The aggregate amount proposed to be returned to Shareholders by means of the Special Dividend is equivalent to approximately 19 per cent. of the market capitalisation of the Company at the close of business on 16 December 2020 (being the last practicable date prior to publication of this document).

The effect of the Share Consolidation is that the Existing Ordinary Shares will be replaced by the New Ordinary Shares so as to reduce the number of shares in issue to reflect the amount of cash to be returned to Shareholders. The aim of this is to seek to make the market price of an Ordinary Share comparable before and after the Special Dividend, subject to normal market movements.

The ratio used for the Share Consolidation will be determined by the Board (or a duly appointed committee thereof) to reduce the number of Ordinary Shares to reflect the value of the Special Dividend relative to the market capitalisation of Cairn prior to the Return of Cash. So for example, if the market price of an Existing Ordinary Share is £1.67 and the implied market price of an Existing Ordinary Share, after the Special Dividend of 32 pence per Eligible Existing Ordinary Share is paid, is £1.35, a consolidation ratio of 17 New Ordinary Shares for every 21 Existing Ordinary Shares would be used to ensure the price of an Ordinary Share remains approximately the same, subject to normal market movements, before and after the Return of Cash. Fractional entitlements arising from the Share Consolidation will be aggregated and sold in the market on behalf of the relevant Shareholders. Given the proceeds of sale are expected to be less than £3.00 per individual Shareholder, and consistent with the Articles of Association, the Board intends to donate the aggregated sale proceeds of the fractional entitlements to charities chosen by the Board.

To effect the Share Consolidation it may be necessary to issue or repurchase for cancellation some additional Existing Ordinary Shares so that the number of the Company's Existing Ordinary Shares is exactly divisible by the consolidation denominator.

As all ordinary shareholdings in the Company will be consolidated, Shareholders' percentage holdings in the issued ordinary share capital of the Company will (save in respect of fractional entitlements) remain unchanged immediately following the Share Consolidation. Similarly, although the nominal value of each Ordinary Share will change as a result of the Share Consolidation, the New Ordinary Shares will be equivalent in all respects to the Existing Ordinary Shares, including their dividend, voting and other rights and will be admitted to trading in the same way as the Existing Ordinary Shares. The New Ordinary Shares will however trade "ex entitlement" in relation to the Special Dividend, as the Record Time will occur while the Existing Ordinary Shares are in issue.

Further information on the Share Consolidation is set out in Part III (Details of the Return of Cash) of this document and an illustrative example is set out in paragraph 12 of Part V (Frequently asked questions with answers) of this document.

4. Cairn Share Schemes – impact of Return of Cash on outstanding awards and options

Separate letters are being sent to participants in the Cairn Share Schemes to advise them of the effect (if any) that the Share Consolidation will have on their outstanding awards and options and as to

whether they will be entitled to participate in the Return of Cash. In general terms, the position will be as follows:

4.1 *The SIP*

Participants in the SIP are the beneficial owners of a number of Eligible Existing Ordinary Shares which the trustee of the arrangement is holding on their behalf and accordingly they will be entitled to participate in the Return of Cash in respect of those shares.

In accordance with the rules of the SIP, participants will be given the opportunity to have the whole of their Special Dividend reinvested in New Ordinary Shares. Any such shares will be classed as "Dividend Shares" for the purposes of the SIP and will be subject to a mandatory three-year holding period during which they cannot normally be sold or otherwise withdrawn from the plan. Any participant who does not elect to reinvest in Dividend Shares will receive the Special Dividend in cash.

4.2 *Other Cairn Share Schemes*

Participants in the remaining Cairn Share Schemes (i.e. those arrangements other than the SIP) who hold options or awards entitling them to acquire Existing Ordinary Shares will not be eligible to participate in the Return of Cash in respect of those options or awards. For the avoidance of doubt, this includes any awards under the 2017 LTIP that are currently subject to a post-vesting holding period.

As a result of the Share Consolidation, no adjustment will be required to the terms of these entitlements. Options or awards over Existing Ordinary Shares will take effect as options or awards over the same number of New Ordinary Shares, which are expected to have approximately the same value per share following the Share Consolidation.

5. **2017 LTIP – impact of Share Consolidation on dilution limits**

At present, the 2017 LTIP is the only one of the Cairn Share Schemes pursuant to which future options and awards can be granted over new Ordinary Shares. Under its rules, and consistent with guidance issued by the Investment Association, two limits are placed on the number of new issue shares that can be utilised in this manner.

The first limit provides that, on any day, the total number of Ordinary Shares which have been issued or which require to be issued in connection with options or awards that have been granted under the 2017 LTIP and any of the Company's other discretionary share schemes during the immediately preceding period of ten years cannot exceed 5 per cent. of the issued share capital of the Company immediately prior to that day (the "discretionary schemes limit").

The second limit provides that, on any day, the total number of Ordinary Shares which have been issued or which require to be issued in connection with options or awards that have been granted under the 2017 LTIP and all the Company's other employee share schemes during the immediately preceding period of ten years cannot exceed 10 per cent. of the issued share capital of the Company immediately prior to that day (the "all schemes limit").

As at 16 December 2020, being the last practicable date prior to publication of this document, the headroom available under the above rules was approximately 2.00 per cent. of the issued share capital of the Company in the case of the discretionary schemes limit and approximately 7.00 per cent. of the issued share capital of the Company in the case of the all schemes limit.

However, the impact of the Share Consolidation will be to reduce the number of Ordinary Shares in issue. In the absence of any change to the terms of the 2017 LTIP, this would result in a disproportionate decrease in the currently available headroom under the discretionary schemes limit and the all schemes limit (i.e. on the basis that, for the purposes of those limits, the number of Ordinary Shares previously issued in satisfaction of options and awards would remain constant).

To address the above issue, the Remuneration Committee proposes to make an amendment to the terms of the 2017 LTIP. In particular, the rules of this scheme will be changed so that, for the purposes

of assessing both the discretionary schemes limit and the all schemes limit, the number of Ordinary Shares issued in connection with options and awards prior to the date on which the Share Consolidation becomes effective will be adjusted in accordance with the applicable ratio determined by the Board (or a duly appointed committee thereof). For the avoidance of doubt, any New Ordinary Shares that are issued in connection with options and awards after that date will continue to be taken into account in full under these limits.

By way of illustration, if it is assumed that (i) the above changes to the 2017 LTIP are made; (ii) no further shares are issued and no further awards are made under the 2017 LTIP between the date of this document and the date on which the Listing of the New Ordinary Shares occurs; and (iii) the Share Consolidation ratio determined by the Board (or a duly appointed committee thereof) is 17 New Ordinary Shares for every 21 Existing Ordinary Shares then the headroom available under the discretionary schemes limit and the all schemes limit would be approximately 1.79 per cent. and approximately 6.79 per cent. of the Company's issued share capital respectively.

A copy of the 2017 LTIP, showing the amendments proposed to be made at the General Meeting, will be available for inspection during normal business hours on any weekday (public holidays excepted) at the registered office of the Company from the date of this document up to and including the date of the General Meeting and will also be available for inspection for at least 15 minutes before and during the General Meeting.

Resolution 2 to be proposed at the General Meeting seeks Shareholder approval to implement the changes to the rules of the 2017 LTIP described above. Resolution 2 is conditional on Resolution 1, being the resolution seeking approval of the Special Dividend and the Share Consolidation, being passed and becoming effective.

6. General Meeting

A general meeting of the Company will be held at the Company's head office at 50 Lothian Road, Edinburgh EH3 9BY at 9.00 a.m. on 8 January 2021 to propose the Resolutions seeking Shareholder approval of the Return of Cash and the amendment to the rules of the 2017 LTIP described above. As described further in paragraph 8 below the General Meeting will be held as a closed meeting as a result of the current COVID-19 pandemic. The notice of that meeting is set out at the end of this document. A summary explanation of the Resolutions to be proposed at the General Meeting is set out in paragraph 7 of Part III (Details of the Return of Cash) of this document.

7. Timetable

A detailed timetable is set out in Part II (Expected timetable of events) of this document.

8. Action to be taken

As a result of the current COVID-19 pandemic and the legislative measures and associated guidance introduced by the Scottish and UK governments in response, for the safety of our Shareholders, our employees, our advisers and the general public, the General Meeting will be held as a closed meeting. Attendance by Shareholders at the General Meeting in person will not be possible and Shareholders or their appointed proxies (other than the chair of the General Meeting) will not be permitted entry to the General Meeting. In view of the nature of the General Meeting, Shareholders are strongly encouraged to ensure that their votes are counted at the General Meeting by appointing the chairman of the General Meeting as their proxy and submitting their completed Form of Proxy as described in the following paragraph.

Enclosed with this document is a Form of Proxy for use in respect of the General Meeting. You are requested to complete, sign and return the Form of Proxy as soon as possible, and in any event, so as to arrive at the offices of the Company's registrars, Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, not later than 9.00 a.m. on 6 January 2021. Alternatively, you may register your proxy appointment or voting directions electronically via the www.sharevote.co.uk website (further information regarding the use of this facility is set out in the notes to the notice of General Meeting) not later than 9.00 a.m. on 6 January 2021. If you hold your Existing Ordinary Shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction so as to be received by the Company's registrars, Equiniti, not later than 9.00 a.m. on 6 January 2021.

9. Further information

Your attention is drawn to the further information set out in Part III (Details of the Return of Cash) of this document. **Shareholders are advised to read the whole of this document and not just the summarised information set out in this letter.**

10. Recommendation

The Board has received financial advice from Rothschild & Co in relation to the Return of Cash. In providing financial advice to the Board, Rothschild & Co has relied on the Board's commercial assessment of the Return of Cash.

The Board is of the opinion that the Special Dividend, the Share Consolidation and the Resolutions to be proposed at the General Meeting are in the best interests of Shareholders as a whole. Accordingly, the Board unanimously recommends that you vote in favour of the Resolutions, as the Directors intend to do in respect of their own beneficial holdings amounting in aggregate to 1,907,548 Existing Ordinary Shares representing approximately 0.324 per cent. of the current issued share capital of Cairn (as at 16 December 2020, being the last practicable date prior to publication of this document).

Yours faithfully

A handwritten signature in black ink, appearing to read 'Ian Tyler', with a large, sweeping flourish extending downwards and to the right.

Ian Tyler
Chairman

PART II

EXPECTED TIMETABLE OF EVENTS

Completion under the Woodside SPA	by 31 December 2020
Latest time and date for receipt of Electronic Proxy Instructions, Form of Proxy or CREST Proxy Instruction in respect of General Meeting	9.00 a.m. on 6 January 2021
Time and date Share Consolidation ratio will be announced	7.00 a.m. on 7 January 2021
General Meeting	9.00 a.m. on 8 January 2021
Latest time and date for dealings in Existing Ordinary Shares	4.30 p.m. on 8 January 2021
Record Time for entitlement to the Special Dividend and to determine the Existing Ordinary Shares subject to the Share Consolidation (Existing Ordinary Share register closed and Existing Ordinary Shares disabled in CREST)	6.00 p.m. on 8 January 2021
Listing of the New Ordinary Shares	8.00 a.m. on 11 January 2021
Dealings in the New Ordinary Shares commence and enablement in CREST in respect of uncertificated New Ordinary Shares	8.00 a.m. on 11 January 2021
Despatch of share certificates in respect of certificated New Ordinary Shares	25 January 2021
Payment of Special Dividend to Eligible Shareholders	25 January 2021

Notes:

1. All dates are subject to change. If any of the above times or dates change, the revised times and/or dates will be notified to Shareholders by an announcement on an RIS.
2. References to time in this document are to London time.
3. All events in the above timetable following the General Meeting are conditional upon completion occurring under the Woodside SPA and approval by Shareholders of Resolution 1 to be proposed at the General Meeting. All events in the above timetable following Listing of the New Ordinary Shares are conditional upon such Listing.
4. The Record Time for entitlement to the Special Dividend and to determine the holdings of Existing Ordinary Shares subject to the Share Consolidation may be such other time as the Directors determine.

PART III

DETAILS OF THE RETURN OF CASH

1. Special Dividend

The Return of Cash is being implemented by way of a Special Dividend, which is expected to be paid to Eligible Shareholders on 25 January 2021, combined with the Share Consolidation.

The Return of Cash is conditional on:

- (i) completion under the Woodside SPA occurring, expected to be prior to year-end;
- (ii) the approval by Shareholders of Resolution 1 to be proposed at the General Meeting; and
- (iii) Listing of the New Ordinary Shares.

Those Eligible Shareholders on the register at the Record Time (expected to be 6.00 p.m. on 8 January 2021) will receive the Special Dividend. If you sell or have sold or otherwise transferred all of your Existing Ordinary Shares at any time prior to the Record Time, please forward this document, together with the accompanying documents (but not any personalised Form of Proxy), at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. However, such documents should not be forwarded to or sent into or within any jurisdiction in which to do so would constitute a breach of the relevant laws of such jurisdiction. If you sell or have sold or otherwise transferred part only of your holding of Existing Ordinary Shares, please consult the bank, stockbroker or other agent through whom the sale or transfer was effected.

2. Share Consolidation

Under the Share Consolidation, holdings of Existing Ordinary Shares will be consolidated by the Share Consolidation ratio, reducing the number of Ordinary Shares by an amount, that in the judgement of the Board (or a duly appointed committee thereof) is most appropriate to ensure, so far as possible and subject to normal market movements, that the market share price of one New Ordinary Share immediately after the Return of Cash is approximately equal to the market share price of an Existing Ordinary Share immediately before the Return of Cash. The ratio used for the Share Consolidation will reduce the number of Ordinary Shares in issue by an amount that reflects the value of the Special Dividend relative to the market capitalisation of Cairn prior to the Return of Cash. The Share Consolidation will help to maintain comparability of historical and future 'per share data'. The aim of the Share Consolidation is to seek to make the market price of an Ordinary Share comparable before and after the Return of Cash, subject to normal market movements.

As stated above, the effect of the Share Consolidation will be to reduce the number of Ordinary Shares in issue to reflect the return of 32 pence per Eligible Ordinary Share to Eligible Shareholders, but Shareholders will, immediately following the Share Consolidation, own the same proportion of the ordinary share capital of Cairn as they did previously, less any fractional entitlements (on which please see paragraph 3 below).

The Share Consolidation ratio will be determined by the Board not later than two Business Days prior to the commencement of dealings in the New Ordinary Shares on 11 January 2021. An announcement giving details of the Share Consolidation ratio will be made by RIS once a determination has been made. The announcement will also be made available on Cairn's website at www.cairnenergy.com.

To effect the Share Consolidation it may be necessary to issue or repurchase for cancellation some additional Existing Ordinary Shares so that the number of the Company's Existing Ordinary Shares is exactly divisible by the consolidation denominator.

Application will be made for the New Ordinary Shares to be admitted to the premium segment of the Official List and to trading on the London Stock Exchange's main market for listed securities, with dealings expected to commence at 8.00 a.m. on 11 January 2021. The Share Consolidation is conditional on such Listing of the New Ordinary Shares. New Ordinary Shares will be traded on the London Stock Exchange in the same way as Existing Ordinary Shares and will be equivalent in all

respects to the Existing Ordinary Shares including their dividend, voting and other rights. The New Ordinary Shares will however trade “ex entitlement” in relation to the Special Dividend, as the Record Time will occur while the Existing Ordinary Shares are in issue.

Following the Share Consolidation, all mandates and other instructions, including communication preferences given to the Company by Shareholders and in force at the Record Time shall, unless and until revoked, be deemed to be valid and effective mandates or instructions in relation to the New Ordinary Shares.

The Company will also apply for the New Ordinary Shares to be admitted to CREST with effect from Listing on 8.00 a.m. 11 January 2021 so that general market transactions in the New Ordinary Shares may be settled within the CREST system. Holders of Existing Ordinary Shares whose holdings are registered in CREST will automatically have any New Ordinary Shares credited to their respective CREST accounts.

Certificates in respect of certificated New Ordinary Shares will be issued following the Share Consolidation. It is expected that such certificates will be despatched on 25 January 2021.

3. Fractional entitlements to New Ordinary Shares

Unless a holding of Existing Ordinary Shares is exactly divisible by the consolidation denominator set by the Board (or a duly appointed committee thereof), a Shareholder will have a fractional entitlement to a New Ordinary Share following the Share Consolidation. So, by way of illustration only, if the Board determines a Share Consolidation of 17 New Ordinary Shares for every 21 Existing Ordinary Shares is most appropriate, a Shareholder having 100 Existing Ordinary Shares would, after the Share Consolidation, be entitled to 80 New Ordinary Shares and to a fractional entitlement to 0.95 of a New Ordinary Share. Further examples of how this will work in practice are set out in paragraph 12 of Part V (Frequently asked questions with answers) of this document.

These Shareholders’ fractional entitlements will be aggregated and sold in the market on their behalf. Given the proceeds of sale are expected to be less than £3.00 per individual Shareholder, the Board intends, in accordance with the Articles of Association, to donate the aggregated sale proceeds to charities chosen by the Board.

4. Tax

A summary of certain UK tax consequences under current UK laws and HM Revenue & Customs’ published practice, of the Return of Cash are set out in Part IV (United Kingdom taxation in relation to the Return of Cash) of this document.

Shareholders who are subject to tax in a jurisdiction other than the United Kingdom, or who are in any doubt as to the potential tax consequences of the Return of Cash, are strongly recommended to consult their own appropriate professional adviser.

5. General Meeting

A general meeting of Cairn will be held at the Company’s head office at 50 Lothian Road, Edinburgh EH3 9BY at 9.00 a.m. on 8 January 2021. The notice of the General Meeting is set out at the end of this document. You will find enclosed with this document a Form of Proxy for use in respect of the General Meeting.

You are requested to complete and sign the enclosed Form of Proxy and return it in accordance with the instructions printed on it. You may also submit your proxy electronically at www.sharevote.co.uk using the Voting ID, Task ID and Shareholder Reference Number on your Form of Proxy.

As a result of the current COVID-19 pandemic and the legislative measures and associated guidance introduced by the Scottish and UK governments in response, for the safety of our Shareholders, our employees, our advisers and the general public, the General Meeting will be held as a closed meeting. Attendance by Shareholders at the General Meeting in person will not be possible and Shareholders or their appointed proxies (other than the chair of the General Meeting) will not be permitted entry to the

General Meeting. **In view of the nature of the General Meeting, Shareholders are strongly encouraged to ensure that their votes are counted at the General Meeting by appointing the chairman of the General Meeting as their proxy and submitting their completed Form of Proxy as described paragraph 8 (Action to be taken) of Part I of this document.**

6. Dealings and despatch of documents

Subject to completion under the Woodside SPA and to Resolution 1 being passed at the General Meeting, the Share Consolidation and the Special Dividend will be made by reference to holdings of Existing Ordinary Shares on the register of members of the Company as at the Record Time.

It is expected that dealings and settlement within the CREST system of the Existing Ordinary Shares will continue until the Record Time when, in the case of Existing Ordinary Shares held in certificated form, the register of members will be closed for transfers and no further transfers of Existing Ordinary Shares will be able to be made. The registration of uncertificated holdings in respect of the Existing Ordinary Shares will be “disabled” in CREST at 6.00 p.m. on 8 January 2021.

On 25 January 2021 the Company expects to despatch definitive share certificates in respect of the appropriate number of New Ordinary Shares held in certificated form following the Share Consolidation. Immediately on Listing of the New Ordinary Shares, certificates in respect of the Existing Ordinary Shares will no longer be valid. Share certificates for New Ordinary Shares will be despatched to Shareholders at their own risk.

It is expected that Shareholders who hold their Existing Ordinary Shares through the CREST system will, on Listing of the New Ordinary Shares, have their CREST accounts credited with the appropriate number of New Ordinary Shares following the Share Consolidation. Shareholders holding New Ordinary Shares through the CREST system will not receive any share certificates.

Temporary documents of title will not be issued pending despatch of definitive share certificates in respect of New Ordinary Shares to be held in certificated form. Transfers of New Ordinary Shares held in certificated form will, prior to the receipt of definitive share certificates, be certified against the Company’s register of members held by Equiniti.

It is expected that cheques in respect of the Special Dividend will be despatched to the relevant Shareholders or, if mandate instructions are held, Shareholders will have their bank accounts credited, as appropriate, on 25 January 2021 (or such other date as the Directors may determine). Cheques and remittances will be despatched to Shareholders at their own risk.

7. Summary explanation of the Resolutions to be proposed at the General Meeting

There are 2 resolutions to be proposed at the General Meeting. Each of the Resolutions is to be proposed as an ordinary resolution and accordingly will be passed if more than 50 per cent. of the votes cast are in favour. If passed, the Resolutions will only become effective on Listing of the New Ordinary Shares. The main terms of the Resolutions are summarised below.

Resolution	Explanation
1	<p>This Resolution is conditional upon completion under the Woodside SPA occurring.</p> <p>Paragraph (a) seeks Shareholder approval for the payment of the Special Dividend as an interim dividend for the financial year ended 31 December 2021.</p> <p>Paragraph (b) proposes the consolidation and division of Existing Ordinary Shares held by Shareholders by a ratio to be determined by the Board (or a duly appointed committee thereof), so as to ensure that the Ordinary Share price stays about the same immediately before and after the Return of Cash. This paragraph also deals with fractional entitlements to New Ordinary Shares. Please see paragraph 3 of Part I of this document for further details on the Share Consolidation.</p>
2	<p>This Resolution is conditional on Resolution 1 being passed and becoming effective.</p> <p>The Resolution proposes the amendment of the 2017 LTIP to ensure that the dilution limits set out in the rules of the plan appropriately reflect the impact of the Return of Cash and, in particular, the Share Consolidation. Further details on this matter are set out in paragraph 5 of Part I of this document.</p>

8. Impact of Share Consolidation on existing authority to make market purchases

The Share Consolidation will, if it occurs, result in the Company ceasing to have the authority to make market purchases of its own ordinary shares, previously conferred by resolution 17 passed at the 2020 AGM. The resolution refers specifically to the nominal value of the Existing Ordinary Shares and, accordingly, the authority conferred by the resolution extends only to Existing Ordinary Shares and not to New Ordinary Shares. The Board currently expects to seek an equivalent authority to make market purchases of New Ordinary Shares at the Company's annual general meeting in 2021.

PART IV

UNITED KINGDOM TAXATION IN RELATION TO THE RETURN OF CASH

The comments below are intended as a general guide only and are based on current United Kingdom tax law and the published practice of HM Revenue and Customs, both of which are subject to change and possibly with retrospective effect. Any change may affect the taxation liabilities of Shareholders in relation to the Return of Cash. The comments below apply only to Shareholders who are resident and ordinarily resident in the United Kingdom for tax purposes and who hold their Existing Ordinary Shares, and who will hold their New Ordinary Shares, beneficially as investments and not on trading account.

Furthermore, the comments below may not apply to Shareholders in special circumstances, such as those who do not hold their Existing Ordinary Shares and New Ordinary Shares beneficially as investments, insurance companies, collective investment schemes, dealers in securities and Shareholders who acquired (or are deemed to have acquired) their Existing Ordinary Shares by virtue of an office or employment. The position may be different for any future transactions and may alter between the date of this document and the implementation of the Return of Cash.

Shareholders are urged to consult an appropriate professional adviser without delay in respect of their tax position. Shareholders who are not tax resident in the United Kingdom or who are otherwise taxable outside of the United Kingdom should consult their own professional advisers on the possible application of taxation laws in their individual countries of residence.

1. Share Consolidation

The receipt of the New Ordinary Shares arising from the Share Consolidation should be treated as a reorganisation of the share capital of the Company for the purposes of United Kingdom taxation of chargeable gains (“CGT”). Accordingly, the receipt of the New Ordinary Shares will not itself give rise to any liability to CGT in a Shareholder’s hands. Instead, the Shareholder’s resultant holding of New Ordinary Shares will be treated as the same asset as the Shareholder’s holding of Existing Ordinary Shares and as having been acquired at the same time, and for the same consideration, as that holding of Existing Ordinary Shares.

The sale, on behalf of the relevant Shareholders, of fractional entitlements to New Ordinary Shares resulting from the Share Consolidation will not constitute a part disposal for CGT purposes and no payment is expected to be received by Shareholders as a result of the sale of fractional entitlements therefore there will be no adjustment to the cost base of the New Ordinary Shares received.

The issue of the New Ordinary Shares will not itself give rise to any liability to UK income tax (or corporation tax on income) in a Shareholder’s hands.

On a subsequent disposal of the whole or part of the New Ordinary Shares comprised in the new holding, a shareholder may, depending upon his or her circumstances, be subject to tax on the amount of any chargeable gain realised.

2. Special Dividend

The UK tax treatment of the Special Dividend will be as income and will be as summarised below.

The UK tax treatment of the Shareholders who receive the Special Dividend will be the same as the UK tax treatment of such Shareholders receiving any other dividend paid by the Company.

No tax credit attaches to the payment by a UK company of any dividend. The Company is not required to withhold any tax when paying a dividend. Liability to tax on the Special Dividend will depend upon the individual circumstances of a Shareholder.

UK resident individual Shareholders

Individual Shareholders who are resident for tax purposes in the UK and receive the Special Dividend will not be liable to UK tax to the extent that (taking account of any other dividends received in the

same tax year) that dividend falls within their first £2,000 of dividend income (the 'nil rate band') or their personal allowance. To the extent that (taking account of any other dividends received by the Shareholder in the same tax year) the dividend does not fall within the nil rate band or personal allowance, it will be subject to income tax at 7.5 per cent (to the extent it is within the basic rate band), 32.5 per cent (to the extent it is within the higher rate band) or 38.1 per cent (to the extent it is within the additional rate band), in each case, when treated as the top slice of that Shareholder's income.

UK resident corporate Shareholders

For UK resident corporate Shareholders, it is likely that the Special Dividend will fall within one or more of the classes of dividend qualifying for exemption from corporation tax. However, it should be noted that the exemptions are not comprehensive and are also subject to anti-avoidance rules. Shareholders within the charge to corporation tax should consult their own independent tax advisers.

Non-UK resident Shareholders

Shareholders who are resident outside the UK for tax purposes generally will not be subject to UK tax on dividends. A Shareholder resident outside the UK may be subject to non-UK taxation on dividend income under local law. **A Shareholder who is resident outside the UK for tax purposes should consult his or her own independent tax advisers concerning his or her tax position in respect of the Special Dividend.**

3. Taxation of chargeable gains

Under the provisions of part 15, CTA 2010 (for companies) and part 13, chapter 1 ITA 2007 (for individuals), HM Revenue & Customs can in certain circumstances counteract tax advantages arising in relation to a transaction or transactions in securities. No clearance has been or will be sought by the Company in relation to applicability of those provisions in respect of the Return of Cash. However, it is not expected that they will, as a general matter, affect the taxation treatment of Shareholders receiving the Special Dividend.

4. Stamp Duty and Stamp Duty Reserve Tax

Shareholders will not be liable to pay or bear any UK stamp duty or stamp duty reserve tax as a result of the Special Dividend, the Share Consolidation or on the issue of the New Ordinary Shares.

PART V

FREQUENTLY ASKED QUESTIONS WITH ANSWERS

This document explains the Return of Cash of approximately US\$250 million (approximately £188 million) which Cairn proposes to make to its Shareholders. To help you understand what is proposed we have prepared the summary below in the form of frequently asked questions with answers, which are aimed particularly at Shareholders who are individuals. **You should read the whole of this document carefully and not rely solely on the summary information below.**

If you still have any questions, you may call the Shareholder helpline on 0333-207-6524 (from within the United Kingdom) or +44 333-207-6524 (if calling from outside the United Kingdom) between 9.00 a.m. and 5.00 p.m. (London time) Monday to Friday (excluding English and Welsh public holidays). Calls to +44 333-207-6524 from outside the United Kingdom are charged at applicable international rates. Please note that calls to these numbers may be monitored or recorded for security and training purposes.

The helpline is not able to provide advice on the merits of the Resolutions to be proposed at the General Meeting or the Return of Cash, or give personal, legal, financial or tax advice.

All dates are subject to change. The questions with answers below assume you do not hold your shares through CREST unless CREST is specifically mentioned. If you hold your shares through CREST and would like some further information on the Return of Cash, please contact the Shareholder helpline.

1. What is being proposed?

Cairn intends to return 32 pence in cash to Eligible Shareholders for each Eligible Existing Ordinary Share that they hold at 6.00 p.m. on 8 January 2021. This amounts to a total aggregate return of approximately US\$250 million (approximately £188 million) to Shareholders.

2. Why is Cairn returning this cash?

As announced today, Cairn expects to complete the sale of its entire participating interest in the RSSD Production Sharing Contract together with a corresponding proportion of the rights, obligations and liabilities under the RSSD Joint Operating Agreement to Woodside prior to year-end. Under the terms of the Woodside SPA, cash received by Cairn at completion is expected to be approximately US\$525 million, comprising US\$300m acquisition consideration and US\$225 million reimbursement of expenditure incurred on the sale assets since 1 January 2020.

The Board therefore believes it is appropriate to return approximately US\$250 million (approximately £188 million) of cash to Shareholders following completion under the Woodside SPA. The Board, which has received financial advice from Rothschild & Co, has taken full account of the Group's development and growth plans and access to funding in reaching its decision that this is an appropriate amount to return to Shareholders. The remainder of the sale proceeds will be retained to augment working capital, assist with the development and potential acquisition of other oil and gas assets within the Group.

3. How is this being done?

We have chosen a dividend as the method of returning the cash, which is simple to put in place and treats all Shareholders in the same manner. We refer to the dividend in this document as a "**Special Dividend**" because it is not intended to be part of a regular dividend programme or policy. The Board is recommending a one-off return to Shareholders of approximately US\$250 million (approximately £188 million). For every Eligible Existing Ordinary Share that you hold at the "**Record Time**" (expected to be 6.00 p.m. on 8 January 2021), you will receive 32 pence in cash.

4. What happens to my Ordinary Shares?

In addition to the Special Dividend, there will also be a share capital consolidation that will reduce the number of Ordinary Shares that you and all other Shareholders hold. If we were to do nothing more

than return the cash to Shareholders through the Special Dividend, Cairn's share price would probably fall by about 32 pence per Ordinary Share, reflecting the value being returned to Shareholders. Therefore, to help ensure that the share price stays about the same immediately before and after the Special Dividend (subject to normal market movements), we intend to reduce the total number of shares owned by all Shareholders. This is referred to in this document as the "**Share Consolidation**".

The ratio used for the Share Consolidation will be determined by the Board (or a duly appointed committee thereof) to be the most appropriate to ensure, so far as possible and subject to normal market movements, that the market share price of one New Ordinary Share immediately before and after the Return of Cash is approximately the same. The ratio used for the Share Consolidation will reduce the number of Ordinary Shares in issue by an amount that reflects the value of the Special Dividend relative to the market capitalisation of Cairn prior to the Return of Cash. If the number of Existing Ordinary Shares you hold does not divide exactly by the consolidation denominator, you will be left with a fractional entitlement to a New Ordinary Share. Please see question 6 below for guidance on how this fractional entitlement will be treated.

The Share Consolidation ratio will be determined by the Board not later than two Business Days prior to the commencement of dealings in the New Ordinary Shares on 11 January 2021. An announcement giving details of the Share Consolidation ratio will be made by RIS once a determination has been made. The announcement will also be made available on Cairn's website (www.cairnenergy.com)

5. What does all this mean to me?

You will continue to own the same proportion of Cairn immediately after the Share Consolidation as you did before, subject to fractional entitlements arising on the Share Consolidation, which will be sold in the market as described in more detail in response to question 6 below. The value of any one Shareholder's fractional entitlement will not exceed the value of one New Ordinary Share.

The total value of your new ordinary shareholding in Cairn immediately following the Share Consolidation, plus 32 pence for every Eligible Ordinary Share you hold, plus the value of any fractional entitlements donated to charity, should be equal to the value of your original holding immediately before the Share Consolidation (subject to normal market movements).

6. What if the number of Ordinary Shares I hold at 6.00 p.m. on 8 January 2021 does not divide exactly by the consolidation denominator?

If, immediately before the Share Consolidation, your holding of Existing Ordinary Shares does not divide exactly by the consolidation denominator, you will be left with a fractional entitlement to a New Ordinary Share. So, by way of illustration only, if the Board (or a duly appointed committee thereof) determines a Share Consolidation of 17 New Ordinary Shares for every 21 Existing Ordinary Shares is most appropriate, a Shareholder with 100 Existing Ordinary Shares would, after the Share Consolidation, be entitled to 80 New Ordinary Shares and a fractional entitlement to 0.95 of a New Ordinary Share. Cairn will combine all the fractions and arrange to have them sold in the market. The value of any one Shareholder's fractional entitlement will not exceed the value of one New Ordinary Share. Given the proceeds of sale are expected to be less than £3.00 per individual Shareholder, the Board intends, in accordance with the Articles of Association, to donate the aggregated sale proceeds to charities chosen by the Board.

7. What if I sell or have sold or transferred all or some of my Existing Ordinary Shares?

If you sell or have sold or otherwise transferred all of your Existing Ordinary Shares at any time prior to the Record Time (expected to be 6.00 p.m. on 8 January 2021), please forward this document, together with the accompanying documents (but not any personalised Form of Proxy), at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. However, such documents should not be forwarded to or sent into or within any jurisdiction in which to do so would constitute a breach of the relevant laws of such jurisdiction. If you sell or have sold or otherwise transferred part only of your holding of Existing Ordinary Shares, please consult the bank, stockbroker or other agent through whom the sale or transfer was effected.

8. What happens to my CREST Account?

If you hold your Existing Ordinary Shares in uncertificated form, your CREST account will be automatically credited with New Ordinary Shares as soon as practicable after 8.00 a.m. on 11 January 2021 under ISIN GB00BN0SMB92.

9. What happens to my current share certificate?

If you hold your Existing Ordinary Shares in certificated form, the share certificate that you currently hold will not be valid after the Listing of the New Ordinary Shares (expected to happen at 8.00 a.m. on 11 January 2021). Accordingly, when you receive your New Ordinary Share certificate you should destroy the one that you currently hold as it will be worthless.

10. When will I get my New Ordinary Share certificate?

If you hold your Existing Ordinary Shares in certificated form, it is expected that your New Ordinary Share certificate will be sent to you on 25 January 2021. If you hold your Existing Ordinary Shares in uncertificated form through CREST, you will not receive a share certificate in respect of your New Ordinary Shares.

11. What if I want to sell my New Ordinary Shares before I have received my New Ordinary Share certificate?

If you hold your Existing Ordinary Shares in certificated form, even though you will not receive your new share certificate until after 25 January 2021, you will be able to sell your New Ordinary Shares from 11 January 2021.

Cairn will not be issuing temporary documents of title. The New Ordinary Shares will be certified against the register held by the Company's registrars, Equiniti. You should call the Shareholder helpline on 0333-207-6524 (or +44 333-207-6524 if calling from outside the United Kingdom) between 9.00 a.m. and 5.00 p.m. (London time) Monday to Friday (excluding English and Welsh public holidays) for further information on how to do this. Calls to the helpline from outside the UK will be charged at the applicable international rate. Please note that calls may be recorded and randomly monitored for security and training purposes.

12. Illustrative example of how this works in practice

The example below illustrates the number of shares and the cash payment you would receive assuming the Board (or a duly appointed committee thereof) determines a Share Consolidation of 17 New Ordinary Shares for every 21 Existing Ordinary Shares is most appropriate :

<u>Number of Ordinary shares</u>	<u>Number of New Ordinary Shares you will receive</u>	<u>Fractional entitlement(£)*</u>	<u>Special Dividend(£)</u>
5	4	0.08	1.60
10	8	0.16	3.20
50	40	0.80	16.00
100	80	1.59	32.00
200	161	1.51	64.00

Please note this table and the Share Consolidation is included by way of illustration only. The Share Consolidation ratio will be determined by the Board (or a duly appointed committee thereof) prior to the Return of Cash.

* *The illustrative value of these fractional entitlements is based on a closing share price of £1.67 per Existing Ordinary Share as at 16 December 2020, being the last practicable date prior to publication of this document. Given the proceeds of sale of fractional entitlements are expected to be less than £3.00 per individual Shareholder, the Board intends, in accordance with the Articles of Association, to donate the aggregated sale proceeds to charities chosen by the Board.*

13. What is my tax position?

We have set out a general guide to United Kingdom taxation in Part IV (United Kingdom taxation in relation to the Return of Cash) of this document and you should read it carefully. You are urged to consult an appropriate professional adviser in respect of your tax position.

Shareholders who are not tax resident in the United Kingdom or who are otherwise taxable outside of the United Kingdom should consult their own professional advisers on the possible application of taxation laws in their individual countries of residence.

14. Will the proceeds from the Special Dividend be paid directly into my bank account?

It is expected that a cheque for the Special Dividend will be sent to you, or, if a mandate instruction is held, that your bank account will be credited, as appropriate, with the proceeds on 25 January 2021 (or such other date as the Directors may determine).

15. What if I hold my Ordinary Shares in an ISA?

If you hold your Existing Ordinary Shares in an ISA, you should be able to hold the New Ordinary Shares which you receive in place of your Existing Ordinary Shares in an ISA (subject to the terms and conditions of your ISA). You should contact your plan manager who will be able to advise you of the procedure for voting on the Resolutions to be proposed at the General Meeting.

16. Do I need to vote at the General Meeting?

You are not obliged to vote, but if you fail to do so the Return of Cash may not take place, as it requires the approval of Shareholders. In order for the Return of Cash to happen, you should vote at the General Meeting by completing and signing your Form of Proxy (sent to you with this document) and returning it to Cairn's registrars to arrive as soon as possible. For your convenience, the address of Cairn's registrars, Equiniti, is printed on the back of the Form of Proxy and postage is pre-paid from within the United Kingdom. You may also submit your proxy electronically at www.sharevote.co.uk using the Voting ID, Task ID and Shareholder Reference Number on your Form of Proxy. To be valid, the completed Form of Proxy or proxies submitted electronically must be sent as soon as possible and in any event so as to be received by Equiniti by no later than 9.00 a.m. on 6 January 2021. **Please note that the General Meeting will proceed as a "closed meeting" in view of the COVID-19 pandemic and, in view of this, anyone other than the chairman of the General Meeting appointed as proxy will not be entitled to attend and vote at the General Meeting in your place. In view of this you are strongly encouraged to ensure that your votes are counted at the General Meeting by appointing the chairman of the General Meeting as their proxy and submitting your completed Form of Proxy as described paragraph 8 (Action to be taken) of Part I of this document.**

17. Why have I been sent so much paperwork?

Cairn is required by law and the Listing Rules to provide all Shareholders with full details of the Return of Cash. This document contains important information and we recommend that you read it carefully as you have a right to vote on the Return of Cash.

18. What if I have any more questions?

If you have read this document and have any further questions, you may telephone the Shareholder helpline, which is available between the hours of 9.00 a.m. and 5.00 p.m. Monday to Friday (excluding English and Welsh public holidays). The Shareholder helpline numbers are: 0333-207-6524 (from inside the UK) or +44 333-207-6524 (if calling from outside the UK). Calls to the Shareholder helpline from outside the United Kingdom will be charged at the applicable international rates. Please note that calls may be recorded and monitored for security and training purposes.

For legal reasons the Shareholder helpline will be unable to give advice on the merits of the Resolutions to be proposed at the General Meeting or the Return of Cash, or give personal, legal, financial or tax advice to Shareholders. Shareholders are recommended to consult their own independent professional adviser.

DEFINITIONS

The following definitions apply throughout this document and in the accompanying Form of Proxy and (if one is enclosed) Election Form, unless the context requires otherwise:

“2017 LTIP”	the Cairn Energy PLC Long Term Incentive Plan (2017);
“2020 AGM”	the annual general meeting of the Company held on 14 May 2020;
“Articles of Association”	the articles of association of the Company from time to time;
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which pound sterling deposits may be dealt in on the London inter-bank market and commercial banks are open for general business in London;
“Cairn Share Schemes”	the Cairn Energy PLC Approved Share Option Plan (2009), the Cairn Energy PLC Unapproved Share Option Plan (2009), the Cairn Energy PLC Long Term Incentive Plan (2009), the SIP, the Cairn Energy PLC Employee Share Award Scheme (2015) and the 2017 LTIP;
“Companies Act”	the Companies Act 2006 (as amended);
“Company” or “Cairn”	Cairn Energy PLC, a company incorporated in Scotland with registered number SC226712;
“CREST”	the relevant system for the paperless settlement of trades in securities and the holding of uncertificated securities (as defined in the Uncertificated Securities Regulations 2001 (SI. 2001 No. 3775)) operated by Euroclear;
“CREST Manual”	the current version of the CREST manual from time to time which at the date of this document is available on www.euroclear.com ;
“CREST Proxy Instruction”	a properly authenticated CREST message appointing and instructing a proxy to attend and vote in the place of the Shareholder at the General Meeting and containing the information required to be contained therein by the CREST Manual;
“CTA 2010”	Corporation Tax Act 2010;
“Directors” or “Board”	the board of directors of Cairn, from time to time, or, where appropriate, any duly appointed committees of it;
“Disclosure and Transparency Rules”	the Disclosure Guidance and Transparency Rules of the FCA;
“Electronic Proxy Instruction”	a proxy instruction submitted electronically at www.sharevote.co.uk using the numbers included in the Form of Proxy;
“Eligible Existing Ordinary Shares”	Existing Ordinary Shares other than any Existing Ordinary Shares in respect of which the entitlement to the Special Dividend has been waived by the holder of such Existing Ordinary Shares, being all of the Existing Ordinary Shares other than those held by the trustee of the Cairn Energy PLC Employees’ Share Trust (2003);
“Eligible Shareholders”	holders of Eligible Existing Ordinary Shares;
“Equiniti”	Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA;
“Euroclear”	Euroclear UK & Ireland Limited;
“Existing Ordinary Shares”	issued ordinary shares of $231\frac{1}{169}$ pence each in the capital of Cairn existing before the Share Consolidation;

“FCA”	The Financial Conduct Authority;
“Form of Proxy”	the form of proxy enclosed with this document, for use by Shareholders in connection with the General Meeting;
“FSMA”	Financial Services and Markets Act 2000 (as amended);
“General Meeting”	the general meeting of Cairn to be held at the Company’s head office at 50 Lothian Road, Edinburgh EH3 9BY at 9.00 a.m. on 8 January 2021, notice of which is set out at the end of this document;
“Group”	the Company, its subsidiary undertakings and any other body corporate, legal entity, partnership or unincorporated joint venture in which the Company or any of its subsidiary undertakings holds a participating interest (as such term is defined by section 1162 of the Companies Act) from time to time;
“ISA”	UK individual savings account;
“ISIN”	International Security Identification Number;
“ITA 2007”	Income Tax Act 2007;
“Listing”	the admission of the New Ordinary Shares to the premium segment of the Official List becoming effective in accordance with the Listing Rules and the admission to trading on the of the London Stock Exchange’s main market for listed securities becoming effective in accordance with the rules of the London Stock Exchange;
“Listing Rules”	the listing rules made by the FCA for the purposes of Part VI of FSMA;
“London Stock Exchange”	London Stock Exchange plc;
“New Ordinary Shares”	the new ordinary shares in the capital of the Company admitted to the Official List under the ISIN GB00BN0SMB92 and which will replace the Existing Ordinary Shares following the Share Consolidation;
“Official List”	the official list maintained by the FCA for the purposes of Part VI of FSMA;
“Ordinary Shares”	Existing Ordinary Shares or New Ordinary Shares, as the context may require;
“Record Time”	the record time for the Special Dividend and the Share Consolidation, being 6.00 p.m. on 8 January 2021 (or such other time as the Directors may determine);
“Resolutions”	the resolutions to be proposed at the General Meeting;
“Return of Cash”	the transaction comprising the Special Dividend and the Share Consolidation;
“RIS” or “Regulatory Information Service”	a regulatory information service as defined by the Listing Rules;
“Rothschild & Co”	N. M. Rothschild & Sons Limited;
“RSSD”	Rufisque Offshore, Sangomar Offshore and Sangomar Deep Offshore;
“SEC”	the Securities Exchange Commission;

“Share Consolidation”	the consolidation and division of the share capital of the Company to be undertaken, or expected to be undertaken, at the discretion of the Board (or a duly appointed committee thereof), as set out in sub-paragraph (b) of Resolution 1 to be proposed at the General Meeting;
“Shareholders”	holders of Existing Ordinary Shares or New Ordinary Shares, as the context may require;
“Special Dividend”	the dividend of 32 pence per Eligible Existing Ordinary Share to be paid as an interim dividend for the financial year ended 31 December 2021, subject to completion under the Woodside SPA and the passing of Resolution 1 to be proposed at the General Meeting;
“SIP”	The Cairn Energy PLC 2010 Share Incentive Plan;
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland;
“US” or “United States”	the United States of America, its territories, possessions, any State of the United States of America and the District of Columbia;
“US Securities Act”	US Securities Act of 1933 (as amended).
“Woodside”	Woodside Energy (Senegal) B.V., incorporated under the laws of the Netherlands and registered with the Dutch Commercial Register under number 54153328; and
“Woodside SPA”	the agreement dated 4 September 2020 between Capricorn Senegal Limited, Woodside and Cairn relating to the sale and purchase of the Group’s entire participating interest in the RSSD production sharing contract and the corresponding proportion of the rights, obligations and liabilities under the RSSD joint operating agreement.

CAIRN ENERGY PLC

(Incorporated in Scotland with registered number SC226712)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a general meeting of Cairn Energy PLC (the “**Company**”) will be held at the Company’s head office at 50 Lothian Road, Edinburgh EH3 9BY at 9.00 a.m. on 8 January 2021 for the purposes of considering and, if thought fit, passing the following Resolutions, each of which will be proposed as an ordinary resolution:

1. THAT, subject to completion having occurred under the sale and purchase agreement dated 4 September 2020 between Capricorn Senegal Limited, Woodside Energy (Senegal) B.V., and the Company, and otherwise conditional on and with effect from the admission of the New Ordinary Shares (as defined in sub-paragraph (b) of this Resolution) to the premium segment of the Official List of the Financial Conduct Authority and to trading on the main market for listed securities of the London Stock Exchange plc:
 - (a) the intended payment of 32 pence per ordinary share of $\frac{231}{169}$ pence as an interim dividend in respect of the financial year ending 31 December 2021 be authorised; and
 - (b) each holding of ordinary shares of $\frac{231}{169}$ pence in the capital of the Company in issue as at 6.00 p.m. on 8 January 2021 (or such other time and/or date as the directors of the Company (the “**Directors**” or the “**Board**”) may determine) (the “**Record Time**”) be, at the discretion of the Board (or a duly appointed committee thereof), consolidated and divided into such number of ordinary shares in the capital of the Company of such nominal value as is determined by the Board (or a duly appointed committee thereof) prior to the date of the Return of Cash (the “**New Ordinary Shares**”) provided that:
 - (i) where such consolidation and division results in a member being otherwise entitled to a fraction of a New Ordinary Share, such fraction shall be aggregated with the fractions of a New Ordinary Share to which other members of the Company may be entitled into New Ordinary Shares; and
 - (ii) the Directors be authorised to sell (or appoint any other person to sell), on behalf of the relevant members, all the New Ordinary Shares representing such fractions at the best price reasonably obtainable, and to distribute the proceeds of sale (net of expenses) to charities chosen by the Directors, and that any Director (or any person appointed by the Directors) be authorised to execute an instrument of transfer in respect of such shares on behalf of the relevant members and to do all acts and things the Directors consider necessary or desirable to effect the transfer of such shares;
2. THAT, subject to Resolution 1 set out above being passed and becoming effective, the amendments to the rules of the Cairn Energy PLC Long Term Incentive Plan (2017) (the “**2017 LTIP**”) that are (i) summarised in paragraph 5 of Part I of the circular dated 17 December 2020 and sent by the Company to its shareholders; and (ii) contained in the amended rules of the 2017 LTIP produced in draft to the meeting and initialled by the Chairman for the purpose of identification, be approved and the directors of the Company be authorised to do all such acts and things as they consider necessary or appropriate to carry the same into effect.

By Order of the Board

Anne McSherry
Company Secretary

Registered office:
50 Lothian Road, Edinburgh EH3 9BY, United Kingdom

17 December 2020

Shareholder Notes:

- Please note that, in accordance with the new laws and associated guidance introduced by the UK government in response to the current COVID-19 pandemic, Shareholders or their appointed proxies (unless the proxy is the chairman of the General Meeting) will not be allowed to attend the general meeting of the Company convened by this notice (the “General Meeting”). All of the notes to this notice of General Meeting and, in particular, any reference to attendance at the General Meeting, whether by a Shareholder, its proxy or its corporate representative, shall be construed accordingly.** A member of the Company entitled to attend and vote at the General Meeting is entitled to appoint a proxy or proxies to attend, speak and vote instead of him or her. A proxy need not be a member of the Company, but must attend the General Meeting to represent you. A form of proxy (the “Form of Proxy”) accompanies this notice of General Meeting and must be lodged with the Company at the office of its registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA (the “Registrars”) or received via the Sharevote service (see Note 2 below) or lodged using the CREST proxy voting service (see Note 3 below) not less than 48 hours before the time appointed for the General Meeting or any adjournment(s) thereof (excluding any part of any day that is not a working day). The appointment of a proxy or submission of an electronic voting direction will not preclude a member entitled to attend and vote at the General Meeting from doing so if he or she wishes. You can only appoint a proxy using the procedures set out in these notes and the notes to the Form of Proxy. If you wish to change or revoke your proxy appointment, please contact the Registrars on 0333-207-6524 (for calls from within the United Kingdom) and +44 333-207-6524 (for calls from outside the United Kingdom) between 9.00 a.m. and 5.00 p.m. Monday to Friday (excluding English and Welsh public holidays). Calls to +44 333-207-6524 from outside the United Kingdom are charged at applicable international rates.
- Members may register their proxy appointments or voting directions electronically via the www.sharevote.co.uk website, where full details of the procedure are given. Members will need the Voting ID, Task ID and Shareholder Reference Number set out on the Form of Proxy which accompanies this notice of General Meeting. Members are advised to read the terms and conditions of use carefully. Electronic communication facilities are available to all shareholders and those who use them will not be disadvantaged. The Company will not accept any communication that is found to contain a computer virus.
- CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting to be held on 8 January 2021 and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
- In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a “CREST Proxy Instruction”) must be properly authenticated in accordance with Euroclear UK & Ireland Limited’s specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Registrars (ID RA19) by no later than 9.00 a.m. on 6 January 2021, or, in the event that the General Meeting is adjourned, not less than 48 hours before the time appointed for the adjourned General Meeting (excluding any part of any day that is not a working day). No such message received through the CREST network after this time will be accepted. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST core processor) from which the issuer’s agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
- CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting

service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings, which can be viewed at www.euroclear.com. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

6. You may appoint more than one proxy provided that each proxy is appointed to exercise rights attached to different Shares. You may not appoint more than one proxy to exercise rights attached to any one Share. To appoint more than one proxy, please contact the Registrars on 0333-207-6524 (for calls from within the United Kingdom) and +44 333-207-6524 (for calls from outside the United Kingdom) between 9.00 a.m. and 5.00 p.m. Monday to Friday (excluding English and Welsh public holidays). Please note that calls to these numbers may be monitored and recorded for security and training purposes. Calls to +44 333-207-6524 from outside the United Kingdom are charged at applicable international rates.
7. The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 of the Companies Act 2006 ("Nominated Persons"). Nominated Persons may have a right under an agreement with the registered shareholder who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if Nominated Persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.
8. Any corporation which is a shareholder can appoint one or more corporate representative(s) who may exercise on its behalf all of its powers as a shareholder provided that they do not do so in relation to the same shares.
9. To be entitled to vote at the General Meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the register of members of the Company at 6.30 p.m. on 6 January 2021 (or, in the event of any adjournment, on the date which is two days (excluding any part of a day that is not a working day) before the time of the adjourned meeting). Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to vote at the meeting.
10. On 16 December 2020 (being the last practicable date before printing this notice of General Meeting), the Company's issued share capital comprised 589,552,585 ordinary shares of $23\frac{1}{169}$ pence each. Each such ordinary share carries the right to one vote at a general meeting of the Company. Therefore, the total number of voting rights in the Company as at the last practicable date was 589,552,585. It is proposed that all votes on the Resolutions to be proposed at the General Meeting will be taken by way of a poll rather than on a show of hands. The Company considers that a poll is more representative of Shareholders' voting intentions because (a) votes are counted according to the number of shares held and all votes tendered are taken into account, and (b) Shareholders will not be allowed to attend the General Meeting in person as a result of the laws and associated guidance introduced in response to the current COVID-19 pandemic. The results of the voting will be announced through a Regulatory Information Service and will be published on our website www.cairnenergy.com as soon as reasonably practicable thereafter.
11. In accordance with section 311A of the Companies Act 2006, the contents of this notice of General Meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the General Meeting and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice of General Meeting will be available on the Company's website at www.cairnenergy.com.
12. Pursuant to section 319A of the Companies Act 2006, the Company must cause to be answered at the General Meeting any question relating to the business being dealt with at the General Meeting which is put by a member attending the General Meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the General Meeting that the question be answered or if to do so would involve the disclosure of confidential information. In view of the intention to hold the General Meeting as a closed meeting at which Shareholders are not permitted to attend in person, the Company will offer Shareholders the facility to ask questions before the General Meeting by email to IR.Mailbox@cairnenergy.com. The board of directors of the Company will endeavour to answer key themes of these questions on the Company's website as soon as is practical.

13. A copy of the 2017 LTIP, showing the amendments proposed to be made under Resolution 2 to be proposed at the General Meeting will be available for inspection during normal business hours on any weekday (public holidays excepted) at the registered office of the Company from the date of this document up to and including the date of the General Meeting and will also be available for inspection for at least 15 minutes before and during the General Meeting.
14. A member may not use any electronic address provided either in this notice of General Meeting or any related documents (including the Chairman's letter and the Form of Proxy), to communicate with the Company for any purpose other than those expressly stated.

