

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 independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorised independent financial adviser. If you have sold or otherwise transferred all of your shares in Cairn Energy PLC, you should pass this document, with the accompanying Form of Proxy, without delay to the stockbroker, bank or other person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares except that such documents should not be sent to any jurisdiction where to do so might constitute a violation of local securities laws or regulations. If you sell or have sold part only of your holding of shares in Cairn Energy PLC, please consult the bank, stockbroker or other agent through whom the sale or transfer was effected.



CAIRN ENERGY PLC

(Incorporated in Scotland with registered number SC226712)

Proposed sale of Cairn's interests in the Catcher and Kraken Fields

and

Notice of General Meeting

This Circular should be read as a whole. Your attention is drawn to the letter from the Chair of Cairn Energy PLC (the "Company", "Cairn" or "Cairn Energy") which is set out at Part I of this Circular and which recommends you to vote in favour of the Resolution to be proposed at the General Meeting referred to below. Please also see Part II of this Circular for a discussion of certain risk factors that you should consider carefully when deciding whether or not to vote in favour of the Resolution to be proposed at the General Meeting. The whole of this Circular should be read in light of these risk factors.

Notice of the General Meeting of Cairn to be held at 50 Lothian Road, Edinburgh EH3 9BY at 9 a.m. on 28 October 2021, is set out at the end of this Circular.

As at the Last Practicable Date, there are only limited restrictions on public gatherings in Scotland. This means that Cairn is able to facilitate the attendance of Shareholders in person at the General Meeting, although face coverings will be required to be worn indoors in line with current Scottish restrictions.

Although attendance in person at the General Meeting is possible, in order to minimise public health risks, refreshments will not be served, and Directors will not be available to meet with Shareholders, before or after the General Meeting.

Should Shareholders wish to attend the General Meeting in person, they are requested to pre-register by sending an email to IR.Mailbox@Cairnenergy.com. Shareholders are responsible for understanding and complying with any restrictions applicable to their own journey and should bear in mind that at the time of the General Meeting these rules may differ between different parts of the UK.

Cairn will continue to monitor the situation and, in particular, any changes to the applicable law or guidance in force as a consequence of the COVID-19 pandemic. If circumstances change such that it is necessary to change the arrangements for the General Meeting, Cairn will communicate such change via its website and (where appropriate) through the release of an announcement to a Regulatory Information Service. Shareholders are therefore encouraged to check Cairn's website and the latest Scottish and UK Government guidance before finalising their travel arrangements to attend the General Meeting.

Enclosed with this Circular 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 in accordance with the instructions printed on it as soon as possible, and in any event, so as to arrive at the offices of the Company's registrars, Equiniti at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, not later than 9 a.m. on 26 October 2021. Alternatively, you may register your proxy appointment or voting directions electronically via the www.sharevote.co.uk website not later than 9 a.m. on 26 October 2021 (further information regarding the use of this facility is set out in the notes to the Notice of General Meeting). If you hold your 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 a.m. on 26 October 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 Circular and the Transaction and will not regard any other person as its client in relation to the matters in this Circular 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 Circular or the Transaction or any transaction, arrangement or other matter referred to in this Circular.

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 shall not assume any responsibility whatsoever nor makes any representations or warranties, express or implied, in relation to the contents of this Circular, 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 Circular 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 Transaction. 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 Circular or any such statement.

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IMPORTANT INFORMATION

Regarding Forward Looking Statements

This Circular includes statements that are, or may be deemed to be, “forward looking statements”. These forward looking statements can be identified by the use of forward looking terminology, including the terms “anticipates”, “expects”, “intends”, “may”, “will”, “believes”, “estimates”, “plans”, “projects” or “should” or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward looking statements include all matters that are not historical facts. They appear in a number of places throughout this Circular and include, but are not limited to, statements regarding the Company’s intentions, beliefs or current expectations concerning, among other things, the Group’s results of operations, financial position, prospects, growth, strategies and the industry in which it operates. By their nature, forward looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward looking statements are not guarantees of future performance and the actual results of the Group’s operations and financial position, and the development of the markets and the industry in which the Group operates, may differ materially from those described in, or suggested by, the forward looking statements contained in this Circular.

In addition, even if the results of operations, financial position and the development of the markets and the industry in which the Group operates are consistent with the forward looking statements contained in this Circular, those results or developments may not be indicative of results or developments in subsequent periods. A number of factors could cause results and developments to differ materially from those expressed or implied by the forward looking statements including, without limitation, general economic and business conditions, industry trends, competition, changes in regulation, currency fluctuations, changes in its business strategy, political and economic uncertainty and other factors discussed in Part II (*Risk Factors*) of this Circular.

Forward looking statements may, and often do, differ materially from actual results. Any forward looking statements in this Circular speak only as at the date of this Circular, reflect the Company’s current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group’s operations, results of operations and growth strategy. You should specifically consider the factors identified in this Circular which could cause actual results to differ before making any decision in relation to the Transaction. Subject to the requirements of the FCA, the London Stock Exchange, the Listing Rules and the DTRs (and/or any regulatory requirements) or applicable law, the Company explicitly disclaims any obligation or undertaking publicly to release the result of any revisions to any forward looking statements in this Circular that may occur due to any change in the Company’s expectations or to reflect events or circumstances after the date of this Circular.

Forward-looking statements contained in this document do not in any way seek to qualify the working capital statement contained in Part VI (*Additional Information*) of this document.

Currencies

References to “**Pounds Sterling**”, “**£**” and “**pence**” are to the lawful currency of the United Kingdom.

References to “**US Dollars**”, “**US\$**” and “**US cents**” are to the lawful currency of the United States of America.

Rounding

Percentages and certain amounts included in this Circular have been rounded to the nearest whole number or single decimal place for ease of presentation (except as otherwise stated). Accordingly, figures shown as totals in certain tables may not be the precise sum of the figures that precede them. In addition, certain percentages and amounts contained in this Circular reflect calculations based on the underlying information prior to rounding, and accordingly may not conform exactly to the percentages or amounts that would be derived if the relevant calculations were based upon the rounded numbers.

Times

All times referred to in this Circular are, unless otherwise stated, references to the time in London, United Kingdom.

References to defined terms

Certain terms used in this Circular, including certain capitalised, technical and other terms are defined or described in Part VII (*Glossary of Technical Terms*) and Part VIII (*Definitions*) of this Circular.

Mineral reserve and mineral resource reporting

Unless otherwise indicated, Cairn has, in compiling its estimates of contingent resources, prospective resources and reserves contained in this Circular, used the definitions and guidelines set out by the 2018 SPE/AAPG/WPC/SPEE Petroleum Resources Management System (“**PRMS**”).

“Contingent resources” are defined by the PRMS as “those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, by application of development project(s), not currently considered to be commercial owing to one or more contingencies. Contingent resources have an associated chance of development. Contingent resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorised in accordance with the range of uncertainty associated with the estimates and should be sub-classified based on project maturity and/or economic status”.

“Prospective resources” are instead defined by PRMS as “those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of geologic discovery and a chance of development. Prospective resources are further categorized in accordance with the range of uncertainty associated with recoverable estimates, assuming discovery and development, and may be sub-classified based on project maturity”.

“Reserves” are defined by the PRMS as “Those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of a given date) based on the development project(s) applied”.

Shareholders should not place undue reliance on the forward looking statements in this Circular or on the ability of Cairn to predict actual reserves or resources. Contingent resources relate to undeveloped accumulations and may include non-commercial resources. It should be noted that prospective resources relate to inferred, undiscovered and/or undeveloped mineral resources and accordingly by their nature are highly speculative. A possibility exists that the prospects will not result in the successful discovery of economic resources in which case there would be no commercial development.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Announcement of the Transaction	9 March 2021
Publication of this Circular (including the Notice of General Meeting) and the Form of Proxy and despatch to Shareholders	11 October 2021
Latest time and date for receipt of Forms of Proxy or electronic proxy appointments or completion and transmission of CREST Proxy Instructions	9 a.m. on 26 October 2021
General Meeting	9 a.m. on 28 October 2021
Expected date of Completion (assuming the Put Option or the Call Option is exercised)	Q4 2021
Long stop date for Completion	31 December 2021

Note:

- (1) The times set out in the expected timetable of principal events above and mentioned throughout this Circular may be adjusted by the Company, in which event details of the new times and dates will be notified to the London Stock Exchange, and, where appropriate, Shareholders, through the release of an announcement to a Regulatory Information Service.
- (2) As stated in paragraph 9 of Part I of this Circular, in the event that Waldorf does not exercise the Call Option and Nautical Petroleum subsequently exercises the Put Option, a second general meeting of Cairn may be necessary at which a resolution to approve the Transaction as a result of exercise of the Put Option would be proposed.
- (3) Completion of the Transaction is conditional upon the satisfaction or, where applicable, waiver of certain conditions. There can be no certainty if or when all of these conditions will be satisfied or, where applicable, waived and therefore no certainty as at the date of this Circular regarding the date of Completion.

DIRECTORS, SECRETARY, REGISTERED AND HEAD OFFICE AND ADVISERS

Directors	Nicoletta Giadrossi Keith Lough Peter Kallos Alison Wood Catherine Krajicek Erik Daugbjerg Simon Thomson James Smith	(Non-Executive Chair) (Non-Executive Director) (Non-Executive Director) (Non-Executive Director) (Non-Executive Director) (Non-Executive Director) (Chief Executive) (Chief Financial Officer)
Company Secretary	Anne McSherry	
Registered and head office of the Company	50 Lothian Road Edinburgh EH3 9BY	
Sponsor	Rothschild & Co New Court St Swithin's Lane London EC4N 8AL	
Legal Adviser to the Company as to the Transaction	Mayer Brown LLP 201 Bishopsgate London EC2M 3AF	
Reporting Accountant	PricewaterhouseCoopers LLP Atria One 144 Morrison Street Edinburgh EH3 8EX	
Registrar	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA	

PART I

LETTER FROM THE CHAIR OF CAIRN ENERGY PLC

CAIRN ENERGY PLC

(Incorporated in Scotland with registered number SC226712)

Nicoletta Giadrossi (Non-Executive Chair)
Keith Lough (Non-Executive Director)
Peter Kallos (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

11 October 2021

Dear Shareholder,

Proposed disposal of Cairn's interests in the Catcher and Kraken Fields

1. Introduction

As announced by Cairn on 9 March 2021, Nautical Petroleum Limited, a wholly owned subsidiary of Cairn, has entered into a conditional agreement for the sale of its interests in the UK Catcher and Kraken fields to Waldorf. Further details of the terms of the Transaction are set out in below and in Part III (*Principal Terms of the Transaction*) of this Circular.

The Transaction is of sufficient size relative to that of the Group to constitute a Class 1 transaction under the Listing Rules and is accordingly conditional upon the approval of Shareholders. Your approval of the Transaction is therefore being sought at a General Meeting to be held at 9 a.m. on 28 October 2021 at 50 Lothian Road, Edinburgh EH3 9BY. A notice of the General Meeting setting out the Resolution to seek this approval can be found at the end of this Circular. A summary of the action you are requested to take in connection with the General Meeting is set out in paragraph 8 of this letter and on the Form of Proxy that accompanies this Circular.

I am writing to you to (i) explain the background to and reasons for the Transaction; (ii) provide you with information about the Sale Interests; (iii) explain why the Directors unanimously consider the Transaction to be in the best interests of the Shareholders as a whole; and (iv) recommend that you vote in favour of the Resolution to be proposed at the General Meeting.

2. Background to and reasons for the Transaction

In 2012, Cairn acquired non-operated interests in Catcher and Kraken, two of the largest developments in the UK North Sea, via the acquisition of Nautical Petroleum.

Catcher and Kraken achieved first oil in December 2017 and June 2017 respectively. Since that time, the cashflow from them has helped fund exploration and appraisal activities elsewhere in Cairn's portfolio. However, the sale of both fields as they are approaching a natural decline phase is consistent with Cairn's long-term capital allocation strategy to actively manage its portfolio. The proceeds received will further strengthen the Group's ability to pursue Cairn's strategic goals at an opportune point in the cycle.

3. About Waldorf

Waldorf is an independent E&P company focused on production and development opportunities in the UK North Sea. In 2019, Waldorf acquired the assets of Endeavour Energy UK (EEUK), the main assets of which are the producing Alba and Bacchus fields and the Columbus field development.

Waldorf's strategy is to acquire additional producing, long life assets with strong cash flow and participate in lower risk developments close to production. Waldorf aims to further grow its UK North Sea portfolio with high

quality assets offering operational and financial synergies. Waldorf is managed and owned by an experienced E&P team led by Jon Skabo and Erik Brodahl, who founded the company with support from a consortium of high net worth investors.

4. Key terms of the Transaction

The Transaction will be implemented by way of the sale of the entire issued share capital of the Target, to which Nautical Petroleum will transfer the Sale Interests prior to Completion. The Put Option and the Call Option which have been granted under the Put and Call Option Agreement can be exercised following that transfer, and allow each of Nautical Petroleum and Waldorf to require the other to enter into the Sale and Purchase Agreement (subject to the satisfaction or, where applicable, waiver of certain conditions), under which the share capital of the Target will be sold by Nautical Petroleum to Waldorf.

The key terms of the Transaction are as follows:

- The firm consideration of US\$455 million will be payable by Waldorf to Nautical Petroleum, to be adjusted for interim period and working capital cashflows from the economic date of 1 January 2020. As at 30 June 2021, the net interim period and working capital cashflows which had been received by Nautical Petroleum (and which would, if Completion had occurred on that date, have reduced the firm consideration) were approximately US\$273 million.

US\$425 million of the US\$455 million firm consideration will be payable in cash, of which US\$415 million (as adjusted for interim period and working capital cashflows) will be payable on Completion with US\$10 million (representing the agreed fixed amount of interest on the working capital adjustments) being deferred and payable on agreement or determination of the final working capital and interim period adjustments following Completion.

The balance of US\$30 million will be paid by way of the issue by Waldorf to Nautical Petroleum of secured bonds at Completion in accordance with the terms of the Bond Documents. The Deferred Consideration Bonds will bear interest at a rate of 9.75 per cent per annum, and will be repayable (together with accrued interest thereon) in quarterly instalments over the period from 1 January 2022 to 1 October 2024.

Although the deferred element of the firm consideration that was to be payable by Waldorf, under a deferred consideration agreement that was to be entered into between Waldorf and Nautical at Completion, has been reduced from US\$35 million to US\$30 million, the interest rate on that element has been increased from 3 per cent per annum above the Bank of England base rate, and the Deferred Consideration Bonds will be secured. The date by which the Deferred Consideration Bonds will have been repaid has been brought forward to 1 October 2024 from the date which would have been 48 months following Completion. In addition, there will be greater certainty on the amount of the quarterly repayments prior to that date as these will now be fixed rather than an amount equal to 50% of Waldorf's excess cash flow for the relevant quarter. Furthermore, Nautical Petroleum will be entitled to sell the Deferred Consideration Bonds following Completion. The Board therefore considers that the amendment of the terms of the deferred element of the firm cash consideration was in the best interests of the Company.

- Uncapped Earn Out Consideration which will be payable in respect of calendar years 2021 to 2025 if both (i) an agreed minimum production volume for that year is met and (ii) the Average Daily Brent Crude Price in that year is not less than US\$52.00 per barrel.

The agreed minimum production volumes in respect of each year are as follows:

<u>Year</u>	<u>Production Volume</u>
2021	5,648,400 barrels of oil
2022	3,947,220 barrels of oil
2023	3,002,490 barrels of oil
2024	1,748,890 barrels of oil
2025	1,331,640 barrels of oil

The amount of any Earn Out Consideration payable in respect of any year will be equal to the amount by which Average Daily Brent Crude Price for that year exceeds US\$52/bbl multiplied by the number of barrels of production in that year in relation to the Sale Interests multiplied by a percentage rate set for each year.

The percentage rates agreed for each year are:

- in respect of 2021, 60%;
- in respect of 2022, 50%;
- in respect of 2023, 40%;
- in respect of 2024, 30%; and
- in respect of 2025, 20%.

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

- satisfaction or, where permitted, waiver of the conditions to, and completion of, the Hive Down by 29 October 2021 (which requires, among other things, the consent to the Hive Down by the other holders of the Kraken Licence and Catcher Licences under the JOAs relating to those licences and the consent of the Oil and Gas Authority);
- exercise of the Put Option or the Call Option by either Nautical Petroleum or Waldorf and entry into the Sale and Purchase Agreement;
- no Material Adverse Change having occurred;
- the release of certain members of the Group from certain guarantees in respect of the Sale Interests;
- the release of the Sale Interests from any security interests;
- all necessary third-party consents, approvals and waivers required for the Transaction having been obtained;
- the Oil and Gas Authority having confirmed that it does not intend to exercise his power to revoke or recommend the revocation of, any petroleum licences included in the Sale Interests, or recommend a further change of control in respect of, any such petroleum licence; and
- the Shareholders passing the Resolution at the General Meeting or, if required in the circumstances described in paragraph 9 of this letter, the separate approval by Shareholders in relation to completion of the Transaction following the exercise of the Put Option.
- During the period between the date of the Put and Call Option Agreement and Completion, Nautical Petroleum has agreed to interim period undertakings in relation to the Sale Interests that are customary for disposals similar to the Transaction.
- Nautical Petroleum has also given (and will, on entry into the Sale and Purchase Agreement give) customary warranties to Waldorf in connection with the Transaction, certain of which will be repeated on the date of Completion. Nautical Petroleum's liability in relation to those warranties is subject to customary limitations and exclusions.

Further details of the terms of the Hive Down Agreement, Put and Call Option Agreement, the Sale and Purchase Agreement and the Bond Documents are set out in Part III (*Principal Terms of the Transaction*) of this Circular.

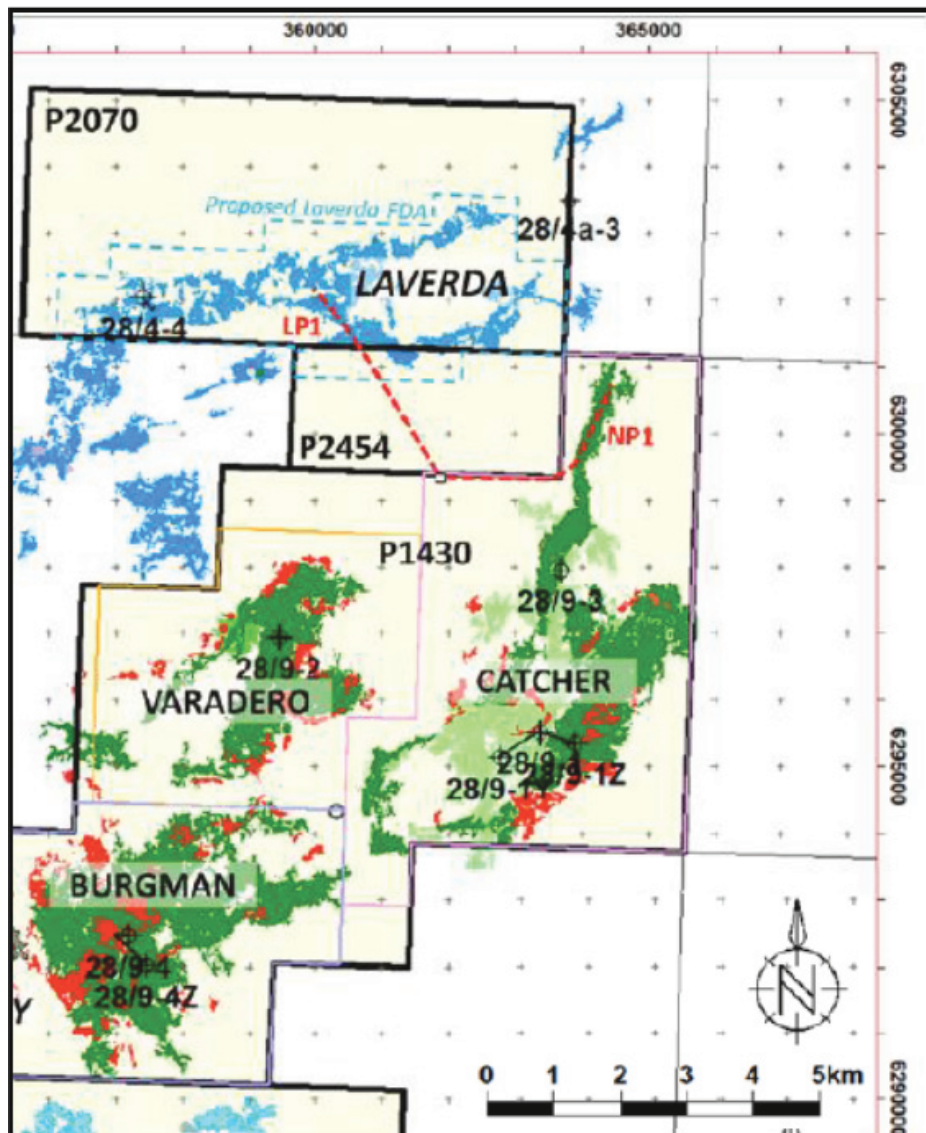
5. Information on the Sale Interests

Catcher licence details

<u>Field</u>	<u>Licences / Block</u>	<u>Operator</u>	<u>Cairn Interest (%)</u>	<u>Status</u>	<u>Licence Expiry</u>	<u>Area (km2)</u>	<u>Outstanding commitments</u>
Catcher, Varadero, Burgman ("Catcher Complex")	Licence P2453 (Block 28/9c)	Premier Oil	20	Production	September 2040 (Licence P2453)	171	Commitment to drill a development well in relation to each of the Catcher North and Laverda developments.
	Licence P2550 (Block 28/9f)				November 2042 (Licence P2550)		
	Licence P1430 (Block 28/9a)				March 2033 (Licence P1430)		
	Licence P2070 (Block 28/4a)				December 2038 (Licence P2070)		
	Licence P2454 (Block 28/9d)				September 2040 (Licence P2454)		

Catcher overview and history of development

Catcher is situated to the west of the Central Graben of the UK North Sea, around 170 km southeast of Aberdeen in water depths less than 100m.



Nautical Petroleum has a 20 per cent interest in the Catcher Licences. Premier Oil (50 per cent) are the Operator. The other partners within the Catcher Licences are MOL Group (20 per cent) and ONE Dyas (10 per cent).

The majority of Catcher was discovered in 2010. Since then, a total of 19 development wells have been drilled. The first 12 wells were drilled as part of Phase 1, which began in 2015, and a further six wells were drilled in Phase 2. An additional infill well was drilled in the Varadero accumulation in 2020. Of the 19 development wells, 15 were producers and four were water injector wells.

There are a further three wells anticipated to be drilled in the near future: the Catcher North and Laverda locations (which were deferred from the programme in 2020 due to COVID-19 uncertainties), and possibly the Burgman Far East location.

The Catcher Complex is developed via an FPSO, with subsea tie-back. First oil from the Catcher field occurred on 23 December 2017, followed by Varadero, which came on stream on 11 January 2018 and Burgman on 4 May 2018.

Catcher recent performance

Average gross production for H1 2021 from the Catcher Area (Cairn 20% WI) was 47,400 bopd.

Continued Calcium Naphthenate events impaired facility production performance in early 2021, however the Operator is now managing this well and positive gains are being made against expected year production performance.

The 4D Seismic acquisition was completed in May 2021. The full integrity 3D and 4D products are expected early in 2022. Planning of the 3 well campaign including Catcher North, Laverda and Burgman Far East wells continues. The anticipated spud date is late December 2021 / early January 2022.

Gas injection trial data has shown positive results and is incorporated within the recently submitted FDPa along with relaxing well constraints and gas depressurisation. FDPa approval is expected in Q3.

As of 30 June 2021, cumulative production amounted to 64.6 MMstb of oil, 21.6 Bscf of gas (excluding gas lift) and 18.4 MMbbl of produced water. A total of 86.5 MMbbl of water has been injected.

Catcher Interests pre and post Transaction

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

<u>Party</u>	<u>Interest pre-Transaction (%)</u>	<u>Interest post-Transaction (%)</u>
Premier Oil	50.0 and operator	50.0 and operator
MOL Group	20.0	20.0
Cairn	20.0	Nil
Waldorf	Nil	20.0
ONE Dyas	10.0	10.0

Catcher reserves

Cairn's working interest reserves as at YE 2019 and YE 2020 for the Catcher Complex are outlined below:

<u>Field</u>	<u>Net 2P reserves YE 2019 (mmboe)</u>	<u>Net 2P reserves YE 2020 (mmboe)</u>
Catcher Complex	13.31	10.13

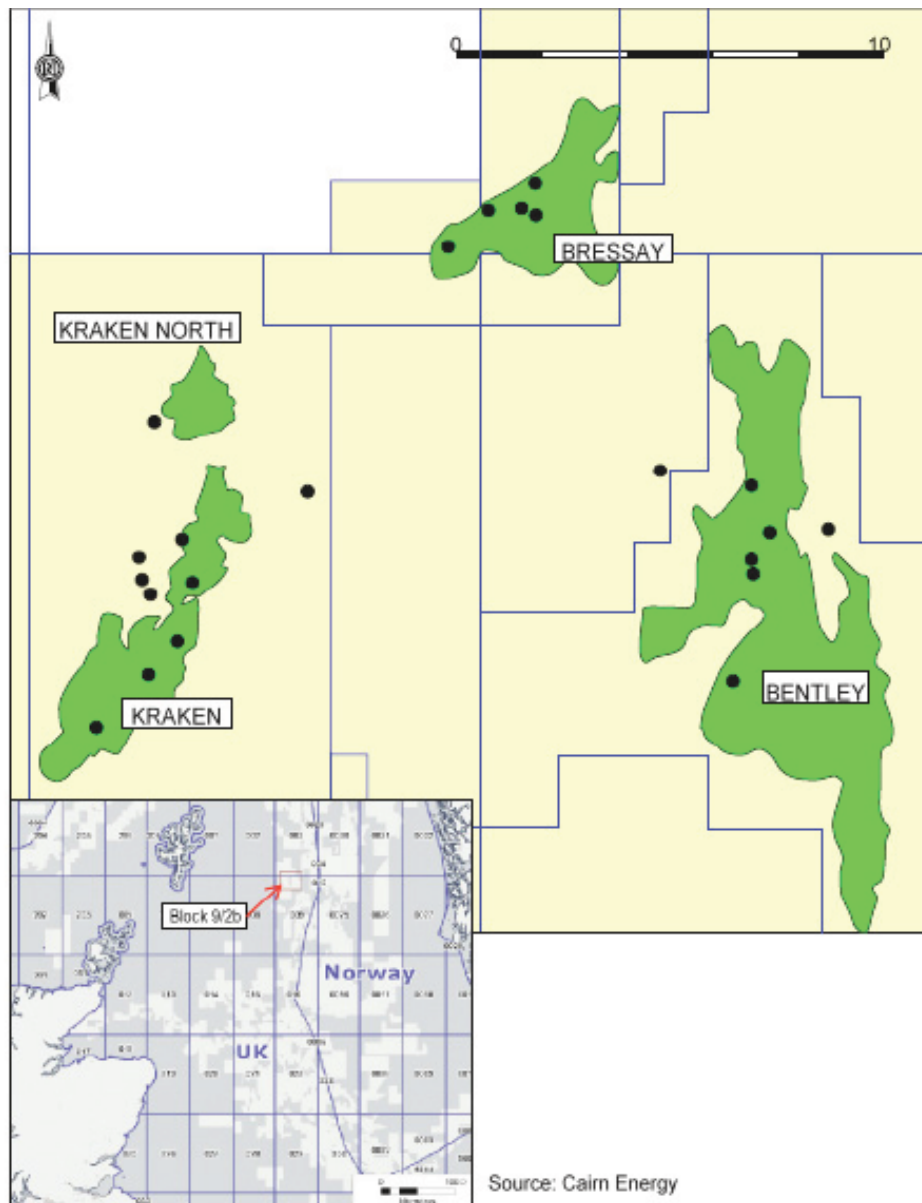
Based on Cairn's internal forecasts, cessation of production on Catcher is expected to be at the end of 2025. The firm period of the FPSO charter will end in December 2024. However, subject to reservoir performance, operating costs and prevailing product prices, the field life may be extended beyond that period prior to decommissioning.

Kraken Licence details

<u>Field</u>	<u>Licence, Block</u>	<u>Operator</u>	<u>Cairn Interest(%)</u>	<u>Status</u>	<u>Licence Expiry</u>	<u>Area (km2)</u>	<u>Outstanding commitments</u>
Kraken and Kraken North ("Kraken")	Block 9/02b Licence P1077	EnQuest	29.5	Production	September 2029	43	n/a

Kraken overview and history of development

Kraken is situated in Block 9/02b Licence P1077 in the East Shetland Basin of the UK North Sea. The fields are located approximately 350km North East of Aberdeen in c.100m water depth.



Kraken is operated by EnQuest which holds a 70.5 per cent working interest in the P1077 Licence. Cairn holds a 29.5 per cent working interest through Nautical Petroleum.

The Kraken fields were discovered in 1985 by a well drilled by Occidental Petroleum. This well was plugged and abandoned. The discovery lay fallow until 2003, when Nautical Petroleum undertook 3D seismic over the field area. Further appraisal wells were drilled in 2007 and 2008, followed by a seismic analysis in 2009, a further well in 2010 and additional seismic analysis in 2011.

The development of Kraken received DECC approval in November 2013 with a planned production start-up in 2016. Two heavy oil field tax allowances were granted. In August 2015, EnQuest commenced the drilling and completion of the development wells.

The Kraken field's FPSO was installed in April 2017 with production commencing in June 2017.

To date, twenty-four development wells have been successfully drilled and completed in the southern and northern parts of the Kraken field from Drill Centres 1, 2, 3 and 4.

In 2020, the Kraken JV successfully brought online the Worcester producer-injector well pair.

Kraken recent performance

Average gross production for the six month period to 30 June 2021 from Kraken (Cairn 29.5% WI) was 33,000 boepd.

The Riser Tether defects accounted for the majority of production deferment, shutting down production while inspections and repairs were made. The campaign to replace all Tethers was successfully completed in August 2021.

The multi-azimuth 3D seismic programme was completed in July 2021. The final processed products are expected mid-2022.

As of 30 June 2021, cumulative oil production amounted to 46.3 MMbbl. Cumulative oil production per well exhibits large variations, in the range of 1.6 to 5.7 MMbbl (excluding Worcester). A total of 175.8 MMbbl of water has been injected.

Kraken interests pre and post Transaction

Assuming the Transaction completes, the impact on the holdings of interests in the Kraken Licence will be as set out in the table below:

<u>Party</u>	<u>Interest pre-Transaction (%)</u>	<u>Interest post-Transaction (%)</u>
EnQuest	70.5 and operator	70.5 and operator
Cairn	29.5	Nil
Waldorf	Nil	29.5

Working Interest Reserves

Cairn's working interest reserves as at YE 2019 and YE 2020 for Kraken are outlined below:

<u>Field</u>	<u>Net 2P reserves YE 2019 (mmboe)</u>	<u>Net 2P reserves YE 2020 (mmboe)</u>
Kraken	29.79	22.76

Based on Cairn's internal forecasts, cessation of production on Kraken is expected to be at the end of 2035. The firm period of the FPSO charter will end at the end of Q1 2025. However subject to reservoir performance, operating costs and prevailing product prices, the field life may be extended beyond that period prior to decommissioning.

Interests and operatorship

Catcher

Assuming the Transaction completes, the impact on the holdings of interests in the Catcher Licences will be as set out in the table below:

<u>Party</u>	<u>Interest pre-Transaction (%)</u>	<u>Interest post-Transaction (%)</u>
Premier Oil	50.0 and operator	50.0 and operator
MOL Group	20.0	20.0
Cairn	20.0	Nil
Waldorf	Nil	20.0
ONE Dyas	10.0	10.0

Kraken

Assuming the Transaction completes, the impact on the holdings of interests in the Kraken Licence will be as set out in the table below:

<u>Party</u>	<u>Interest pre-Transaction (%)</u>	<u>Interest post-Transaction (%)</u>
EnQuest	70.5 and operator	70.5 and operator
Cairn	29.5	Nil
Waldorf	Nil	29.5

6. Financial effects of the Transaction

As set out in paragraph 4 above, US\$415 million of the US\$455 million firm consideration will be payable in cash at Completion. A further US\$10 million will be deferred and payable on agreement or determination of the final working capital and interim period adjustments following Completion. The firm cash consideration of US\$415 million, payable at completion, will be subject to (a) conventional interim period and working capital adjustments (as at 30 June 2021, the net interim period and working capital cashflows which had been received by Nautical Petroleum (and which would, if Completion had occurred on that date, have reduced the firm consideration) were approximately US\$273 million) and (b) expected transaction expenses of US\$1.0 million (the “**Firm Net Cash Proceeds**”).

Cairn’s current intention is to use the Firm Net Cash Proceeds of the Transaction to augment working capital and assist with the development and acquisition of other oil and gas assets within the Group. The Board will also continue to review opportunities to return value to Shareholders.

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

The gross assets attributable to the Sale Interests as at 30 June 2021 were US\$724.9 million. The (Loss) before tax attributable to the Sale Interests for the period ended 30 June 2021 was US\$(4.8) million.

On a pro forma basis and assuming completion of both the Transaction and the recently completed Egypt Acquisition on 30 June 2021, the Group would have had net assets of approximately US\$1007.9 million (based on the net assets of the Group and the Sale Interests as at 30 June 2021) as more fully described in Part IV (*Unaudited Pro Forma Financial Information of the Group*) of this Circular. Following completion of the Transaction, the Group’s only operating cash flow from production assets will result from its upstream interests in the Western Desert, Egypt, the remainder of its portfolio will comprise only exploration assets. Accordingly, the Transaction will be dilutive to earnings from completion.

Also, on a pro forma basis and assuming completion of the Transaction and the recently completed Egypt Acquisition on 30 June 2021, the Group would have had cash and cash equivalents of US\$379.4 million and liquid investments of US\$30 million (based on the cash and cash equivalents of the Group and the Sale Interests as at 30 June 2021) as more fully described in Part IV (*Unaudited Pro Forma Financial Information of the Group*) of this Circular.

7. General Meeting

Completion is conditional upon Shareholders’ approval being obtained at the General Meeting. You will find set out at the end of this Circular a notice convening the General Meeting, to be held at 50 Lothian Road, Edinburgh EH3 9BY at 9 a.m. on 28 October 2021 and at which the Resolution will be proposed.

The Resolution will be proposed as an ordinary resolution, meaning that, in order to be passed, it will require a simple majority of the votes cast in favour of the Resolution.

Impact of Public Gathering Restrictions

As at the Last Practicable Date, there are only limited restrictions on public gatherings in Scotland. This means that Cairn is able to facilitate the attendance of Shareholders in person at the General Meeting, although face coverings will require to be worn indoors in line with current Scottish requirements.

Although attendance in person at the General Meeting is possible, in order to minimise public health risks, refreshments will not be served, and Directors will not be available to meet with Shareholders, before or after the General Meeting.

Should Shareholders wish to attend the General Meeting in person, they are requested to pre-register by sending an email to IR.Mailbox@Cairnenergy.com. Shareholders are responsible for understanding and complying with any restrictions applicable to their own journey and should bear in mind that at the time of the General Meeting these rules may differ between different parts of the UK.

Cairn will continue to monitor the situation and, in particular, any changes to the applicable law or guidance in force as a consequence of the COVID-19 pandemic. If circumstances change such that it is necessary to change the arrangements for the General Meeting, Cairn will communicate such change via its website and (where appropriate) through the release of an announcement to a Regulatory Information Service. Shareholders are therefore encouraged to check Cairn’s website and the latest Scottish and UK Government guidance before finalising their travel arrangements to attend the General Meeting.

Whether or not Shareholders intend to attend the General Meeting in person, they are strongly encouraged to ensure that their votes are counted at the General Meeting by appointing the chair of the General Meeting as their proxy and submitting their completed 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 a.m. on 26 October 2021.

You may register your proxy appointment or voting directions electronically via the www.sharevote.co.uk website not later than 9 a.m. on 26 October 2021 (further information regarding the use of this facility is set out in Section 8 of this Part I below). If you hold your 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 a.m. on 26 October 2021. We encourage Shareholders to submit their vote electronically where possible. Further instructions on voting by proxy are set out in Section 8 of this Part I below.

The Board remains committed to allowing Shareholders the opportunity to engage with the Board. If Shareholders have any questions for the Board in advance of the General Meeting, these can be sent by e-mail to IR.Mailbox@caimenergy.com. The Board will endeavour to answer key themes of these questions on the Company's website as soon as practical.

8. Action to be taken

As stated in Section 7 of this Part I, Shareholders who wish to attend the General Meeting are requested to pre-register their intention to attend the General Meeting by emailing IR.Mailbox@Cairnenergy.com.

Although attendance in person at the General Meeting is possible, in order to minimise public health risks, refreshments will not be served, and Directors will not be available to meet with Shareholders, before or after the General Meeting.

Enclosed with this Circular 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, at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, not later than 9 a.m. on 26 October 2021 being 48 hours before the time appointed for the meeting. Alternatively, you may register your proxy appointment or voting directions electronically via the www.sharevote.co.uk website not later than 9 a.m. on 26 October 2021 (further information regarding the use of this facility is set out in the notes to the Notice of General Meeting). If you hold your 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 a.m. on 26 October 2021.

If you have any queries in relation to the Form of Proxy, you may call the Shareholder helpline on 0371 384 2660 (for calls from within the United Kingdom) and +44 121 415 7047 (for calls from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. on any Business Day. Please note that calls to these numbers may be monitored or recorded. Calls to +44 121 415 7047 from outside the United Kingdom are charged at applicable international rates.

Please note that the Shareholder helpline will not provide advice on the merits of the resolutions to be proposed at the General Meeting, or give any personal, legal, financial or tax advice.

The Board will also offer an opportunity for Shareholders to engage in advance of the meeting through a facility to submit questions by email. If Shareholders have any questions for the Board in relation to the Transaction before the General Meeting, these can be sent by email to IR.Mailbox@Cairnenergy.com. The Board will endeavour to answer the key themes of these questions on the Company's website as soon as practical.

9. Further approval of the Transaction

As set out in Part III (*Principal Terms of the Transaction*) of this Circular, the Call Option is exercisable by Waldorf in the period of five business days following the satisfaction or, where applicable, waiver of certain conditions. If the Call Option is not exercised by Waldorf, the Put Option is exercisable by Nautical Petroleum in the period of ten business days following the expiry of the period in which the Call Option is exercisable.

Under the Listing Rules, the requirement for Shareholder approval following exercise of the Put Option by Nautical Petroleum is only capable of being determined and, if required, obtained following the exercise of the

Put Option. In the event that Waldorf does not exercise the Call Option and Nautical Petroleum exercises the Put Option, a second general meeting of Cairn may be necessary at which a resolution to approve the Transaction as a result of exercise of the Put Option would be proposed.

10. Further information

Your attention is drawn to the further information contained in Parts II to VII of this Circular and, in particular, to Part II (*Risk Factors*) of this Circular.

11. Recommendation

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

The Board considers that the Transaction and the Resolution is in the best interests of the Shareholders as a whole and, accordingly, the Board unanimously recommends Shareholders to vote in favour of the Resolution, as the Directors intend to do so in respect of their own beneficial holdings of 1,630,769 Shares, representing approximately 0.327 per cent of the Company's existing issued ordinary share capital as at the Latest Practicable Date.

Yours faithfully

Nicoletta Giadrossi
Chair

PART II

RISK FACTORS

Prior to making any decision to vote in favour of the Resolution, Shareholders should carefully consider all the information contained in this Circular, including, in particular, the specific risks and uncertainties described below. The risks and uncertainties set out below are those which the Directors believe are the material risks relating to the Transaction, material new risks to the Group as a result of the Transaction or existing material risks to the Group which will be impacted by the Transaction. If any, or a combination of, these risks actually materialise, the business operations, financial condition and prospects of the Group, as appropriate, could be materially and adversely affected. The risks and uncertainties described below are not intended to be exhaustive and are not the only ones that face the Group. The information given is as at the date of this Circular and, except as required by the FCA, the London Stock Exchange, the Listing Rules and MAR (and/or any regulatory requirements) or applicable law, will not be updated. Additional risks and uncertainties not currently known to the Directors or that they currently deem immaterial, may also have an adverse effect on the business, financial condition, results of operations and prospects of the Group. If this occurs, the price of the Shares may decline and Shareholders could lose all or part of their investment.

1. Material risks relating to the Transaction not proceeding

The implementation of the Transaction is subject to the satisfaction of certain conditions and the conditions might not be satisfied or waived.

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

- satisfaction or, where permitted, waiver of the conditions to, and completion of, the Hive Down by 29 October 2021 (which requires, among other things, the consent to the Hive Down by the other holders of the Kraken Licence and Catcher Licences under the JOAs relating to those licences and the consent of the Oil and Gas Authority);
- exercise of the Put Option or the Call Option by either Nautical Petroleum or Waldorf and entry into the Sale and Purchase Agreement;
- no Material Adverse Change having occurred;
- the release of certain members of the Group from certain guarantees in respect of the Sale Interests;
- the release of the Sale Interests from any security interests;
- all necessary third-party consents, approvals and waivers required for the Transaction having been obtained;
- the Oil and Gas Authority having confirmed that it does not intend to exercise his power to revoke or recommend the revocation of, any petroleum licences included in the Sale Interests, or recommend a further change of control in respect of, any such petroleum licence; and
- the Shareholders passing the Resolution at the General Meeting or, if required in the circumstances described in paragraph 9 of Part I of this Circular, the separate approval by Shareholders in relation to completion of the Transaction following the exercise of the Put Option.

There is no guarantee that these conditions will be satisfied or, where permitted, waived by the long stop date of 31 December 2021 or at all. Failure to satisfy or obtain waiver of any Condition may result in the Transaction not being completed.

If the Transaction is not completed, the Group will not receive any of the consideration payable in respect of it. This may prejudice its ability to create Shareholder value by implementing its long-term strategy. Furthermore, the Group may have difficulty in realising a future divestment of the Sale Interests as they are approaching their natural decline phase on the same or better terms as those offered pursuant to the Transaction.

In addition, if the Transaction is not completed, the Group will be required to meet its accrued costs in respect of the aborted Transaction, including the costs of negotiating the Transaction Documents, and these will be incurred irrespective of whether Completion occurs.

2. Material risks relating to the Group which result from the Transaction

Warranties and indemnities in the Sale and Purchase Agreement

The Sale and Purchase Agreement contains certain warranties and indemnities from Nautical Petroleum in favour of Waldorf which are customary in nature. If the Group is required in the future to make payments under any of the warranties or indemnities the costs of such payments could have an adverse effect on its business, financial condition and results of operations.

Cairn will be exposed to Waldorf credit risk on the Deferred Consideration Bonds

In part consideration for the Transaction, Cairn will receive Deferred Consideration Bonds with an aggregate nominal amount of US\$30 million, forming part of the Waldorf Bonds. There can be no assurance that a liquid market for the Waldorf Bonds will develop and that Cairn will be able to trade in the Deferred Consideration Bonds. In addition, the Waldorf Bonds are repayable in instalments, beginning on 1 January 2022 and quarterly thereafter, with the final repayment date being 1 October 2024, unless redeemed prior to this date in accordance with their terms. Cairn will therefore be subject to Waldorf credit risk and there can be no assurance that Waldorf will be able to repay the Deferred Consideration Bonds in accordance with their terms. Therefore, there is a risk that Cairn may lose some or all of its investment in the Deferred Consideration Bonds.

Cairn may remain liable for certain obligations of Nautical Petroleum (and, following Completion of the Hive Down, the Target) in favour of the FPSO Owners

Cairn is subject to parent company guarantees in respect of obligations of Nautical Petroleum for annual lease payments to the Catcher FPSO owner and the Kraken FPSO owner (the “**FPSO Owners**”). It is proposed that, on completion of the Hive Down, Cairn will enter into a new guarantee in favour of the Kraken FPSO Owner of the Target’s obligations to pay such lease payments and that Cairn’s guarantee in favour of the Catcher FPSO will be amended so as to guarantee the Target’s obligations to pay such lease payments. Completion of the Transaction under the Sale and Purchase Agreement is conditional, inter alia, on the satisfaction or waiver of the requirement for Cairn to be released from those guarantees in favour of the FPSO Owners. While the Catcher FPSO owner has indicated that it will release Cairn’s guarantee on or prior to Completion, the Kraken FPSO owner has indicated that it does not believe it would have adequate security if Cairn’s guarantee was to be released and so has not agreed to release that guarantee. Nautical has agreed that it will only waive the condition to Completion that this guarantee be released where Waldorf has in place collateral arrangements of \$48 million (the “**Required Collateral Amount**”) in aggregate through (i) placing of cash in an escrow account, and/or (ii) the provision of one or more on demand bank guarantees, on demand standby letters of credit, surety bonds, on demand bonds, or similar instruments from an insurer which has a corporate credit rating or a long term insurer financial strength rating (or a bank, financial institution or other company which has a credit rating or a rating for its unsecured and unsubordinated senior long term debt) of at least A- by Standard & Poor’s or A3 by Moody’s (an “**Alternative Collateral Instrument**”). Where there is a call on the escrow account or any Alternative Collateral Instruments, in any year, Waldorf are required to provide further collateral in the form of a payment to the escrow account, and/or an extension of the Alternative Collateral Instrument(s) by 1 January of the next year in order to maintain aggregate collateral equal to the Required Collateral Amount. Waldorf has agreed to indemnify Nautical in respect of any amount claimed under the guarantee that is in excess of the Required Collateral Amount or which Nautical is unable to recover under the collateral arrangements.

Therefore, if Nautical chooses to waive the requirement for release of the guarantee in favour of the Kraken FPSO Owner and, following Completion, Waldorf defaulted on its obligations and that guarantee were to be called for an amount in excess of the amount that Nautical can recover under the collateral arrangements, Nautical would be required to make payment of the excess. In that event, the amount or costs of meeting its obligations under the parent company guarantee may not be fully recoverable by Nautical from Waldorf.

3. Existing material risks to the Group which will be impacted by the Transaction

The Group may be unable to implement its growth strategy

Cairn’s strategy is to deliver value for Shareholders from the discovery, development or acquisition of hydrocarbons within a sustainable, self-funding business model.

There can be no assurance that the Group will continue to implement this strategy successfully or that future oil and gas prices will support this business model in future. Any failure to do so could materially adversely affect the reputation, financial condition and/or operating results of the Group.

Without the addition of reserves through exploration, acquisition or development activities, the Group's reserves and production will decline over time as reserves are exploited

The Group's future oil and gas reserves, production and cash flows to be derived therefrom are highly dependent on its success in exploiting its current reserve and resource base. Without the addition of reserves through exploration, acquisition or development activities, the Group's reserves and production will decline over time as reserves are exploited.

A future increase in the Group's reserves will depend not only on its ability to develop present properties, but also on its ability to select and acquire suitable producing properties or prospects. If such efforts are unsuccessful, the Group's total reserves may not increase or may decline, which could have a material adverse effect on its business, financial condition, prospects and results of operations.

PART III

PRINCIPAL TERMS OF THE TRANSACTION

The following is a summary of the principal terms of the Transaction. The Hive Down Agreement and the Put and Call Option Agreement (including the agreed form of the Sale and Purchase Agreement) are available for inspection up to and including the date of the General Meeting, as described in Section 14 of Part VII (*Additional Information*) of this Circular.

1. **Hive Down Agreement**

1.1. *Introduction*

The Hive Down Agreement was entered into on 11 March 2021 between Nautical Petroleum and the Target, pursuant to which Nautical Petroleum has agreed to transfer the Sale Interests to the Target.

1.2. *Conditions precedent*

Completion under the Hive Down Agreement is conditional upon the satisfaction or, where applicable, waiver of the following conditions:

1.2.1. the amendment of certain guarantees given by the Group in favour of the Oil and Gas Authority, the Kraken FPSO owner, the Catcher FPSO owner and Enquest Heather Limited, Enquest ENS Limited and First Oil and Gas Limited to guarantee the performance of Target;

1.2.2. all necessary consents, approvals or waivers to the Hive Down having been obtained from the parties to the documents entered by Nautical Petroleum in relation to the Sale Interests (including the other holders of the Kraken Licence and Catcher Licences and the Kraken and Catcher FPSO owners) having been obtained and such parties having entered into assignment or novation agreements in respect of those documents; and

1.2.3. the consent of the Oil and Gas Authority to the transfer of the Sale Interests to the Target being obtained.

As at Last Practicable Date, the consent of the Oil and Gas Authority referred to in paragraph 1.2.3 has been obtained. However, the conditions referred to in paragraph 1.2.2 and 1.2.3 have not been satisfied (although, except for the lenders to the Kraken and Catcher FPSO owners, the relevant third parties have indicated that they will agree to the relevant amendments or give the relevant the consents, approvals or waivers, as appropriate). As a result, the Hive Down has not been completed as at the Last Practicable Date.

1.3. *Consideration*

Nominal consideration is payable by Target to Nautical Petroleum for the Sale Interests.

1.4. *Warranties*

Both parties have given warranties to the other in connection with the capacity of the parties to enter into the Hive Down Agreement. These warranties will be repeated on the date of completion of the Hive Down Agreement.

1.5. *Governing law*

The Hive Down Agreement is governed by the law of England and Wales and the parties have irrevocably submitted to the exclusive jurisdiction of the English courts.

2. **The Put and Call Option Agreement**

2.1. *Introduction*

The Put and Call Option Agreement was entered into on 8 March 2021 between Nautical Petroleum and Waldorf, pursuant to which Nautical Petroleum has agreed to grant Waldorf the Call Option and Waldorf has agreed to grant Nautical Petroleum the Put Option.

2.2. *Conditions precedent*

The exercise of the Put Option and the Call Option is conditional upon the satisfaction or, where applicable, waiver of the following conditions:

- 2.2.1. no Material Adverse Change having occurred;
- 2.2.2. execution of the Hive Down Agreement;
- 2.2.3. satisfaction of the conditions precedent contained in the Hive Down Agreement; and
- 2.2.4. completion of the Hive Down.

As at Last Practicable Date, the conditions set out at paragraphs 2.2.3 and 2.2.4 above have not been satisfied or waived and, accordingly, neither the Put Option nor the Call Option has been exercised.

If any of the conditions have not been satisfied or, where applicable, waived on or before a long stop date of 29 October 2021 (or such later time as may be agreed between Nautical Petroleum and Waldorf), either party may terminate the Put and Call Option Agreement.

2.3. *Exercise of the Put Option and the Call Option*

The Call Option is exercisable by Waldorf in the period of five business days following the satisfaction or, where applicable, waiver of the conditions set out above. If the Call Option is not exercised by Waldorf during that period, the Put Option is exercisable by Nautical Petroleum in the period of ten business days following the expiry of the period in which the Call Option is exercisable.

2.4. *Interim period*

During the period between the date of the Put and Call Option and the entry into the Sale and Purchase Agreement, Nautical Petroleum has agreed to comply with the interim period covenants set out in the Sale and Purchase Agreement, as summarised at Section 3.4 of this Part III.

2.5. *Warranties*

Both parties have given warranties to the other in connection with the capacity of the parties to enter into the Put and Call Agreement. In addition, Nautical Petroleum has given warranties in connection with its title to the shares in the Target. These warranties will be repeated on the date of completion of the Put and Call Option Agreement.

2.6. *Governing law*

The Put and Call Option Agreement is governed by the law of England and Wales and the parties have irrevocably submitted to the exclusive jurisdiction of the English courts.

3. **The Sale and Purchase Agreement**

3.1. *Introduction*

The Sale and Purchase Agreement will be entered into following exercise of the Put Option or the Call Option.

3.2. *Conditions precedent*

Completion under the Sale and Purchase Agreement is conditional upon the satisfaction or, where applicable, waiver of the following conditions:

- (i) the release of certain members of the Group from certain guarantees in favour the Oil and Gas Authority, Kraken FPSO owner, Catcher FPSO owner and Enquest Heather Limited, Enquest ENS Limited and First Oil and Gas Limited;
- (ii) the unconditional and irrevocable release of the Sale Interests from the security interests over the Sale Interests in favour of DNB Bank ASA;

- (iii) the completion of the Hive Down;
- (iv) no Material Adverse Change having occurred;
- (v) all necessary third party consents, approvals and waivers required for the Transaction (including from the Catcher FPSO owner and the Kraken FPSO owner) having been obtained on terms reasonably acceptable to Nautical Petroleum and Waldorf;
- (vi) the Oil and Gas Authority having confirmed that it does not intend to exercise its power to revoke or recommend the revocation of, any petroleum licences included in the Sale Interests, or to recommend a further change of control in respect of, any such petroleum licence; and
- (vii) the Shareholders passing the Resolution at the General Meeting or, if required in the circumstances described in paragraph 9 of Part I of this Circular, the separate approval by Shareholders in relation to completion of the Transaction following the exercise of the Put Option.

As at the Last Practicable Date, the condition referred to at paragraph 3.2(vi) above has been satisfied, but the conditions referred to in paragraphs 3.2(i) to 3.2(iii), 3.2(v) and 3.2(vii) above have not been satisfied. However, as regards the conditions referred to in paragraphs 3.2(i), 3.2(ii), 3.2(v) and 3.2(vii) above, the relevant third parties have indicated that they will agree to the relevant releases or give the relevant the consents, approvals or waivers, except that the lenders to the Kraken and Catcher FPSO owners have not yet agreed to give their consent and the Kraken FPSO owner has not agreed to release Cairn from its guarantee. As described further at paragraph 1.2 above, the condition set out in paragraph 3.2(v) above was not satisfied at the Last Practicable Date. The satisfaction of the condition set out at paragraph 3.2(iv) will be determined on the date that all of the other conditions are satisfied or waived.

Nautical Petroleum and Waldorf have each undertaken to use reasonable endeavours to obtain fulfilment of the conditions set out above are satisfied as soon as practicable. If any of the conditions have not been satisfied or, where applicable, waived on or before a long stop date of 31 December 2021 (or such later time as may be agreed between Nautical Petroleum and Waldorf), either party may terminate the Sale and Purchase Agreement.

Cairn is subject to parent company guarantees in respect of obligations of Nautical Petroleum for annual lease payments to the Catcher FPSO owner and the Kraken FPSO owner (the “**FPSO Owners**”). It is proposed that, on completion of the Hive Down, Cairn will enter into a new guarantee in favour of the Kraken FPSO Owner of the Target’s obligations to pay such lease payments and that Cairn’s guarantee in favour of the Catcher FPSO will be amended so as to guarantee the Target’s obligations to pay such lease payments. Completion of the Transaction under the Sale and Purchase Agreement is conditional, inter alia, on the satisfaction or waiver of the requirement for Cairn to be released from those guarantees in favour of the FPSO Owners. While the Catcher FPSO owner has indicated that it will release Cairn’s guarantee on or prior to Completion, the Kraken FPSO owner has indicated that it does not believe it would have adequate security if Cairn’s guarantee was to be released and so has not agreed to release that guarantee. Nautical has agreed that it will only waive the condition to Completion that this guarantee be released where Waldorf has in place collateral arrangements of \$48 million (the “**Required Collateral Amount**”) in aggregate through (i) placing of cash in an escrow account, and/or (ii) the provision of one or more on demand bank guarantee, on demand standby letters of credit, surety bonds, on demand bonds, or similar instruments from an insurer which has a corporate credit rating or a long term insurer financial strength rating (or a bank, financial institution or other company which has a credit rating or a rating for its unsecured and unsubordinated senior long term debt) of at least A- by Standard & Poor’s or A3 by Moody’s (an “**Alternative Collateral Instrument**”). Where there is a call on the escrow account or any Alternative Collateral Instruments in any year, Waldorf are required to provide further collateral in the form of a payment to the escrow account, and/or an extension of the Alternative Collateral Instrument(s) by 1 January of the next year in order to maintain aggregate collateral equal to the Required Collateral Amount. Waldorf has agreed to indemnify Nautical in respect of any amount claimed under the guarantee that is in excess of the Required Collateral Amount or which Nautical is unable to recover under the collateral arrangements.

3.3. Consideration

The cash consideration payable by Waldorf to Nautical Petroleum under the Sale and Purchase Agreement will be an amount equal to:

- (i) US\$415m; plus
- (ii) the working capital in respect of the Sale Interests as at 1 January 2020 (the economic date in respect of the Transaction); plus
- (iii) an amount equal to US\$10,000,000, which is the agreed fixed sum of interest on such working capital between 1 January 2020 and Completion (the “**Working Capital Interest Amount**”); plus
- (iv) the Earn Out Consideration (described in more detail at paragraph 3.4 below); less
- (v) the income related to the Sale Interests from 1 January 2020 to Completion; plus
- (vi) the expenditure related to the Sale Interests from 1 January 2020 to Completion.

In addition, the Deferred Consideration Bonds will be transferred to Nautical Petroleum at Completion.

3.4. Earn Out Consideration

Earn out consideration in each of the next 5 calendar years may be payable by Waldorf to Nautical Petroleum if (i) an agreed minimum production volume for that year being met and (ii) the Average Daily Brent Crude Price in that year being not less than US\$52.00 per barrel.

The agreed minimum production volumes in respect of each year are as follows:

<u>Year</u>	<u>Production Volume</u>
2021	5,648,400 barrels of oil
2022	3,947,220 barrels of oil
2023	3,002,490 barrels of oil
2024	1,748,890 barrels of oil
2025	1,331,640 barrels of oil

The amount of any Earn Out Consideration payable in respect of any year will be equal to a specified proportion of the Market Improvement in that year. Those proportions are:

- (i) in respect of the year commencing 1 January 2021 and ending on 31 December 2021, 60%;
- (ii) in respect of the year commencing 1 January 2022 and ending on 31 December 2022, 50%;
- (iii) in respect of the year commencing 1 January 2023 and ending on 31 December 2023, 40%;
- (iv) in respect of the year commencing 1 January 2024 and ending on 31 December 2024, 30%; and
- (v) in respect of the year commencing 1 January 2025 and ending on 31 December 2026, 20%.

3.5. Interim Period

During the period between the date of the Sale and Purchase Agreement and Completion, Nautical Petroleum has agreed, among other things:

- (i) to procure that the Target continues to carry on its activities in relation to the Sale Interests in the ordinary and usual course of business in all material respects, including the arrangement of liftings and the sale of petroleum on terms of sale that are on an arm’s length basis;
- (ii) to keep Waldorf informed of material developments in relation to the Sale Interests, including the authorisation of any expenditure exceeding US\$1,000,000, the adoption (or proposal) of any material amendments to any work programmes and budgets, or the receipt of any billing statements or invoices from the operators of the Sale Interests.
- (iii) to the extent practicable, to seek the advice of Waldorf in relation to any material decisions (being decisions involving a financial commitment in excess of US\$1,000,000 or any sole risk or non-consent activities to be undertaken by any party to a JOA) in relation to the Sale Interests and keep Waldorf informed so that it may consider the issues relevant to such a material decision and provide input to the Target ahead of any relevant operating committee meeting;

- (iv) to the extent applicable, to procure that the Target continues to carry on its activities in relation to the Sale Interests in accordance with good oil and gas field practice;
- (v) to keep Waldorf promptly informed of the progress of the disputes relating to the Sale Interests, provide Waldorf with relevant documentation and other information that Waldorf may reasonably request and take into account the reasonable requirements of Waldorf;
- (vi) to procure that the Target does not trade, relinquish, surrender, sell, assign or amend the Sale Interests or create any encumbrances over them without the prior written approval of Waldorf;
- (vii) to procure that the Target complies with its material obligations under any documents related to the Sale Interests and does not amend or agree to amend any of these documents, waive any of its rights under these documents, nor to enter into any new material contracts or other agreements or undertakings relating to the Sale Interests without the prior written approval Waldorf;
- (viii) to procure that the Target does not alter the issued share capital of the Target, grant options in respect of any shares in the Target, create permit or assume any encumbrances over the shares in the Target, acquire any other business or shares in another company, alter the Target's articles of association, settle or waive any third party debts, cease to operate all or a material part of the Target's business, or adopt a plan or resolution providing for the winding-up, liquidation or dissolution of the Target, without the prior written approval of Waldorf; and
- (ix) to procure that the Target duly and timely files all tax returns and promptly pays all taxes when due.

3.6. *Warranties and Indemnities*

Both parties have given customary warranties to the other in connection with the Transaction.

In the case of Nautical Petroleum, these warranties include:

- (i) **"Title Warranties"** in respect of (among other things) title to the shares in the Target and to the Sale Interests; and
- (ii) **"General Warranties"** in respect of (among other things) the documentation governing the Sale Interests, compliance with documents relating to the Sale Interests, the absence of any litigation or disputes, employees, compliance with applicable anti-bribery and corruption laws, anti-money laundering laws, compliance with environmental laws, permits licences, consents and other authorisations, compliance with applicable laws in relation to decommissioning and abandonment and health and safety matters, the absence of any insurance claims and certain warranties relating to tax matters including compliance with applicable laws and the absence of tax investigations, supervisions and audits in respect of the Sale Interests.

The Title Warranties and the General Warranties will be given on entry into the Sale and Purchase Agreement. In addition, the Title Warranties will be repeated at Completion.

The Sale and Purchase Agreement contains conventional covenants and indemnities under which from Completion:

- (i) Nautical Petroleum will be entitled to all benefits, and responsible for all liabilities (other than decommissioning and environmental liabilities), which accrue in the period prior to the economic date of the Transaction (1 January 2020) and Waldorf will be entitled to all benefits, and responsible for all liabilities (other than decommissioning and environmental liabilities) which accrue on or after that date, in each case in relation to the Sale Interests; and
- (ii) Waldorf will indemnify Nautical Petroleum in respect of all decommissioning and environmental liabilities in respect of the Sale Interests; and

The Sale and Purchase Agreement also contains a conventional tax covenant (the **"Tax Covenant"**) under which Nautical Petroleum will, from Completion (and subject to certain exceptions) be required to indemnify Waldorf in respect of any tax incurred by the Target (a) as a result of the Hive Down; (b) the Target ceasing to be part of the Group as a result of Completion occurring after completion of the Hive Down and (c) any event that occurred prior to Completion.

3.7. *Employees*

The Sale and Purchase Agreement contains conventional:

- (i) covenants in relation to employees of the Group whose employment will transfer to Waldorf under TUPE as a result of the Transaction;
- (ii) indemnities by Nautical Petroleum in favour of Waldorf in relation to (among other things) costs, expenses and liabilities relating to those employees prior to Completion and Nautical Petroleum's compliance with TUPE in connection with that transfer; and
- (iii) indemnities by Waldorf in favour of Nautical Petroleum in relation to (among other things) costs, expenses and liabilities relating to those employees following Completion and Waldorf's compliance with TUPE in connection with that transfer.

3.8. *Limitations on liability for warranty claims*

Nautical Petroleum's liability under the warranties given by it under the Sale and Purchase Agreement is subject to certain customary limitations and exclusions.

In particular, Nautical Petroleum has no liability under the warranties unless and until (i) the amount of liability in respect of each individual claim exceeds an amount equal to 0.1% of the Cash Consideration, and (ii) the aggregate amount of liability of Nautical Petroleum in respect of all claims exceeding the sum set out in (i) exceeds an amount equal to 1% of the Cash Consideration.

Furthermore, Nautical Petroleum's maximum aggregate liability arising out of any claims under the non-title warranties is 30% of the Cash Consideration actually received by Nautical Petroleum, and its maximum liability arising out of all claims under all warranties (including the Title Warranties) and the Tax Covenant is 100% of the Cash Consideration.

Nautical Petroleum shall have no liability under the warranties unless a claim is notified to it by Waldorf within 18 months of Completion or (in relation to a claim under the Tax Covenant) within 48 months of Completion. There is no time limit in respect of any claim for breach of the fundamental warranties in the Sale and Purchase Agreement.

3.9. *Transitional Services Agreement*

Nautical Petroleum and Waldorf have agreed to work together in good faith to agree a transitional services agreement in respect of the provision of certain services by Nautical Petroleum to Waldorf following Completion. The charges for such services will be at cost plus 10 per cent. (plus VAT thereon).

3.10. *Governing law*

The Sale and Purchase Agreement is governed by the law of England and Wales and the parties have irrevocably submitted to the exclusive jurisdiction of the English courts.

4. **Deferred Consideration Bonds**

4.1. *Introduction*

The Deferred Consideration Bonds will be issued as part of a larger issue of US\$300 million (the "**Issued Amount**") of Waldorf Bonds (the "**Waldorf Bond Issue**"). Under the Bond Documents, the proceeds of the Waldorf Bond Issue are to be applied to (among other things) the financing of the Transaction.

Nordic Trustee AS will act as bond trustee and security agent in respect of the Waldorf Bonds.

4.2. *Interest*

Interest will accrue on the Waldorf Bonds which are outstanding at 9.75 per cent. per annum.

Interest accrued in each quarterly period ending 1 January, 1 April, 1 July and 1 October (a "**Quarterly Period**") will be payable on (a) the last day of each Quarterly Period (a "**Payment Date**") and (b) the date of early redemption of the Waldorf Bonds (in respect of interest accrued on the Waldorf Bonds being redeemed).

4.3. *Repayment*

The Waldorf Bonds will be repaid as follows:

- (i) in 11 consecutive equal instalments, each in an amount equal to 1/12 of the Issued Amount, starting on 1 January 2022; and
- (ii) in an amount equal to the aggregate nominal amount of the Waldorf Bonds outstanding on 1 October 2024 (the “**Maturity Date**”), on that date.

Waldorf may redeem all of the Waldorf Bonds prior to the Maturity Date.

4.4. *Representations, warranties, undertakings and events of default*

The Bond Documents contain representations, warranties and undertakings (including financial covenants) from Waldorf and events of default as are customary in accordance with standard Norwegian high-yield bond terms.

4.5. *Ranking, guarantees and security*

The Waldorf Bonds will constitute senior debt obligations of Waldorf and will rank:

- (i) pari passu between themselves; and
- (ii) at least pari passu with:
 - any additional bonds issued by Waldorf with Nordic Trustee A/S as bond trustee and security agent which are subject to Norwegian law and jurisdiction for the purposes of financing an acquisition of new licences and which have a final maturity date no earlier than 6 months after the Maturity Date and an all in yield which does not exceed the all in yield of the Waldorf Bonds by more than 2% per annum; and
 - unsecured financial indebtedness of Waldorf which has a final maturity date no earlier than 6 months after the Maturity Date and an all in yield which does not exceed the all in yield of the Waldorf Bonds by more than 4% per annum;
 - all other obligations of Waldorf (save for such obligations which are preferred under insolvency law).

The Waldorf Bonds will be guaranteed by Waldorf’s subsidiaries from time to time (Waldorf and such subsidiaries being the “**Waldorf Group**”) and secured by (among other things):

- (i) a first pledge over the shares in each Waldorf Group member; and
- (ii) first priority assignments by Waldorf and each other Waldorf Group member of, among other things (a) any loans advanced by a Waldorf Group member to another Waldorf Group member; (b) their bank accounts; (c) their trade receivables; (d) their interests in any hydrocarbon document (including licences, joint operating, transportation, processing and storage agreements, decommissioning security agreements, offtake agreements, regulatory permissions and insurance policies) and (e) their machinery, plant and equipment.

4.6. *Governing law*

The Bond Documents are governed by the law of Norway and the parties have irrevocably submitted to the exclusive jurisdiction of the Norwegian courts.

PART IV

FINANCIAL INFORMATION RELATING TO THE SALE INTERESTS

1. Basis of financial information

Catcher and Kraken were, for the three years ended 31 December 2018, 2019 and 2020 accounted for as a joint operation in the financial information of the Group, as set out in Note 1 of the Group's consolidated financial statements. From 8 March 2021, they have been classified as held for sale.

The following financial information relating to the Sale Interest has been extracted without material adjustment from the consolidation schedules which underlie the consolidated audited accounts for the Group for the three years ended 31 December 2018, 2019 and 2020 and the consolidated unaudited half yearly results for the Group for the six months to 30 June 2021.

The financial information contained in this Part IV relates to the Sale Interest proposed to be sold in the Transaction. The financial information contained in this Part IV has been prepared solely for the purposes of this Circular and does not constitute statutory financial statements within the meaning of the Companies Act 2006.

The statutory accounts for the Group in respect of each of the three financial years ended 31 December 2018, 2019 and 2020 have been delivered to the Registrar of Companies. Shareholders should read the whole of this Circular and not rely solely on the financial information contained in this Part IV.

2. Income Statements for the three years ended 31 December 2018, 2019 and 2020 and the six months to 30 June 2021

<u>Income Statement</u>	<i>Period ended 30-Jun-21 US\$m</i>	<i>Year ended 31-Dec-20 US\$m</i>	<i>Year ended 31-Dec-19 US\$m</i>	<i>Year ended 31-Dec-18 US\$m</i>
	<i>Note 1</i>			
Revenue	242.7	324.5	504.2	395.7
Cost of sales	(58.8)	(113.9)	(71.8)	(127.1)
Depletion and amortisation	(35.3)	(215.7)	(217.2)	(171.2)
Gross (loss)/profit	148.6	(5.1)	215.2	97.4
(Impairment)/Reversal of impairment	(144.6)	—	147.3	(166.3)
Operating (loss)/profit	4.0	(5.1)	362.5	(68.9)
Finance income	—	—	—	—
Finance costs	(8.0)	(23.3)	(17.4)	(10.1)
(Loss)/Profit before taxation	(4.0)	(28.4)	345.1	(79.0)
Taxation	—	—	—	—
(Loss)/Profit after taxation	(4.0)	(28.4)	345.1	(79.0)

Note:

- Results for the period ended 30 June 2021 are included within discontinued operations in the 2021 Half Yearly Results.

3. Historical Net Assets as at 30 June 2021

Cacther and Kraken Asset Line entries Balance Sheet	<i>As at 30-Jun-21 US\$m</i>	<i>As at 31-Dec-20 US\$m</i>	<i>As at 31-Dec-19 US\$m</i>
Assets			
Non-current assets			
Property, plant & equipment – development/ producing assets	—	849.8	1,026.5
	—	849.8	1,026.5
Current assets			
Inventory	—	12.3	13.8
Trade and other receivables	—	28.6	37.3
	—	40.9	51.1
Assets held-for-sale	724.9	—	—
Total assets	724.9	890.7	1,063.8
Current Liabilities			
Trade and other payables	—	49.9	40.3
Lease liabilities	—	40.9	40.9
	—	90.8	81.2
Non Current Liabilities			
Provisions – decommissioning	—	151.0	139.8
Lease liabilities	—	193.1	234.0
	—	344.1	373.8
Liabilities held-for-sale	398.9	—	—
Total liabilities	398.9	434.9	455.0
Net Assets	326.0	455.8	608.8

PART V

UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE GROUP

Section 1: Basis of financial information

The following unaudited pro forma statement of net assets of the Group has been prepared under the Group's accounting policies as set out in its consolidated unaudited financial statements for the six months to 30 June 2021 and on the basis of the notes set out below to illustrate how the Transaction might have affected the net assets of the Group as if it and the Egypt Acquisition had occurred on 30 June 2021.

The pro forma financial information has been prepared for illustrative purposes only and because of its nature only addresses a hypothetical situation and, therefore, does not represent the actual financial position of the Group.

The pro forma statement of net assets has been prepared in accordance with paragraph 13.3.3R of the Listing Rules. Shareholders should read the whole of this document and not rely solely on the summarised financial information contained in this Part V.

PricewaterhouseCoopers LLP's report on the unaudited pro forma statement of net assets is set out in Section 2 of this Part V.

	<i>Group as at 30-Jun 2021 US\$m Note 1</i>	<i>Egypt Western Desert Interest Acquisition US\$m Note 2</i>	<i>Egypt Western Desert Interest Acquisition US\$m Note 3</i>	<i>Sale Interest US\$m Note 4</i>	<i>Transaction Adjustments US\$m Note 5</i>	<i>Pro forma US\$m Note 6</i>
Non-current assets						
Intangible exploration/appraisal assets	117.1	165.7		—	—	282.8
Tangible development/producing assets	—	213.2		—	—	213.2
Other property, plant & equipment and intangible assets	9.1			—	—	9.1
Deferred tax assets	—	72.2				72.2
Other long-term receivables	—				84.2	84.2
	<u>126.2</u>	<u>451.1</u>	<u>—</u>	<u>—</u>	<u>84.2</u>	<u>661.5</u>
Current assets						
Inventory	—	12.7		—	—	12.7
Financial asset at fair value through profit or loss	8.3			—	—	8.3
Cash and cash equivalents	341.4	(179.4)	76.0	—	141.4	379.4
Trade and other receivables	37.5	106.3		—	96.4	240.2
	<u>387.2</u>	<u>(60.4)</u>	<u>—</u>	<u>—</u>	<u>237.8</u>	<u>640.6</u>
Assets held-for-sale	<u>724.9</u>			<u>(724.9)</u>	<u>—</u>	<u>—</u>
Total assets	<u>1,238.3</u>	<u>390.7</u>	<u>76.0</u>	<u>(724.9)</u>	<u>322.0</u>	<u>1302.1</u>
Current liabilities						
Lease liabilities	2.4	1.0		—	—	3.4
Derivative financial instruments	6.8			—	—	6.8
Trade and other payables	22.4	56.2		—	—	78.6
	<u>31.6</u>	<u>57.2</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>88.8</u>
Non-current liabilities						
Loans and borrowings	—	177.0		—	—	177.0
Provisions – decommissioning	2.2	0.9		—	—	3.1
Trade and other payables	—	1.5		—	—	1.5
Lease liabilities	2.5	3.5		—	—	6.0
Deferred tax liabilities		17.8				17.8
	<u>4.7</u>	<u>200.7</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>205.4</u>
Liabilities held-for-sale	<u>398.9</u>			<u>(398.9)</u>	<u>—</u>	<u>—</u>
Total liabilities	<u>435.2</u>	<u>257.9</u>	<u>—</u>	<u>(398.9)</u>	<u>—</u>	<u>294.2</u>
NET ASSETS	<u>803.1</u>	<u>132.8</u>	<u>76.0</u>	<u>(326.0)</u>	<u>322.0</u>	<u>1007.9</u>

Notes:

1. The financial information in respect of the group has been extracted without material adjustment from the unaudited statements for the Group for the half year ended 30 June 2021, prepared in accordance with UK adopted IFRS.
2. The Egypt Western Desert assets interests pro-forma adjustments are extracted without adjustment from the circular to shareholders issued on 29 June 2021 and include the net assets of the target entity, equity adjustments, additional borrowing and acquisition accounting.
3. Egypt Western Desert assets acquisition adjustments reflect the actual initial consideration paid on completion as confirmed by Shell which differs from that forecast and included in the pro forma in the circular to shareholders issued on 29 June 2021. The adjustment has resulted in an increase in negative goodwill recorded in the Income Statement. No further adjustments have been made in relation to the acquisition.
4. The financial information for the Catcher and Kraken assets has been extracted without material adjustment from Part IV (*Financial Information relating to the Sale Interest*) of this circular.
5. Adjustments reflect: The initial cash and cash receivable consideration of US\$141.4m, (being consideration on completion of US\$415.0m less interim period adjustments of US\$272.6m at 30 June 2021 and costs of US\$1.0m), further consideration due of US\$10m, earn-out consideration of \$140.6m, with \$84.2m being due after one year, and deferred consideration of US\$30.0m.
6. No account has been taken of trading results of the Group and capital expenditure since 30 June 2021, nor interest due on consideration receivable.

Section 2. Report on the Unaudited Pro Forma Statement of Net Sale Interests of the Group



The Directors (the “**Directors**”)
Cairn Energy PLC
50 Lothian Road
Edinburgh
EH3 9BY

N.M. Rothschild & Sons Limited (the ‘**Sponsor**’)
New Court
St Swithin’s Lane
London
EC4N 8AL

Dear Ladies and Gentlemen

Cairn Energy PLC (the “Company”)

We report on the unaudited pro forma financial information (the “**Pro Forma Financial Information**”) set out in Section 1 of Part V of the Company’s circular dated 11 October 2021 (the “**Circular**”).

This report is required by item 13.3.3R of the Listing Rules of the Financial Conduct Authority (the “**Listing Rules**”) and is given for the purpose of complying with that item and for no other purpose.

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

Responsibilities

It is the responsibility of the Directors to prepare the Pro Forma Financial Information in accordance with item 13.3.3R of the Listing Rules.

It is our responsibility to form an opinion, as required by item 13.3.3R of the Listing Rules, as to the proper compilation of the Pro Forma Financial Information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed at the date of their issue.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to shareholders of the Company as a result of the inclusion of this report in the Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 13.4.1R(6) of the Listing Rules, consenting to its inclusion in the Circular.

*PricewaterhouseCoopers LLP, Atria One, 144 Morrison Street, Edinburgh, EH3 8EX
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PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Conduct Authority for designated investment business.

Basis of preparation

The Pro Forma Financial Information has been prepared on the basis described in the notes to the Pro Forma Financial Information, for illustrative purposes only, to provide information about how the Transaction might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ended 30 June 2021.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council (“**FRC**”) in the United Kingdom. We are independent in accordance with the FRC’s Ethical Standard as applied to Investment Circular Reporting Engagements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

PART VI

ADDITIONAL INFORMATION

1. Responsibility

The Company and the Directors, whose names are set out in Section 5 of this Part VI, accept responsibility for the information contained in this Circular. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Cairn

The Company was incorporated and registered in Scotland on 7 January 2002 as a private company limited by shares with registered number SC226712 with the name of “Randotte (No. 507) Limited”. On 5 December 2002 the Company was re-registered as a public limited company and changed its name to “New Cairn Energy PLC”. The Company changed its registered name to “Cairn Energy PLC” on 19 February 2003.

The principal legislation under which the Company was formed and under which the Company operates is the Companies Act 1985 and the Companies Act 2006 respectively. The Company is domiciled in the United Kingdom.

The registered office of the Company is 50 Lothian Road, Edinburgh EH3 9BY and its telephone number is +44 (0)131 475 3000. The Company is the ultimate holding company of the Group, and its principal activity is the extraction of crude petroleum.

Nautical Petroleum was incorporated in England and Wales on 28 January 2002 as a public limited company with registered number 04362104 with the name of “Bullion Resources Plc”. The Company changed its registered name to “Nautical Petroleum PLC” on 31 March 2005. On 8 August 2012 the Company was re-registered as a private company limited by shares and changed its name to “Nautical Petroleum Limited”. The registered office of Nautical Petroleum is Wellington House 4th Floor, 125. The Strand, London WC2R 0AP and the principal legislation under which Nautical Petroleum was formed and under which it operates is the Companies Act 1985 and the Companies Act 2006 respectively.

3. Trend information

The following statements were included in the 2021 Half Year Results, which were published on 7 September 2021:

Sale Interests

- **Catcher**

Average Catcher Area (Cairn 20% WI) gross production for the period was 47,400 bopd. Gas reinjection trials are showing initial positive results, with a proposal for continual reinjection submitted to the OGA. The impact of Calcium Naphthenate build-up on produced water plant performance is being managed by the Operator. A 4D seismic survey to monitor fluid movement within the main reservoirs was successfully conducted in Q2 2021 and the early results are encouraging, with further infill potential possible. The contracting and development of the proposed 2022 drilling campaign of three wells is progressing to expectations, with drilling anticipated in Q1 2022.

- **Kraken**

Average Kraken (Cairn 29.5% WI) gross production for the period was 33,000 bopd. The FPSO has continued to maintain high production and water injection efficiency rates, and overall low production decline. Further optimisation of combined well potential was achieved in H1 2021.

A new seismic survey has been acquired across the full Kraken area, which in combination with bypassed oil studies, will allow the identification of potential satellite targets in the west and infill targets within the main developed area of the field. Further drilling is currently most likely in 2023.

Continuing Group

- **Egypt**

The acquisition of Shell's Western Desert Assets in Egypt, which the Company announced on 9 March 2021, completed on 23 September 2021. This acquisition is an important first step in Cairn's new platform for growth. The material portfolio provides long-term sustainable, low-cost production in one of the most prolific basins in North Africa, with an attractive oil and gas revenue mix and a supportive host government. We anticipate a ramp up in investment during H1 2022. The current producing assets offer infill, improved waterflood and other development opportunities to extend field life and enhance production recovery rates. Furthermore, the exploration acreage holds significant short-cycle potential, with ten firm commitment wells planned and three seismic acquisition programmes. Alongside our partner, Cheiron, transition planning is well advanced and proceeding to expectations, with net WI production in H1 within previous expected guidance at ~35.5 kboepd. Full year guidance remains unchanged at 33 kboepd—38 kboepd.

The assets which form part of the acquisition of Shell's Western Desert Assets in Egypt hold significant short-cycle exploration potential, with ten firm commitment wells planned and three seismic acquisition programmes across four exploration concessions in the next three years. Three exploration concessions will be operated by Cairn (West El Fayum, South East Horus and South Abu Sennan) and one other licence by our joint venture partner Cheiron (North Um Baraka). As part of transition planning, we are evaluating the large exploration opportunity set across these concessions and for the initial exploration phase, we have identified and are maturing a portfolio with more than 100 mboe potential. In addition, new 3D seismic acquisition across North Um Baraka, West El Fayum and Southeast Horus is anticipated to generate additional potential, with a focus on deeper plays in the Jurassic and Palaeozoic-aged rocks.

3D seismic acquisition is planned to commence in Q4 2021 in North Um Baraka, with 3D acquisition over the Cairn-operated concessions anticipated from Q2 2022. These new, high resolution seismic surveys will provide significantly improved imaging in prospective areas and will be particularly beneficial in imaging the deeper and under-explored Jurassic and Palaeozoic sections. Drilling is planned to begin in North Um Baraka in Q4 2021, with additional wells in South Abu Sennan and West El Fayum expected to spud in H2 2022.

- **Mexico**

Cairn has interests in four blocks in the Gulf of Mexico, two as Operator (Blocks 9 and 15) and two as non-Operator (Blocks 7 and 10). The swap of 15% working interest with Eni on Blocks 9 and 10 was formally concluded in Q3 2021.

Drilling of a second exploration well by the Operator, Eni on the Sayulita prospect in Block 10, close to the 2020 Saasken oil discovery, concluded in Q3 2021, successfully finding oil. According to Eni preliminary estimates, the new find may contain between 150 to 200 mboe in place. With a number of nearby prospects, the commercial potential of a cluster development is being assessed.

The evaluation plan for the 2020 Saasken discovery in Block 10 has been approved by CNH. This will include the drilling of appraisal well Saasken-2DEL in H2 2021. In a success case, the well will be suspended as a future oil producer.

On Block 9, (Cairn 50% WI, Operator) the joint venture continues to re-evaluate prospective resources in the light of recent exploration activities and several oil discoveries made nearby, including in Block 10.

On Block 7 (Cairn 30% WI), the joint venture is selecting one or more prospects to target with a second commitment exploration well due to be drilled in 2022.

- **UK**

In August, Cairn entered into a conditional farm-in agreement with Deltic Energy Plc for a majority interest in five Southern North Sea licences: P2428 and P2567 (60% WI) and P2560, P2561 and P2562 (70% WI). Cairn will fund the work programme for each licence until the drill or drop decision point, with an upfront consideration of US\$1m to be paid to Deltic as a contribution to historic cost. Following completion, Cairn will operate the licences.

Drilling preparation continues on licences P2380 (Cairn 50% WI) and P2379 (Cairn 50% WI, Operator). The Jaws exploration well on P2380 is now expected to spud in Q4 2021, the Diadem well on P2379 is due to spud during Q2 2022. A drill stem test is planned in a success case for both wells.

A discovery in either well can be developed through subsea tieback to the nearby Shell-operated Nelson production facilities. Analogous follow-on exploration potential has been mapped on licences P2379 and P2381 (Cairn 100% WI).

On licence P2468 (Cairn 50% WI, Operator) in the East Orkney Basin, shallow geophysical data has been acquired to assist positioning of shallow seafloor boreholes to be drilled in Q3 2021, with analysis of seabed samples informing a decision on the acquisition of 3D seismic data.

- **Suriname**

Cairn (100% WI) operates Block 61, the largest offshore PSC in Suriname. The block is situated within the world-class Guyana-Suriname basin where significant discoveries continue to be made in 2021. Acquisition of 3D seismic is being considered to develop potential drilling opportunities in both shallow and deep-water areas of the block. The current phase of the licence has been extended until June 2022.

- **Israel**

Cairn has a 33.34% WI as Operator in eight licences offshore Israel. Seismic processing in order to mature prospectivity ahead of a drilling decision in Q3 2022 concluded in Q3 2021.

- **Mauritania**

Cairn secured a 90% WI as Operator in Block C7 offshore Mauritania effective May 2021. The licence has a two-year first exploration period. The work programme includes a seismic reprocessing project and an environmental baseline survey scheduled for late 2021 which will inform a drilling decision.

- **Côte d’Ivoire**

Cairn relinquished the operated licences CI-301 and CI-302 at the end of the first exploration period, effective April 2021. The Tullow-operated CI-520 licence was relinquished by the joint venture at the end of the first exploration period, effective end-August 2021.

- **Proposed return to shareholders**

The expected near-term resolution of the India tax dispute would result in a refund to Cairn by the Government of India of INR 79bn (approximately US\$1.06bn). In accepting the terms of the new legislation in India, Cairn would be required to withdraw its international arbitration award claim, interest and costs and to end all legal enforcement actions in order to be eligible for the refund.

Payment of the tax refund would enable a proposed return to shareholders of up to US\$700m, via a special dividend of US\$500m and a share buyback programme of up to US\$200m. The remainder of the proceeds would be allocated to further expansion of the low cost, sustainable production base.

The proposed return following the expected near-term resolution with the Government of India will be in addition to payment of US\$257m to shareholders in Q1 2021 following the sale of Cairn’s Senegal interests.

4. **Directors and senior management**

The names and principal functions of the Directors and the Company’s senior management are as follows:

<i>Directors</i>	<i>Position</i>
Nicoletta Giadrossi	Non-Executive Chair
Keith Lough	Non-Executive Director
Peter Kallos	Non-Executive Director
Alison Wood	Non-Executive Director
Cathy Krajcek	Non-Executive Director
Erik Daugbjerg	Non-Executive Director
Simon Thomson	Chief Executive
James Smith	Chief Financial Officer

5. **Directors’ and senior management’s shareholdings and stock options**

5.1 Save as set out below, none of the Directors or other persons discharging managerial responsibilities (“PDMRs”) has any interest in the share capital of the Company or any of its subsidiary undertakings.

5.2 The interests (all of which are beneficial) of the Directors, of their respective immediate families and (so far as is known or could with reasonable diligence be ascertained by the relevant Director) of any person connected with a Director in the share capital of the Company as at the Latest Practicable Date are as follows:

Director	Number of Shares	Percentage of issued ordinary share capital*
Nicoletta Giadrossi	0	0.000%
Keith Lough	0	0.000%
Peter Kallos	9,292	0.002%
Alison Wood	0	0.000%
Cathy Krajicek	0	0.000%
Erik Daugbjerg	0	0.000%
Simon Thomson ⁽³⁾	1,150,319	0.230%
James Smith ⁽³⁾	471,158	0.094%

* (rounded to the nearest third decimal place)

Notes:

- (1) The table set out above assumes no dealings by the Directors or their connected persons and that no further Shares are issued, whether pursuant to the exercise of options or otherwise, in each case after the Latest Practicable Date.
- (2) The interests of the Directors in Shares together represent 0.327% (rounded to the nearest third decimal place) of the issued ordinary share capital of the Company as at the Latest Practicable Date.
- (3) The interests of the Executive Directors include Shares awarded to them under the SIP. These awards consist of “partnership shares” purchased using deductions from the relevant Director’s salary and also “free shares” and free “matching shares” awarded by the Company. These shares are beneficially owned by the Director from the date of purchase/award and, as a consequence, are included in the numbers of Shares shown above.

5.3 The interests (all of which are beneficial) of the PDMRs (other than the Directors) in the share capital of the Company as at the Latest Practicable Date are as follows:

PDMR	Number of Shares	Percentage of issued ordinary share capital*
Eric Hathon, Director of Exploration ⁽²⁾	47,496	0.010%
Paul Mayland, Chief Operating Officer ⁽²⁾	551,464	0.110%

* (rounded to the nearest third decimal place)

Notes:

- (1) The table set out above assumes no dealings by the PDMRs or their connected persons and that no further Shares are issued, whether pursuant to the exercise of options or otherwise, in each case after the Latest Practicable Date.
- (2) The interests of these PDMRs include Shares awarded to them under the SIP. These awards consist of “partnership shares” purchased using deductions from the relevant PDMR’s salary and also “free shares” and free “matching shares” awarded by the Company. These shares are beneficially owned by the PDMR from the

5.4 As at the Latest Practicable Date, the Directors and other PDMRs held the following outstanding rights to acquire Shares under the 2017 LTIP:

	Outstanding awards under the 2017 LTIP (Shares)	
	Unvested Awards still subject to performance conditions	Vested but unexercised Awards⁽¹⁾
Executive/Director		
Simon Thomson	2,569,262	629,600
James Smith	1,671,063	409,496
PDMR		
Eric Hathon	1,376,551	337,324
Paul Mayland	1,427,817	352,055

- (1) This column includes all outstanding Awards that have vested following the expiry of the applicable performance period, regardless of whether or not they are currently capable of being exercised under the rules of the 2017 LTIP.

5.5 As at the Latest Practicable Date the aggregate number of Shares in respect of which options or other rights to subscribe had been granted by the Company was 2,522,518 (representing approximately 0.51 per cent. of the issued ordinary share capital of the Company, excluding shares held in treasury at that date).

6. Directors' service contracts

6.1 *Executive directors' service agreements*

On 29 June 2011, Simon Thomson entered into an agreement with Cairn to act as an executive director and Chief Executive with effect from 1 July 2011. On 4 February 2014, James Smith entered into an agreement with Cairn to act as Director of Finance (a non-Board position). He was then appointed as Chief Financial Officer with effect from 15 May 2014.

The service agreements are permanent contracts but can be terminated by either the Director concerned or Cairn on giving 12 months' notice of termination. The service agreements do not specify a retirement age.

Under the service agreements, as amended, the current annual basic salary of Simon Thomson and James Smith is as follows:

Simon Thomson	£586,650
James Smith	£381,561

Salaries are reviewed on an annual basis by the Remuneration Committee. Bonus payments are at the sole discretion of the Remuneration Committee.

Each Executive Director is entitled to a company car up to a maximum value of £70,000 (or, as an alternative, an annual car allowance of up to £8,771), permanent health insurance, private health insurance and death in service benefit of up to 4 times annual basic salary at the date of death.

Each Executive Director is also entitled to be reimbursed for all reasonable out-of-pocket expenses properly incurred in the performance of his or her duties.

The Company operates a defined contribution group personal pension plan in the UK, called the Cairn Oil Group Pension Plan. The scheme is non-contributory and all UK permanent employees are eligible to participate. The Company contributes 15% in respect of the annual basic salaries of the current Executive Directors.

If an Executive Director's pension arrangements are fully funded or applicable statutory limits are reached, an amount equal to the Company's contribution (or the balance thereof) is paid in the form of additional salary.

On joining the Company, James Smith became a member of the Cairn Oil Group Pension Plan.

Simon Thomson's pension arrangements are fully funded. As a result, he receives an amount equal to 15% of his annual basic salary as additional salary.

The service agreements do not provide for any commission or profit-sharing arrangements.

On a change of control of the Company resulting in the termination of his employment, the current Chief Executive is entitled to compensation of a sum equal to his annual basic salary as at the date of termination of employment. The Board recognises that this provision is no longer in accordance with best practice. It was not included in the contract of the new Chief Financial Officer, and will not be included in the contracts of other future appointees to the Board; however, it continues to apply to the current Chief Executive.

Each Executive Director is subject to post-termination obligations for a period of 6 months from the date of termination of employment. The obligations relate to non-competition, non-soliciting of clients or employees, and non-interference with the existing suppliers of the Company.

6.2 *Non-executive directors' letters of appointment*

Letters of appointment have been entered into between the Company and each of the Non-Executive Directors, which set out their respective responsibilities. Those letters of appointment do not provide for any period of notice. Under the Articles of Association (and consistent with the UK Corporate Governance Code), at each AGM every director must retire and offer themselves for re-election. The following table sets out the date of appointment or last reappointment of each Non-Executive Director. No compensation is payable to any Non-Executive Director who retires at an AGM and is not re-elected or whose appointment

is otherwise terminated by the Company. In addition to an annual fee, each Non-Executive Director is also entitled to be reimbursed for all reasonable out-of-pocket expenses properly incurred in the performance of his or her duties.

Director	Date of appointment or of last reappointment	Annual fee
Nicoletta Giadrossi	11 May 2021	£180,000
Keith Lough	11 May 2021	£ 85,500 ⁽¹⁾
Peter Kallos	11 May 2021	£ 75,500
Alison Wood	11 May 2021	£ 85,500 ⁽²⁾
Cathy Krajicek	11 May 2021	£ 75,500
Erik Daugbjerg	11 May 2021	£ 75,500

Notes:

- (1) Keith Lough is also entitled to an additional annual fee of £10,000 for chairing the Audit Committee.
(2) Alison Wood is also entitled to an additional annual fee of £10,000 for chairing the Remuneration Committee.

Save as disclosed in Sections 6.1 and 6.2 of this Part VII of this Circular, there are no existing or proposed service contracts or letters of appointment between any Director and any member of the Group.

7. Major Shareholders

7.1 Other than the interests of the Directors and members of the senior management disclosed in Section 6 of this Part VII of this Circular, as at the Latest Practicable Date the Company had been notified of the following holdings in the Company's issued ordinary share capital pursuant to DTR 5 (each, a "Notifiable Interest"):

Shareholder	Number of Shares	Percentage of voting rights attached to the Shares as at the Latest Practicable Date ⁽¹⁾
MFS Investment Management	66,473,994	13.31
BlackRock	51,205,933	10.26
Aberdeen Standard Investments	25,705,476	5.15
Vanguard Group	22,522,339	4.51

Notes:

- (1) Calculated by reference to the issued share capital of the Company as at the Latest Practicable Date.

7.2 Save as set out above, the Company is not aware of any other Notifiable Interests.

8. Related party transactions

8.1 Save as set out below, no related party transactions have been entered into by members of the Group between 1 January 2018 and the Latest Practicable Date.

The related party transactions for the purposes of the standards adopted according to Commission Regulation (EC) No. 1606/2002 which the Company entered into during the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020 are included in this Circular through the incorporation by reference of the 2018 Annual Report and Accounts, the 2019 Annual Report and Accounts, and the 2020 Annual Report and Accounts. No such related party transactions were entered into between 31 December 2020 and the Last Practicable Date.

The information incorporated by reference for the period ended 31 December 2020 can be found on pages 94 to 121 (inclusive) and in note 8.8 on page 187 of the 2020 Annual Report and Accounts.

The information incorporated by reference for the period ended 31 December 2019 can be found on pages 94 to 123 (inclusive) and in note 8.7 on page 192 of the 2019 Annual Report and Accounts.

The information incorporated by reference for the period ended 31 December 2018 can be found on pages 87 to 113 (inclusive) and in note 7.9 on page 177 of the 2018 Annual Report and Accounts.

8.2 The Company entered the following related party transactions for the purposes of the standards adopted according to Commission Regulation (EC) No. 1606/2002 during the period from 1 January 2021 to the Latest Practicable Date:

(a) *Remuneration of key management personnel*

The remuneration of the Directors, who are the key management personnel of the Company, is set out below in aggregate:

	US\$M
Short-term employee benefits	1.8
Pension contributions	—
Share-based payments	1.8
	<u>3.6</u>

(b) *Subsidiary Undertakings*

The following table provides the total amount of transactions which have been entered into by the Company with its subsidiary undertakings:

	US\$M
Transactions during the period	
Amounts invoiced to subsidiaries	5.7
Amounts invoiced from subsidiaries	(2.7)
Finance income – dividends received	—
	<u>US\$M</u>
Balances as at the Latest Practicable Date	
Amounts owed by subsidiary undertakings	—
Amounts owed to subsidiary undertakings	(1.9)
	<u>(1.9)</u>

9. Material contracts

9.1 *The Continuing Group*

Other than the contracts set out below and the Sale and Purchase Agreement (the principal terms of which are summarised in Part III (*Principal Terms of the Transaction*) of this Circular), no member of the Group has entered into any contracts (not being contracts entered into in the ordinary course of business) either: (i) within the two years immediately preceding the publication of this Circular which are, or may be, material to the Continuing Group; or (ii) which contain any provision under which any member of the Continuing Group has any obligation or entitlement which is, or may be, material to the Continuing Group as at the date of this Circular.

- (a) In December 2018, Cairn completed the extension of the maturity of the Group's US\$575m reserves based lending facility provided by BNP Paribas, DNB (UK) Limited, HSBC UK Bank PLC, Nedbank Limited London Branch, Société Générale London Branch and Standard Charter Bank to 2025, increasing the borrowing base to include the Nova development in Norway. Though the terms of the extended facility are consistent with that of the original, under IFRS 9 the extension is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability due to the extended period over which the facility is available. No amounts have been drawn under the facility during 2021.
- (b) On 5 August 2019 Cairn Norge, the Norwegian-incorporated wholly owned subsidiary of Cairn holding all of the Group's oil and gas assets located in Norway, entered into a farm-out agreement (the "**Nova Farm-Out Agreement**") with ONE-Dyas Norge AS to sell a 10% participating interest in Norwegian Petroleum Licence (PL) 418 and 418B (incorporating the Nova development offshore Norway for which first oil is targeted in 2021) and a 12.12% participating interest in Norwegian PL 378. Under the Nova Farm-Out Agreement, Cairn Norge received a post-tax amount of US\$59,500,000 at Completion, together with interest accruing from the effective economic date of the transaction of 1 January 2019 and subject to a customary interim period adjustment in relation to costs incurred from the effective economic date.

Completion under the Nova Farm-Out Agreement occurred in Q4 2019. Completion was conditional on, amongst other things: the consent of the Norwegian Ministry of Petroleum and Energy (“MPE”); submission of the required notification of the transaction to the Norwegian Ministry of Finance (“MoF”); the non-exercise of applicable pre-emption rights relating to the participating interests proposed to be transferred; and JV approval by the PL 378, PL 418 and PL 418B management committees, if required under the relevant joint operating agreements.

Cairn Norge also agreed under the Nova Farm-Out Agreement to:

- (i) certain undertakings and obligations in relation to the conduct of the business relating to PL 378, PL 418 and PL 418B between signing and completion; and
- (ii) certain representations, warranties and indemnities customary for a transaction of its type.

The Nova Farm-Out Agreement is governed by Norwegian law, with the District Court of Stavanger having jurisdiction under the Norwegian Arbitration Act (Act No. 25/2004) over any controversy or dispute that may arise in connection with or as a result of the Nova Farm-Out Agreement and which cannot be resolved by mutual agreement.

- (c) On 26 November 2019, Capricorn Energy Limited, a member of the Continuing Group, entered into a share sale and purchase agreement (the “**Cairn Norge SPA**”) with Solveig Gas Norway AS (“**Solveig**”) in respect of the sale of the entire issued share capital of Cairn Norge. Under the Cairn Norge SPA, Capricorn Energy Limited will receive a cash consideration of US\$100 million at completion, on a cash free/debt free basis at a financial effective date of 1 January 2020, subject to a net debt and working capital adjustment. In addition, interest accrued on the consideration payable under the Cairn Norge SPA from 1 January 2020 until completion, calculated on the basis of the average of three month LIBOR (in relation to US\$ payments) or three month NIBOR (in relation to NOK payments).

Completion under the Cairn Norge SPA occurred in February 2020. Completion was conditional upon, amongst other things, approval of the transaction by the MPE, submission of the required notification of the transaction to the MoF and completion under the Nova Farm-Out Agreement referred to in paragraph 9.1(b) above. If completion under the Cairn Norge SPA did not occur by 1 July 2020 (or such later date as the parties agreed) either party was entitled to terminate the Cairn Norge SPA by written notice to the other. Capricorn Energy Limited also agreed under the Cairn Norge SPA to:

- (i) certain undertakings and obligations in relation to the conduct of the business of Cairn Norge AS between signing and completion;
- (ii) a “locked box” indemnity in relation to leakage before completion (meaning certain payments or other obligations made, authorised or agreed to be made by Cairn Norge AS between 31 December 2019 and completion, unless identified in the Cairn Norge SPA as permitted leakage);
- (iii) certain representations, warranties and indemnities customary for a transaction of its type.

The Cairn Norge SPA is governed by, and construed in accordance with, Norwegian law, with the Norwegian courts having jurisdiction over any dispute, controversy or claim arising out of or in connection with the Cairn Norge SPA.

- (d) On 4 September 2020 a sale and purchase agreement was entered into by and between Cairn Senegal, Woodside Energy (Senegal) B.V. (“**Woodside**”) and Cairn (the “**Senegal SPA**”), pursuant to which Cairn Senegal conditionally agreed to sell to Woodside Cairn Senegal’s undivided 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 (the “**Senegal Sale Interests**”) on the following key terms:

- (i) the Group received base consideration of US\$300 million in cash at completion for the Senegal Sale Interests, together with an interim period adjustment for expenditure related to the Senegal Sale Interests from the economic date of 1 January 2020;
- (ii) in addition, after completion the Group may become entitled to an additional payment from Woodside depending on the timing of first oil from Sangomar development and the Average Brent Price during the 180 days after first oil. If first oil, as defined in the Senegal SPA, occurs:

- (A) on or before 31 December 2023 Woodside will pay in cash to the Group:
 - (1) US\$100 million if the Average Brent Price during the 180 days after First Oil is above US\$60 per barrel; or
 - (2) US\$50 million if the Average Brent Price during the 180 days after First Oil is above US\$55 per barrel but less than or equal to US\$60 per barrel; or
- (B) in the first half of 2024 Woodside will pay in cash to the Group:
 - (1) US\$50 million if the Average Brent Price during the 180 days after First Oil is above \$60 per barrel; or
 - (2) US\$25 million if the Average Brent Price during the 180 days after First Oil is above US\$55 per barrel but less than or equal to US\$60 per barrel.

In either case, no additional payment will be due from Woodside if the Average Brent Price during the 180 days after First Oil is less than or equal to US\$55 per barrel.

Cairn Senegal gave certain customary warranties in connection with the disposal of the Senegal Sale Interests. The Senegal SPA is governed by English law and completion took place on 17 December 2020.

- (e) On 8 March 2021, the Egypt Buyers, together with certain of Cheiron Energy Limited’s subsidiaries, entered into a conditional agreement (the “**Egypt SPA**”) to acquire the Egypt Assets from the Shell Sellers for a purchase price of approximately US\$646 million (approximately US\$323 million net to Cairn), as adjusted for working capital and other customary adjustments between the economic effective date of 1 January 2020 and the completion date, with additional contingent consideration of up to US\$280 million (US\$140 million net to Cairn) if certain requirements are met.

The Egypt SPA contains customary warranties and indemnities for a transaction of this nature.

Capricorn Oil Limited has agreed to guarantee Capricorn Egypt Limited’s and its affiliates respective obligations under the Egypt SPA and any other document entered into by the parties in connection with the Egypt SPA and Egypt Acquisition. Cheiron Holdings Egypt Limited has agreed to guarantee Cheiron Energy Limited and its affiliates respective obligations. The guarantors are jointly and severally liable for any joint and several obligations of the Buyers, and are liable on a several basis in respect of several obligations of the Buyers.

The governing law of the Egypt SPA is the law of England and Wales and any dispute relating to the Egypt SPA shall be settled, in London, under the Rules of Arbitration of the London Court of International Arbitration.

The acquisition completed on 23 September 2021 after receiving the formal consent of the Minister of Petroleum and Mineral Resources.

- (f) On 17 January 2020 Cairn and Cheiron Energy Limited entered into a joint bidding agreement (as partially novated and amended pursuant to a novation and amendment agreement dated 28 January 2020 among (1) Cheiron Holdings Egypt Limited, (2) Pharos Energy Plc, and (3) Capricorn Energy Limited) (the “**JBA**”) pursuant to which they formed the Egypt Consortium to bid to acquire the Shell Assets. The JBA governed the parties’ relationship with respect to the submission of a binding offer and the negotiation thereof until signature of the Egypt SPA. Pursuant to the terms of the JBA, each of Capricorn Energy Limited and Cheiron Holdings Egypt Limited acquired 50 per cent. of the Shell Sellers’ interests in the Egypt Concessions (and any related agreements) and the relevant operating company. The JBA terminated following signature of the Egypt SPA.
- (g) On 8 March 2021, Capricorn Egypt Limited, Capricorn Oil Limited and the Cheiron Energy Limited Purchasers entered into a joint management agreement (the “**JMA**”) in connection with the Egypt Acquisition. The JMA regulates the relationship between the Egypt Consortium members, including in relation to governance (including voting rights and decision-making power), day-to-day operational matters (including financial, operational and HSE decisions in respect of each of the Egypt Concessions) and other financial management matters required in respect of the Acquisition RBL Facility (including balancing and true-up mechanisms). The JMA includes cross-indemnification provisions in respect of any liability borne by a Party in excess of their 50 per cent. interest which is included pursuant to the Egypt SPA or the Acquisition RBL Facility. The JMA also includes provisions for the resolution of any deadlock in a form that is customary for this type of agreement. The JMA will

terminate: (a) where only one party holds 100 per cent. of the participating interests and shares in all operating companies originally held by the two parties; or (b) if agreed by both parties in writing. Pursuant to the JMA, the Consortium undertake to enter into a joint operating agreement (the “**Egyptian Assets JOA**”), which will govern the relationship between the Egypt Consortium members at Egypt Concession level. The Egyptian Assets JOA is based on AIPN standard model, subject to certain amendments as agreed between the parties. The Egyptian Assets JOA will set out, amongst other things, that: (a) each party will have equal representation on the operating committee, which will be chaired by the operator (no casting vote); (b) Cheiron to be appointed as operator of the producing Egypt Concessions and Capricorn Egypt Limited will be operator of the exploration Egypt Concessions; and (c) all voting decisions require unanimity. The Egyptian Assets JOA will also include standard default provisions and pre-emption rights in respect of exploration assets.

- (h) On 24 June 2021 Capricorn Egypt Limited and Cheiron Energy Limited (in capacity as original borrowers (the “**Borrowers**”) and as original guarantors) entered into a US\$ 325 million senior secured reducing revolving facility agreement (the “**Acquisition RBL Facility**”) with Société Générale Société Générale, APRICORP (Arab Petroleum Investments Corporation), Mashreqbank psc, Nedbank Ltd, Africa Export-Import Bank (Afrexium), The Mauritius Commercial Bank, Deutsche Bank AG, Trafigura Ventures V B.V and BP Oil International Ltd (the “**Acquisition RBL Lenders**”). The Acquisition RBL Facility is divided into two separate tranches, pursuant to which the Acquisition RBL Lenders make available up to US\$175 million to Capricorn Egypt Limited and up to US\$175 million available to Cheiron Energy Limited. The facility amount available to the Borrowers will reduce on a semi-annual basis (in accordance with the terms of a reduction schedule) following the first reduction date falling on the date 12 months after the Egypt Closing Date. The Acquisition RBL Facility also has an accordion mechanism that will allow each Borrower to borrow across each tranche up to US\$200 million in aggregate (subject to the reduction mechanism described above). The accordion can only be utilised three times and has to be used within three years of entry into this facility agreement. The reduction schedule will be increased by the accordion commitments and reduced in line with the existing amortization schedule. The Borrowers may request the addition of other oil and gas producing assets at a later stage subject to approval of majority lenders and customary conditions precedents, including approval of an updated projection. For any asset to be added as a borrowing base asset that is located outside of Egypt, the affirmative consent of at least 80 per cent. of the Acquisition RBL Lenders shall be required. The Acquisition RBL Facility contains customary representations, undertakings, covenants and events of default with appropriate carve-outs and materiality thresholds, where relevant. Certain fees are payable to the finance parties in connection with the Acquisition RBL Facility, such as upfront fees, commitment fees and ticking fees. The Acquisition RBL Facility is governed by English law.
- (i) On 24 June 2021 Capricorn Egypt Limited and Cheiron Energy Limited (in capacity as borrowers (the “**Borrowers**”) and as joint and several guarantors) entered into a US\$80 million subordinated term loan facility agreement (the “**Junior Debt Facility**”) with BP Oil International Limited and Trafigura Ventures V B.V as lenders (the “**Junior Debt Lenders**”), for the acquisition by the Borrowers of certain assets in the Western Desert in Egypt held by Shell Egypt N.V. and Shell Austria GmbH. Each Junior Debt Lender makes available US\$40 million to the Borrowers. The maximum available amount is the lower of: US\$80 million and the borrowing base amount. The facility amount available to the Borrowers will reduce on an annual basis (in accordance with the terms of a reduction schedule and subject to cash sweep requirements) following a grace period of four years (subject to being limited by available distributions) from financial close. The facility is to be applied: (i) towards payment of the fees, costs and expenses associated with the intended acquisition; and (ii) to other agreed general corporate purposes. The Junior Debt Facility contains customary representations, undertakings, covenants and events of default, substantially in line with the Acquisition RBL Facility. However, non-compliance by the Borrowers with its subordinated debt covenants triggers an immediate cash sweep of all cash flows available for distribution after the Acquisition RBL Facility debt amortization, rather than being an event of default. The Borrowers are also required to pay an upfront fee to the Lenders. The Junior Debt Facility is governed by the laws of England and Wales.

9.2 *The Sale Interests*

Other than the contracts set out below and the Transaction Documents, no contracts (not being contracts entered into in the ordinary course of business) have been entered into in connection with the Sale Interests either: (i) within the two years immediately preceding the publication of this Circular which are, or may be, material to the Sale Interests; or (ii) which contain any provision under which there is any obligation or entitlement which is, or may be, material to the Sale Interests as at the date of this Circular.

9.3 *Laverda*

On 1 July 2019 a sale and purchase agreement (the “**Laverda SPA**”) was entered into by and between (1) Nautical Petroleum and Premier Oil UK Limited (“**Premier**”) (together the “**Laverda Sellers**”), and (2) Molgrowest (I) Limited (“**Molgrowest**”), pursuant to which the Laverda Sellers transferred to Molgrowest an aggregate 20% interest in Licence P2070 (in respect of Block 28/4A) and Licence P2454 (in respect of Block 28/9d) (the “**Laverda Licences**”), the Laverda Seller’s undivided legal and beneficial interest in the JOA in respect of each Laverda Licence and a corresponding proportion of the legal and beneficial right, title and interest in other documents relating to each Laverda Licence (the “**Laverda Sale Interests**”).

Following completion Nautical Petroleum may become entitled to additional payments (the “**Laverda Deferred Consideration**”) from Molgrowest, as follows:

- (a) where the aggregate cumulative gross volume of petroleum produced in the Laverda Licence area reached 1.74 MMbbl, Nautical will receive a payment of US\$800,000; and
- (b) where the aggregate cumulative gross volume of petroleum produced in the Laverda Licence area has reached 2.33 MMbbl, Nautical will receive a further payment of US\$800,000.

Nautical Petroleum gave certain customary warranties in connection with the disposal of the Laverda Sale Interests. The Laverda SPA is governed by English law and completion took place on 1 July 2019. No Laverda Deferred Consideration has become payable as at the date of this Circular.

10. **Litigation**

10.1 *The Continuing Group*

Save as disclosed in paragraph 10.3 below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had during the 12 months preceding the date of this Circular, a significant effect on the Continuing Group’s financial position or profitability.

10.2 *The Sale Interests*

There are no governmental, legal or arbitration proceedings nor, so far as the Company is aware, are any such proceedings pending or threatened which may have, or have had during the 12 months preceding the date of this Circular, a significant effect on the financial position or profitability of the Sale Interests.

10.3 *Indian Income Tax Department and Arbitration under UK-India Bilateral Investment Treaty*

In January 2014 Cairn received notification from the Indian Income Tax Department (the “**ITD**”).

In that notification, the ITD claimed to have identified unassessed taxable income resulting from certain intra-Group share transfers undertaken in 2006 (the “**2006 Transactions**”), such transactions having been undertaken in order to facilitate the initial public offering of CIL in 2007. The notification made reference to retrospective Indian tax legislation enacted in 2012, which the ITD was seeking to apply to the 2006 Transactions.

The assessment issued in February 2016 by the ITD of principal tax due on the 2006 Transactions is for INR 102 billion (currently US\$1.36 billion), plus applicable interest and penalties. On 9 March 2017, the Income Tax Appellate Tribunal, Delhi (“**ITAT**”) issued an order in which it was held that CUHL should not be required to pay interest under certain sections of the Indian Income Tax Act, 1961, on the basis that the tax payable had “arisen because of retrospective amendment” and that CUHL “could not have visualized” such liability when it carried out the transfers in 2006. Interest is currently being charged on the principal at a rate of 12% per annum from February 2016, although this is subject to the ITD’s Indian high court appeal that interest should be back dated to 2007 and therefore amounts to INR 188 billion (currently US\$2.51 billion). Penalties are currently assessed as 100% of the principal tax due, although this is subject to appeal by CUHL that penalties should not be charged. Cairn is contesting the tax proceedings in India.

In March 2015 Cairn filed a Notice of Dispute under the UK-India Bilateral Investment Treaty (the “**Treaty**”) in order to protect its legal position and seek restitution of the value effectively seized by the ITD in and since January 2014.

The Treaty proceedings formally commenced in January 2016 following agreement between Cairn and the Republic of India on the appointment of a panel of three international arbitrators under the terms of the Treaty.

On 22 December 2020, the Tribunal issued its award in favour of Cairn, finding unanimously that the Republic of India had through its actions failed to accord Cairn's investments fair and equitable treatment in breach of Article 3(2) of the Treaty. The Tribunal ordered the Republic of India to pay damages to Cairn to compensate it for the breach, totalling approximately US\$1.2 billion plus interest and costs, which sum is immediately due and payable.

On 30 March 2021 Cairn announced that it had received notice that the Government of India has petitioned the Dutch Court of Appeal to set aside the arbitration award dated 21st December 2020 issued pursuant to the UK-India Bilateral Investment Treaty which was granted unanimously in favour of Cairn.

On 7 September 2021, Cairn announced in the 2021 Half Yearly Results that it is considering entering into statutory undertakings with the Government of India in respect of new legislation, which would enable the refund of retrospective taxes collected from Cairn in India by way of the asset seizure referred to above totalling INR 79 billion (currently US\$1.06 billion). The principal condition under the new legislation is the withdrawal of Cairn's rights under the arbitration award referred to above, as well as the termination, withdrawal and/or discontinuance of various enforcement measures taken by Cairn in multiple jurisdictions.

11. Working capital

The Company is of the opinion that, taking into account the Firm Net Cash Proceeds and loan facilities available to the Continuing Group, the Continuing Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of publication of this Circular.

12. Significant changes

12.1 *The Continuing Group*

Save as set out below, there has been no significant change in the financial position or the financial performance of the Continuing Group since 30 June 2021, being the date to which the last published unaudited financial information for the Cairn Group was prepared.

The acquisition of Shell's Western Desert Assets in Egypt, which the Company announced on 9 March 2021, completed on 23 September 2021. The Egypt Acquisition was part funded through the drawdown of US\$177.0 million from the Acquisition RBL Facility, a new debt finance facility entered into jointly with Cheiron Energy for this purpose. Further details of the Egypt Acquisition are set out in Section 3 of Part VI (*Additional Information*) of this Circular.

12.2 *The Sale Interests*

There has been no significant change in the financial position or the financial performance of the Sale Interests since 30 June 2021, being the date to which the unaudited financial information on Sale Interests presented in Part IV (*Financial Information Relating to the Sale Interests*) of this Circular was prepared.

13. Consents

13.1 Rothschild & Co has given and not withdrawn its written consent to the inclusion of its name in this Circular in the form and context in which it is included.

13.2 PricewaterhouseCoopers LLP has given and has not withdrawn its written consent to the inclusion in Section 2 of Part V (*Unaudited Pro Forma Financial Information on the Group*) of this Circular of its Report on the Unaudited Pro Forma Statement of Net Sale Interests of the Group in the form and context in which it is included.

14. Documents available for inspection

Copies of the following documents may be inspected during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Company at 50 Lothian Road, Edinburgh EH3 9BY, United Kingdom up to and including the date of the General Meeting:

- (a) the Transaction Documents;
- (b) the memorandum and articles of association of the Company;

- (c) copies of the 2018 Annual Report and Accounts, the 2019 Annual Report and Accounts, the 2020 Annual Report and Accounts and the 2021 Half Yearly Results;
- (d) this Circular and the Form of Proxy; and
- (e) the written consents referred to in Section 13 of this Part VII.

The above documentation (other than the documents under (a) above) will also be available on the Company's website at www.Cairnenergy.com, and also for inspection on the date and at the place of the General Meeting for at least 15 minutes before the General Meeting is held until its conclusion.

PART VII

GLOSSARY OF TECHNICAL TERMS

The following technical terms are used in this Circular. Grammatical variations of these terms should be interpreted in the same way.

2D seismic	seismic data consisting of adjacent lines acquired individually, as opposed to the multiple closely spaced lines acquired together that constitute 3D seismic data
3D seismic	seismic data acquired as multiple, closely spaced traverses, typically providing a more detailed and accurate image of the subsurface than 2D seismic data
appraisal	the phase of petroleum operations immediately following a successful discovery to further evaluate the discovery, such as seismic acquisition, geological studies, and drilling additional wells to reduce technical uncertainties and commercial contingencies
appraisal well	a well drilled as part of the appraisal of a discovery or field
bbl	barrel
Bcf or Bscf	billion cubic feet
block	term commonly used to describe areas over which there is a petroleum or production licence or PSC
boepd	barrels of oil equivalent per day
bopd	barrels of oil per day
Brent	type of crude oil that originates from oil fields in the North Sea between the Shetland Islands and Norway
condensate	a mixture of hydrocarbons (mainly pentanes and heavier) that exist in the gaseous phase at original temperature and pressure of the reservoir but, when produced, are in the liquid phase at surface pressure and temperature conditions (when temperature or pressure is reduced relative to the reservoir)
contingent resources	those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development project(s), but which are not currently considered to be commercially recoverable owing to one or more contingencies. Contingent resources have an associated chance of development. Contingent resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the range of uncertainty associated with the estimates and should be sub-classified based on project maturity and/or economic status
discovery	an exploration well which has encountered oil and gas for the first time in a structure
E&P	exploration and production

exploration	the phase of operations which covers the search or prospecting for undiscovered petroleum using various techniques, such as seismic surveys, geological studies and exploratory drilling
exploration drilling	drilling carried out to determine whether oil and gas are present in a particular area or structure
exploration well	a well in an unproven area or prospect, sometimes also known as a “wildcat well”
farm-out	a term used to describe when a company sells a portion of the acreage in a block to another company, usually in return for consideration and for the buying company taking on a portion of the selling company’s work commitments
field	a geographical area under which either a single reservoir or multiple reservoirs lie, all grouped on or related to the same individual geological structural feature and/or stratigraphic condition
FPSO	a floating production, storage and offloading unit, which is a vessel used for processing and storing hydrocarbons
hydrocarbon	a chemical compound consisting wholly of hydrogen and carbon molecules, which may exist as a solid, a liquid or a gas (for example, oil, gas or condensate)
infrastructure	oil and gas processing, transportation and off-take facilities
JOA	a joint operating agreement for the purpose of governing the relationship between the parties in relation to joint exploration, production and operation
JV	joint venture
km	kilometre(s) (and km² means square kilometre(s))
lead	a project associated with a potential accumulation that is currently poorly defined and requires more data acquisition and/or evaluation to be classified as a prospect
m	metre
migration	the movement of hydrocarbons from source rocks into reservoir rocks, which can be local or can occur along distances of hundreds of kilometres in large sedimentary basins, and is critical to a viable petroleum system
MMbbl	million barrels
natural gas	gas, predominantly methane, occurring naturally, and often found in association with crude petroleum
offshore	that geographic area that lies seaward of the coastline
oil	a mixture of liquid hydrocarbons of different molecular weights
oil field	the mapped distribution of a proven oil-bearing reservoir or reservoirs
operator	the company that has legal authority to drill wells and undertake production of petroleum, often acting on behalf of a consortium or JV

participating interest	the proportion of exploration and production costs each party will bear and the proportion of production each party will receive, typically set out in a JOA
petroleum	a generic name for oil and gas, including crude oil, natural gas liquids, natural gas, condensate and their products
petroleum system	geologic components and processes necessary to generate and store hydrocarbons, including a mature source rock, migration pathway, reservoir rock, trap and seal
PRMS	the SPE 2018 Petroleum Resources Management System (as defined by the Society of Petroleum Engineers, American Association of Petroleum Geologists, World Petroleum Council and the Society of Petroleum Evaluation Engineers)
prospect	an identified trap that may contain hydrocarbons. A potential hydrocarbon accumulation may be described as a lead or prospect depending on the degree of certainty in that accumulation. A prospect generally is mature enough to be considered for drilling
prospective resources	those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of geologic discovery and a chance of development. Prospective resources are further categorized in accordance with the range of uncertainty associated with recoverable estimates, assuming discovery and development, and may be sub-classified based on project maturity
PSC	production sharing agreement or contract, being a contract between a contractor and a host government in which the contractor typically bears the risk and costs for exploration, development, and production and in return, if exploration is successful, the contractor is given the opportunity to recover the incurred investment from production, subject to specific limits and terms
reserves	those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions and satisfying four criteria: discovered, recoverable, commercial and remaining (as of the evaluation's effective date) based on the development project(s) applied
reservoir	a subsurface rock formation that contains an individual and separate natural accumulation of petroleum that is confined by impermeable barriers, pressure systems, or fluid regimes (conventional reservoirs), or is confined by hydraulic fracture barriers or fluid regimes (unconventional reservoirs)
resources	contingent and prospective resources, unless otherwise specified
seal	a relatively impermeable rock, commonly shale, anhydrite or salt, that forms a barrier or cap above and around reservoir rock such that fluids cannot migrate beyond the reservoir, a critical component of a complete petroleum system
seismic survey	a method by which an image of the earth's sub-surface is created through the generation of shockwaves and analysis of their reflection from rock strata

- SPE** The Society of Petroleum Engineers
- trap** a configuration of rocks suitable for containing hydrocarbons and sealed by a relatively impermeable formation through which hydrocarbons will not migrate. Traps are described as structural traps (in deformed strata such as folds and faults) or stratigraphic traps (in areas where rock types change, such as unconformities, pinch outs and reefs). A trap is an essential component of a petroleum system
- WI** working interest

PART VIII

DEFINITIONS

The following definitions apply throughout this Circular, unless stated otherwise:

2018 Annual Report and Accounts . . .	Cairn's annual report and accounts for the year ended 31 December 2018
2017 LTIP	the Cairn Energy PLC Long Term Incentive Plan (2017)
2019 Annual Report and Accounts . . .	Cairn's annual report and accounts for the year ended 31 December 2019
2020 Annual Report and Accounts . . .	Cairn's annual report and accounts for the year ended 31 December 2020
2021 Half Yearly Results	Cairn's half yearly results for the period to 30 June 2021
Acquisition RBL Facility	has the meaning noted at paragraph 9.1(h) of Part VI (<i>Additional Information</i>) of this circular
Acquisition RBL Lenders	has the meaning noted at paragraph 9.1(h) of Part VI (<i>Additional Information</i>) of this circular
AGM	annual general meeting of the Company
Average Daily Brent Crude Price	the arithmetic mean of the Dated Brent FOB high and low assessments as published in Platts Daily Crude Oil Marketwire in the publications data for each publication day for the relevant year (and any published correction to any relevant assessment shall be taken into account), provided that if Platts Daily Crude Oil Marketwire shall cease to be available, the Waldorf and Nautical Petroleum will use reasonable endeavours to agree an appropriate alternative publication, such agreement not to be unreasonably withheld or delayed
Board	the board of directors of the Company, comprising at the date of this Circular the Directors whose names appear in Part VI (<i>Additional Information</i>) of this Circular
Bond Documents	the following documents: <ul style="list-style-type: none">(a) an application form dated 13 September 2021 in relation to the issue of the Waldorf Bonds, executed by Nautical Petroleum; and(b) a term sheet dated 14 September 2021 setting out the terms of the Waldorf Bonds between Waldorf (as issuer) and Pareto Securities AS and ABG Sundal Collier ASA (as bookrunners)
Business Day	a day, other than a Saturday or Sunday, on which banks are generally open for business in London or, where the term Business Day is used in Part III (<i>Principal Terms of the Transaction</i>) of this Circular, a day, other than a Saturday or a Sunday, on which banks are generally open for business in London and Aberdeen
Cairn Oil Group Pension Plan	a defined contribution group personal pension plan operated by the Company in the UK

Call Option	the call option granted by Nautical Petroleum in favour of Waldorf under the Put and Call Option Agreement pursuant to which Waldorf is entitled (subject to the satisfaction or, where applicable, waiver of certain conditions) to require Nautical Petroleum to enter into the Sale and Purchase Agreement
Cash Consideration	the consideration payable by Waldorf to Nautical Petroleum under the Sale and Purchase Agreement at Completion, as described in Section 3.3 of Part III (<i>Principal Terms of the Transaction</i>) of this Circular
Catcher	the Catcher, Varadero and Burgman field development, located on the Catcher Licences in the UK Central North Sea
Catcher Licences	the following licences: <ul style="list-style-type: none"> (a) Licence P.2453 Block 28/9c (Bonneville); (b) Licence P. 2550 Block 28/9f (Cougar and Rapide); and (c) Licence P.1430 Block 28/9a, Licence P.2070 Block 28/4a and Licence P.2454 Block 28/9d (Greater Catcher)
CCSS	the CREST courier and sorting service operated by Euroclear to facilitate, <i>inter alia</i> , the deposit and withdrawal of securities
Circular	this document, being a <i>class 1 circular</i> as such term is defined in the Listing Rules
Companies Act 1985	the Companies Act 1985 (as amended)
Companies Act 2006	the Companies Act 2006 (as amended)
Company or Cairn or Cairn Energy	Cairn Energy PLC
Completion	completion of the Transaction in accordance with the Sale and Purchase Agreement
Continuing Group	the Group following Completion
CREST	the electronic, paperless transfer and settlement mechanism to facilitate the transfer of title of shares in uncertified form operated by Euroclear
CREST Manual	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms promulgated by Euroclear on 15 July 1996 and as amended since)
CREST member	a person who has been admitted to CREST as a system member (as defined in the CREST Regulations)
CREST participant	a person who is, in relation to CREST, a system (as defined in the CREST Regulations)
CREST Proxy Instruction	a properly authenticated CREST message appointing and instructing a proxy to attend and vote in place of a Shareholder at the General Meeting and containing the information required to be contained in the CREST Manual

CREST Regulations	The Uncertificated Securities Regulations 2001 (SI 2001/3755)
CREST sponsor	a CREST participant admitted to CREST as a CREST sponsor
Deferred Consideration Bonds	Waldorf Bonds with an aggregate nominal amount of US\$30 million
Directors	the directors of the Company
DTR or DTRs	the Disclosure Guidance and Transparency Rules issued and maintained by the FCA under section 73A of FSMA
Earn Out Consideration	the contingent earn out consideration which may become payable by Waldorf to Nautical Petroleum under the Sale and Purchase Agreement following Completion, as described in Section 3.3 of Part III (<i>Principal Terms of the Transaction</i>) of this Circular
Egypt Acquisition	the acquisition by the Egypt Buyers of the Egypt Assets from the Shell Sellers
Egypt Assets	a portfolio of upstream oil and gas production, development and exploration interests in the Western Desert, onshore The Arab Republic of Egypt
Egypt Buyers	Capricorn Egypt Limited and Cheiron Energy Limited
Egypt Closing Date	the date falling five years after the later to occur of (a) completion of the Egypt Acquisition, and (b) the date on which all conditions to first utilisation under the Acquisition RBL are satisfied
Egypt Concessions	together the Alam El Shawish West concession, the Badr El Din concession, the Badr El Din 3 concession, the Badr El Din 2-17 concession, the North Alam El Shawish concession, the North East Abu Ghadarig concession, the NEO concession, the North Matruh concession, the North Um Baraka concession, the South Abu Senan concession, the South East Horus concession, the Sitra concession and the West El Fayum concession
Egypt Consortium	the consortium formed between Carbon Egypt Limited and Cheiron Energy Limited on 17 January 2020 for the purposes of the Egypt Acquisition
Encumbrance	any mortgage, standard security, charge, assignment or assignation by way of security, pledge, hypothecation, lien (other than in the ordinary course of business), right of set-off (other than in the ordinary course of business), retention of title provision (other than in the ordinary course of business), trust or flawed asset arrangement (for the purpose of, or which has the effect of, creating security) or other preferential right having the effect of creating security
Equiniti	Equiniti Limited
Euroclear	Euroclear UK & Ireland Limited, the operator (as defined in the CREST Regulations) of CREST
Executive Directors	Simon Thomson and James Smith
FCA	the Financial Conduct Authority
Firm Net Cash Proceeds	the US\$415 firm cash consideration payable by Waldorf under the Sale and Purchase Agreement (as adjusted pursuant to conventional

interim period and working capital adjustments (as at 30 June 2021, the net interim period and working capital cashflows which had been received by Nautical Petroleum (and which would, if Completion had occurred on that date, have reduced the firm consideration) were approximately US\$273 million)) less expected transaction expenses of US\$1.0 million

Form of Proxy	the form of proxy accompanying this Circular for use by Shareholders in relation to the General Meeting
FSMA	the Financial Services and Markets Act 2000
General Meeting	the general meeting of the Company (or any adjournment thereof) to be held at 9 a.m. on 28 October 2021 at 50 Lothian Road, Edinburgh EH3 9BY, notice of which is set out at the end of this Circular
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 2006) from time to time and references to a “member of the Group” shall be construed accordingly
H1	the first half of a calendar year, being January to June (inclusive)
H2	the second half of a calendar year, being July to December (inclusive)
Hive Down	the transfer of the Sale Interests from Nautical Petroleum to Target under the Hive Down Agreement
Hive Down Agreement	the hive down agreement dated 11 March 2021 between Nautical Petroleum and the Target as amended
HSE	health and safety
JOA	joint operating agreement
Kraken	the Kraken development area which includes the Kraken and Kraken North heavy oil fields that are located on the Kraken Licence close to the Mariner, Bentley and Bressay fields in the Northern North Sea
Kraken Licence	Licence P.1077 Block 9/2b
Latest Practicable Date	7 October 2021, being the latest practicable date prior to the publication of this Circular for the purposes of ascertaining certain information contained in this Circular
LIBOR	the London Inter-Bank Offered Rate administered by ICE Benchmark Administration Limited giving an average rate at which a leading bank can obtain unsecured funding for a given period in a given currency in the London market
Listing Rules	the listing rules issued and maintained by the FCA under section 73A of FSMA
London Stock Exchange	London Stock Exchange plc or its successor
MAR	the retained EU law version of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse

Market Improvement	in respect of any year, is an amount equal to the amount by which Average Daily Brent Crude Price for that year exceeds US\$52.00 multiplied by the number of barrels of production in that year to which Target is entitled under the JOAs in relation to the Sale Interests
Material Adverse Change	(a) the actual total loss or the constructive total loss of either the Kraken FPSO or the Catcher FPSO as determined by the vessel's hull and machinery insurers; or (b) following entry into the Sale and Purchase Agreement, a material breach of the title warranties (being the warranties to be given by Nautical Petroleum to Waldorf in the Sale and Purchase Agreement in respect of, among other things, its title to the shares in Target and Target's title to the Sale Interests)
Nautical Petroleum	Nautical Petroleum Limited, incorporated in England and Wales with company number 04362104, a member of the Group and a wholly owned subsidiary of Cairn
Non-Executive Directors	Nicoletta Giadrossi, Keith Lough, Peter Kallos, Alison Wood, Catherine Krajicek and Erik Daugbjerg
Notice of General Meeting	the notice of the General Meeting set out at the end of this Circular
Put and Call Option Agreement	the put and call option agreement dated 8 March 2021 between Nautical Petroleum and Waldorf (as amended)
Put Option	the put option granted by Waldorf in favour of Nautical Petroleum under the Put and Call Option Agreement pursuant to which Nautical Petroleum is entitled (subject to the satisfaction or, where applicable, waiver of certain conditions) to require Waldorf to enter into the Sale and Purchase Agreement
Remuneration Committee	the remuneration committee of the Board from time to time
Resolution	the ordinary resolution of the shareholders of Cairn Energy PLC which, among other things, approves the Transaction as a class 1 transaction which will be voted on at the General Meeting set out in the Notice of General Meeting
Sale and Purchase Agreement	the agreement for the sale and purchase of the Sale Interests which is required to be entered into between Nautical Petroleum and Waldorf following the exercise of the Put Option or the Call Option
Sale Interests	(a) an undivided interest in the Catcher Licences together with a 20% legal and beneficial interest in the JOAs in respect of the Catcher Licences; and (b) an undivided interest in the Kraken Licence together with a 29.5% legal and beneficial interest in the JOA in respect of the Kraken Licence
Shareholders	the holders of the Shares
Shares	the ordinary shares of 21/13 pence each in the capital of the Company
Shell Sellers	Shell Egypt N.V. and Shell Austria Gesellschaft MBH
SIP	the Cairn Energy PLC 2010 Share Incentive Plan

Target	Capricorn North Sea Limited, incorporated in England and Wales with company number 13233288, a member of the Group and a wholly owned subsidiary of Nautical Petroleum
Transaction	the sale by Nautical Petroleum of the entire issued share capital of Target following completion of the Hive Down and the exercise of the Call Option or the Put Option, pursuant to the Transaction Documents (save that, for the purposes of the Resolution, the proposal to Shareholders to approve the Transaction shall be limited to the exercise of the Call Option if and to the extent that the Listing Rules require separate Shareholder approval of completion of the Transaction following the exercise of the Put Option)
Transaction Documents	the Hive Down Agreement, Put and Call Option Agreement, Sale and Purchase Agreement and Bond Documents
TUPE	the Transfer of Undertakings (Protection of Employment) Regulations 2006
UK or United Kingdom	the United Kingdom of Great Britain and Northern Ireland
United States or US	The United States of America, its territories and possessions, any State of the United States and the District of Columbia
Waldorf	Waldorf Production UK Limited, a company incorporated in England and Wales with company number 12149322
Waldorf Bonds	bonds to be issued by Waldorf under its Senior Secured Callable Bond Issue 2021/2024

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 50 Lothian Road, Edinburgh EH3 9BY at 9 a.m. on 28 October 2021 to consider and, if thought fit, pass the following resolution, which will be proposed as an ordinary resolution. Capitalised terms not defined below are references to those terms as defined in the circular to shareholders dated 11 October 2021.

Ordinary resolution

THAT the proposed Transaction substantially on the terms and subject to the conditions set out in the circular to shareholders of the Company outlining the Transaction dated 11 October 2021, of which this notice forms part (the “**Circular**”) be and is hereby approved and the Directors (or a committee of the Directors) be and are hereby authorised to waive, amend, vary or extend any of the terms of the Transaction Documents, as the case may be (provided that any such waivers, amendments, variations or extensions are not of a material nature), and to do all things as they may consider to be necessary or desirable to implement and give effect to, or otherwise in connection with, the Transaction and any matters incidental to the Transaction.

By order of the Board,

Anne McSherry
Secretary
11 October 2021

Registered office:

50 Lothian Road, Edinburgh EH3 9BY, United Kingdom

Shareholder Notes:

- Please note that, in light of the ongoing COVID-19 pandemic, there remain in force face covering requirements in relation to indoor public gatherings in Scotland. 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 0371 384 2660 (for calls from within the United Kingdom) and +44 (0) 121 415 7047 (for calls from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. on any Business Day. Calls to +44 (0) 121 415 7047 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.

3. 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 28 October 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.
4. 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 a.m. on 26 October 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.
5. 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 0371 384 2660 (for calls from within the United Kingdom) and +44 (0) 121 415 7047 (for calls from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. on any Business Day. Please note that calls to these numbers may be monitored and recorded. Calls to +44 (0) 121 415 7047 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 26 October 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. As at 5.00 p.m. on 7 October 2021 (being the latest practicable time before printing this Notice of General Meeting), the Company's issued share capital comprised 499,267,656 ordinary shares of 21/13 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 5.00 p.m. on 7 October 2021 was 499,267,656. It is proposed that all votes on the Resolution 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) only a limited number of Shareholders may be able to attend the General Meeting in person as a result of 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. As only a very limited number of Shareholders are not expected to attend the General Meeting, the Board will also offer an opportunity for Shareholders to engage in advance of the meeting through a facility to submit questions by email. If Shareholders have any questions for the Board in relation to the Transaction before the General Meeting, these can be sent by email to IR.Mailbox@Cairnenergy.com. The Board will endeavour to answer the key themes of these questions on the Company's website as soon as practical.
13. Copies of the following documents may be inspected at the registered office of the Company during normal business hours, Monday to Friday (public holidays excepted) up to and including the day of the General Meeting, and at the venue for the General Meeting from 15 minutes before the time fixed for the General Meeting until the end of the General Meeting:
 - (a) the Transaction Documents;
 - (b) the memorandum and articles of association of the Company;
 - (c) copies of the 2018 Annual Report and Accounts, the 2019 Annual Report and Accounts, the 2020 Annual Report and Accounts and the 2021 Half Yearly Results;
 - (d) this Circular and the Form of Proxy; and
 - (e) the written consents referred to in Section 13 of this Part VII.
14. A member may not use any electronic address provided either in this Notice of General Meeting or any related documents (including the Chair's letter and the Form of Proxy), to communicate with the Company for any purpose other than those expressly stated.

