RED HERRING PROSPECTUS
Please read Section 60B of the Companies Act, 1956
Dated 27 November, 2006
100% Book Built Issue

CAIRN INDIA LIMITED

(Incorporated as a public limited company under the Companies Act, 1956 on 21 August, 2006)
The registered office of the Company was changed from Lentin Chambers, 3rd Floor, Dalal Street, Fort, Mumbai 400 023 to 401 Dalamal Towers, Nariman Point, Mumbai 400 021, India, its current registered office on 12 October, 2006
Tel: +(91) (22) 2287 2001; Fax: +91 (22) 2287 2002
Principal Business Office: 3rd and 4th Floor, Orchid Plaza, Suncity, Sector 54, Gurgaon, 122 002
Tel: +(91) (124) 414 1360; Fax: +(91) (124) 288 9320; Website: www.cairnindia.com
Contact Person: Preeti Chheda; E-mail: preeti.chheda@cairn-energy.plc.uk

PUBLIC ISSUE OF 328,799,675 EQUITY SHARES OF RS. 10 EACH ("EQUITY SHARES") FOR CASH AT A PRICE OF RS. [●] PER EQUITY SHARE OF CAIRN INDIA LIMITED (THE "COMPANY") AGGREGATING TO RS. [●] (THE "ISSUE"). THERE WILL ALSO BE A GREEN SHOE OPTION OF UP TO 49,319,951 EQUITY SHARES FOR CASH AT A PRICE OF RS. [●] PER EQUITY SHARE AGGREGATING TO RS. [●] (THE "GREEN SHOE OPTION"). THE ISSUE AND THE GREEN SHOE OPTION, IF EXERCISED IN FULL, WILL AGGREGATE TO 378,119,626 EQUITY SHARES AMOUNTING TO RS. [●]. THE ISSUE WILL CONSTITUTE 18.63% OF THE FULLY DILUTED POST-ISSUE EQUITY SHARE CAPITAL OF THE COMPANY ASSUMING THAT THE GREEN SHOE OPTION IS NOT EXERCISED AND 20.84% ASSUMING THAT THE GREEN SHOE OPTION IS EXERCISED IN FULL.

PRICE BAND: RS. 160 TO RS. 190 PER EQUITY SHARE OF FACE VALUE RS. 10 EACH
THE FACE VALUE OF THE EQUITY SHARES IS RS. 10 AND THE FLOOR PRICE IS 16 TIMES OF THE FACE VALUE AND THE CAP PRICE IS 19 TIMES OF THE FACE VALUE.

In case of revision of the Price Band, the Bid/Issue Period will be extended for three additional days after such revision, subject to the Bid/Issue Period not exceeding 10 Business Days. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the Bombay Stock Exchange Limited (the "BSE") and the National Stock Exchange of India Limited (the "NSE"), by issuing a press release and also by indicating the change on the websites of the Book Running Lead Managers (as defined below), the Co-Book Running Lead Manager (as defined below) and at the terminals of the members of the Syndicate.

Pursuant to Rule 19(2)(b) of the SCRR (as defined below), this Issue consists of an issue for less than 25% of the post-Issue capital and is being made through a 100% Book Building Process wherein at least 60% of the Issue shall be allocated on a proportionate basis to Qualified Institutional Buyers ("QIBs"), out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only and the remainder shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. In addition, in accordance with Rule 19(2)(b) of the SCRR, a minimum of two million securities are being offered to the public and the size of the Issue shall aggregate to at least Rs. 100 crore. If at least 60% of the Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, not less than 10% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

RISK IN RELATION TO THE FIRST ISSUE

This being the first public issue of the Equity Shares of the Company, there has been no formal market for the Equity Shares of the Company. The face value of the Equity Shares is Rs.10 and the Issue Price is [●] times the face value. The Issue Price (as determined by the Company in consultation with the Book Running Lead Managers on the basis of the assessment of market demand for the Equity Shares by way of Book Building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of the Company or regarding the price at which the Equity Shares will be traded after listing. The Company has not opted for the grading of this Issue from a Securities and Exchange Board of India ("SEBI") registered credit rating agency.

GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. Before taking an investment decision, investors must rely on their own examination of the Company and the Issue including the risks involved. The Equity Shares offered in the Issue have not been recommended or approved by the SEBI, nor does the SEBI guarantee the accuracy or adequacy of this Red Herring Prospectus. Specific attention of the investors is invited to the statements in the section entitled "Risk Factors" at page xiv of this Red Herring Prospectus.

ISSUER'S ABSOLUTE RESPONSIBILITY

The Issuer, having made all reasonable inquiries, accepts responsibility for and confirms that this Red Herring Prospectus contains all information with regard to the Issuer and the Issue that is material in the context of the Issue, that the information contained in this Red Herring Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The Equity Shares are proposed to be listed on the BSE and the NSE. The Company has received in-principle approvals from the BSE and the NSE for the listing of the Equity Shares pursuant to letters dated 13 November 2006 and 13 November 2006, respectively. For the purposes of this Issue, the Designated Stock Exchange is the NSE.

GLOBAL COORDINATORS AND BOOK RUNNING LEAD MANAGERS		BOOK RUNNING LEAD MANAGER	REGISTRAR TO THE ISSUE
DSP Merrill Lynch **DSP Merrill Lynch Limited** 10th Floor Mafatlal Centre Nariman Point Mumbai 400 021 Tel: +(91) (22) 2262 1071 Fax: +(91) (22) 2262 1187 Website: www.dspml.com E-mail: cairnindia_ipo@ml.com Contact Person: N. S. Shekhar	ABN·AMRO ROTHSCHILD **ABN AMRO Securities (India) Private Limited** 81 Sakhar Bhavan 230 Nariman Point Mumbai 400 021 Tel: +(91) (22) 2281 6352 Fax: +(91) (22) 2281 6343 Website: www.abnamroindia.com E-mail: cairnenergy.ipo @in.abnamro.com Contact Person: Navin Wadhwani	*JM MORGAN STANLEY* **JM Morgan Stanley Private Limited** 141 Maker Chambers III Nariman Point Mumbai 400 021 Tel: +(91) (22) 6630 3030 Fax: +(91) (22) 2204 7185 Website: www.jmmorganstanley.com E-mail: cairnindia.ipo @jmmorganstanley.com Contact Person: Purti Vijaywargiya	INTIME SPECTRUM REGISTRY LIMITED **Intime Spectrum Registry Limited** C-13, Pannalal Silk Mills Compound L.B.S. Marg Bhandup (West) Mumbai 400 078 Tel: +(91) (22) 2596 0320 Fax: +(91) (22) 2596 0329 Website: www.intimespectrum.com E-mail: isrl@intimespectrum.com Contact Person: Haren Modi

BID/ISSUE PROGRAMME

BID/ISSUE OPENS ON: 11 December, 2006	BID/ISSUE CLOSES ON: 15 December, 2006

TABLE OF CONTENTS

	Page No.
DEFINITIONS AND ABBREVIATIONS	ii
CERTAIN CONVENTIONS, USE OF FINANCIAL INFORMATION AND MARKET DATA, CURRENCY OF PRESENTATION AND EXCHANGE RATES	xii
FORWARD-LOOKING STATEMENTS	xiii
RISK FACTORS	xiv
SUMMARY OF THE BUSINESS, COMPETITIVE STRENGTHS AND STRATEGY	1
THE ISSUE	5
GREEN SHOE OPTION	6
SUMMARY FINANCIAL INFORMATION	9
GENERAL INFORMATION	13
CAPITAL STRUCTURE	25
OBJECTS OF THE ISSUE	31
BASIS FOR ISSUE PRICE	35
STATEMENT OF TAX BENEFITS	38
INDUSTRY OVERVIEW	48
OUR BUSINESS	50
ESTIMATION OF RESERVES AND RESOURCES	89
REGULATIONS AND POLICIES	91
HISTORY AND CORPORATE STRUCTURE	95
MANAGEMENT	113
PROMOTERS AND PROMOTER GROUP	132
RELATIONSHIP WITH CAIRN ENERGY PLC	141
DIVIDEND POLICY	149
FINANCIAL INFORMATION	150
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	303
OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS	329
GOVERNMENT AND OTHER APPROVALS	333
OTHER REGULATORY AND STATUTORY DISCLOSURES	345
ISSUE INFORMATION	352
TERMS OF THE ISSUE	355
ISSUE PROCEDURE	357
MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION	383
MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION	390
DECLARATION	392
APPENDIX A—EXECUTIVE SUMMARY OF DEGOLYER AND MACNAUGHTON REPORT	A-1

DEFINITIONS AND ABBREVIATIONS

Unless the context otherwise indicates, the following terms have the following meanings in this Red Herring Prospectus:

Company-Related Terms

In this Red Herring Prospectus, unless the context otherwise indicates, all references to "Cairn India Limited", the "Company" and the "Issuer" are to Cairn India Limited, a public limited company incorporated in India under the Companies Act, 1956, with its registered office at 401 Dalamal Towers, Nariman Point, Mumbai 400 021, India, and the terms "we", "us", "our" and "Cairn India" are to Cairn India Limited and its Subsidiaries (as defined below).

The Reorganisation will be completed simultaneously with completion of the Issue, and, accordingly, we refer in this Red Herring Prospectus to Cairn India (as defined below) as if the Reorganisation had been completed and the Company is the sole owner of the Subsidiaries.

Term	Description
Articles of Association or Articles	The articles of association of the Company, as amended from time to time
Audit Committee	The committee described in the section entitled "Management" at page 113 of this Red Herring Prospectus
Auditors	The statutory auditors of the Company, S.R. Batliboi & Associates
Board or Board of Directors	The board of directors of the Company
Cairn Energy Group	Cairn Energy PLC and each of its subsidiaries but excluding Cairn India on the Final Transfer Date
Cairn Energy PLC	A public limited company incorporated in Scotland (registered number SC226712) and having its registered office at 50 Lothian Road, Edinburgh EH3 9BY, Scotland
Cairn India	The Company and its Subsidiaries
Cairn India Holdings Limited	A private limited company incorporated in Jersey (registered number 94164) and having its registered office at 22 Grenville Street, St. Helier JE4 8PX, Jersey
Cairn UK Holdings Limited	A private limited company incorporated in Scotland (registered number SC304517) and having its registered office at 50 Lothian Road, Edinburgh EH3 9BY, Scotland
Capricorn Energy Group	Capricorn Energy Limited and each of its subsidiaries on the Final Transfer Date
Capricorn Energy Limited	A private limited company incorporated in Scotland (registered number SC301223) and having its registered office at 50 Lothian Road, Edinburgh EH3 9BY, Scotland
CEA	Cairn Energy Australia Pty Limited
CEHL	Cairn Energy Hydrocarbons Limited
CEIH	Cairn Energy India Holdings BV
CEIL	Cairn Energy India Pty Limited
CIESOP	The Cairn India Employee Stock Option Plan (2006)
CIPOP	The Cairn India Performance Option Plan (2006)
CISMP	The Cairn India Senior Management Plan
Confidentiality Undertaking	The deed of confidentiality undertaking entered into on 4 October, 2006 between Cairn Energy PLC and the Company and described in the section entitled "Relationship with Cairn Energy PLC" at page 141 of this Red Herring Prospectus

Term	Description
Contribution Agreement	The contribution agreement entered into on 24 November, 2006 between the Company and Cairn Energy PLC and described in the section entitled "Relationship with Cairn Energy PLC" at page 141 of this Red Herring Prospectus
Coordination Agreement	The coordination agreement entered into on 12 October, 2006 between the Company, Cairn Energy PLC and the Global Coordinators and described in the section entitled "History and Corporate Structure" at page 95 of this Red Herring Prospectus
Directors	The directors of the Company
KG Basin	The Krishna-Godavari Basin
Memorandum of Association or Memorandum	The memorandum of association of the Company, as amended from time to time
Non-Compete Agreement	The non-compete agreement entered into on 4 October, 2006 between Cairn Energy PLC, Capricorn Energy Limited and the Company and described in the section entitled "Relationship with Cairn Energy PLC" at page 141 of this Red Herring Prospectus
Promoter Group or Promoter Group companies	The companies mentioned under the heading "Promoter Group companies" in the section entitled "Promoters and Promoter Group" at page 137 of this Red Herring Prospectus
Promoters	Cairn Energy PLC and Cairn UK Holdings Limited
Rajasthan Block	Block RJ-ON-90/1, India
Rajasthan Block PSC	The PSC relating to the Rajasthan Block
Registered Office	The registered office of the Company, which, as at the date of this Red Herring Prospectus, is 401 Dalamal Towers, Nariman Point, Mumbai 400 021, India
Relationship Agreement	The relationship agreement entered into on 4 October, 2006 between the Company, Cairn Energy PLC and Cairn UK Holdings Limited and described in the section entitled "Relationship with Cairn Energy PLC" at page 141 of this Red Herring Prospectus
Reorganisation	The transactions pursuant to which the Company will acquire the Subsidiaries on or prior to the Final Transfer Date and as further described in the section entitled "History and Corporate Structure" at page 95 of this Red Herring Prospectus
Share Purchase Deed	The share purchase deed entered into on 12 October, 2006 between the Company, Cairn Energy PLC, Cairn UK Holdings Limited and Cairn India Holdings Limited and described in the sections entitled "History and Corporate Structure" and "Relationship with Cairn Energy PLC" at pages 95 and 141 of this Red Herring Prospectus
Subscription and Share Purchase Agreement	The subscription and share purchase agreement entered into on 15 September, 2006 between the Company, Cairn Energy PLC, Cairn UK Holdings Limited and Cairn India Holdings Limited as amended by an agreement dated 5 October, 2006 between the Company, Cairn Energy PLC, Cairn UK Holdings Limited and Cairn India Holdings Limited and described in the section entitled "History and Corporate Structure" at page 95 of this Red Herring Prospectus
Subsidiaries	Each of the subsidiaries of the Company on the Final Transfer Date

Term	Description
Transition Support Agreement	The transition support agreement entered into on 4 October, 2006 between the Company and Cairn Energy PLC and described in the section entitled "Relationship with Cairn Energy PLC" at page 141 of this Red Herring Prospectus

Issue-Related Terms

Term	Description
Allocation Amount	The amount payable by a Bidder on or prior to the Pay-in Date after deducting the Bid Amounts that may already have been paid by such Bidder
Allotment/Allot	The allotment of Equity Shares pursuant to the Issue to successful Bidders
Allottee	A successful Bidder to whom the Equity Shares are Allotted
Bankers to the Issue	The bankers to the Issue in this case being ABN AMRO Bank N.V., Citibank N.A., HDFC Bank Limited, The Hong Kong and Shanghai Banking Corporation Limited, ICICI Bank Limited, Kotak Mahindra Bank Limited and Standard Chartered Bank
Bid	An indication to make an offer during the Bid/Issue Period by a prospective investor to subscribe to the Equity Shares at a price within the Price Band, including all revisions and modifications thereto
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form
Bid cum Application Form	The form used by a Bidder to make a Bid and which will be considered as the application for Allotment for the purposes of this Red Herring Prospectus and the Prospectus
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Red Herring Prospectus and the Bid cum Application Form
Bid/Issue Closing Date	The date after which the members of the Syndicate will not accept any Bids for the Issue and which shall be notified in one English newspaper, one Hindi national newspaper and one Marathi newspaper, each with wide circulation
Bid/Issue Opening Date	The date on which the members of the Syndicate start accepting Bids for the Issue and which shall be notified in one English newspaper, one Hindi national newspaper and one Marathi newspaper, each with wide circulation
Bid/Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date (inclusive of both days) and during which prospective Bidders can submit Bids, including any revisions thereof
Book Building Process	The book building process as described in Chapter XI of the SEBI Guidelines
Book Running Lead Managers or BRLMs	The book running lead managers to the Issue, in this case being the Global Coordinators and JM Morgan Stanley Private Limited
Business Day	Any day other than Saturday or Sunday on which commercial banks in Gurgaon and Mumbai are open for business
Cap Price	The higher end of the Price Band above which the Issue Price will not be finalised and above which no Bids will be accepted

Term	Description
Co-Book Running Lead Manager or CBRLM	The co-book running lead manager to the Issue, in this case Citigroup Global Markets India Private Limited
Co-Managers	ENAM Financial Consultants Private Limited, Kotak Mahindra Capital Company Limited and HSBC Securities and Capital Markets (India) Private Limited
Confirmation of Allocation Note or CAN	The note, advice or intimation of allocation of Equity Shares sent to Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process
Cut-off Price	Any price within the Price Band finalised by the Company in consultation with the BRLMs. A Bid submitted at the Cut-off Price is a valid Bid. Only Retail Individual Bidders are entitled to bid at the Cut-off Price for a Bid Amount not exceeding Rs. 100,000. QIBs and Non-Institutional Bidders are not entitled to bid at the Cut-off Price
Designated Date	The date on which the Escrow Collection Banks transfer funds from the Escrow Account to the Issue Account after the Prospectus is filed with the RoC, following which the Board of Directors shall Allot Equity Shares to successful Bidders
Designated Stock Exchange	The NSE
Draft Red Herring Prospectus	The Draft Red Herring Prospectus dated 12 October, 2006 and issued in accordance with section 60B of the Companies Act and the SEBI Guidelines, which does not contain complete particulars of the price at which the Equity Shares are offered
Eligible NRI	An NRI resident in a jurisdiction outside India where it is not unlawful to make an offer or invitation under the Issue and in relation to whom this Red Herring Prospectus constitutes an invitation to subscribe for the Equity Shares
Equity Shares	Unless the context otherwise indicates, the equity shares of the Company with a face value of Rs. 10 each
Escrow Account	An account to be opened with the Escrow Collection Bank(s) for the Issue and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid and the Allocation Amount paid thereafter
Escrow Agreement	The agreement to be entered into between the Company, the Registrar, the BRLMs, the CBRLM, the other members of the Syndicate and the Escrow Collection Bank(s) for collection of the Bid Amounts and, where applicable, remitting refunds of the amounts collected to the Bidders on the terms and conditions thereof
Escrow Collection Banks	The escrow collection banks in this case being ABN AMRO Bank N.V., Citibank N.A., HDFC Bank Limited, The Hong Kong and Shanghai Banking Corporation Limited, ICICI Bank Limited, Kotak Mahindra Bank Limited and Standard Chartered Bank, which are clearing members and registered with the SEBI as Bankers to the Issue and with whom the Escrow Account will be opened
Final Transfer Date	The date on or prior to Allotment when the Company shall, subject to the terms and conditions of the Subscription and Share Purchase Agreement and the Share Purchase Deed, own the entire issued share capital of Cairn India Holdings Limited

Term	Description
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalised and below which no Bids will be accepted
Global Coordinators	ABN AMRO Securities (India) Private Limited and DSP Merrill Lynch Limited
Green Shoe Lender	Cairn UK Holdings Limited
Green Shoe Option or GSO	An option exercisable by the Company, in consultation with the BRLMs, to allot Equity Shares in excess of the Equity Shares included in the Issue and to enable the Stabilising Agent to operate a post-listing price stabilisation mechanism in accordance with Chapter VIII-A of the SEBI Guidelines
Green Shoe Option Portion	Up to 15% of the Issue or 49,319,951 Equity Shares aggregating to Rs. [●] crore, if exercised in full
Green Shoe Shortfall Amount	The amount in Indian Rupees arrived at by multiplying the number of Equity Shares that form the Green Shoe Shortfall Shares and the Issue Price
Green Shoe Shortfall Shares	The difference between the number of the Loaned Shares and the number of the Equity Shares lying to the credit of the GSO Demat Account at the end of the Stabilisation Period
GSO Bank Account	The bank account to be opened by the Stabilising Agent pursuant to the Stabilisation Agreement on the terms and conditions thereof
GSO Demat Account	The demat account to be opened by the Stabilising Agent pursuant to the Stabilisation Agreement on the terms and conditions thereof
Issue	The public issue of 328,799,675 Equity Shares at the Issue Price for cash aggregating to Rs. [●] crore
Issue Account	The account to be opened with the Banker(s) to the Issue to receive monies from the Escrow Account on the Designated Date
Issue Price	The final price at which Equity Shares will be Allotted. The Issue Price will be decided by the Company and Cairn Energy PLC in consultation with the BRLMs on the Pricing Date in accordance with the Book Building Process and in terms of this Red Herring Prospectus
Issue Size	328,799,675 Equity Shares with a face value of Rs. 10 each to be Allotted in the Issue at the Issue Price
Letter of Appointment of Monitoring Agent	The letter agreement dated 16 September, 2006 entered into between the Company and the Monitoring Agent pursuant to which the Monitoring Agent has been appointed to monitor the use of the proceeds of the Issue
Loaned Shares	Up to 49,319,951 Equity Shares loaned by the Green Shoe Lender pursuant to the terms of the Stabilisation Agreement on the terms and conditions thereof
Margin Amount	The amount paid by the Bidder at the time of submission of the Bid and which may range between 10% and 100% of the Bid Amount
Memorandum of Understanding	The agreement entered into on 12 October, 2006 between the Company, Cairn Energy PLC and the BRLMs pursuant to which certain arrangements are agreed in relation to the Issue

Term	Description
Monitoring Agent	Industrial Development Bank of India Limited, IDBI Tower, WTC Complex, Cuffe Parade, Mumbai 400 005
Mutual Funds	Mutual funds registered with the SEBI under the SEBI (Mutual Funds) Regulations, 1996, as amended from time to time
Mutual Funds Portion	5% of the QIB Portion or up to 9,863,990 Equity Shares available for allocation to Mutual Funds only out of the QIB Portion
Non-Institutional Bidders	All Bidders that are not QIBs or Retail Individual Bidders and who have bid for Equity Shares for an amount higher than Rs. 100,000
Non-Institutional Portion	The portion of the Issue being not less than 10% of the Issue Size or 32,879,967 Equity Shares at the Issue Price available for allocation to Non-Institutional Bidders
Non-Resident Indian or NRI	A person resident outside India, as defined under the FEMA and the FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended from time to time
Pay-in Date	The Bid/Issue Closing Date with respect to Bidders whose Margin Amount is 100% of the Bid Amount or the last date specified in the CAN sent to Bidders with respect to Bidders whose Margin Amount is less than 100% of the Bid Amount
Pay-in Period	With respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the Bid/Issue Closing Date, and with respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the closure of the Pay-in Date
Pre-IPO Placing	The private placement of 209,670,913 Equity Shares for cash consideration in Indian Rupees to selected investors to be completed prior to completion of the Issue and referred to in the section entitled "History and Corporate Structure" at page 95 of this Red Herring Prospectus
Price Band	The price band between the Floor Price of Rs. 160 per Equity Share and the Cap Price of Rs. 190 per Equity Share, including all revisions thereof
Pricing Date	The date on which the Company and Cairn Energy PLC in consultation with the BRLMs finalise the Issue Price
Prospectus	The prospectus to be filed with the RoC pursuant to section 60 of the Companies Act, containing, *inter alia*, the Issue Price that is determined at the end of the Book Building Process on the Pricing Date
Qualified Institutional Buyers or QIBs	Public financial institutions specified in section 4A of the Companies Act, FIIs, scheduled commercial banks, Mutual Funds, multilateral and bilateral development financial institutions, FVCIs, venture capital funds registered with the SEBI, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with a minimum corpus of Rs. 25 crore and pension funds with a minimum corpus of Rs. 25 crore

Term	Description
QIB Margin Amount	An amount representing at least 10% of the Bid Amount being the amount QIBs are required to pay at the time of submitting a Bid
QIB Portion	The portion of the Issue being at least 60% of the Issue Size or 197,279,805 Equity Shares at the Issue Price to be Allotted to QIBs on a proportionate basis
Refund Account	The account opened with (an) Escrow Collection Bank(s), from which refunds, if any, of the whole or part of the Bid Amount shall be made
Refund Bank	An Escrow Collection Bank in which an account is opened and from which a refund of the whole or part of the Bid Amount, if any, shall be made
Registrar to the Issue	Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai 400 078
Retail Individual Bidders	Individual Bidders (including HUFs and Eligible NRIs) who have not Bid for Equity Shares for an amount more than Rs. 100,000 in any of the bidding options in the Issue
Retail Portion	The portion of the Issue being not less than 30% of the Issue Size or 98,639,903 Equity Shares at the Issue Price available for allocation to Retail Individual Bidders
Revision Form	The form used by Bidders to modify the number of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s)
Red Herring Prospectus or RHP	This red herring prospectus issued in accordance with section 60B of the Companies Act which does not have complete particulars of the price at which the Equity Shares are offered and which will be filed with the RoC at least three days before the Bid/Issue Opening Date and will become the Prospectus after filing with the RoC after the Pricing Date
Stabilising Agent	DSP Merrill Lynch Limited
Stabilisation Agreement	The agreement dated 12 October, 2006 between the Company, the Green Shoe Lender and the Stabilising Agent in relation to the Green Shoe Option
Stabilisation Period	The period commencing on the date of obtaining trading permission from the Stock Exchanges in respect of the Equity Shares in the Issue and ending 30 calendar days thereafter unless terminated earlier by the Stabilising Agent in accordance with the Stabilisation Agreement
Stock Exchanges	The BSE and the NSE
Syndicate	Collectively, the BRLMs, the CBRLM, the Co-Managers and the Syndicate Members
Syndicate Agreement	The agreement between the members of the Syndicate and the Company in relation to the collection of Bids in the Issue
Syndicate Members	ABN AMRO Asia Equities (India) Limited, JM Morgan Stanley Financial Services Private Limited and Kotak Securities Limited. For the purposes of definition in the section entitled "Terms of the Issue" at page 355 of this Red Herring Prospectus, the term Syndicate Members shall also include the Co-Managers, as relevant
Transaction Registration Slip or TRS .	The slip or document issued by a member of the Syndicate to a Bidder as proof of registration of the Bid
Underwriters	The members of the Syndicate
Underwriting Agreement	The agreement between the Promoters, the Company, and the Underwriters to be entered into on or after the Pricing Date

Conventional and General Terms

Term	Description
Act or Companies Act	Companies Act, 1956 as amended from time to time
BSE	Bombay Stock Exchange Limited
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
Crore	10 million
Depositories	NSDL and CDSL
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository Participant or DP	A depository participant as defined under the Depositories Act
ECS	Electronic clearing service
EGM	Extraordinary general meeting of the shareholders of a company
EPS	Earnings per share, i.e., profit after tax for a fiscal year divided by the weighted average number of equity shares during the fiscal year
FCNR Account	Foreign Currency Non-Resident Account established in accordance with the FEMA
FDI	Foreign direct investment
FEMA	The Foreign Exchange Management Act, 1999, together with rules and regulations thereunder and amendments thereto
FEMA Overseas Investment Regulations	The Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2000, as amended from time to time
FIIs	Foreign Institutional Investors (as defined under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended from time to time) registered with the SEBI
FVCI	Foreign Venture Capital Investors (as defined under the SEBI (Foreign Venture Capital Investors) Regulations, 2000, as amended from time to time) registered with the SEBI
GoI or Government	Government of India
HUF	Hindu Undivided Family
IFRS	International Financial Reporting Standards
I.T. Act	Income Tax Act, 1961, as amended from time to time
Indian GAAP	Generally Accepted Accounting Principles in India
IPO	Initial Public Offering (i.e., the Issue)
km	Kilometres
m	Metres
N/A	Not Applicable
NEFT	National Electronic Fund Transfer
Non-Resident or NR	A person resident outside India, as defined under the FEMA and includes a Non-Resident Indian
NRE Account	Non-Resident External Account established in accordance with the FEMA
NRO Account	Non-Resident Ordinary Account established in accordance with the FEMA

Term	Description
NSDL	National Securities Depository Limited
NSE	The National Stock Exchange of India Limited
OCB	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts in which not less than 60% of the beneficial interest is irrevocably held by NRIs directly or indirectly and which was in existence on 3 October, 2003 and immediately before such date was eligible to undertake transactions pursuant to the general permission granted to OCBs under the FEMA. OCBs are not allowed to invest in this Issue
PAN	Permanent Account Number allotted under the I.T. Act
RBI	The Reserve Bank of India
Re.	One Indian Rupee
RoC	The Registrar of Companies in Maharashtra
Rs.	Indian Rupees
RTGS	Real Time Gross Settlement
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000, as amended from time to time
SEBI Insider Trading Regulations	SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended from time to time
STT	Securities Transaction Tax
U.K. GAAP	Generally Accepted Accounting Practice in the United Kingdom

Industry-Related Terms

Term	Description
API	specific gravity scale developed by the American Petroleum Institute for measuring the relative density of various petroleum liquids
bbl	barrels of oil
bcf	billion cubic feet
bcm	billion cubic metres
boe	barrels of oil equivalent
boepd	barrels of oil equivalent per day
bopd	barrels of oil and condensate per day
DGH	The Directorate General of Hydrocarbons
DGMS	The Directorate General of Mines and Safety
DoC	Declaration of Commerciality
FDP	Field Development Plan
JOA	Joint Operating Agreement
JV	Joint Venture

Term	Description
mmbbls	million barrels of oil and condensate
mmboe	million barrels of oil equivalent
mmscfd	million standard cubic feet of gas per day
MoPNG	The Ministry of Petroleum and Natural Gas of the GoI
NELP	New Exploration Licensing Policy
NELP V	The fifth NELP licensing round, which took place in 2005
NELP VI	The sixth NELP licensing round taking place in 2006
NCCD	National Calamity Contingent Duty
OIDA	Oil Industry (Development) Act, 1974, as amended from time to time
Oilfields Act	Oilfields (Regulation and Development), Act, 1948, as amended from time to time
OISD	Oil Industry Safety Directorate
ONGC	Oil and Natural Gas Corporation Limited
OPEC	Organisation of Petroleum Exporting Countries
PEL	Petroleum Exploration Licence
PML	Petroleum Mining Lease
P&NG Rules	Petroleum and Natural Gas Rules, 1959, as amended from time to time
PSC	Production Sharing Contract

CERTAIN CONVENTIONS, USE OF FINANCIAL INFORMATION AND MARKET DATA, CURRENCY OF PRESENTATION AND EXCHANGE RATES

Certain Conventions

All references in this Red Herring Prospectus to "India" are to the Republic of India. All references in this Red Herring Prospectus to the "US", "USA" or "United States" are to the United States of America. All references in this Red Herring Prospectus to the "UK" or "U.K." are to the United Kingdom of Great Britain and Northern Ireland.

Financial Data

Unless stated otherwise, the financial data in this Red Herring Prospectus is derived from the financial statements of certain subsidiaries of Cairn Energy PLC and translated and restated to be in accordance with Indian GAAP and the applicable SEBI Guidelines included in this Red Herring Prospectus. An index of this financial information is presented in the section entitled "Financial Information" at page 150 of this Red Herring Prospectus.

The degree to which the Indian GAAP financial information included in this Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices, Indian GAAP, the Companies Act and the SEBI Guidelines. Any reliance by persons not familiar with Indian accounting practices, Indian GAAP, the Companies Act and the SEBI Guidelines on the financial disclosures presented in this Red Herring Prospectus should accordingly be limited.

Our fiscal year commences on 1 January and ends on 31 December.

Market Data

Market data used throughout this Red Herring Prospectus has been obtained from industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that its accuracy and completeness is not guaranteed and its reliability cannot be assured. Although we believe market data used in this Red Herring Prospectus is reliable, it has not been independently verified by us.

Currency of Presentation

All references in this Red Herring Prospectus to "Indian Rupees", "Rupees", "Rs." and "INR" are to Indian Rupees, the official currency of the Republic of India. All references to "U.S. Dollars", "Dollars", "USD", "U.S. $" and "$" are to United States Dollars, the official currency of the United States of America. All references to "euro", "EUR" and "€" are to Euros, the official currency of the participating member states in the third stage of the Economic and Monetary Union of the treaty establishing the European Community. All references to "Australian Dollars", "A$" and "AUD" are to Australian Dollars, the official currency of Australia. All references to "Pound Sterling" and "£" are to Pounds Sterling, the official currency of the UK.

Exchange Rates

This Red Herring Prospectus contains translations of certain U.S. Dollar and other currency amounts into Indian Rupees that have been presented solely to comply with the requirements of Clause 6.9.7.1 of the SEBI Guidelines. These convenience translations should not be construed as a representation that those U.S. Dollar or other currency amounts could have been, or can be converted into Indian Rupees, at any particular rate, the rates stated below or at all.

Unless otherwise stated, we have in this Red Herring Prospectus used a conversion rate of Rs. 46.04 for one U.S. Dollar and Rs. 85.15 for one Pound Sterling (Source: Financial Times: closing mid rate of exchange on 30 June, 2006). Such translations should not be considered as a representation that such U.S. Dollar or Pound Sterling amounts have been, could have been or could be converted into Rupees at any particular rate, the rates stated above or at all. The closing mid rate of exchange on 24 November, 2006 was Rs. 44.70 for one U.S. Dollar and Rs. 86.37 for one Pound Sterling (Source: Bloomberg).

FORWARD-LOOKING STATEMENTS

This Red Herring Prospectus includes certain forward-looking statements with respect to our financial condition, results of operations and business. These forward-looking statements can be identified by the fact that they do not relate to any historical or current facts. Forward-looking statements often use words such as "anticipate", "expect", "estimate", "intend", "plan", "believe", "will", "may", "should", "would", "could" or other words with similar meaning. By their nature, forward-looking statements involve risk and uncertainty and there are a number of factors that could cause actual results and developments to differ materially from those expressed in, or implied by, such forward-looking statements.

Actual results may differ materially from those suggested by the forward-looking statements due to risks or uncertainties associated with the Company's expectations with respect to, but not limited to, regulatory changes pertaining to the industries in India in which we have businesses and our ability to respond to them, our ability to successfully implement strategy, growth and expansion of our business, technological changes, exposure to market risks, general economic and political conditions in India which have an impact on our business activities or investments, oil and gas prices, the monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic laws, regulations and taxes and changes in competition in the industry.

For further discussions of factors that could cause our actual results to differ, please see the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" at pages xiv and 303 of this Red Herring Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither we, nor the BRLMs, nor the other Underwriters, nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with the SEBI requirements, the Company and the BRLMs will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges are received in relation to the Equity Shares.

RISK FACTORS

An investment in equity shares involves a degree of financial risk. You should carefully consider all information in this Red Herring Prospectus, including the risks described below, before making an investment in our Equity Shares. This section addresses general risks associated with the industry in which we operate and specific risks associated with our business. Any of the following risks, as well as the other risks and uncertainties discussed in this Red Herring Prospectus, could have a material adverse effect on our business, financial condition and results of operations and could cause the trading price of our Equity Shares to decline. In addition, the risks set out in this Red Herring Prospectus may not be exhaustive and additional risks and uncertainties, not presently known to us, or which we currently deem immaterial, may arise or become material in the future.

INTERNAL RISK FACTORS

Risks relating to the Rajasthan Block

1. ***The start of production from the Mangala field or other fields in Block RJ-ON-90/1 in India (the "Rajasthan Block") may be delayed and such delays may result in significant cost overruns.***

The development of the Mangala, Aishwariya, Bhagyam and Shakti fields (the "Northern Fields") in the Rajasthan Block, our current principal strategic focus, involves significant procurement, construction and other risks. Production from the Mangala field is currently scheduled to start during 2009. Delays in completing the engineering design, construction, fabrication, installation or commissioning activities may lead to the start of production being delayed.

Current FDPs for the Mangala field and the other Northern Fields contemplate complex engineering and construction activities and we expect future development plans to contemplate similarly complex activities. In addition to drilling and surface processing facilities, our plans anticipate major infrastructural developments including the provision of a gas and water supply for use in hot water injection to optimise crude oil recovery, and the construction of a power plant, a communications system, supplementary roads and residential accommodation for workers.

As a result of increased industrial development in recent years, most notably in India and China, the global demand for raw materials used in construction has increased, resulting in shortages of, and cost increases in, such raw materials. For example, global prices for steel, a principal raw material to be used in construction in the Northern Fields, have dramatically increased in the last five years, with U.S. hot rolled coil steel prices increasing by nearly 300% from approximately Rs. 9,200 (U.S. $200) per short ton to approximately Rs. 27,600 (U.S. $600) per short ton. In addition, the corresponding increase in the demand for crude oil, natural gas and refined petroleum products has led to an increase internationally in both exploration and development activities as well as projects to increase or add new production and refining capacity. These activities, coupled with relatively limited resources and expertise in India, in particular in the area surrounding the Rajasthan Block, have resulted in a strain on the specialist engineering and other services that we need to develop these fields.

We estimate that approximately Rs. 3,959 crore (U.S. $860 million) gross in mid-2005 real money terms, of which Rs. 2,762 crore (U.S. $600 million) is net to Cairn India, will be required to commence commercial oil production from the Mangala field in 2009. Of this total, at 30 June, 2006 Rs. 235 crore (U.S. $51 million) gross, of which approximately Rs. 161 crore (U.S. $35 million) is net to Cairn India, had already been invested. The remaining development costs, as well as our current target of 2009 for first commercial production from the Mangala field, are subject to these risks of raw material and equipment shortages, or price increases above those anticipated and an inability to procure or design the engineering services required. In addition, the schedule and budget for the development project is subject to certain inherent risks relating to our business. See the risk factor entitled "We are in the hydrocarbons exploration, development and production business which has certain inherent risks" at page xxiv of this Red Herring Prospectus. The area in which the Mangala field is located experienced severe flooding in August 2006 when the majority of the proposed site of the Mangala central processing facilities was heavily eroded by flood water. Survey work is ongoing to establish to what extent such flooding may have an impact upon the construction, fabrication and installation activities for the oil processing terminal and associated facilities. See the risk factor entitled "Flooding due to heavy rains during the 2006 monsoon season may have resulted in damage leading to substantial costs for us or disruption in our development of the Rajasthan Block" at page xxi of this Red Herring Prospectus.

The occurrence of any one or all of these events may lead to delays in our execution schedule, cost overruns, which may be significant, and the need to secure additional financing. As our current principal strategic focus is to commence crude oil production from the Mangala field and the other Northern Fields on time and on budget, such delays or significant costs overruns, including any increased costs associated with additional financing requirements, could have a material adverse effect on our business, results of operations and financial condition. Depending on the severity of any adverse developments in our net cashflows, the total debt required to complete the Mangala, Aishwariya, Raageshwari and Saraswati developments, the midstream developments and/or the Bhagyam and Shakti developments may not be available for borrowing under the Facility. In such a case we may be required to refinance or restructure our debt facilities and our overall development plan contractual commitments. There can be no assurance that such a refinancing or restructuring would be possible on terms that would not have a significant adverse impact on the market value of the Equity Shares and on our financial position generally.

2. *Plateau production rates from the Rajasthan fields may be less than forecast.*

The estimates of production rates and field life contained in the FDPs for the Mangala, Aishwariya, Raageshwari and Saraswati fields which were submitted to, and approved by, the Rajasthan Block PSC management committee are based on Cairn India's estimates of future field performance. The estimates for the production rates and field life of the Bhagyam and Shakti fields are initial estimates. These initial estimates are subject to change depending on the production rates, field life and associated reserves that are agreed by the Rajasthan Block PSC management committee as part of the approval of the FDPs for the Bhagyam and Shakti fields.

Future field performance is subject to a number of risks that can have a material adverse impact. Such risks include, but are not limited to: geological conditions being more complex than originally predicted, future producer or injector well performance, inadequate pressure support, poor or inadequate well spacing, plant operating efficiencies being less than originally forecast, inadequate power, water or utility supplies, and export system constraints.

3. *Transportation infrastructure may not be constructed on time or, once constructed, may not be operated successfully and, if necessary, our involvement in midstream development options will increase the scale and complexity of our Rajasthan Block development project.*

We have based our estimated production forecasts on the assumption that the necessary pipeline infrastructure of sufficient capacity will be developed in time for the commencement of crude oil production during 2009 from the Mangala field by the GoI's nominee, currently Mangalore Refinery and Petrochemicals Limited ("MRPL"), a 72%-owned subsidiary of ONGC, our development partner in the Rajasthan Block. In the past a number of different midstream and downstream options for evacuation and processing of the crude oil to be produced from the Rajasthan Block have been examined. At one point Cairn India, ONGC and MRPL reached an understanding to establish a joint venture with the objective of exploring the feasibility of building a refinery within the Rajasthan Block. Around the time that this understanding was reached, ONGC approached the GoI on 30 June, 2005, requesting that ONGC and MRPL be nominated as the purchaser of the crude oil under the Rajasthan Block PSC. ONGC's submission proposed that the crude oil would be transported via an approximately 500 km long pipeline to the northwestern coast of India where there are port facilities in the Mundra-Kandla area (the "Pipeline"), and then via heated tanker to its refinery at Mangalore and potentially to other Indian refineries. Although the joint venture to explore the feasibility of building a refinery was not established, the GoI subsequently appointed MRPL as its nominee on 9 September, 2005. As the responsibility for the construction of the Pipeline is that of the GoI and its nominee, and the joint venture referred to above has never been established, we have no control over the construction or operation of the Pipeline and there is a risk that the Pipeline may not be constructed in time for the commencement of crude oil production from the Mangala field or that it may not be operated successfully if and when construction occurs. Successful operation of the Pipeline will be critically important for the sustained evacuation and transportation of crude oil from the Rajasthan Block.

We are aware of no firm agreement for the construction of the Pipeline or its specifications, including its route, and we have been provided with only limited information in respect of the status of the nominee's pipeline studies. Accordingly, despite the obligations of the GoI under the PSC, we believe that, in view of our assessment of the lack of progress towards construction of the Pipeline, it is appropriate for us to examine the possibility of becoming directly involved in the Pipeline or the development of other midstream options to ensure the proper integration of the upstream development and midstream facilities.

However, our involvement in development of the midstream facilities would increase the overall demands on our management team and complexity of our Rajasthan Block development projects as we would need to analyse the different technical and commercial issues associated with transportation options to the existing pipeline network and various possible refineries, all of which are located a considerable distance from the Mangala field. Connections to existing pipelines, other transportation options and the choice of the ultimate refinery or refineries for delivery of Mangala crude oil will need to be considered in terms of return on pipeline investment to us, cost of third party transportation tariffs to us, each possible refinery's existing and expected capacity and complexity to refine Mangala crude oil as well as the economic benefits overall to us. As of this time, it is unknown which transportation and refinery option presents the greatest value to Cairn India.

In the event that suitable commercial arrangements can be agreed with the GoI, and potentially with other third parties, we believe that our involvement in the midstream development planning and construction may mitigate scheduling and operational risk and may provide greater flexibility on maximum offtake rates. There can be no assurance however that suitable commercial arrangements will be agreed or that our involvement will mitigate scheduling and operational risk.

In the event that a pipeline is not constructed (whether by the nominee or with our involvement) and is not operational as a result of which the full volume of crude oil produced from the Northern Fields may not be transported from the fields, alternative means (such as by truck or rail) would potentially become necessary. The amount of crude oil we would be able to produce would therefore be limited by the amount of crude oil which, first, can be stored at a storage facility at the Mangala field and, second, can be transported by alternate means. As this amount would be a significant reduction from that which the Pipeline is expected to transport and upon which our development plans are, or are expected to be, based, this may have a material adverse effect on the volume and rate of crude oil production from the Northern Fields which, in turn, may have a material adverse effect on our business, results of operations and financial condition.

4. *The waxy nature of the crude oil at the Northern Fields presents flow assurance concerns.*

The crude oil at the Northern Fields is characterised by its viscous nature in the reservoir and its propensity, inside or outside the reservoir, to solidify at higher temperatures than is commonly the case for most producing oil fields. This presents both extraction and transportation risks.

If the temperature of the crude oil in the reservoir falls, there is a risk that wax-like particles suspended in the crude oil could solidify and block the reservoir's pores, thereby reducing the rate at which crude oil might be recovered. To extract the waxy crude oil, we intend to use hot water injection as the recovery technique at these fields. Injection of hot water will present us with certain challenges. In particular, we will be required to maintain the temperature of the water at a certain level to ensure that the temperature of the crude oil is not reduced by the water used in the injection process to the point where solidification may occur. If we are unable to maintain the temperature of the water that we use for injection, thereby affecting the nature and rate of flow of the crude oil, our crude oil recovery rate will be reduced and the overall recovery of the crude oil could be affected. Any reduction in our crude oil production and consequent failure to meet our crude oil production forecasts may have a material adverse effect on our business, results of operations and financial condition.

In addition to the difficulties presented at the time of extraction, the viscous nature of the crude oil presents particular transportation challenges. In particular, since a pipeline will need to be constructed to transport the required quantities of crude oil at high temperatures to prevent solidification, it will require a reliable source of power to maintain the crude oil at such temperatures to ensure optimal flow. Temperatures in Rajasthan have wide seasonal variation and any reduction in the temperature of the crude oil in the pipeline may disrupt its flow and reduce the amount of crude oil that may be transported. Any reduction in the offtake through the pipeline may adversely impact our crude oil production from the Rajasthan Block and have a resulting material adverse effect on our business, results of operations and financial condition.

5. *The development and production plans for the Northern Fields are dependent upon our obtaining a reliable fuel supply for power generation and heating of the Northern Fields facilities.*

The reliability of fuel supply for power generation and heating for the Northern Fields processing facilities is essential to ensure the quality of our crude oil production (see the preceding risk factor entitled "The waxy nature of the crude oil at the Northern Fields presents flow assurance concerns" in this Red

Herring Prospectus). We intend to construct a power plant to supply power to the Mangala field and, in the future, to the other Northern Fields. Currently, it is envisaged that the power plant will utilise associated natural gas from the Mangala field supplemented by natural gas from the Raageshwari Deep gas field which is located in the Rajasthan Block approximately 80 km from the site designated for the power plant. It is currently planned that we will have sole responsibility for the construction and operation of the power plant, the development of the Raageshwari Deep gas field and for connection of this gas field to the power plant with a new pipeline.

There can be no assurance that we will be able to extract and utilise the associated natural gas from the Mangala field or supplement such natural gas by extracting and transporting natural gas from the Raageshwari Deep gas field to supply the power plant sufficiently. As we cannot otherwise be assured of a constant supply of power from the local electricity grids with which we intend to connect to obtain a secondary source of power, if we are unable to supply the power plant with sufficient amounts of fuel or to operate the power plant successfully, production of crude oil from the Mangala field or the other Northern Fields may be materially adversely affected.

6. *The development and production plans for the Northern Fields are also dependent upon our ability to provide our own supply of water to our production and servicing facilities.*

As discussed in the section entitled "Our Business—Northern Fields Development—Mangala" at page 76 of this Red Herring Prospectus, we intend to use hot water injection to optimise crude oil recovery at the Northern Fields and the FDPs assume full voidage replacement of oil by water to maintain constant pressure support of the reservoir. Lesser amounts of water will also be required for drilling, construction and production purposes. We intend to use saline water from the nearby Thumbli saline aquifer in the Barmer Basin and propose to construct a number of water supply wells and a supply network for our facilities to permit groundwater extraction and transportation through a supply network to our facilities.

There can be no assurance that the modeling of the impact of our expected water extraction from the Thumbli groundwater flow is accurate. A failure to extract the required amount of water during the production life of the Northern Fields or an inaccurate prediction of the impact on the groundwater flow of our activities may require us to access alternative water sources resulting in increased capital expenditure.

In addition, there can be no assurance that the local community will not seek to hold us responsible for any invasion of the fresh water supply by saline groundwater from the aquifer. Although the Rajasthan State Government gave its consent for the extraction of saline groundwater from Thumbli, it is possible that Cairn India will be perceived to be directly or indirectly responsible for any shortage of fresh water, or a deterioration in water quality, by the local Barmer community. In such an event, local authorities, who have permitted us to use the saline groundwater, may require us to access alternative water sources.

Cairn India has identified an alternate, deeper aquifer in the south of the Rajasthan Block, that if required, could satisfy Cairn India's water requirements, although with significant additional cost incurred to drill new wells and construct a suitable pipeline. If we are forced to access alternative water sources, we anticipate significant additional capital expenditure. Any significant, unplanned capital expenditure may have a material adverse effect on our financial position and results of operations.

7. *We may not be able to use enhanced oil recovery techniques successfully.*

FDPs for the Northern Fields assume, or are expected to assume, the use of enhanced oil recovery ("EOR") techniques to extract an additional incremental percentage of the estimated oil in place in the reservoirs. EOR screening studies of the Northern Fields have concluded that polymer flooding or alkaline-surfactant-polymer ("ASP") flooding, two common EOR techniques, are the preferred EOR options. A limited initial polymer flood is planned for the Mangala field soon after the commencement of crude oil production. See the section entitled "Our Business—Rajasthan Block—Enhanced Oil Recovery" at page 71 of this Red Herring Prospectus.

However, this strategy presents a number of logistical and other challenges. We will be required to source large quantities of the types of polymer that would be required for the EOR techniques, and ensure their efficient transportation to the fields. To date, we have neither entered into any agreements regarding such supplies nor determined a method of transportation of such material to the fields. There can be no assurance that we will successfully conclude an agreement to purchase such material or successfully and efficiently transport the quantities that we will require. Further, if we fail to maintain the polymer at the correct temperature in the reservoir, then it may degrade and not function correctly, thereby reducing the incremental amount of crude oil that we expect to recover. There is also a risk that polymer fouling of the surface facilities might occur, leading to a deterioration in the operating efficiency of the processing plant.

In addition, the use of such a recovery technique will significantly increase the operational expenditure necessary to extract crude oil. We currently estimate the increase to be approximately Rs. 415 (U.S. $9) per incremental EOR barrel recovered based on preliminary screening studies undertaken for Cairn India. The economic viability of such recovery techniques will be determined by the incremental cost of such techniques compared to the then prevailing price of crude oil in the international markets. We cannot guarantee that, at the time we intend to effect these enhanced recovery techniques, the price of crude oil will allow such techniques to be an economically viable proposition.

8. ***We may be unable to finance the significant amounts of capital expenditure required to develop fully our assets in the Rajasthan Block including our possible involvement in the transportation infrastructure.***

We estimate the capital expenditure required to commence commercial oil production from the Mangala field in 2009 to be approximately Rs. 3,959 crore (U.S. $860 million), gross in mid-2005 real money terms, of which Rs. 2,762 crore (U.S. $600 million) is net to Cairn India. We expect that further capital expenditure will be required to maximise the full potential of the Mangala field to 2041 and total gross capital expenditure over the field's life is estimated to be approximately Rs. 6,906 crore (U.S. $1.5 billion) gross in mid-2005 real money terms, of which Rs 235 crore (U.S. $51 million) (Rs. 161 crore (U.S. $35 million) net to Cairn India) was incurred before 1 July, 2006.

In addition, we estimate that the capital expenditure required: to develop the Bhagyam field to be approximately Rs. 1,298 crore (U.S. $280 million) gross in mid-2005 real money terms, of which Rs. 921 crore (U.S. $200 million) is net to Cairn India; to develop the Aishwariya field to be approximately Rs. 1,059 crore (U.S. $230 million) gross in mid-2005 real money terms, of which Rs. 737 crore (U.S. $160 million) is net to Cairn India; and to develop the Raageshwari oil and Saraswati fields to be approximately Rs. 207 crore (U.S. $45 million) gross in mid-2005 real money terms, of which Rs. 138 crore (U.S. $30 million) is net to Cairn India. Of the total capital expenditure required for the development of these fields, approximately Rs. 69.1 crore (U.S. $15 million) gross, of which Rs. 46 crore (U.S. $10 million) is net to Cairn India, was incurred before 1 July, 2006.

As operator of the Rajasthan Block, Cairn India has previously advanced all development costs and then recovered, or attempted to recover, ONGC's share of the costs later, although we expect in the future to attempt to request costs from ONGC in advance of incurring them. ONGC may refuse to repay the advance if it believes the costs were not incurred in accordance with the PSC or relevant FDP. On 7 November, 2006, we received approximately Rs. 49.3 crore (U.S. $10.7 million) from ONGC in repayment of advances. Discussions are ongoing regarding the repayment of the additional Rs. 162.5 crore (U.S. $35.3 million) which Cairn India had advanced to ONGC, but there can be no assurance that we will ultimately recover the approximately Rs. 211.8 crore (U.S. $46 million) in prior advances.

Since the commencement of significant investment in the exploration and appraisal of the Rajasthan Block and, going forward, due to the development of the Mangala field and other Rajasthan fields, Cairn India is expected to be cash flow negative. As a result, the principal source of liquidity of Cairn India is expected to be cash made available through financing arrangements and, to a much smaller extent, cash generated from proposed operations, mainly its crude oil and natural gas sales.

The financing arrangements that we are seeking to have in place, including the portion of the proceeds of this Issue that we expect to receive, cover only part of the capital expenditure required to develop fully our assets in the Rajasthan Block. We currently anticipate that approximately 65% of the funds received through financing arrangements, including Net Proceeds of the Issue, will be deployed to develop the Rajasthan Block. More particularly, our development plans and capital expenditure budgets are based upon certain assumptions, particularly cost inflation, which may be materially inaccurate as a result of global or regional macroeconomic conditions. See the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" at page 303 of this Red Herring Prospectus. In addition, unanticipated delays in the construction of our facilities or of the Pipeline may result in our not commencing crude oil production from the Mangala field on time or meeting our production profile, resulting in delays to the recovery of our capital expenditure associated with the Mangala field and leading to materially increased financing needs or costs.

We intend to finance a significant component of our capital expenditure in the Rajasthan Block through a U.S. $850 million (approximately Rs. 3,913 crore) syndicated revolving credit facility entered into by Cairn India Holdings Limited and certain of its subsidiaries, including CEIL and CEHL, with The Royal Bank of Scotland ("RBS"), International Finance Corporation ("IFC") and a syndicate of other commercial banks (the "Facility"). However, there are significant limitations on the amounts that we may borrow under the Facility until such time as certain milestones relating to the development of a pipeline or other means to evacuate crude oil from the Rajasthan Block are achieved. As some of the milestones are not entirely under our control, we may have limited opportunity to influence how and when those milestones are achieved. Unanticipated delays in this achievement will severely constrain our capital resources and could significantly impair our ability to meet our capital expenditure requirements as and when they are needed for the development of the Rajasthan Block. See the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Dedicated Bank Facility" at page 323 of this Red Herring Prospectus.

Finally, there can be no assurance that we will be able to obtain the financing necessary to fund the additional capital expenditure required to develop fully the Rajasthan Block or to fund our share of the costs of construction of midstream developments if we are required to or decide to participate in its construction. If we cannot source additional financing, or such financing is only available at a significant cost, we may not be able to complete the development of our assets in the Rajasthan Block, which may have a material adverse effect on our business, results of operations and financial condition.

9. *We have not yet received certain consents and approvals required for our business, including our development plans and operating activities in the Rajasthan Block. We could incur substantial costs or disruptions to our business if we cannot obtain, renew or maintain the necessary authorisations.*

We require certain statutory and regulatory permits and approvals for our business. Some of our applications for such approvals and permits are currently pending, including certain consents and approvals with respect to the Rajasthan Block. We cannot assure you that the relevant authorities will issue such permits or approvals in the time frame anticipated by us or at all.

We have obtained Environmental Clearance ("EC") from the Ministry of Environment & Forest ("MoEF") of the GoI for the construction of a process terminal at the Mangala field ("Mangala Process Terminal"). The EC includes the oil production facilities at the Saraswati and Raageshwari fields and the Raageshwari gas production facilities including the gas trunk line from Raageshwari to Mangala. It also includes the permission to set up a 50MW power plant as part of the Mangala Process Terminal. We await detailed project information for preparing the application for the Consent to Establish ("CTE") for the Mangala production facility. In the event that the detailed project design is significantly different from the project definition presented in the EC applications, there may be a requirement to obtain approval/ direction from MoEF. This may have an adverse impact on the project schedule. The current EC does not include permission for installing an export pipeline. A separate EC may be required for any pipeline and any delays in obtaining such an EC could have an adverse impact on the project schedule.

In addition, the proposed Mangala Process Terminal lies approximately 15 km from the Uttarlai Airbase of the Indian Air force. The project location requires clearance from the Ministry of Defence since it is within a specified radius from a defence installation. Any conditionality in respect of such clearance may result in an additional time and cost impact on commencement of first oil production.

Furthermore, the Ministry of Water Resources, GoI, has granted permission for the extraction of 25,000 m^3 per day of saline ground water for a period of five years subject to monitoring the impact of such withdrawal. There can be no assurance that the water extraction permit will be maintained or extended on the same terms for a further period.

In addition, we have not yet received approval of the Rajasthan Block PSC management committee for certain exploration and appraisal related work programmes, some of which have already been completed. Although approval of budgetary funds after they are spent is common in our industry in India, there can be no assurance that all of these funds will be ultimately approved and hence become subject to the cost recovery under the Rajasthan Block PSC or otherwise.

Further, we have submitted a request to the GoI for an award of a further six month licence extension for the Northern Appraisal Area of the Rajasthan Block. The previous extension expired on 14 November, 2006. There can be no assurance that such request will be accepted. Discussions with the DGH and the MoPNG regarding the six month extension application are ongoing. While possible that the six month extension will be granted, any inability to obtain such extension will mean that we have no further entitlement to acreage beyond the Development Area and the Second Development Area. If the six month extension application is not granted, we currently expect the impact on our business, financial condition and results of operations to be negligible due to the fact that, as of yet, no commercial discoveries have been made in the area.

The delay or failure to obtain, renew or maintain government or regulatory approval for any aspect of our development plans may have a material adverse effect on our business, results of operations, and financial condition. For further details, see the section entitled "Government and Other Approvals" at page 333 of this Red Herring Prospectus.

10. ***We may not be able to obtain competitive market prices for our crude oil sales from the Rajasthan Block.***

We are obliged to sell 100% of our crude oil from the Rajasthan Block to the GoI or its nominee, currently MRPL, and the GoI is obliged to buy our crude oil pursuant to the Rajasthan Block PSC. The purchase price will be based upon an appropriate basket of crude oils to be agreed or determined under the terms of the Rajasthan Block PSC based upon a mixture and weighting of crude oils that would produce a quality similar to the quality of crude oil expected to be produced by us, and subject to any appropriate quality adjustment. Although we, ONGC and MRPL have had extensive discussions on the issue, we have yet to agree on the types of crude oil that will make up the basket applicable to the crude oil produced at Mangala or any other field in the Rajasthan Block. There is an obligation under the Rajasthan Block PSC to agree on the basket at least six months before the commencement of commercial production in a development area.

There can be no assurance that the basket of crude oils used to determine the price of our crude oil sales to the nominee will result in a value approximating the price used by us in our development and financial planning. Further, in the event that MRPL ceases to be the nominee under the Rajasthan Block PSC or that we are required to agree to an alternative pricing mechanism with the GoI or third parties, there can be no assurance that the price agreed will be the same as the price used by us in our development and financial planning. As a result, we may not recover the Mangala field capital expenditure or we may not become cash flow positive with respect to the Mangala field development in the time frame that we anticipate. Any delay in recovering our capital expenditure or becoming cash flow positive, or otherwise being obliged to sell our crude oil production for a price that is less than what may be obtainable in the international markets as defined in the Rajasthan Block PSC, may have a material adverse effect on our financial condition and results of operations.

Further, we currently expect that, due in part to our ongoing discussion with respect to the midstream development options with MRPL and the GoI, an agreement on the crude oil sales price may not be finalised prior to commencement of production at the Saraswati and Raageshwari oil fields and that interim arrangements may therefore be required for sales from those fields.

Moreover, we may be unable to obtain competitive market prices for our crude oil sales from other fields in which we have an interest and such inability may have a material adverse effect on our financial condition and results of operations. See the risk factor entitled "Our results of operations and financial condition are subject to fluctuations in oil prices" at page xxix of this Red Herring Prospectus.

11. ***We may be liable to pay cess under the Indian Oil Industry (Development) Act, 1974 ("OIDA cess") in relation to the production of crude oil from the Rajasthan Block.***

In August 2004, Cairn India received a demand from the Central Excise Commissioner, Jaipur, the local tax administrator for the Rajasthan Block, for the payment of OIDA cess, which is a levy on production of crude oil, at the then current rate of Rs. 1,800 per metric tonne (U.S. $5.61 per barrel based upon the exchange rate between the Rupee and the U.S. Dollar as at 30 June, 2006) on "pit oil" (that is, untreated mineral oil from which water and other substances have not been removed). Pit oil had been produced from the Rajasthan Block during well testing activities and was sold on a spot basis. In November 2004, under protest, Cairn India paid the alleged OIDA cess liability and lodged a formal challenge seeking a full refund. After receiving an order confirming its liability to pay OIDA cess on pit oil in March 2006, Cairn India appealed this decision with the Customs, Excise and Service Tax Appellate Tribunal in New Delhi, which is currently pending.

Furthermore, the GoI, through the MoPNG, has notified Cairn India that it believes that Cairn India, as a producer of crude oil from the Rajasthan Block, would be liable for OIDA cess on commercial crude oil production from the Rajasthan Block. Cairn India disputes this contention based on a number of reasons, including its belief that any statutory obligation to pay OIDA cess that might be held to be applicable as a matter of Indian law does not apply to production from the Rajasthan Block because while the Rajasthan Block PSC details various specific and general obligations in the nature of taxation, there is no specific mention of OIDA cess. However, we expect that the question of whether and to what extent we would be liable for OIDA cess on the commercial production of crude oil from the Rajasthan Block may become the subject of arbitration or of other means of dispute resolution pursuant to the Rajasthan Block PSC upon commencement of commercial production of crude oil in the Rajasthan Block or soon thereafter. The facts, law and contractual interpretations relevant to this dispute are likely to be complex and, consequently, the dispute would be accompanied by attendant litigation risks. During any period of uncertainty as to the outcome of the dispute, we may pay OIDA cess, albeit under protest.

In the event that Cairn India is required to pay OIDA cess, the applicable rate of OIDA cess payable on production from the Rajasthan Block is uncertain. Cairn India believes that the rate of OIDA cess which would be payable for production of crude oil from the Rajasthan Block is likely to be Rs. 900 per metric tonne (U.S. $2.80, or Rs. 128.91, per barrel), which was the rate applicable for OIDA cess at the time of execution of the Rajasthan Block PSC in 1995. This belief is based principally on the view that Cairn India is entitled to rely on certain fiscal stability provisions in the Rajasthan Block PSC which call for the parties to consult promptly and make necessary revisions or adjustments to the PSC to the extent that there is any material change to the economic benefits of any party to the PSC due to a change in Indian law, rule or regulation relating to any form of tax, levy, duty or impost on petroleum or dependent upon the value of petroleum. However, it is possible that the rate of OIDA cess payable will be determined to be at a higher rate which might be applicable upon production. As of 30 June, 2006 the rate of OIDA cess was Rs. 2,500 per metric tonne (U.S. $8.14, or Rs. 374.77, per barrel) and it is potentially subject to further increase.

To the extent that OIDA cess becomes payable by Cairn India on crude oil production from the Rajasthan Block, we would be liable for the percentage of Cairn India's working interest in the Rajasthan Block, which is 70% for the Mangala, Aishwariya, Raageshwari and Saraswati fields (the "Development Area") and elsewhere in the Rajasthan Block assuming the GoI's exercise of its "back-in" right (the Rajasthan Block PSC provides that the GoI has a right to acquire a working interest of 30% in any development area containing a commercial discovery). In addition, if and to the extent that OIDA cess is payable on crude oil production, a further levy of 2% on the principal OIDA cess liability will be payable in the form of educational cess. At the current rate of OIDA cess on crude oil production, educational cess would be payable at Rs. 50 per tonne. Further, if and to the extent that OIDA cess is payable on crude oil production, an additional levy of Rs. 50 per tonne will be payable in the form of NCCD. It is Cairn India's belief, based on current practice under other PSCs in India where OIDA cess is payable by contractors, that, if Cairn India is required to pay OIDA cess on commercial crude oil production from the Rajasthan Block, any such payments would be cost recoverable pursuant to the terms of the Rajasthan Block PSC. Even if such costs are recoverable, however, the potential payments on OIDA cess would reduce our profit share under the Rajasthan Block PSC. Any requirement to pay OIDA cess on commercial production of crude oil from the Rajasthan Block whether or not recoverable pursuant to the terms of the Rajasthan Block PSC may have a material adverse effect on our financial condition and results of operations.

12. *Flooding due to heavy rains during the 2006 monsoon season may have resulted in damage leading to substantial costs for us or disruption in our development of the Rajasthan Block.*

Unusually heavy rains during the 2006 monsoon season in the states of Rajasthan and Gujarat triggered floods which caused widespread destruction in these states. The area in which the Mangala field is located experienced severe flooding in August 2006 when the majority of the proposed site of the Mangala central processing facilities was heavily eroded by flood water. The flooding directly affected existing well-sites and roads and the site of the proposed crude oil terminal and associated facilities is located in the flood-affected area.

Since August 2006, we have conducted, and continue to conduct, survey work to establish to what extent this flooding may have an impact upon the construction, fabrication and installation activities or the oil processing terminal and associated facilities in the Rajasthan Block. Based on our survey work to date, we currently estimate costs of approximately Rs. 9.2 crore (U.S. $2 million) for repairs to road damage within the Rajasthan Block and do not currently expect the flooding to result in any delay to the scheduled start of commercial production from the Mangala field or disruption otherwise in the development of the Rajasthan Block. As our survey work continues, there is a risk that we may still uncover damage caused by the August 2006 flooding, which adversely impacts our construction, fabrication and installation activities in the Rajasthan Block and the future operation of the oil processing terminal, any pipeline and associated facilities in the Rajasthan Block. Depending upon the level of damage uncovered, we may incur substantial costs or disruptions in our development of the Rajasthan Block, which may have a material adverse effect on our business, results of operations and financial condition.

Risks Relating to Our Business

1. ***Crude oil and natural gas initially in place, reserves and resources data are only estimates and are inherently uncertain, and the actual size of deposits may differ materially from these estimates.***

The crude oil and natural gas initially in place, reserves and resources data set forth in this Red Herring Prospectus are estimates based primarily on internal technical analyses that were prepared by us. The estimates reflect our best judgment at this time based on up-to-date geological and geophysical analyses and appraisal work and are different in several regards from previous estimates used in our governmental submissions, such as DoCs and FDPs, and from resource bookings that may have been made in the past by Cairn Energy PLC which are based on those FDPs. We engaged DeGolyer and MacNaughton, independent petroleum engineering consultants, to prepare estimates as of 30 June, 2006 of the proved, probable, and possible oil, condensate, and sales gas reserves and the contingent and prospective resources contained within our licence areas. The Executive Summary of DeGolyer and MacNaughton's report on those estimates is attached as Appendix A (the "Reserves Report").

Petroleum engineering is a subjective process of estimating underground accumulations of crude oil and natural gas that cannot be measured in an exact manner. Estimates of the value and quantity of economically recoverable crude oil and natural gas reserves and rates of production necessarily depend upon several variables and assumptions, including the following:

- Historical production from the area compared with production from other comparable producing areas;
- Interpretation of geological and geophysical data;
- Assumptions concerning the future performance of wells and surface facilities;
- Assumptions concerning development planning;
- Assumed effects of regulations adopted by governmental agencies;
- Assumptions concerning future crude oil and natural gas prices;
- Capital expenditures; and
- Assumptions concerning future operating costs, tax on the extraction of commercial minerals, development costs and workover and remedial costs.

Because all reserves estimates are subjective and judgmental, each of the following items may differ materially from those assumed in estimating reserves as set forth in the Reserves Report:

- The quantities and qualities of crude oil and natural gas that are ultimately recovered;
- The production and operating costs incurred;
- The amount and timing of additional exploration and future development expenditures; and
- Future crude oil and natural gas sales prices.

Many of the assumptions used in estimating reserves are beyond our control and may prove to be incorrect over time. Evaluations of reserves necessarily involve multiple uncertainties and require us to make our best judgments as to future events based upon information available. For example, in order to categorise any hydrocarbons as proved reserves with respect to Mangala, our most significant field development project, we have made a judgment that we reasonably expect processing and transportation facilities to be in place for production of first oil despite the uncertainties surrounding transportation issues. See the Risk Factor entitled "Transportation infrastructure may not be constructed on time or, once constructed, may not be operated successfully and, if necessary, our involvement in midstream development options will increase the scale and complexity of our Rajasthan Block development project" at page xv of this Red Herring Prospectus. The accuracy of any reserves or resources evaluation depends on the quality of available information and petroleum engineering and geological interpretation.

Exploration drilling, interpretation, testing and production after the date of the estimates may require substantial upward or downward revisions in our reserves or resources data. Moreover, different reservoir engineers may make different estimates of reserves based on the same available data. Actual production, revenues and expenditures with respect to reserves and resources will vary from estimates, and the variances may be material. Changes in the price of crude oil and natural gas may also materially adversely affect the estimates of our proved and probable reserves because the reserves are evaluated based on prices and costs as of the appraisal date. See the section entitled "Our Business—Summary of Cairn India—Summary of Cairn India's Estimates of Hydrocarbons Initially in Place, Reserves and Contingent Resources" at page 58 of this Red Herring Prospectus for a discussion of certain factors as a result of which our estimates differ from those of DeGolyer and MacNaughton.

Substantial uncertainties exist with respect to the estimation of prospective and contingent resources in addition to those set forth above that apply to reserves. Prospective resources are defined as those deposits that are estimated, based on given data, to be potentially recoverable from undiscovered accumulations. Contingent resources are defined as those deposits that are estimated, based on given data, to be potentially recoverable from known accumulations, but that are not currently considered commercially recoverable. The probability that prospective resources will be discovered, or be economically recoverable, is considerably lower than for proved and probable reserves. Volumes and values associated with prospective resources should be considered highly speculative.

Further, we have provided certain estimates regarding oil and gas initially in place in this Red Herring Prospectus. These estimates are based solely on volumetric analysis of our various licence areas and are not used by us as the primary basis for development capital expenditure decisions. Accordingly, you should not rely on this oil or gas in place data as the primary basis for your investment decision.

Cairn India has provided estimates of production rates and field life in the FDPs for the Mangala, Aishwariya, Raageshwari and Saraswati fields. These estimates are based on Cairn India's current interpretation of the future field performance. Future field performance is subject to a number of risks that may have a material adverse effect on our business, results of operations and financial condition. Such risks include, but are not limited to, geological conditions being more complex or different to those originally predicted; future producer or injector well performance; inadequate pressure support; poor or inadequate well spacing; plant operating inefficiencies being less than originally forecast; inadequate power, water or utility supplies; and export system constraints.

On 25 May, 2006 the MoPNG issued guidelines for the announcement of new discoveries and on 30 May, 2006, the DGH issued guidelines for the classification of resources and reserves. Neither of these sets of guidelines supersedes Cairn India's contractual obligations under the PSCs to which it is a party. Our policy is to comply with guidelines fully. In the light of these guidelines we have established practices for the classification and estimation of reserves and resources to ensure such compliance. However, with respect to the prescribed format of certain notification requirements of the guidelines regarding new discoveries, there have been two instances since the issuance of the guidelines where we have not provided certain notifications in the format prescribed or the time indicated. The first relates to the submission of a notice following approval of the FDPs for the Mangala, Aishwariya, Raageshwari and Saraswati fields, and the second relates to the submission of a notice following approval of the DoC for the Bhagyam and Shakti fields. We expect to submit these notices in the required form forthwith and to comply with the guidelines going forward. Further, our ability to make disclosure of our reserves estimates would be subject to any changes to law, regulation or guidelines that may occur and we may be restricted or prevented from making such disclosure in the future as a result of any such changes.

2. ***If we fail to discover, otherwise acquire or develop additional reserves, the reserves within fields in production and under development, and production from these fields, will decline materially from their current levels.***

The majority of our estimates of the proved plus probable reserves in our oil and gas interests are in the Rajasthan Block and, in particular, the Mangala field. These proved plus probable reserves will decline as crude oil and natural gas are produced. Future production of crude oil and natural gas is dependent on our finding or acquiring, and developing further reserves.

Cairn India (or, where applicable, either ONGC as licensee or the relevant operator) holds exploration licences for various geographic areas in eastern, western and northern India. Environmental, geological and infrastructural conditions in many of these areas are challenging and costs can be high. The cost of drilling, completing and operating wells is often uncertain. As a result, we may incur cost overruns or may be required to curtail, delay or cancel drilling operations because of many factors, including unexpected drilling conditions, pressure or irregularities in geological formations, equipment failures or accidents, adverse weather conditions, compliance with environmental regulations, governmental requirements and shortages or delays in the availability of drilling rigs and the delivery of equipment.

If we fail to conduct successful exploration activities or to acquire additional assets holding proved plus probable reserves, the proved plus probable reserves in the fields in which we have an interest will decline as we extract crude oil and natural gas and deplete existing reserves. In addition, the volume of production of crude oil and natural gas generally declines as reserves are depleted. Our future production depends significantly upon our success in finding or acquiring and developing additional reserves. If we are unsuccessful, we may not meet our production targets, and the total proved plus probable reserves in the fields in which we have an interest, and production from these fields, would decline, which could adversely affect our results of operations and financial condition.

3. ***We are in the hydrocarbons exploration, development and production business which has certain inherent risks.***

Finding oil and gas is an uncertainty in any exploration venture. Generally, only a few of the properties that are explored are ultimately developed into producing hydrocarbon fields. Substantial expenditure is required to establish hydrocarbon reserves through seismic surveys and drilling. There is no assurance that hydrocarbons will be discovered or, even if they are, that economically viable and commercial quantities of hydrocarbons can be recovered from our existing or future fields and blocks. No assurance can be given that even when commercial reserves are discovered, we will be able to realise the reserves as we currently plan to.

The business of hydrocarbon exploration involves a high degree of risk which even a combination of experience, knowledge, and careful evaluation may not be able to prevent. These risks include, but are not limited to, encountering unusual or unexpected geological formations or pressures, seismic shifts, unexpected reservoir behaviour, unexpected or different fluids or fluid properties, premature decline of reservoir, uncontrollable flow of oil, natural gas or well fluids, equipment failures, extended interruptions due to, among others, inclement or adverse weather conditions, environmental hazards, industrial accidents, occupational and health hazards, mechanical and technical failures, explosions, pollution, oil seepage, industrial action and shortages of manpower necessary to implement our development plans. These risks and hazards could also result in damage to, or in the destruction of, production facilities, personal injury, environmental damage, business interruption, monetary losses, and possible legal liability as well as delays in other construction, fabrication, installation or commissioning activities. Losses and liabilities arising from such events may materially adversely affect our revenues or increase our costs and thus have a material adverse effect on our results of operations and financial condition.

4. ***Cairn Energy PLC will continue to retain majority control after the Issue and it may have interests that are adverse to and conflict with those of other shareholders.***

After the Issue, Cairn Energy PLC will indirectly own not less than 69.5% of our issued Equity Shares (67.6% if the Green Shoe Option is exercised in full). As a result, Cairn Energy PLC could exercise significant influence over certain of our corporate decisions, including the election or removal of directors of our Board, the approval of our annual financial information, the declaration of dividends and the determination of other matters to be decided by our shareholders, and could thereby also influence other aspects of our management, strategy and operations. As only 18.63% of the fully diluted post-Issue capital is being offered in this Issue if the Green Shoe Option is not exercised and 20.84% if the Green Shoe Option is exercised in full, other shareholders may not be able to determine the outcome of any resolution proposed at a shareholder meeting or influence any decision made by Cairn Energy PLC.

The interests of Cairn Energy PLC may be different from our interests or the interests of our other shareholders. As a result, Cairn Energy PLC may take actions with respect to our business that may not be in our or our other shareholders' best interests. By exercising its powers of control, Cairn Energy PLC could delay, defer or cause a change of our control or a change in our capital structure, delay, defer or cause a merger, consolidation, takeover or other business combination involving us, discourage or encourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of us or take actions adverse to the interests of our other shareholders with respect to the blocks in the Himalayan Foreland Basin in which both we and Cairn Energy PLC will possess interests after the Issue. See the section entitled "Our Business—Exploration Blocks—Himalayan Foreland Basin" at page 84 of this Red Herring Prospectus.

The interests of Cairn Energy PLC are most likely to conflict with the interests of our other shareholders in circumstances where Cairn Energy PLC competes with us for opportunities, such as for exploration licences in future NELP rounds or otherwise. To mitigate any conflicts of interest in such circumstances, we have entered into the Non-Compete Agreement with Cairn Energy PLC and Capricorn Energy Limited which provides that, until the earlier of three years from the date the Equity Shares are admitted to trading on the BSE and NSE, and such time as Cairn Energy PLC holds, directly or indirectly, less than 20% of our issued Equity Shares, that the Cairn Energy Group will not, without our prior consent, acquire, bid or apply for or otherwise seek to acquire any interest in a government contract related to hydrocarbons, including any PSC, in India, except for its holdings in the Himalayan Foreland Basin or any NELP VI blocks in which it may acquire an interest, or otherwise carry on or be employed in any business in competition with our business in India. We have agreed to similarly limit ourselves from conducting competing activity in Nepal, Bangladesh and Bangladeshi territorial waters. See the section entitled "Relationship with Cairn Energy PLC" at page 141 of this Red Herring Prospectus.

5. *We will continue to rely on Cairn Energy PLC for certain key services after the Final Transfer Date.*

We are reliant on Cairn Energy PLC for the provision of certain transitional services which it has agreed to provide under the Transition Support Agreement and two other transition support agreements between Cairn Energy PLC and a Subsidiary, CEIL. If Cairn Energy PLC fails to perform such services, its liability, in respect of any particular service request, is capped at the amounts paid to it by us or CEIL in respect of that service request. Any failure of Cairn Energy PLC to perform such services could have a material adverse effect on our business, results of operations and financial condition. See the section entitled "Relationship with Cairn Energy PLC" at page 141 of this Red Herring Prospectus.

In addition, the operations of Cairn India are covered by group insurance policies held by Cairn Energy PLC which are renewable annually. While there is no agreement in place under which Cairn Energy PLC is required to ensure that Cairn India will continue to be covered by the Cairn Energy PLC insurance following the Reorganisation, Cairn Energy PLC has informed us that it currently anticipates that these policies will be renewed for a one year term, from 1 December, 2006 until 30 November, 2007. We expect that from December 2007, Cairn India will be required to procure insurance separately from Cairn Energy PLC. There can be no guarantee that we will obtain insurance at all, or on similar terms, or at similar costs to those currently applicable to Cairn Energy PLC's insurance policies.

6. *We have obtained only limited warranties and indemnities from Cairn UK Holdings Limited in relation to the assets and interests held by Cairn India Holdings Limited which will constitute the business of Cairn India.*

We have entered into the Subscription and Share Purchase Agreement and the Share Purchase Deed with Cairn Energy PLC, Cairn UK Holdings Limited and Cairn India Holdings Limited pursuant to which we have acquired 21.8%, and have agreed to acquire, subject to the terms and conditions described in the section entitled "History and Corporate Structure" at page 95 of this Red Herring Prospectus, the remaining 78.2%, of the issued share capital of Cairn India Holdings Limited.

We have received only limited warranties and indemnities under the Subscription and Share Purchase Agreement and Share Purchase Deed. In particular, we have not received warranties or indemnities in relation to matters such as the ownership of the underlying assets by the Subsidiaries carrying on the business of Cairn India as described in this Red Herring Prospectus, the financial position of the Subsidiaries or as to the absence of undisclosed liabilities or material litigation.

If the Subsidiaries carrying on the business of Cairn India do not own the assets which are required or used to carry on the business of Cairn India, or if the financial position of the Subsidiaries has deteriorated since 30 June, 2006, then there could be a material adverse effect on our business, results of operations and financial condition.

7. *Attracting and retaining management is a challenge.*

If we are unable to attract or retain our managerial and technical personnel, our business and operations may be adversely affected. Attracting and retaining scarce top quality managerial talent has become a serious challenge facing companies in India. Cairn India is no exception to this rule. Moreover, Cairn India depends on specific key talent such as geologists and upstream energy specialists.

Such a failure to have or retain key positions and functions in place could have a material adverse effect on our business, results of operations and financial condition.

8. *We are in the process of applying to the GoI in relation to the appointment of one of our Executive Directors.*

Under the Companies Act, appointment of executive directors who are not resident in India for a continuous period of 12 months preceding the date of their appointment as executive directors requires GoI approval. Mr. Rahul Dhir was not resident in India for the requisite period before his appointment to the Board. We have 90 days from the date of his appointment to apply for approval from the GoI. Any delay in receipt of such approval, or non-receipt of such approval, may require us to change the composition of the Board.

9. *Our lack of operating history as an independent entity makes it difficult to assess our historical performance and outlook for future revenues and other operating results.*

We have no operating history as an independent entity; the historical financial performance of Cairn India has been reported together with, and has been connected to, the results of operations, assets and cash flow of Cairn Energy PLC's other business operations. The financial information discussed in this Red Herring Prospectus is that of our three principal wholly-owned subsidiaries, CEA, CEIH and CEHL. These three entities accounted for 100% of the total production of the Subsidiaries for the period ended 30 June, 2006 and together they accounted for approximately 98.9% of the gross assets of the Subsidiaries as at 30 June, 2006, and do not therefore reflect the entirety of the actual results of operations, financial position and cash flows of Cairn India. In addition, the financial information does not necessarily reflect the actual results of operations, financial position and cash flows that the portion of Cairn India reflected in the financial information, or any part thereof, would have had if we had been a separate, publicly-traded company during the periods presented. Similarly, they are not indicative of our future results of operations and future financial position. For a further discussion of the basis of presentation of the financial information included in this Red Herring Prospectus, see the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview and Basis of Presentation" at page 303 of this Red Herring Prospectus.

10. *Our insurance may not be adequate to protect us against all potential losses to which we may be subject.*

The exploration and production of crude oil and natural gas is inherently hazardous. A range of factors incorporating a range of natural and man-made factors, may result in oil spills, fires, equipment failure, and loss of well control, which can result in death and injury, and damage to production facilities and the environment. Although we intend to maintain insurance against losses caused by such events, there is a risk that our insurance policies may not be sufficient in covering all losses which we or any third parties may suffer. If we suffer an event for which we are not adequately insured, there is a risk that it could have a material adverse effect on our business, results of operations and financial condition.

11. *We have certain contingent liabilities not provided for which may adversely affect our financial condition.*

As of 30 June, 2006, contingent liabilities of the Subsidiaries not provided for aggregated Rs. 500.6 crore (approximately U.S. $108.1 million). In the event that any of these contingent liabilities materialise, our financial condition may be adversely effected. For further details, see the section entitled "Outstanding Litigation and Material Developments" at page 329 of this Red Herring Prospectus.

12. *We are involved in a number of legal and arbitration proceedings that, if determined against us, could adversely impact our business and financial condition.*

We are involved in a number of legal and arbitration proceedings that, if determined against us, could adversely impact our business and financial condition. For example, we are involved in a pending appeal by the GoI stemming from a dispute relating to the calculation of payments that we are required to make to it in connection with the Ravva field. The Ravva PSC obliges us to pay our proportional share of ONGC's exploration, development, production and contract costs in consideration for ONGC's payment of costs related to construction and other activities it conducted in Ravva prior to the effective date of the Ravva PSC (the "ONGC Carry"). The question as to how the ONGC Carry is to be calculated, along with other issues, was submitted to an international arbitration panel in August 2002 which rendered a decision on the ONGC Carry in our favour in October 2004. The GoI filed a challenge to the ONGC Carry decision in the Malaysian courts, as Kuala Lumpur was the seat of the arbitration. We are defending the challenge on the grounds that contrary to the GoI's claims, there has been neither misconduct on the part of the panel nor any error of law. While we do not believe the GoI will be successful in its challenge, if the arbitral award is reversed and such reversal is binding, we could be liable for up to approximately Rs. 294.2 crore (U.S. $63.9 million) plus interest.

In a separate and unrelated dispute related to the profit petroleum calculations under the Ravva PSC, the Ravva JV received a claim from the DGH for approximately Rs. 766.1 crore (U.S. $166.4 million) (representing Rs. 172.2 crore (U.S. $37.4 million) net to Cairn India) for an alleged underpayment of profit petroleum to the GoI, together with interest on that amount through to 30 June, 2006 of Rs. 141 crore (U.S. $30.6 million) (representing Rs. 31.3 crore (U.S. $6.8 million) net to Cairn India). This claim relates to the GoI's allegation that the Ravva JV has recovered costs in excess of the Base Development Costs ("BDC") cap imposed in the PSC and that the Ravva JV has also allowed these excess costs in the calculation of the Post Tax Rate of Return ("PTRR") calculation. Cairn India believes that such a claim is unsustainable under the terms of the PSC because, amongst other reasons, the BDC cap only applies to the initial development of the Ravva field and not to subsequent development activities under the PSC. Additionally the Ravva JV has also contested the basis of the calculation in the above claim from the DGH. Even if upheld, Cairn India believes that the DGH has miscalculated the sums that would be due to the GoI in such circumstances.

The legal proceedings involving Cairn India are pending at different levels of adjudication before various courts, tribunals, enquiry officers and appellate tribunals.

For further details on the pending litigation and arbitration involving Cairn India, see the section entitled "Outstanding Litigation and Material Developments" at page 329 of this Red Herring Prospectus.

13. ***We have entered into certain related party transactions.***

We have entered into certain related party transactions with our Promoters and Promoter Group entities. See the sections entitled "Financial Information" and "Relationship with Cairn Energy PLC" at pages 150 and 141 of this Red Herring Prospectus.

14. ***We expect to have negative cash flow.***

Since the commencement of significant investment in the exploration and appraisal of the Rajasthan Block in 2002 and, in the near future, due to the development of the Mangala field and other fields in the Rajasthan Block, Cairn India is expected to be cash flow negative. As a result, the principal source of our liquidity is expected to be cash made available through our credit facilities, with anticipated proceeds from the Issue and cash generated from operations, mainly crude oil and natural gas sales, also available.

In addition, although we anticipate significant revenues from crude oil sales following commencement of commercial oil production at Mangala, which we currently anticipate to occur during 2009, we do not expect to become cash flow positive for some time as we continue to invest in other field developments in the Rajasthan Block and until combined production from all of the Rajasthan Block fields ramps up towards a potential gross plateau production rate of approximately 150,000 bopd.

15. ***Certain entities within the Promoter Group have incurred losses in the past.***

Certain entities within the Promoter Group have been involved in ventures which were loss-making.

16. ***Cairn India Limited is a holding company and, following the Reorganisation, substantially all of its oil and gas assets will be held in subsidiaries.***

Our ability to access cash flow to pay dividends, which we do not intend to pay for the forseeable future, and meet other cash requirements is dependent on our ability to access the cash flow generated by our Subsidiaries which own our oil and gas assets. We plan to do this through inter-company loans and dividends. However, there can be no assurance that we will be able to access those cash flows effectively because, among other things, the obligations of the Subsidiaries must be discharged before any assets can be distributed to us.

17. ***Our borrowing powers in the future may be restricted.***

Under the Companies Act, the Company would be permitted to borrow such amounts not exceeding the aggregate of its paid-up share capital and its free reserves. Such amount can be increased by prior approval of our shareholders. On account of certain borrowing restrictions applicable to our Promoter, Cairn Energy PLC, the borrowing powers of the Company are currently restricted under the Articles of

Association. These borrowing restrictions apply until the earlier of 30 September, 2009 or our ceasing to be a subsidiary undertaking for purposes of the borrowing limits of Cairn Energy PLC, and are to a maximum amount which shall be the lesser of (i) Rs. 5,625 crore (approximately U.S. $1.2 billion) and (ii) the aggregate of the paid up capital of the Company and its free reserves. In the event we need to borrow more than the above amounts for our business requirements, we would need to obtain prior approval of our shareholders by way of a special resolution to amend our Articles of Association. On the Final Transfer Date Cairn Energy PLC will own indirectly not less than 69.5% of our issued Equity Shares (this holding will subsequently be diluted to 67.6% if the Green Shoe Option is exercised in full), we cannot assure you that the approval of our shareholders for an amendment to our Articles of Association will be obtained and this may curtail our ability to borrow funds and have an adverse effect on our business and financial condition.

18. ***The objects of the Issue have not been appraised by any bank or other financial institution and we have not entered into any definitive agreements to use the net proceeds of the Issue.***

The use of proceeds as described in the section entitled "Objects of the Issue", at page 31 of this Red Herring Prospectus, are estimates of the Company and have not been independently appraised by any bank or other financial institution. Further, although we propose to utilise the proceeds of the Issue for exploration, appraisal and development of certain blocks, among other things, we have not entered into any definitive agreements in respect of the complete fulfillment of the Objects, at the date of this Red Herring Prospectus.

EXTERNAL RISK FACTORS

1. *Our results of operations and financial condition are subject to fluctuations in oil prices.*

Our results of operations and financial condition depend substantially upon the prevailing prices of crude oil. Historically, prices for oil have fluctuated widely for many reasons, including:

- Global and regional supply and demand, and expectations regarding future supply and demand, for crude oil and petroleum products;
- Geopolitical uncertainty;
- Weather conditions and natural disasters;
- Prices and availability of alternative fuels;
- Prices and availability of new technologies;
- The ability of the members of OPEC, and other crude oil producing nations, to set and maintain specified levels of production and prices;
- Political, economic and military developments in oil producing regions, particularly the Middle East;
- Governmental regulations and actions, including export restrictions and taxes; and
- Global and economic conditions.

Crude oil prices have risen dramatically in recent years. According to the International Energy Agency, the price of Dated Brent, an international benchmark oil blend, as of 31 December, 2003, 2004 and 2005 was Rs. 1,386 (U.S. $30.11), Rs. 1,863 (U.S. $40.47) and Rs. 2,680 (U.S. $58.21) per barrel, respectively. The price of Dated Brent increased to approximately Rs. 3,374 (U.S. $73.28) per barrel as of 30 June, 2006.

If crude oil prices decline, our results of operations would be adversely affected because of lower revenues. Lower prices could also reduce the amount of crude oil that we can produce economically, thereby decreasing the size of the reserves attributable to the fields in production or under development in which we have interests, or reduce the economic viability of exploration projects. If crude oil prices were to rise significantly, we may be required by the GoI to subsidise downstream companies that may be less able to pass on price increases to consumers, or to engage in other actions that could adversely affect our profitability.

2. *Recent changes in the regulatory framework in India could have a material adverse effect on our business, results of operations and financial condition.*

The Petroleum and Natural Gas Regulatory Board Act, 2006 (the "PNGRB Act") came into force in India in April 2006. The PNGRB Act provides for the creation of a "Petroleum and Natural Gas Regulatory Board" (the "PNG Board") and vests the PNG Board with certain powers and functions, including: (a) the protection of Indian consumers' interests by fostering fair trade and competition among those engaged in or intending to be engaged in refining, processing, storage, transportation, distribution, marketing, import and export of petroleum (defined by the PNGRB Act as including crude oil), petroleum products and natural gas including laying of pipelines for transportation of petroleum, petroleum products and natural gas; (b) ensuring adequate availability in the Indian market of petroleum, petroleum products and natural gas; (c) monitoring prices and taking corrective measures to prevent restrictive trade practices in relation to petroleum, notified petroleum, petroleum products and natural gas; (d) securing equitable distribution of petroleum and petroleum products; (e) imposing fees and other charges and (f) regulating the technical standards and specifications including safety standards in activities relating to petroleum, petroleum products and natural gas.

Although our exploration, development and production activities will continue to be regulated principally by the MoPNG and the DGH and will not fall under the jurisdiction of the PNG Board, our sale of crude oil and natural gas does fall under the jurisdiction of the PNG Board. As the rules, regulations and jurisprudence of the PNG Board in relation to the sale of crude oil and natural gas are uncertain and under-developed, there can be no assurance that such rules, regulations and jurisprudence will not evolve in a manner which may result in a material adverse effect on our business, results of operations and financial condition, including through the imposition of different pricing mechanisms for the sale of crude oil or natural gas from what have otherwise been agreed or will be agreed in the various contracts governing the sale of crude oil and natural gas to which Cairn India is a party.

3. ***The oil and natural gas industry in India is highly competitive.***

The oil and natural gas industry in India is highly competitive. We compete principally with ONGC, the leading government-controlled oil and natural gas exploration and production company and other central and state government controlled companies in India as well as private sector Indian companies such as Reliance Industries Limited and international companies such as Eni of Italy. Many of these competitors have greater financial resources than we do and some of them have greater influence in our highly regulated industry because of their government shareholdings, and therefore may be able to compete more effectively than us.

The key activities in which we face, or may face, competition are:

- Acquisition of exploration and production licences at auctions or sales run by the GoI, particularly in the NELP rounds;
- Joint ventures and other types of strategic relationships with companies that may already own exploration licences or existing hydrocarbon producing assets in India;
- Engagement of leading third party service providers whose capacity to provide key services may be limited;
- Purchase of capital equipment that may be scarce;
- Employment of qualified and experienced staff; and
- Access to offtake arrangements.

Any failure by us to compete effectively may have a material adverse effect on our business, results of operations and financial condition.

4. ***The Government of India exercises significant influence over the Indian crude oil and natural gas industry.***

The GoI exercises significant influence over economic and social policies, including those relating to our industry, and public policy or other considerations which might result in it taking actions which are contrary to the interests of our shareholders.

The GoI has historically played a key role, and is expected to continue to play a key role, in regulating, reforming and restructuring the Indian crude oil and natural gas industry. It exercises substantial control over the growth of the industry, for example, by awarding blocks in the NELP rounds. Although Cairn Energy PLC has been successful in obtaining interests in blocks in these rounds in the past, there can be no assurance that we will continue to be successful.

In addition, the GoI plays an important commercial role in the execution of crude oil and natural gas exploration, development and production activities in India, in particular through government-controlled companies such as ONGC and MRPL. With the commencement of production from the Northern Fields, the proportion of Indian crude oil production that we operate will increase significantly. As a result, a greater focus on our operations from the GoI is likely. The GoI's involvement may result in delays in achieving, or otherwise frustrate the achievement of, certain exploration, development and production targets due to political and other factors beyond our control. The failure to achieve such targets, in particular with respect to the Northern Fields, may have a material adverse effect on our business or financial condition.

Finally, the GoI controls fiscal policy in India which has a significant impact on our business through corporate taxation, royalties and indirect taxes. While many aspects of applicable Indian fiscal laws may be modified in our PSCs to establish a financial framework that supports the economic viability of the projects for all parties concerned, there can be no assurance that Indian fiscal legislation or those contracts will not be amended in the future in a manner that materially adversely affects our financial interests. The oil and gas industry worldwide is characterised by relatively frequent changes in economic and fiscal policy by governments depending largely on the prevailing world oil and gas price environment with periods of high prices usually resulting in an increased tax burden for the industry (whether through amendments to legislation or production sharing contracts, changes in interpretation of legislative or contractual terms or similar actions). Although the fiscal regime applicable to the Indian oil and gas industry has been relatively stable in the past, there can be no assurance that this stability will continue in the future.

5. *We may incur material costs to comply with, or as a result of, safety, health and environmental laws and regulations.*

Compliance with applicable safety, health and environmental laws and regulations creates costs for us that are an inherent part of our business. We are subject to a broad range of safety, health and environmental laws and regulations which impose controls on the storage, handling and transportation of petroleum products, employee exposure to hazardous substances, planting trees and ensuring that the top soil of the land acquired is not adversely affected and other aspects of our operations. We may also incur environmental liabilities for environmental damage caused by acts or omissions of any third party contractors.

Further, the adoption of new safety, health and environmental laws and regulations, new interpretations of existing laws, increased governmental enforcement of environmental laws or other developments in the future may require that we make additional capital expenditures or incur additional operating expenses in order to maintain our current or future operations or take other actions that could have a material adverse effect on our financial condition, results of operations and cash flow. These laws and regulations are increasingly stringent and may in the future create substantial environmental compliance or remediation liabilities and costs. The measures we implement to comply with these new laws and regulations may not be deemed sufficient by governmental authorities and our compliance costs may significantly exceed current estimates.

If we fail to meet environmental requirements or have a major accident or disaster, we may also be subject to administrative, civil and criminal proceedings by governmental authorities, as well as civil proceedings by environmental groups and other individuals, which could result in substantial fines, penalties and damages against us as well as orders that could limit or halt or even cause closure of our operations, any of which may have a material adverse effect on our business, results of operations and financial condition.

We may be involved in future litigation or other proceedings or be held responsible in any such future litigation or proceedings relating to safety, health and environmental matters in the future, the costs of which may be material. Clean-up and remediation costs and related litigation may have a material adverse effect on our business, our cash flow, results of operations and financial condition.

6. *Terrorist attack, war, natural disaster or other catastrophic events may disrupt or otherwise adversely affect the markets in which we operate, our business and our profitability.*

Our business may be adversely affected by a war, terrorist attack, natural disaster or other catastrophe. A catastrophic event could have a direct negative impact on us or an indirect impact on us by, for example, affecting our customers, the financial markets or the overall economy.

In recent times, terrorist attacks in India have become more prevalent. For example, on 11 July, 2006, bombs exploded on commuter trains in Mumbai, India, during the evening commute killing and injuring hundreds of people. Such attacks may have a material adverse effect on the Indian and global financial markets. Oil wells, production facilities and pipelines can be targets for terrorism. In addition, India and Pakistan have experienced three wars since 1965, two of them over the disputed territory of Kashmir. Any deterioration in relations between India and Pakistan may result in actual or perceived regional instability. Events of this nature in the future could have a material adverse effect on our ability to develop our Indian assets, as well as to produce and market crude oil. As a result, our business, results of operations and financial condition may be materially adversely affected.

The occurrence of a natural disaster in the areas in which we operate or nearby these areas could also materially adversely affect our business, results of operations and financial condition.

Unusually heavy rains during the 2006 monsoon season in the states of Rajasthan and Gujarat triggered floods which caused widespread destruction in these states. The floods had an adverse short-term impact on the sale of natural gas from the Lakshmi and Gauri fields principally due to the destruction in the nearby state of Gujarat and caused heavy erosion on the proposed site of the Mangala central processing facilities in the state of Rajasthan. See also the risk factor entitled "Flooding due to heavy rains during the 2006 monsoon season may have resulted in damage leading to substantial costs for us or disruption in our development of the Rajasthan Block" at page xxi of this Red Herring Prospectus. While reasonable precautions are being taken to mitigate the impact of such flooding in the future, there is a risk that this may occur again with a potentially detrimental effect on construction, fabrication and installation activities and for the future operation of the oil processing terminal, any pipeline and associated facilities in the Rajasthan Block or other fields in which we have an interest, which may have a material adverse effect on our business, results of operations and financial condition.

In addition, the proposed Pipeline to transport crude oil from the Northern Fields to the northwestern coast of India is expected to pass near Bhuj in the state of Gujarat, the centre of the most devastating earthquake in the region in recent history. The earthquake, which occurred in January 2001, measured 6.9 on the Richter scale and resulted in the deaths of upwards of 30,000 people as well as major infrastructural damage throughout Gujarat and parts of eastern Pakistan. The state of Gujarat has also experienced other severe earthquakes and cyclones in the past. There can be no assurance that the proposed Pipeline will withstand damage from such events.

Any interruption or cessation of activities resulting from damage to the Pipeline or our facilities may have a material adverse effect on our business, operating results and financial condition.

Further, we operate producing oil and gas interests in India which include offshore platforms, pipelines and onshore facilities. These facilities are subject to natural conditions which may impair their physical condition. For example, Cairn India has previously had to sandbag the gas line at Cambay Basin in order to prevent scouring due to strong currents. Any failure of such infrastructure and/or facilities could have a material adverse effect on our business, results of operations and financial condition.

7. *Exchange rate fluctuation may have a material adverse effect on our cash resources.*

We will receive our cash proceeds from the Issue in Rupees but our expenditure requirements are largely denominated in Dollars. The foreign exchange market for Rupee:Dollar transactions is relatively illiquid and it would be inefficient for us to attempt to convert the cash proceeds into Dollars immediately. Furthermore, the market's illiquidity means that there are no efficient hedging instruments available. As a result, a material decline in the value of the Rupee relative to the Dollar will materially and adversely affect the value of our cash resources relative to our cash requirements.

RISKS RELATING TO THE ISSUE

1. ***You will not be able to sell immediately any of the Equity Shares you subscribe to in this Issue on an Indian stock exchange.***

The Equity Shares will be listed on the BSE and NSE. Pursuant to Indian regulations certain actions must be completed before the Equity Shares can be listed and trading may commence. Investors' book entry, or "demat" accounts with depositary participants in India are expected to be credited within two Business Days of the date on which the Issue and Allotment is approved by the Board. Thereafter, upon receipt of final approval of the Stock Exchanges, trading in the Equity Shares is expected to commence within approximately four Business Days. There can be no assurance that the Equity Shares allocated earlier to investors will be credited to their demat accounts, or that trading will commence, within six days of the Issue and Allotment being approved by the Board. Additionally we are liable to pay interest at 15% per annum if Allotment is not made, refund orders are not dispatched or demat credits are not made to investors within 15 days from the Bid/Issue Closing Date.

2. ***There is no existing market for the Equity Shares, and the price of the Equity Shares may be volatile and fluctuate significantly in response to various factors.***

An active market for the Equity Shares may not develop or be sustained after the Issue. The market price of our Equity Shares may vary from the Issue Price after the Issue.

The market price of our Equity Shares may fluctuate significantly due to factors beyond our control, including, but not limited to: volatility in the Indian and global securities markets; external factors affecting our operating results, including the risks outlined in this section; investor perceptions of our future performance; changes in factors affecting general market valuations of companies in the oil and natural gas industry, including changes in the price of crude oil and natural gas; announcements by us or others of significant technological developments, contracts, acquisitions, strategic partnerships, joint ventures, or capital commitments; political developments or other governmental action or regulation in India or other countries; and additions or departures of key personnel.

In addition, the BSE or the NSE may experience significant price and volume fluctuations, which may have a material adverse effect on the market price of the Equity Shares. There is a risk that you will not be able to sell your Equity Shares at a price at or above the Issue Price.

3. ***Future sales of Equity Shares by shareholders, including by Cairn Energy PLC, or any future equity offerings by us may adversely affect the market price of the Equity Shares.***

Upon completion of the Reorganisation on the Final Transfer Date that will in any event be complete on Allotment in the Issue, Cairn Energy PLC will indirectly hold not less than 69.5% of our issued Equity Shares (67.6% if the Green Shoe Option is exercised in full). The market price of the Equity Shares could be affected by sales of a large number of the Equity Shares by Cairn Energy PLC or its subsidiaries, or by a perception that such sales may occur.

In addition, if we do not have sufficient internal resources to fund our working capital or capital expenditure needs in the future, we may need to raise funds through further equity offerings. As a purchaser of the Equity Shares, you may experience dilution to your shareholding to the extent that we conduct future equity or convertible equity offerings. Such dilutions can adversely affect the market price of the Equity Shares. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of the Equity Shares.

4. ***Our ability to pay dividends in the future will depend upon our future earnings, financial condition, cash flows, working capital requirements, capital expenditures and other factors.***

The amount of our future dividend payments, if any, will depend upon our future earnings, financial condition, cash flows, working capital requirements, capital expenditures and other factors. We do not expect to have distributable funds prior to the commencement of production from Mangala which we expect to occur during 2009 and we face certain risks that may result in delay to the implementation of our development of the Rajasthan Block. There can be no assurance that we shall have distributable funds after we commence production from the Rajasthan Block.

5. ***We have issued Equity Shares just before the date of this Red Herring Prospectus and the price of such issuances is lower than the Issue Price.***

We have issued Equity Shares to Cairn UK Holdings Limited, one of our Promoters, before the date of the Red Herring Prospectus, at a price lower than the Issue Price. Cairn UK Holdings Limited was issued 50,000 Equity Shares representing 0.003% of the total issued share capital prior to the Issue at a price of Rs. 10. Details of such issuances are in the table set out in the section entitled "Capital Structure" at page 25 of this Red Herring Prospectus.

NOTES TO RISK FACTORS

1. The book value per Equity Share of Rs. 10 each was Rs. 138 as of 12 October, 2006 as per the Company's financial information under Indian GAAP and the SEBI Guidelines. For further details, see the section entitled "Capital Structure" at page 25 of this Red Herring Prospectus.
2. Public issue of 328,799,675 Equity Shares at a price of Rs. [●] for cash aggregating to Rs. [●]. There will also be a Green Shoe Option of up to 49,319,951 Equity Shares to be offered by the Company, for cash at a price of Rs. [●] per Equity Share aggregating to Rs. [●] crore. The Issue and the Green Shoe Option, if exercised in full, will aggregate 378,119,626 Equity Shares amounting to Rs. [●] crore. The Issue will constitute 18.63% of the fully diluted post-Issue equity share capital of the Company assuming that the Green Shoe Option is not exercised and 20.84% assuming that the Green Shoe Option is exercised in full.
3. The net worth of the Company was Rs. 5,034.9 crore as of 12 October, 2006 as per our financial information under Indian GAAP and the SEBI Guidelines.
4. For related party transactions, see the section entitled "Financial Information" at page 150 of this Red Herring Prospectus.
5. For further information on the interests of our Promoters, Directors and key managerial personnel, see the sections entitled "Management" and "Promoters and Promoter Group" at pages 113 and 132 of this Red Herring Prospectus.
6. The Promoter Group holds 100% of our paid-up share capital. The average cost of acquisition per Equity Share to the Promoter Group is Rs. 186.07. The Promoter Group holds 100% of our paid-up share capital. The average cost of acquisition per Equity Share to the Promoter Group is Rs. 186.07. As the higher end of the Price Band is Rs. 190, we have notified Cairn UK Holdings Limited to pay an additional share premium per Equity Share equal to such excess. Such excess amount is required to be paid by Cairn UK Holdings Limited at least one day prior to the Bid/Issue Opening Date.
7. In case of over-subscription in all categories, at least 60% of the Issue shall be Allotted on a proportionate basis to QIBs. 5% of the QIB Portion shall be available for allocation to Mutual Funds only and the remaining QIB Portion shall be available for allocation to the QIB Bidders including Mutual Funds, subject to valid Bids being received at or above the Issue Price. Further, not less than 10% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.
8. Any clarification or information relating to the Issue shall be made available by the BRLMs and the Company to the investors at large and no selective or additional information will be available for a section of investors in any manner whatsoever. For any clarification or information relating to the Issue, investors may contact the BRLMs, who will be obliged to provide such clarification or information to the investors.
9. Investors may contact the BRLMs, the CBRLM and the other members of the Syndicate for any complaints pertaining to the Issue.
10. Investors are advised to also refer to the section entitled "Basis for Issue Price" at page 35 of this Red Herring Prospectus.
11. Trading in Equity Shares for all investors shall be in dematerialised form only.

SUMMARY OF THE BUSINESS, COMPETITIVE STRENGTHS AND STRATEGY

This is only a summary and does not contain all the information that you should consider before investing in the Equity Shares. You should read the entire Red Herring Prospectus, including the information contained in the sections entitled "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Financial Information" at pages xiv, 303 and 150 of this Red Herring Prospectus and related notes.

Background

Cairn India Limited is a newly incorporated Indian company and has been promoted by Cairn Energy PLC, a crude oil and natural gas exploration and production company trading on the main market of the London Stock Exchange. At the completion of the Reorganisation, the Company will acquire the 28 subsidiaries of Cairn UK Holdings Limited (including CEA, CEHL and CEIH) which hold all of the ownership and operated interests in Cairn Energy PLC's Indian crude oil and natural gas development and production assets and the majority of its Indian crude oil and natural gas exploration assets. Upon the Company's acquisition of the Subsidiaries, we aim to be a leading participant in the Indian crude oil and natural gas industry. We estimate the total gross proved plus probable ("2P") reserves attributable to the fields in production or under development in which Cairn India has interests to be 754 mmboe and its net working interest in these 2P reserves to be 472 mmboe. Most of the 2P reserves are estimated to be contained in the Rajasthan Block which is currently subject to significant appraisal and development activity. In addition to proved plus probable reserves, we estimate the gross contingent resources attributable to these fields to be 413 mmboe. Outside of the Rajasthan Block we estimate the total gross 2P reserves attributable to the fields in production or under development in which Cairn India has interests to be 122 mmboe and on a net working interest basis we estimate these same reserves to be 30 mmboe. In addition, a further 157 mmboe of gross contingent resource has been identified in fields outside of Rajasthan, with most of this gross contingent resource (143 mmboe) estimated to be contained in the deep water Block KG-DWN-98/2.

Competitive Strengths

World class resource base. We estimate the Cairn India net working interest in 2P crude oil and natural gas reserves to be 472 mmboe. A significant portion of this 2P reserves base is in the Rajasthan Block and provides the opportunity for transformational growth in the near term. In addition, we have identified significant contingent resources, particularly in the Rajasthan Block, which provide us the opportunity to sustain and grow our production in the medium term. In addition to the exploration and appraisal potential remaining in Cairn India's production and development fields, Cairn India holds working interests in licences covering a significant portfolio of exploration and appraisal acreage in 10 blocks in eastern, western and northern India. These interests provide us opportunities to grow our business over the longer term.

Unique position in India. In partnership with the GoI and state governments, regulators and key industry participants such as ONGC, Cairn India has been exploring and operating development and production assets in India for over 12 years. India is an attractive country for investment in the oil and gas exploration and production sector with domestic demand for hydrocarbons far exceeding supply in recent years, and expected to continue to do so. The current fiscal terms under which we, as well as other exploration and production companies, operate in India are relatively favourable in comparison with other countries, both in terms of recouping development expenditure and the levels of government take through production sharing and profit taxation. In addition, the GoI continues to show its support for investment in the exploration sector through the opening of new acreage to investors in the current NELP VI round. Cairn India's unique position in India and the importance of its development in Rajasthan to the GoI and relevant state governments of India is reflected by its estimation that Cairn India will operate approximately 20% of India's oil production by 2010, assuming Indian production remains at current levels and production from the Rajasthan Block's Northern Fields fulfils its target gross plateau production rate of approximately 150,000 bopd.

Experienced management. We have an executive management team with substantial experience in the Indian oil and gas industry, backed by a highly skilled and experienced Board. As a result, we believe we are ideally positioned to pursue value-adding opportunities, whether in respect of new or existing assets. In the Rajasthan Block, the development team is fully constituted and staffed with industry experts possessing a wealth of international experience in large-scale international development projects. The team is expected to be led through project implementation by our Chief Operating Officer Lawrence Smyth, formerly President of British Petroleum's business in Colombia and of the Sidanco Oil Company in Russia prior to its merger with TNK/BP. The detailed engineering design team for the Mangala field development consists of more than 100 people in Houston, USA comprising personnel employed by Cairn India working alongside personnel from Mustang Engineering Inc. ("Mustang"). See the section entitled "Management" at page 113 of this Red Herring Prospectus.

Proven development and operational expertise. Cairn India has a proven track record of developing hydrocarbon resources in India. As the operator of the Lakshmi field in the Cambay Basin, Cairn India commenced natural gas production in less than 30 months following discovery and, at the Ravva field in the KG Basin, Cairn India increased crude oil production from an initial 3,700 bopd to 35,000 bopd in 26 months and ultimately to the current plateau of 50,000 bopd in 1999. This was achieved as a result of prudent reservoir management, integrated multidisciplinary studies, development of the field to international standards and application of the latest technology both in subsurface and surface operations. In addition, Cairn India is also an established low cost operator in India. It has been operating the Ravva field, which currently produces approximately 50,000 bopd, or approximately 7% of current domestic production, since 1996 and the Lakshmi and Gauri fields, that currently produce approximately 25,000 boepd, since 2002 (Lakshmi) and 2004 (Gauri). The average combined direct field operational expenditure at the production facilities for our producing fields was less than U.S. $1 per boe in the first half of 2006. In addition, the Ravva Field ranked in the leader category, in terms of operational costs, among 25 similar shallow water oil developments according to Ziff Energy's July 2005 "Operating Cost Benchmarking and Field Operating Efficiency Analysis".

Exploration expertise in India. Cairn India has long and proven exploration expertise in India, having made 30 hydrocarbon discoveries since 1994, including three of the seven landmark discoveries made in India between 2000 and 2005. In 2004, Cairn India made the largest onshore crude oil discovery in India since 1985 when it discovered the Mangala field in Rajasthan. Since then, Cairn India has made 18 additional discoveries in the Rajasthan Block and continues to undertake appraisal work which may lead to future discoveries. Cairn India has continued to add to its exploration portfolio and, in addition to accessing new opportunities through asset purchases and farm-ins, has been an active and successful participant in NELP licensing rounds.

Cairn India Strategy

Sustain production from and maintain low operating costs in existing producing fields. We aim to sustain Cairn India's current production volumes at the Ravva, Lakshmi and Gauri fields. At Ravva, we have commenced an infill drilling programme and will continue to assess various surface and subsurface initiatives to help maintain production levels, while in Block CB/OS-2 we plan to drill additional wells to access untapped accumulations of natural gas. Further, Cairn India is also currently developing the Lakshmi field separately for crude oil production. In addition, we aim to maintain Cairn India's low operating cost base through efficient operations with a focus on life cycle planning and continuous monitoring and control of operational costs as well as through the innovative application of operating concepts and technologies.

Execute Rajasthan Block Northern Fields development. We intend to execute our Rajasthan Block development to reach first commercial production at the Mangala field during 2009. While the Mangala field is intended to be the first of the Northern Fields to be developed, our development planning also includes the commencement of production from the Bhagyam and Shakti fields within six months and the Aishwariya field within 12 months of commencement of production from the Mangala field. All of the major regulatory clearances have been obtained, the land for the process facilities and the majority of the drilling sites acquired and the detailed engineering progressed to a point where ordering of long lead equipment can begin. In addition to our development and production experience, our execution of the Rajasthan Block development will also benefit from our extensive subsurface knowledge of the development areas. This knowledge base which includes extensive 2D and 3D seismic surveys, a comprehensive series of well tests and core and fluid analyses, will help us optimise reservoir development to maximise reserves and production.

Maximise potential in the Rajasthan Block. We believe that there is a significant resource base in the Rajasthan Block. We are in the process of assessing the application of advanced technologies to help increase recovery from this resource base. For example, Cairn India is currently studying the staged and early application of EOR techniques for the Northern Fields. Early application of EOR in these fields would be designed to extend their crude oil production plateau periods, reduce water production, mitigate future decline rates and potentially accelerate crude oil production.

In addition, above the main Fategargh reservoir in both the Mangala and Aishwariya fields is a thick section of oil bearing reservoir rock of the Barmer Hill Formation. The Barmer Hill Formation has very low permeability resulting in low expected recovery rates. However, recent hydraulic fracture stimulation tests on the Barmer Hill Formation in the Mangala—6 and Aishwariya—4 wells have resulted in initial flow rates of 156 bopd and 400 bopd, respectively, and, indicate a potential further contingent resource for the future. Cairn India is currently in the early stages of estimating this contingent resource.

We will also continue to appraise our two development areas in the Rajasthan Block which cover approximately 2,288 km^2 as well as, subject to PSC extension applications, the Northern Appraisal Area which covers approximately 879 km^2. Appraisal of potential in the Rajasthan Block lies in numerous prospects and leads in a number of reservoirs in the vicinity of existing discoveries in the Rajasthan Block. A comprehensive and growing inventory has been collated, based upon analysis of the 2D and 3D seismic data and the various wells in the licence area, which we currently estimate includes approximately 30 prospects. The prospects and leads include new structures in existing plays, as yet untested plays, and extensions of, and new pools associated with, existing discoveries.

Identify new opportunities for growth in reserves and production. Cairn India is actively exploring for hydrocarbons in basins throughout India, where it has an interest in 10 exploration blocks. In addition to the appraisal potential in the Rajasthan Block, we have identified a number of leads and prospects in our other blocks in India. The prospect and lead portfolio being developed and matured by Cairn India is diversified. This diversification allows Cairn India to drill a large number of potential prospects with high geologic risk, as well as explore for and drill smaller potential accumulations that carry lower risk.

Our lead and play portfolio is also being fostered in both mature and frontier areas, as well as in regions and basins where the current data set can be optimised or reinterpreted. For example, Cairn India is pursuing strategies in which new 3-D acquisitions and processing coupled with analog geologic play concepts should help identify potential leads, prospects, and accumulations in more mature hydrocarbon provinces. In addition, where modern geological and geophysical data are lacking, Cairn India has been successful in using geologic play concepts to target potentially successful basins or play areas. This early exploration "play concept" strategy has provided Cairn India early entry into several potential hydrocarbon—bearing regions in India. Early entry can be a critical factor in long-term exploration success, and Cairn India is very active in the evolution of leads and play fairways in relatively unexplored areas.

In addition, we believe that India has significant exploration potential with 26 basins with a sedimentary area of 3.1 million km^2, most of which we believe to be under-explored. Therefore, in addition to our existing exploration portfolio, we will seek out new exploration opportunities in India through organic growth, acquisition opportunities and our participation in future NELP rounds, including NELP VI. NELP VI is taking place during 2006 with 25 onshore and 30 offshore blocks on offer and Cairn India is an active participant. Bids in NELP VI, including our bids, were submitted on 15 September, 2006.

Key Assets

Cairn India has producing, development and exploration assets across India.

Cairn India has operating interests in producing fields at Ravva in Block PKGM-1 (22.5% working interest) in the KG Basin offshore eastern India and at Lakshmi and Gauri in Block CB/OS-2 (40% working interest) in the Cambay Basin offshore western India. Crude oil and natural gas production from the Ravva field commenced in 1993 (23.4 mmboe (gross) in 2005). Production of natural gas commenced from the Lakshmi field in 2002 (19.4 bcf (gross) in 2005) and from the Gauri field in 2004 (16.0 bcf (gross) in 2005). Gauri oil production commenced in 2005 (gross production of commingled crude oil from the Gauri and Lakshmi fields was 0.2 mmbbl in 2005). For the six months ended 30 June, 2006, the total gross production rate from fields we operate was approximately 87,500 boepd of which Cairn India had a working interest in 24,000 boepd. Cairn India currently operates 11 offshore platforms, approximately 200 km of sub-sea pipelines and 2 processing plants.

The majority of the estimated hydrocarbons in place, 2P reserves and contingent resources attributable to fields in which Cairn India has an interest are contained in the Rajasthan Block, where the upstream picture continues to evolve. Cairn India's primary asset is a 70% working interest in a development area of 1,858 km^2 where, in January 2004, Cairn India discovered the Mangala field, the largest onshore crude oil field discovery in India since 1985. We estimate the Mangala field to have gross 2P reserves of 428 mmboe and our net working interest in those reserves to be 300 mmboe (in each case assuming the relevant production sharing contract is extended from 2020 until the currently estimated end of the field's economic life in 2041). Cairn India's assets in the Rajasthan Block also include a 70% working interest (assuming the exercise of the GoI's 30% "back-in" right under the Rajasthan Block PSC in relation to commercial discoveries) in a further development area of approximately 430 km^2 consisting of the Bhagyam and Shakti fields. We estimate the Bhagyam field to have gross 2P reserves of 140 mmboe. We have discovered 19 fields in the Rajasthan Block to date and these cover 22 separate oil and gas accumulations. The fields are at different stages of understanding and evaluation and many are still subject to significant appraisal. We estimate that the aggregate gross 2P hydrocarbons initially in place volume attributable to all of the existing Rajasthan Block fields is approximately 3.6 billion boe.

See the section entitled "Our Business—Summary of Cairn India" at page 57 of this Red Herring Prospectus for a table summarising the assets including exploration licences in which Cairn India has an interest. See the section entitled "Our Business—Summary of Cairn India's Estimates of Hydrocarbons Initially in Place, Reserves and Contingent Resources" at page 58 of this Red Herring Prospectus and the section entitled "Our Business—DeGolyer and MacNaughton's Independent Estimates of Hydrocarbons Initially in Place, Reserves and Contingent Resources" at page 59 of this Red Herring Prospectus for a summary explaining Cairn India's and DeGolyer and MacNaughton's respective estimates of hydrocarbons initially in place, reserves and contingent resources and the assumptions underlying such estimates as well as certain material differences between the estimates of Cairn India and DeGolyer and MacNaughton.

THE ISSUE

Issue of Equity Shares	328,799,675 Equity Shares
QIB Portion	At least 197,279,805 Equity Shares (allocation on a proportionate basis)
—of which available for allocation to Mutual Funds only	9,863,990 Equity Shares (allocation on a proportionate basis)
—balance for all QIB Bidders including Mutual Funds	187,415,815 Equity Shares (available for allocation on a proportionate basis)
Non-Institutional Portion	Not less than 32,879,967 Equity Shares (available for allocation on a proportionate basis)
Retail Portion	Not less than 98,639,903 Equity Shares (available for allocation on a proportionate basis)
Green Shoe Option Portion*	Up to 49,319,951 Equity Shares
The Issue and the Green Shoe Option Portion	Up to 378,119,626 Equity Shares
Equity Shares outstanding before the Issue	365,078,898 Equity Shares
Equity Shares to be issued pursuant to the Share Purchase Deed**	861,764,893 Equity Shares
Equity Shares to be issued pursuant to the Pre-IPO Placing***	209,670,913 Equity Shares
Equity Shares outstanding after the Issue and after the issue of Equity Shares pursuant to the Share Purchase Deed and the Pre-IPO Placing (excluding the exercise of the Green Shoe Option)	1,765,314,379 Equity Shares
Equity Shares outstanding after the Issue and after the issue of Equity Shares pursuant to the Share Purchase Deed and the Pre-IPO Placing (including the exercise of the Green Shoe Option in full)	1,814,634,330 Equity Shares
Objects of the Issue	For further details see the section entitled "Objects of the Issue" at page 31 of this Red Herring Prospectus

* The Green Shoe Option will be exercised at the discretion of the BRLMs and the Company only with respect to the Loaned Shares for which purpose the Green Shoe Lender has agreed to lend up to 49,319,951 Equity Shares. For further details, see the section entitled "Green Shoe Option" at page 6 of this Red Herring Prospectus.

** For details, see the section entitled "History and Corporate Structure—Share Purchase Deed" at page 96 of this Red Herring Prospectus.

*** For details of the Equity Shares to be issued pursuant to the Pre-IPO Placing, see point 23 on page 30 of this Red Herring Prospectus.

GREEN SHOE OPTION

In consultation with the BRLMs and the Stabilising Agent, we propose to avail an option for allocating Equity Shares in excess of the Equity Shares included in the Issue to enable the Stabilising Agent to operate a post-listing price stabilising mechanism in accordance with the SEBI Guidelines (the "Green Shoe Option"). The Board, pursuant to a resolution dated 21 September, 2006, and the shareholders of the Company, pursuant to a shareholders' resolution dated 21 September, 2006, have authorised the Green Shoe Option.

DSP Merrill Lynch Limited has agreed to act as the Stabilising Agent for stabilising the price of the Equity Shares during the Stabilisation Period (as envisaged under Chapter VIII-A of the SEBI Guidelines).

The Stabilising Agent has agreed to conduct, in its sole and absolute discretion, stabilising measures in respect of the post-listing price of the Equity Shares during the Stabilisation Period. If commenced, stabilising will be conducted in accordance with applicable laws and regulations, and may be discontinued at any time. In any event, the stabilising activities shall not continue beyond the Stabilisation Period. For the purposes of the Green Shoe Option, the Stabilising Agent shall borrow the Loaned Shares from the Green Shoe Lender and hold them in the GSO Demat Account. Both the Loaned Shares as well the Equity Shares purchased by the Stabilising Agent from the market for stabilising purposes will be in dematerialised form only.

The Company has entered into a Stabilisation Agreement with the Green Shoe Lender and the Stabilising Agent for the exercise of the Green Shoe Option and to set out the parties' rights and obligations thereunder. A summary of the terms of the Stabilisation Agreement is set out below.

Objective of the Green Shoe Option

The primary objective of the Green Shoe Option is to stabilise the market price of the Equity Shares if the market price of the Equity Shares falls below the Issue Price.

Decision regarding Exercise of the Green Shoe Option

Following the Bid/Issue Closing Date, the Company, in consultation with the BRLMs, shall take a decision relating to the exercise of the Green Shoe Option.

In the event it is decided that the Green Shoe Option shall be exercised, the Loaned Shares shall be allocated simultaneously with the allocation of Equity Shares in the Issue in accordance with the Stabilisation Agreement and the procedure summarised below.

Procedure for Allotment of Loaned Shares and Stabilisation

1. The Allotment of the Loaned Shares shall be on a pro-rata basis in accordance with the proportion of Allotment in the Issue to the various categories of Bidders.
2. The Stabilising Agent shall transfer the Loaned Shares from the GSO Demat Account to the respective depository accounts of the successful Bidders.
3. The monies received from the Bidders in respect of the Loaned Shares shall be kept in the GSO Bank Account distinct and separate from the Issue Account and shall be used by the Stabilising Agent only for the purpose of buying Equity Shares from the market during the Stabilisation Period for the purposes of stabilising the post-listing price of the Equity Shares.
4. The Stabilising Agent shall, in its sole and absolute discretion, determine whether or not it should purchase any Equity Shares from the market, the timing of such purchase (including spreading orders over a period of time), the quantity to be bought and the price at which the Equity Shares are to be bought from the market for the purposes of stabilising the post-listing price of the Equity Shares.
5. Equity Shares purchased from the market by the Stabilising Agent, if any, shall be credited to the GSO Demat Account.
6. Following the end of the Stabilisation Period, but before the transfer of the Equity Shares to the Green Shoe Lender under paragraph 8 below, the Stabilising Agent shall determine the difference between the number of the Loaned Shares and the number of Equity Shares lying to the credit of the GSO Demat Account (the "Green Shoe Shortfall Shares").

7. The Stabilising Agent shall within one Business Day from the end of the Stabilisation Period notify the Company of the Green Shoe Shortfall Shares and subsequently transfer funds from the GSO Bank Account to the Company.
8. Within two Business Days from the end of the Stabilisation Period, Equity Shares, if any, lying to the credit of the GSO Demat Account shall be transferred to the Green Shoe Lender.
9. The Company shall within four Business Days of the receipt of notice from the Stabilising Agent, issue such number of Equity Shares that are equal to the Green Shoe Shortfall Shares in dematerialised form to the GSO Demat Account.
10. The Stabilising Agent shall within two Business Days of the credit of the Equity Shares equal to the Green Shoe Shortfall Shares in the GSO Demat Account, transfer such Equity Shares to the Green Shoe Lender in final settlement of the Loaned Shares borrowed from the Green Shoe Lender.
11. Upon the return of Equity Shares to the Green Shoe Lender pursuant to and in accordance with paragraphs 8 and 10 above, the Stabilising Agent shall close the GSO Demat Account.
12. The Equity Shares returned to the Green Shoe Lender shall be subject to any remaining lock-in-period as provided in the SEBI Guidelines.

GSO Bank Account

The Stabilising Agent shall within two Business Days of the end of the Stabilisation Period remit from the GSO Bank Account to the Company, an amount in Indian Rupees arrived at by multiplying the number of Equity Shares that form the Green Shoe Shortfall Shares by the Issue Price (the "Green Shoe Shortfall Amount"). The amount left in this account, if any, after this remittance and deduction of expenses and net of taxes, if any, shall be transferred to the investor protection fund of the Stock Exchanges in equal parts. Upon transfer of monies as above, the GSO Bank Account shall be closed by the Stabilising Agent.

Reporting

During the Stabilisation Period, the Stabilising Agent shall submit a report to the BSE and the NSE on a daily basis. The Stabilising Agent shall also submit a final report to the SEBI in the format prescribed in Schedule XXIX of the SEBI Guidelines. This report shall be signed by the Stabilising Agent and the Company and shall be accompanied by the depository statement for the GSO Demat Account for the Stabilisation Period indicating the flow of shares into and from the GSO Demat Account. If applicable, the Stabilising Agent shall, along with the report, give an undertaking countersigned, if required by the respective depositories of the GSO Demat Account and the Green Shoe Lender regarding confirmation of the lock-in of the Equity Shares returned to the Green Shoe Lender in lieu of the Loaned Shares.

Rights and Obligations of the Stabilising Agent

The Stabilising Agent shall:

1. On or prior to the Pricing Date, request the Green Shoe Lender to lend the Loaned Shares which shall be lent prior to Allotment;
2. Open a special bank account, the GSO Bank Account, under the name of "Special Account for GSO proceeds of Cairn India Limited" for the deposit of the application monies received in respect of the Loaned Shares;
3. Open a special account for securities, the GSO Demat Account, under the name of "Special Account for GSO securities of Cairn India Limited" for the deposit of the Loaned Shares and any Equity Shares bought by the Stabilising Agent during the Stabilisation Period;
4. In the event the market price of the Equity Shares falls below the Issue Price, less any brokerages, demat costs, expenses, any taxes or duties payable on such purchase, in its sole and absolute discretion, determine whether or not it should purchase any Equity Shares from the market, the timing of such purchase (including spreading orders over a period of time), the quantity to be bought and the price at which the Equity Shares are to be bought from the market for the purposes of stabilising the post-listing price of the Equity Shares;

5. Transfer funds from the GSO Bank Account to the Company within a period of two Business Days following the end of the Stabilisation Period;
6. Following the end of the Stabilisation Period, return such number of Equity Shares as are equal to the Loaned Shares to the Green Shoe Lender either through market purchases as part of a stabilising process or through the issue of fresh Equity Shares by the Company;
7. Submit daily reports to the Stock Exchanges during the Stabilisation Period and a final report to the SEBI;
8. Maintain a register of its activities and retain the register for three years; and
9. Transfer net gains on account of market purchases in the GSO Bank Account net of all expenses and net of taxes, if any, equally, to the investor protection funds of the Stock Exchanges.

The Stabilising Agent does not give any assurance that it will be able to maintain the market price at or above the Issue Price through any stabilisation activities.

Rights and Obligations of the Company

Following the end of the Stabilisation Period, the Company shall:

1. If the Stabilising Agent has bought Equity Shares from the market, issue such number of Equity Shares to the GSO Demat Account as are equal to the Green Shoe Shortfall Shares;
2. If no Equity Shares have been bought from the market, issue Equity Shares to the GSO Demat Account to the entire extent of the Loaned Shares; and
3. Receive from the GSO Bank Account an amount in Indian Rupees arrived at by multiplying the number of Equity Shares that form the Green Shoe Shortfall Shares by the Issue Price.

Rights and Obligations of the Green Shoe Lender

The Green Shoe Lender shall:

1. Execute and deliver all necessary documents and give all necessary instructions to procure that all rights, title and interest in the Loaned Shares transfer to the GSO Demat Account free and clear from all liens, charges and encumbrances; and
2. Upon receipt of instructions from the Stabilising Agent on or prior to the Pricing Date, transfer the Loaned Shares to the GSO Demat Account.

The Green Shoe Lender undertakes not to recall or create any lien, charge or encumbrance in or over the Loaned Shares.

Fees and Expenses

The Company shall pay to the Green Shoe Lender a fee of Rs. 1 and will reimburse costs and expenses incurred by the Stabilising Agent plus service tax.

SUMMARY FINANCIAL INFORMATION

Set out below is summary financial information on certain entities comprising Cairn India, which are based on their respective financial information prepared in accordance with Indian GAAP and restated in accordance with the SEBI Guidelines. The Company was incorporated on 21 August, 2006 and has had no operating history. Cairn India has no history as an independent entity and the business comprising Cairn India will be acquired through our acquisition of Cairn India Holdings Limited, an intermediate holding company which is a subsidiary of Cairn Energy PLC. Cairn India Holdings Limited will, subject to the terms and conditions of the Share Purchase Agreement and the Share Purchase Deed, own 27 subsidiaries through which the business of Cairn India will be conducted. As at 30 June, 2006, approximately 98.9% of the gross assets of the Subsidiaries were held, directly or indirectly, by Cairn Energy Australia Pty Limited ("CEA"), Cairn Energy India Holdings B.V. ("CEIH") and Cairn Energy Hydrocarbons Limited ("CEHL'). These also contributed 100% of the production of Cairn India for the six month period ended 30 June, 2006. The summary financial information for CEA, CEIH and CEHL is presented below. The summary financial information of CEA and CEIH is presented on a consolidated basis, and of CEHL on an unconsolidated basis. We have also presented below summary consolidated balance sheet information of Cairn UK Holdings Limited, the holding company of Cairn India Holdings Limited, as of 30 June, 2006. The summary financial information presented below does not necessarily reflect the actual results of operations and financial position that CEA, CEIH, CEHL and Cairn UK Holdings Limited would have reported had they been part of a separate publicly traded company during the periods presented, and are not indicative of the future results of operations or financial position of Cairn India or the Company. The summary financial information should be read together with the financial information presented in the sections entitled "Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" at pages 150 and 303 of this Red Herring Prospectus.

Consolidated Results of Operations Information for Cairn Energy Australia Pty Limited

	INDIAN GAAP					
	Six Months Ended 30 June,	Year Ended 31 December,				
	2006	2005	2004	2003	2002	2001
	(Rs. crores)					
Income:						
Sales	353.2	546.1	462.7	437.9	450.3	384.2
Other income	4.7	10.2	3.5	2.5	1.8	14.2
Increase (Decrease) in Inventories	(6.0)	11.9	(8.6)	7.7	0.9	(4.3)
Total	351.9	568.2	457.6	448.1	453.0	394.1
Expenditure:						
Production cost	67.0	129.0	143.7	137.5	127.6	109.2
Depletion, depreciation and amortisation	35.4	65.4	67.2	62.3	44.9	30.9
Unsuccessful exploration costs written off	135.9	150.6	166.3	122.4	38.8	303.5
Staff costs and administration expenses	25.1	53.3	42.4	31.1	26.8	19.5
Profit on sale of interest(1)	—	(160.1)	—	—	—	—
Foreign exchange (gain)/loss (realised)	7.1	(9.6)	(10.1)	(4.6)	0.9	(1.4)
Financing expenses	0.9	13.7	10.0	2.3	2.0	8.3
Total	271.4	242.3	419.5	351.0	241.0	470.0
Net profit/(loss) before tax and extraordinary items	80.5	325.9	38.1	97.1	212.0	(75.9)
Taxation						
Current	14.0	35.1	20.7	7.3	13.8	0.2
Deferred	38.4	142.5	(15.6)	55.5	69.6	(43.7)
Fringe benefit tax	0.7	1.5	—	—	—	—
Net profit after tax	27.4	146.8	33.0	34.3	128.6	(32.4)

(1) The profit on sale of interest in 2005 relates to the ONGC Asset Transaction (the asset sale and purchase agreement with ONGC, dated 31 December 2004, through which Cairn India acquired a 30% interest in Block CB-ONN-2001/1, and which also included the acquisition by Cairn India of its interests in Blocks CB-ONN-2002/1 and GV-ONN-97/1 and the farm out of part of Cairn India's interest in Block KG-DWN-98/2).

Unconsolidated Results of Operations Information for Cairn Energy Hydrocarbons Limited

	INDIAN GAAP					
	Six Months Ended 30 June,	Year Ended 31 December,				
	2006	2005	2004	2003	2002	2001
		(Rs. crores)				
Income:						
Sales	—	—	15.7	41.9	44.5	17.9
Other income	0.2	0.3	0.1	—	—	—
Increase (Decrease) in Inventories	—	—	—	—	—	—
Total	0.2	0.3	15.8	41.9	44.5	17.9
Expenditure:						
Production cost	—	—	4.3	13.1	16.7	6.0
Depletion, depreciation and amortisation	0.4	0.6	6.0	11.8	18.6	7.3
Unsuccessful exploration costs written off	100.9	138.9	173.8	65.5	7.4	—
Staff costs and administration expenses	1.6	2.9	3.0	3.1	3.0	1.5
Profit on sale of interest	—	—	(20.5)	—	—	—
Foreign exchange (gain)/loss (realised)	54.1	7.4	(6.3)	10.1	3.8	2.3
Financing expenses	6.9	7.1	5.1	0.7	0.1	—
Total	163.9	156.9	165.4	104.3	49.6	17.1
Net profit/(loss) before tax and extraordinary items	(163.7)	(156.6)	(149.6)	(62.4)	(5.1)	0.8
Taxation						
Current	—	—	8.8	8.4	1.6	2.3
Deferred	—	—	(3.9)	1.3	(1.5)	3.3
Net profit after tax	(163.7)	(156.6)	(154.5)	(72.1)	(5.2)	(4.8)

Consolidated Results of Operations Information for Cairn Energy India Holdings B.V.

	INDIAN GAAP					
	Six Months Ended 30 June,	Year Ended 31 December,				
	2006	2005	2004	2003	2002	2001
			(Rs. crores)			
Income:						
Sales	191.0	218.0	213.5	339.3	38.0	—
Other income	2.0	1.5	0.2	—	0.2	0.5
Increase (Decrease) in Inventories	(2.7)	3.5	0.7	0.8	—	—
Total	190.3	223.0	214.4	340.1	38.2	0.5
Expenditure:						
Production cost	16.1	22.0	26.1	18.3	9.8	—
Depletion, depreciation and amortisation	81.1	148.2	148.5	131.1	13.0	0.1
Unsuccessful exploration costs written off	—	1.9	13.4	85.4	9.7	46.0
Staff costs and administration expenses	4.1	7.4	7.5	0.1	—	—
Profit on sale of interest	—	(70.0)	—	—	—	—
Foreign exchange (gain)/loss (realised)	(1.3)	6.7	(22.0)	(27.1)	(3.6)	9.0
Financing expenses	—	0.1	1.7	0.1	3.2	—
Total	100	116.3	175.2	207.9	32.1	55.1
Net profit/(loss) before tax and extraordinary items	90.3	106.7	39.2	132.2	6.1	(54.6)
Taxation						
Current	6.6	4.2	2.4	10.2	2.2	—
Deferred	—	—	—	—	—	—
Net profit after tax	83.7	102.5	36.8	122.0	3.9	(54.6)

Consolidated Balance Sheet Information for Cairn UK Holdings Limited

	INDIAN GAAP As at 30 June 2006
	(Rs. crores)
Fixed assets:	
Gross block	129.2
Less: Accumulated depreciation	90.1
Net block	39.1
Producing properties (net of depletion)	435.0
Exploratory & development wells in progress	1,191.7
Total	**1,665.8**
Goodwill(1)	**958.0**
Investments	**0.4**
Current assets, loans and advances:	
Inventories	131.7
Sundry debtors	243.4
Cash and bank balances	136.8
Loans and advances	230.5
Other current assets	17.2
Intercompany loans and receivables	2.4
Total	**762.0**
Liabilities and provisions:	
Secured loans	—
Unsecured loans	
— Intercompany	274.0
— Others	115.7
Intercompany payables	189.4
Current liabilities and provisions	543.6
Finance lease liabilities	21.4
Deferred tax liabilities	356.4
Total	**1,500.5**
Net Worth	**1,885.7**
Represented by:	
Share capital	**1,885.7**
Reserves and surplus	—
Net Worth	**1,885.7**

(1) Goodwill arising in the balance sheet represents excess cost to Cairn UK Holdings Limited of its investments in subsidiaries over the equity of the subsidiaries at the respective dates on which the investments were made. This is in accordance with Accounting Standard 21 issued by the Institute of Chartered Accountants of India.

GENERAL INFORMATION

Registered Office of the Company

Cairn India Limited
401 Dalamal Towers
Nariman Point
Mumbai 400 021
Tel: +(91) (22) 2287 2001
Fax: +(91) (22) 2287 2002
Website: www.cairnindia.com
Registration Number: U11101MH2006PLC163934

Principal Business Office of the Company

Cairn India Limited
3rd and 4th Floor
Orchid Plaza
Suncity
Sector 54
Gurgaon 122 002
Tel: +(91) (124) 414 1360
Fax: +(91) (124) 288 9320

Address of Registrar of Companies

Registrar of Companies, Maharashtra
Everest
100 Marine Drive
Mumbai 400 002

Board of Directors of the Company

The following persons constitute the Board of Directors:

Sir William Gammell, Non-Executive Chairman
Norman Murray, Non-Executive Deputy Chairman
Rahul Dhir, Chief Executive Officer
Lawrence Smyth, Chief Operating Officer
Jann Brown, Acting Chief Financial Officer
Hamish Grossart, Non-Executive Director
Naresh Chandra, Non-Executive Director
Dr. Omkar Goswami, Non-Executive Director
Aman Mehta, Non-Executive Director

For further details of the Board of Directors, see the section entitled "Management" at page 113 of this Red Herring Prospectus.

Company Secretary (Interim)

Preeti Chheda
3rd and 4th Floor
Orchid Plaza
Suncity
Sector 54
Gurgaon 122 002
Tel: +(91) (124) 270 3456
Fax: +(91) (124) 288 9320
E-mail: preeti.chheda@cairn-energy.plc.uk

Compliance Officer

Preeti Chheda
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Gurgaon 122 022
Tel: +(91) (124) 270 3456
Fax: +(91) (124) 288 9320
E-mail: preeti.chheda@cairn-energy.plc.uk

Investors can contact the Compliance Officer in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary account or refunds orders etc.

Global Coordinators and Book Running Lead Managers

ABN AMRO Securities (India) Private Limited
81, Sakhar Bhavan
230, Nariman Point
Mumbai 400 021
Tel: +(91) (22) 2281 6352
Fax: +(91) (22) 2281 6343
E-mail: cairnenergy.ipo@in.abnamro.com
Website: www.abnamroindia.com
Contact Person: Navin Wadhwani

DSP Merrill Lynch Limited
10th Floor, Mafatlal Centre
Nariman Point
Mumbai 400 021
Tel: +(91) (22) 2262 1071
Fax: +(91) (22) 2262 1187
E-mail: cairnindia_ipo@ml.com
Website: www.dspml.com
Contact Person: N.S. Shekhar

Book Running Lead Manager

JM Morgan Stanley Private Limited
141, Maker Chambers III
Nariman Point
Mumbai 400 021
Tel: +(91) (22) 6630 3030
Fax: +(91) (22) 2204 7185
E-mail: cairnindia.ipo@jmmorganstanley.com
Website: www.jmmorganstanley.com
Contact Person: Purti Vijaywargiya

Co-Book Running Lead Manager

Citigroup Global Markets India Private Limited
4th Floor, Bakhtawar
229 Nariman Point
Mumbai 400 021
Tel: +(91) 1800 22 99 96
Fax: +(91) (22) 5631 9803
E-mail: cairnindia.ipo@citigroup.com
Website: www.citibank.co.in
Contact Person: Ashish Adukia

Relationship between ABN AMRO Securities (India) Private Limited and N M Rothschild & Sons (India) Private Limited

Pursuant to an agreement dated 6 November, 2001, as amended from time to time, ABN AMRO Securities (India) Private Limited and N M Rothschild & Sons (India) Private Limited have agreed to the use of the brand name "ABN AMRO Rothschild" in connection with equity capital markets transactions in India. ABN AMRO Rothschild is the unincorporated equity capital markets joint venture for the ABN AMRO and Rothschild groups. Established in 1996, ABN AMRO Rothschild (acting through its various contractual joint ventures worldwide) is responsible for handling all equity capital markets business on behalf of the two groups. ABN AMRO Securities (India) Private Limited and NM Rothschild & Sons (India) Private Limited are responsible for handling all equity capital markets business on behalf of the ABN AMRO and Rothschild groups in India.

Co-Managers

ENAM Financial Consultants Private Limited
801/802, Dalamal Towers
Nariman Point
Mumbai 400 021
Tel: +(91) (22) 6638 1800
Fax: +(91) (22) 2284 6824
E-mail: cairn.ipo@enam.com
Website: www.enam.com
Contact Person: Aishwarya Mehra

Kotak Mahindra Capital Company Limited
3rd Floor, Bakhtawar
Nariman Point
Mumbai 400 021
Tel: +(91) (22) 6634 1100
Fax: +(91) (22) 2284 0492
E-mail: chandrakant.bhole@kotak.com
Website: www.kotak.com
Contact Person: Chandrakant Bhole

HSBC Securities and Capital Markets (India) Private Limited
52/60, Mahatma Gandhi Road
Fort
Mumbai 400 001
Tel: +(91) (22) 2268 1262
Fax: +(91) (22) 2263 1984
E-mail: cairn.ipo@hsbc.co.in
Website: www.hsbc.co.in
Contact Person: Sumit Jain

Syndicate Members

Kotak Securities Limited
1st Floor, Bakhtawar
Nariman Point
Mumbai 400 021
Tel: +(91) (22) 6634 1100
Fax: +(91) (22) 6630 3927
E-mail: umesh.gupta@kotak.com
Website: www.kotak.com
Contact Person: Umesh Gupta

ABN AMRO Asia Equities (India) Limited
83/84, Sakhar Bhavan
230, Nariman Point
Mumbai 400 021
Tel: +(91) (22) 5632 5535
Fax: +(91) (22) 5632 5541
E-mail: cairnenergy.ipo@in.abnamro.com
Website: www.abnamroindia.com
Contact Person: Anil Rajput

JM Morgan Stanley Financial Services Private Limited
Apeejay House, 3, Dinshaw Waccha Road
Churchgate
Mumbai 400 021
Tel: +(91) (22) 6704 3184/3185
Fax: +(91) (22) 6654 1511
E-mail: cairnindia.ipo@jmmorganstanley.com
Website: www.jmmorganstanley.com
Contact Person: Deepak Vaidya

Legal Advisors

Domestic Legal Counsel to the Company

Amarchand & Mangaldas & Suresh A. Shroff & Co.
Amarchand Towers
216, Okhla Industrial Estate
Phase III
New Delhi 110 020
Tel: +(91) (11) 2692 0500
Fax: +(91) (11) 2692 4900

Domestic Legal Counsel to the Underwriters

S&R Associates
K 40 Connaught Circus
New Delhi 110 001
Tel: +(91) (11) 4289 8000
Fax: +(91) (11) 4289 8001

Domestic Legal Counsel to the Promoters

Luthra & Luthra Law Offices
103, Ashoka Estate
Barakhamba Road
New Delhi 110 001
Tel: +(91) (11) 4121 5100
Fax: +(91) (11) 237 23909
E-mail: luthra@luthra.com

International Legal Counsel to the Company (as to New York and U.S. Federal law)

Davis Polk & Wardwell
99 Gresham Street
London EC2V 7NG
United Kingdom
Tel: +(44) (0) 20 7418 1300
Fax: +(44) (0) 20 7418 1400

International Legal Counsel to the Company (as to English law)

Slaughter and May
One Bunhill Row
London EC1Y 8YY
United Kingdom
Tel: +(44) (0) 20 7600 1200
Fax: +(44) (0) 20 7090 5000

International Legal Counsel to the Underwriters (as to New York, U.S. Federal and English law)

Linklaters
One Silk Street
London
EC2Y 8HQ
United Kingdom
Tel: +(44) (0) 20 7456 2000
Fax: +(44) (0) 20 7456 2222

Registrar to the Issue

Intime Spectrum Registry Limited
C-13, Pannalal Silk Mills Compound
L.B.S. Marg Bhandup (West)
Mumbai 400 078
Tel: +(91) (22) 2596 0320
Fax: +(91) (22) 2596 0329
E-mail: isrl@intimespectrum.com

Bankers to the Issue and Escrow Collection Banks

ABN AMRO Bank N.V.
Brady House, 14 Veer Nariman Road,
Hornimon Circle, Fort
Mumbai 400001
Tel: +(91) (22) 6658 5858
Fax: +(91) (22) 6658 5817
E-mail: neeraj.chabra@in.abnamro.com
Website: www.abnamro.co.in
Contact Person: Neeraj Chabra

Citibank N.A.
Citigroup Center, G-Block
Plot C 61, Bandra Kurla Complex
Bandra East
Mumbai 61
Tel: +(91) (22) 4001 5646
Fax: +(91) (22) 4006 5832
E-mail: divyesh.dalal@citigroup.com
Website: www.citigroup.com
Contact Person: Divyesh Dalal

HDFC Bank Limited
Maneckji Wadia Building, Ground Floor
Nanik Motwani Marg,
Mumbai 400001
Tel: +(91) (22) 2267 9961
Fax: +(91) (22) 2267 1661
E-mail: sunil.kolenchery@hdfcbank.com
Website: www.hdfcbank.com
Contact Person: Sunil Kolenchery

The Hongkong and Shanghai Banking Corporation Limited
Global Payments and Cash Management,
52/60, Mahatama Gandhi Road
Fort, Mumbai 400001
Tel: +(91) (22) 2268 5568
Fax: +(91) (22) 2262 3890
E-mail: zersisirani@hsbc.co.in
Website: www.hsbc.com
Contact Person: Zersis Irani

ICICI Bank Limited
Capital Markets Division
30, Mumbai Samachar Marg,
Mumbai 400001
Tel: +(91) (22) 2262 7600
Fax: +(91) (22) 2261 1138
E-mail: sidhartha.routray@icicibank.com
Website: www.icicibank.com
Contact Person: Sidhartha Sankar Routray

Kotak Mahindra Bank Limited
4th Floor Dani Corporate Park
158 C.S.T. Road, Kalina, Santacruz (E),
Mumbai 400098
Tel: +(91) (22) 6759 4800
Fax: +(91) (22) 5648 2710
E-mail: ibrahim.sharief@kotak.com
Website: www.kotak.com
Contact Person: Ibrahim Sharief

Standard Chartered Bank
270 D.N. Road,
Fort, Mumbai 400001
Tel: +(91) (22) 2268 3965
Fax: +(91) (22) 2209 6067-70
E-mail: Rajesh.Malwade@in.standardchartered.com
Website: www.standardchartered.co.in
Contact Person: Rajesh Malwade

Auditors of the Company

S.R. Batliboi & Associates
Ernst & Young Tower
B-26 Qutab Institutional Area
New Delhi 110 016
Tel: +(91) (11) 4159 4000
Fax: +(91) (11) 2661 1012-13

Bankers of the Company

Citibank N.A.
Corporate and Investment Banking
3rd Floor
No.2, Club House Road
Chennai 600 002
Tel: +(91) (44) 4222 6502
Fax: +(91) (44) 2846 0610
E-mail: ravi.nichani@citigroup.com
Contact Person: Ravi Nichani

Monitoring Agent

Industrial Development Bank of India Limited
IDBI Tower
WTC Complex
Cuffe Parade
Mumbai 400 005
Tel: +(91) (22) 5655 3355
Fax: +(91) (22) 2218 1294
E-mail: yashpal.gupta@idbi.co.in

Stabilising Agent

DSP Merrill Lynch Limited
10th Floor, Mafatlal Center
Nariman Point
Mumbai 400 021
Tel: +(91) (22) 6632 8000
Fax: +(91) (22) 2204 8518
E-mail: cairnindia_ipo@ml.com

Statement of *inter se* Allocation of Responsibilities for the Issue

The following table sets forth the *inter se* allocation of responsibilities for various activities among ABN AMRO Securities (India) Private Limited ("ABN"), DSP Merrill Lynch Limited ("DSPML"), JM Morgan Stanley Private Limited ("JMSS") as Book Running Lead Managers for the Issue:

Activity	Responsibility	Co-ordinator
Capital structuring with relative components and formalities such as type of instruments, etc.	ABN, DSPML, JMMS	DSPML
Drafting and approval of all statutory advertisements.	ABN, DSPML, JMMS	DSPML
Due diligence of the Company including its operations/management/business/plans/legal, etc. Drafting and design of the Red Herring Prospectus and of statutory advertisements including a memorandum containing salient features of the Prospectus. The BRLMs shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, the RoC and the SEBI including finalisation of Prospectus and RoC filing.	ABN, DSPML, JMMS	DSPML
Drafting and approval of all publicity material other than statutory advertisements as mentioned above, including road show presentations, corporate advertising, brochures, etc.	ABN, DSPML, JMMS	ABN
Appointment of other intermediaries including Registrar to the Issue, Printers, advertising agency and Bankers to the Issue.	ABN, DSPML, JMMS	ABN
Non-institutional and retail marketing of the Issue, which will cover, *inter alia*: • Formulating marketing strategies, preparation of publicity budget; • Finalising media and PR strategy; • Finalising centre for holding conferences for press and brokers, etc.; • Follow-up on distribution of publicity and Issuer material including forms, the Prospectus and deciding on the quantum of Issuer material; and • Finalising collection centres.	ABN, DSPML, JMMS	JMSS

Activity	Responsibility	Co-ordinator
Domestic Institutional Marketing of the Issue, which will cover, *inter alia*: • Finalising the list and division of investors for one to one meetings; and • Finalising the road show schedule and the investor meeting schedules.	ABN, DSPML, JMMS	DSPML
International Institutional Marketing of the Issue, which will cover, *inter alia*: • Finalising the list and division of investors for one-to-one meetings; and • Finalising the road show schedule and the investor meeting schedules.	ABN, DSPML, JMMS	ABN
Pricing, managing the book, co-ordination with the Stock Exchanges for book building software, bidding terminals and mock trading, and finalisation of pricing in consultation with the Company.	ABN, DSPML, JMMS	JMMS
Stabilising activities in accordance with Chapter VIII-A of the SEBI Guidelines.	DSPML	DSPML
Post-bidding activities including management of escrow accounts, co-ordinating underwriting, co-ordination of non-institutional allocation, announcement of allocation and dispatch of refunds to bidders, etc. The post-Issue activities will involve essential follow up steps, including the finalisation of trading, dealing of instruments, and demat of delivery of shares with the various agencies connected with the work such as the Registrars to the Issue, the Bankers to the Issue and the bank handling refund business. The merchant banker shall be responsible for ensuring that these agencies fulfil their functions and discharge this responsibility through suitable agreements with the Company.	ABN, DSPML, JMMS	JMMS

Credit Rating

As this is an issue of equity shares, a credit rating is not required.

IPO Grading

We have not opted for grading of this Issue from any credit rating agency.

Trustee

As this is an issue of equity shares, the appointment of trustees is not required.

Book Building Process

The Book Building Process refers to the process of collecting Bids from investors, on the basis of the Red Herring Prospectus within the Price Band. The Issue Price is finalised after the Bid/Issue Closing Date. The principal parties involved in the Book Building Process are:

(1) the Company;

(2) the BRLMs;

(3) the CBRLM;

(4) the other members of the Syndicate who are intermediaries registered with the SEBI or registered as brokers with the BSE/NSE and eligible to act as underwriters;

(5) the Registrar to the Issue; and

(6) the Escrow Collection Banks.

The securities are being offered to the public through the 100% Book Building Process in accordance with the SEBI Guidelines and in terms of Rule (19)(2)(b) of the SCRR wherein: at least 60% of the Issue shall be Allotted on a proportionate basis to QIBs. Of the QIB Portion, 5% is available for allocation to Mutual Funds. If at least 60% of the Issue cannot be Allotted to QIBs, then the entire application monies will be refunded. Further, not less than 10% of the Issue is available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Issue is available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

In accordance with the SEBI Guidelines, QIBs are not allowed to withdraw their Bid(s) after the Bid/Issue Closing Date. In addition, QIBs are required to pay at least 10% of the Bid Amount upon submission of the Bid cum Application Form during the Bid/Issue Period and allocation to QIBs will be on a proportionate basis. For further details, see the section entitled "Issue Procedure" at page 357 of this Red Herring Prospectus.

The Company will comply with the SEBI Guidelines issued by the SEBI for this Issue. In this regard, the Company has appointed the BRLMs to manage the Issue and to procure the subscriptions to the Issue.

Since the process of Book Building under the SEBI Guidelines is relatively new and is, from time to time, subject to change, investors are advised to make their own judgement about investment through this process prior to making a Bid in the Issue.

Illustration of Book Building and Price Discovery Process

(Investors should note that the following is for illustrative purposes only and is not specific to the Issue.)

Bidders can bid at any price within the price band. A graphical representation of the consolidated demand and price will be made available at the websites of the BSE (www.bseindia.com) and the NSE (www.nseindia.com) during the Bid/Issue Period. The illustrative book below shows the demand for the equity shares of a company at various prices and is collated from bids from various investors under the following assumptions: a price band of Rs. 40 to Rs. 48 per share, issue size of 6,000 equity shares and receipt of nine bids from bidders.

Number of equity shares bid for	Bid Price (Rs.)	Cumulative equity shares bid	Subscription
500	48	500	8.33%
700	47	1,200	20.00%
1,000	46	2,200	36.67%
400	45	2,600	43.33%
500	44	3,100	51.67%
200	43	3,300	55.00%
2,800	42	6,100	101.67%
800	41	6,900	115.00%
1,200	40	8,100	135.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired number of shares is the price at which the issue is subscribed, i.e., Rs. 42 in the above example. The issuer, in consultation with the book running lead managers will finalise the issue price at or below such price, i.e., at or below Rs. 42. All bids at or above this issue price and bids at cut-off are valid bids and are considered for allocation in the respective category.

Steps to be taken by a Bidder to make a Bid:

(1) Check eligibility (please see the section entitled "Issue Procedure—Who can bid?" at page 357 of this Red Herring Prospectus);

(2) Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid cum Application Form;

(3) If your Bid is for Rs. 50,000 or more, ensure that you have mentioned your PAN and attached copies of your PAN card to the Bid cum Application Form (see the section entitled "Issue Procedure— Permanent Account Number ("PAN")" at page 372 of this Red Herring Prospectus);

(4) Ensure that the Bid cum Application Form is duly completed as per the instructions given in this Red Herring Prospectus and in the Bid cum Application Form; and

(5) Bids by QIBs will only have to be submitted to the BRLMs.

Withdrawal of the Issue

The Company, in consultation with the BRLMs, reserves the right not to proceed with the Issue any time after the Bid/Issue Opening Date but before the Allotment of Equity Shares without assigning any reason.

Bid/Issue Period

BID/ISSUE OPENS ON:	11 December, 2006
BID/ISSUE CLOSES ON:	15 December, 2006

Bids and any revision in Bids will **only be accepted between 10 a.m. and 3 p.m.** (Indian Standard Time) during the Bid/Issue Period as mentioned above at the bidding centres mentioned in the Bid cum Application Form and uploaded until such time as permitted by the BSE and the NSE on the Bid/Issue Closing Date except that on the Bid/Issue Closing Date, Bids and any revision in Bids will only be **accepted between 10 a.m. and 1 p.m.** (Indian Standard Time).

The Company reserves the right to revise the Price Band during the Bid/Issue Period in accordance with the SEBI Guidelines provided that the Cap Price is less than or equal to 120% of the Floor Price. The Floor Price can be revised up or down up to a maximum of 20% of the Floor Price advertised at least one day before the Bid/Issue Opening Date.

In case of revision of the Price Band, the Issue Period will be extended for three additional days after revision of the Price Band, subject to the total Bid/Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a press release and also by indicating the changes on the websites of the BRLMs, the CBRLM and on the terminals of the Syndicate.

Underwriting Agreement

After determination of the Issue Price but before filing of the Prospectus with the RoC, the Company will enter into the Underwriting Agreement with the Underwriters for the underwriting of the Equity Shares proposed to be offered through this Issue. Under the Underwriting Agreement, the obligations of the Underwriters are several and are subject to certain conditions to closing, as specified therein.

The Underwriters have consented to underwrite the following number of Equity Shares:

(This portion has been intentionally left blank and will be completed before filing of the Prospectus with the RoC.)

Names and addresses of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. in crores)
ABN AMRO Securities (India) Private Limited . . . . 81, Sakhar Bhavan Nariman Point Mumbai 400 021 Tel: +(91) (22) 2281 6352 Fax: +(91) (22) 2281 6343 E-mail: cairnenergy.ipo@in.abnamro.com Website: www.abnamroindia.com Contact Person: Navin Wadhwani		

Names and addresses of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. in crores)
DSP Merrill Lynch Limited Mafatlal Centre, 10th Floor Nariman Point Mumbai 400 021 Tel: +(91) (22) 2262 1071 Fax: +(91) (22) 2262 1187 E-mail:cairnindia_ipo@ml.com Website: www.dspml.com Contact Person: N.S. Shekhar		
JM Morgan Stanley Private Limited 141, Maker Chambers III Nariman Point Mumbai 400 021 Tel: +(91) (22) 6630 3030 Fax: +(91) (22) 2204 7185 E-mail:cairnindia.ipo@jmmorganstanley.com Website: www.jmmorganstanley.com Contact Person: Purti Vijaywargiya		
Citigroup Global Markets India Private Limited 4th Floor, Bakhtawar 229 Nariman Point Mumbai 400 021 Tel: +(91) 1800 22 99 96 Fax: +(91) (22) 5631 9803 E-mail: cairnindia.ipo@citigroup.com Website: www.citibank.co.in Contact Person: Ashish Adukia		
Kotak Mahindra Capital Company Limited 3rd Floor, Bakhtawar Nariman Point Mumbai 400 021 Tel: +(91) (22) 6634 1100 Fax: +(91) (22) 2284 0492 E-mail: chandrakant.bhole@kotak.com Website: www.kotak.com Contact Person: Chandrakant Bhole		
HSBC Securities And Capital Markets (India) Private Limited 52/60, Mahatma Gandhi Road Fort Mumbai 400 001 Tel: +(91) (22) 2268 1262 Fax: +(91) (22) 2263 1984 E-mail: cairn.ipo@hsbc.co.in Website: www.hsbc.co.in Contact Person: Sumit Jain		
ABN AMRO Asia Equities (India) Limited 83/84, Sakhar Bhavan 230 Nariman Point Mumbai 400 021 Tel: +(91) (22) 5632 5535 Fax: + (91) (22) 5632 5541 E-mail: cairnenergy.ipo@in.abnamro.com Website: www.abnamroindia.com Contact Person: Anil Rajput		

Names and addresses of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. in crores)
JM Morgan Stanley Financial Services Private Limited Appejay House 3, Dinshaw Waccha Road Churchgate Mumbai 400 021 Tel: +(91) (22) 6504 0404 Fax: +(91) (22) 6630 1694 E-mail: cairnindia.ipo@jmmorganstanley.com Website: www.jmmorganstanley.com Contact Person: Deepak Vaidya		
Kotak Securities Limited 1st Floor, Bakhtawar Nariman Point Mumbai 400 021 Tel: +(91) (22) 6634 1100 Fax: +(91) (22) 6630 3927 E-mail: umesh.gupta@kotak.com Website: www.kotak.com Contact Person: Umesh Gupta		
ENAM Financial Consultants Private Limited 801/802, Dalamal Towers Nariman Point Mumbai 400 021 Tel: +(91) (22) 6638 1800 Fax: +(91) (22) 2284 6824 E-mail: cairn.ipo@enam.com Website: www.enam.com Contact Person: Aishwarya Mehra		

The above-mentioned amount is indicative and this will be finalised after the determination of Issue Price and actual allocation of the Equity Shares. The Underwriting Agreement is dated [●], 2006.

In the opinion of the Board (based on a certificate given by the Underwriters), the resources of the Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with the SEBI under section 12(1) of the SEBI Act or registered as brokers with the Stock Exchanges. The above Underwriting Agreement has been approved by the Board at a meeting held on [●], 2006.

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the Underwriters shall be severally responsible for ensuring payment with respect to the Equity Shares allocated to investors procured by them. In the event of any default, the respective Underwriter in addition to other obligations to be defined in the Underwriting Agreement, will also be required to procure/subscribe to the extent of the defaulted amount.

The BRLMs are finally responsible in case of default by the Underwriters.

CAPITAL STRUCTURE

The share capital as at the date of filing this Red Herring Prospectus with the RoC (before and after the Issue) is set forth in the table below.

	Aggregate Nominal Value (Rs.)	Aggregate Value at Issue Price (Rs.)
A. Authorised Share Capital* 2,250,000,000 Equity Shares of Rs. 10 each	22,500,000,000	
B. Issued, Subscribed and Paid-up Share Capital 365,078,898 Equity Shares of Rs. 10 each fully paid-up	3,650,788,980	[●]
C. Equity Shares to be issued pursuant to the Share Purchase Deed** 861,764,893 Equity Shares of Rs. 10 each fully paid-up	8,617,648,930	[●]
D. Equity Shares to be issued pursuant to the Pre-IPO Placing*** 209,670,913 Equity Shares of Rs. 10 each fully paid-up	2,096,709,130	[●]
E. Present issue under this Red Herring Prospectus 328,799,675 Equity Shares of Rs. 10 each fully paid-up	3,287,996,750	[●]
F. Green Shoe Option Up to 49,319,951 Equity Shares	493,199,510	[●]
G. Net Issue to the Public 328,799,675 Equity Shares of Rs. 10 each *of which* – QIB Portion of at least 197,279,805 Equity Shares – Non-Institutional Portion of up to 32,879,967 Equity Shares – Retail Portion of up to 98,639,903 Equity Shares	3,287,996,750	[●]
H. Equity Capital Post-Issue		
Excluding Green Shoe Option 1,765,314,379 Equity Shares of Rs. 10 each fully paid-up	17,653,143,790	[●]
Including Green Shoe Option 1,814,634,330 Equity Shares of Rs. 10 each fully paid-up	18,146,343,300	[●]
I. Share Premium Account		
Before the Issue	64,277,938,649	
After the Issue	[●]	

* *The authorised share capital of the Company was reduced from Rs. 50,000,000,000 divided into 5,000,000,000 Equity Shares to Rs. 22,500,000,000 divided into 2,250,000,000 Equity Shares through a resolution of the shareholders of the Company dated 21 September, 2006.*

** *For details, see the section entitled "History and Corporate Structure—Share Purchase Deed" at page 96 of this Red Herring Prospectus. The Equity Shares issued to Cairn UK Holdings Limited pursuant to the Share Purchase Deed will be issued after determination of the Issue Price but before Allotment in the Issue.*

*** *The Company has made a Pre-IPO placement of 209,670,913 Equity Shares. The allotment of these Equity Shares pursuant to the Pre-IPO Placement will be made post the closure of the book but before the listing of the Equity Shares offered in the Issue. For details please refer to pages 30 and 100 of this Red Herring Prospectus.*

Note: The shareholders of the Company have, through a resolution dated November 17, 2006, approved three share incentive arrangements pursuant to which options to acquire Equity Shares have been granted or are proposed to be granted to executive Directors, persons occupying senior management positions and other eligible employees of Cairn India. The total number of Equity Shares to be issued under these share incentive arrangements shall not exceed 96,564,431, being approximately 5% of the post Issue capital. It is to be noted that no Equity Shares will be issued under any of these arrangements prior to listing. For a comprehensive summary of the terms and conditions of the CISMP, CIPOP and CIESOP, together with details of the initial options that have been granted under the CISMP, see the section entitled "Management" at page 113 of this Red Herring Prospectus.

Notes to the Capital Structure:

1. Share Capital History

The following is the history of the equity share capital of the Company up to the date of this Red Herring Prospectus.

Date of Allotment	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration (Cash, bonus, other than cash)	Cumulative Share Premium (Rs.)	Cumulative Share Capital (Rs.)
22 August, 2006*	50,000	10	10	Cash	Nil	500,000
12 October, 2006	365,028,898	10	186.09**	Cash	64,277,938,649**	3,650,788,980

* *Allotment to the subscribers to the Memorandum of Association.*

** *In respect of 365,028,898 Equity Shares, as the higher end of the Price Band is more than Rs. 186.07, Cairn UK Holdings Limited has an obligation to pay additional share premium per Equity Share prior to the Bid/Issue Opening Date equal to such excess. We have notified Cairn UK Holdings Limited that the highest price per share at which the Equity Shares will be marketed in relation to the Issue will exceed Rs. 186.09. Our issued, subscribed and paid-up share capital will increase to that extent.*

Other than the Equity Shares proposed to be issued to Cairn UK Holdings Limited pursuant to the Share Purchase Deed, none of our Equity Shares have been issued for consideration other than cash.

2. Promoter's Contribution and Lock-In

Details of Equity Shares locked-in for three years

All Equity Shares which are eligible for computation of the Promoter's (in this case Cairn UK Holdings Limited) contribution and lock-in under clause 4.6 of the SEBI Guidelines are being locked in for 3 years.

Date of Allotment	No. of Equity Shares	Face value (Rs.)	Issue Price (Rs.)	Date Fully Paid-Up	Consideration (Cash, bonus, other than cash)	% of Post-Issue paid-up capital	Lock-in Period
12 October, 2006	365,028,898	10	186.09*	12 October, 2006*	Cash	20.68%	3 years

* *Allotted as fully paid up on 12 October, 2006 for an initial subscription price of Rs. 138 per Equity Share subject to:*

(a) an obligation of Cairn UK Holdings Limited to pay additional share premium per Equity Share prior to filing the RHP with the RoC equal to the greater of Rs. 44.54 and the difference between the amount which we notified Cairn UK Holdings Limited as being the highest price per share at which the Equity Shares will be marketed in relation to the Issue and Rs. 138 being Rs. 48.09; such obligation was satisfied on 22 November, 2006 when Cairn UK Holdings Limited paid additional share premium of Rs. 48.09 per Equity Share; and

(b) a further obligation of Cairn UK Holdings Limited to pay additional share premium prior to the Bid/Issue Opening Date, in the event that we notify Cairn UK Holdings Limited of an increase in the highest price per share at which the Equity Shares will be marketed in relation to the Issue, equal to the difference between such price and the aggregate of Rs. 138 and the additional premium referred to in (a) above.

The lock-in period shall start from the date of Allotment in the proposed Issue and the last date of the lock-in shall be the third anniversary of the date of allotment in the Issue. In the case of partly paid-up Equity Shares the last date of the lock-in shall be reckoned from the date when the same are fully paid-up or the date of Allotment in the Issue, whichever is later.

The Promoter's contribution will be brought in to the extent of not less than the specified minimum lot as specified in accordance with the SEBI Guidelines and from persons defined as Promoters.

Details of pre-Issue Equity Share capital locked-in for one year

In addition to the lock-in of the Promoter's contribution specified above, the entire pre-Issue equity share capital including the Equity Shares proposed to be issued to Cairn UK Holdings Limited pursuant to the Share Purchase Deed, will be locked-in for a period of one year from the date of Allotment. The Equity Shares to be issued pursuant to the Pre-IPO Placing and the lock-in details are set out at point 23 below. The total number of Equity Shares, excluding the Equity Shares proposed to be issued in the Pre-IPO Placing, which are locked-in for one year, is as follows:

Date of Allotment	No. of Equity Shares	Face value (Rs.)	Issue Price (Rs.)	Date Fully Paid-Up	Consideration (Cash, bonus, other than cash)	% of Post-Issue paid-up capital	Lock-in Period
22 August, 2006 . . .	50,000	10	10	22 August, 2006	Cash	0.003	1 year
[●]	861,764,893	10	[●]	[●]	Other than cash	48.82	1 year

Other requirements in respect of lock-in

In the event the Green Shoe Option is exercised, the Equity Shares which are lent to the Stabilising Agent by the Green Shoe Lender shall be exempt from the lock-in between the date when the Equity Shares are lent to the Stabilising Agent to the date they are returned to the Green Shoe Lender in accordance with Clause 8A.13 or 8A.15 of the SEBI Guidelines, as the case may be.

As per clause 4.15.1 of the SEBI Guidelines, the locked-in Equity Shares held by the Promoters can be pledged only with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided that the pledge of shares is one of the terms of sanction of such loans.

Under clause 4.16.1(a) of the SEBI Guidelines, the Equity Shares held by persons other than the Promoters before the Issue may be transferred to any other person holding the Equity Shares which are locked-in as per clause 4.14 of the SEBI Guidelines, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable and as amended.

Under Clause 4.16.1(b) of the SEBI Guidelines, the Equity Shares held by the Promoters may be transferred to and among the Promoter Group or to new promoters or persons in control of the Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable, as amended.

3. Shareholding pattern

   The table below presents the shareholding pattern of the Company before and after the proposed Issue:

	Pre-Issue (as of the date of filing of this Red Herring Prospectus with the RoC)		Upon issue of Equity Shares to be issued pursuant to the Share Purchase Deed		Post-Issue if GSO is exercised in full		Post-Issue if GSO is not exercised	
	Number of Equity Shares	Percentage Shareholding	Number of Equity Shares	Percentage Shareholding	Number of Equity Shares	Percentage Shareholding	Number of Equity Shares	Percentage Shareholding
Cairn UK Holdings Limited	365,078,898*	100	1,226,843,791	100	1,226,843,791	67.61	1,226,843,791	69.50
Pre-IPO investors**	Nil	Nil	Nil	Nil	209,670,913	11.55	209,670,913	11.88
Public	Nil	Nil	Nil	Nil	378,119,626	20.84	328,799,675	18.63
TOTAL	365,078,898	100	1,226,843,791	100	1,814,634,330	100	1,765,314,379	100

* *Of these Equity Shares, six are registered in the names of nominees of Cairn UK Holdings Limited but are beneficially owned by Cairn UK Holdings Limited.*

** *Selected investors who have between them subscribed for 209,670,913 Equity Shares for cash consideration in Indian Rupees pursuant to the Pre-IPO Placing.*

4. The Company, its Directors, its Promoters, the Promoter Group or the BRLMs and CBRLM have not entered into any buy-back and/or stand-by or similar arrangements for the purchase of Equity Shares from any person.

5. In case of an over-subscription, 10% of the Issue can be retained for the purposes of rounding off to the nearest multiple of the minimum allocation lot.

6. The Equity Shares issued pursuant to this Issue shall be fully paid-up at the time of Allotment, failing which no Allotment shall be made.

7. In the case of over-subscription in all categories, at least 60% of the Issue shall be available for Allocation on a proportionate basis to QIB Bidders, of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the QIB Portion would be available for allocation on a proportionate basis to all QIB Bidders, including Mutual Funds. If at least 60% of the Issue cannot be Allotted to QIBs then the entire application money shall be refunded forthwith. Further, not less than 10% of the Issue shall be available for allocation on a proportionate basis to

Non-Institutional Bidders and not less than 30% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in the Retail Portion would be first met with spill over from the Non-Institutional Portion. Under-subscription, if any, in the Non-Institutional Portion will be met with spill-over from other categories in the Company's sole discretion in consultation with the BRLMs.

8. The Company's Shareholder

(a) The Company's sole beneficial shareholder and the number of Equity Shares held by it as of the date of this Red Herring Prospectus is as follows:

Shareholder	Number of Equity Shares	Percentage Shareholding
Cairn UK Holdings Limited	365,078,898	100

(b) The Company's sole beneficial shareholder as of 10 days before the date of filing of the Red Herring Prospectus with the SEBI was as follows:

Shareholder	Number of Equity Shares	Percentage Shareholding
Cairn UK Holdings Limited	365,078,898*	100

* *Of these Equity Shares, six are registered in the names of nominees of Cairn UK Holdings Limited but are beneficially owned by Cairn UK Holdings Limited.*

Except for 49,994 Equity Shares issued to Cairn UK Holdings Limited and six Equity Shares issued to Rahul Dhir, Lawrence Smyth, Jann Brown, William Gammell, Michael Watts and Malcolm Thoms (in each case as nominee for Cairn UK Holdings Limited) pursuant to a board resolution dated 29 August, 2006 and 365,028,898 Equity Shares issued to Cairn UK Holdings Limited on 12 October, 2006 at a price of Rs. 138 per Equity Share subject to (a) an obligation to pay additional share premium per Equity Share equal to the greater of Rs. 44.54 and the difference between the amount which we notified Cairn UK Holdings Limited as being the highest price per share at which the Equity Shares will be marketed in relation to the Issue and Rs. 138 (being Rs. 48.09; such obligation was satisfied on 22 November, 2006 when Cairn UK Holdings Limited paid additional share premium of Rs. 48.09 per Equity Share), and (b) a further obligation to pay additional share premium, in the event that we notify Cairn UK Holdings Limited of an increase in the highest price per share at which the Equity Shares will be marketed in relation to the Issue, equal to the difference between such price and the aggregate of Rs. 138 and the additional premium referred to in (a), the Promoters, Promoter Group companies or Directors have not purchased or sold any Equity Shares in the six months preceding the date of this Red Herring Prospectus.

As the Company was incorporated on 21 August, 2006 the shareholding pattern for the two years before the date of this Red Herring Prospectus is not available.

9. The aggregate shareholding of the Promoter Group and of the directors of the Promoters is 365,078,898 Equity Shares.

10. The Company has established the following share incentive arrangements pursuant to which options to acquire Equity Shares have been or will be granted to selected employees and Directors of Cairn India:

- CISMP;
- CIPOP; and
- CIESOP.

For a comprehensive summary of the terms and conditions of the CIPOP, CISMP and CIESOP, together with details of the initial options that have been granted under the CISMP, see the section entitled "Management" at page 113 of this Red Herring Prospectus. However, detailed information relating to the initial options that will be granted under the CIPOP and CIESOP prior to the listing will not be disclosed in this Red Herring Prospectus as their quantum will, in part, be dependent on the level of the Issue Price (which, as at the date of this Red Herring Prospectus, has not been determined).

Both the CIPOP and the CIESOP will be operated and administered in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

11. Save as disclosed in the section entitled "Management" at page 113 of this Red Herring Prospectus in connection with the CISMP, CIPOP and CIESOP, there are no outstanding warrants, options or rights to convert debentures, loans or other instruments into Equity Shares.

12. A Bidder cannot make a Bid for more than the number of Equity Shares offered through the Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of Bidder.

13. Except as disclosed in the section entitled "Management" at page 113 of this Red Herring Prospectus, none of the Directors and key managerial personnel hold any Equity Shares.

14. Except as disclosed in this section, and except with respect to the proposed issue of Equity Shares pursuant to the Share Purchase Deed by the Company to Cairn UK Holdings Limited which will occur before Allotment as part of the consideration for the acquisition of the 78.2% of the issued share capital of Cairn India Holdings Limited that the Company has not acquired under the Subscription and Share Purchase Agreement as described in the section entitled "History and Corporate Structure" at page 95 of this Red Herring Prospectus, any issue and allotment of Equity Shares pursuant to the Pre-IPO Placing, and any grant or vesting of options under the share incentive arrangements to senior employees and Directors of Cairn India, there will be no further issue of Equity Shares, whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of this Red Herring Prospectus with the SEBI until the Equity Shares have been listed.

15. Except with respect to the proposed Issue of Equity Shares pursuant to the Share Purchase Deed and any issue and allotment of Equity Shares pursuant to the Pre-IPO Placing and any grant or vesting of options under the share incentive arrangements to senior employees and Directors of Cairn India, we presently do not intend or propose to alter the capital structure for a period of six months from the Bid/Issue Opening Date, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly, for Equity Shares) whether preferential or otherwise, except if we enter into acquisitions, joint ventures or other arrangements, we may, subject to necessary approvals, consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition or participation in such joint ventures.

16. There shall be only one denomination of the Equity Shares, unless otherwise permitted by law. We shall comply with such disclosure and accounting norms as may be specified by the SEBI from time to time.

17. The Company has not issued any Equity Shares out of revaluation reserves.

18. As at the date of this Red Herring Prospectus, the total number of holders of Equity Shares is 7.

19. The Company has not raised any bridge loans against the proceeds of the Issue.

20. As per the RBI regulations, OCBs are not allowed to participate in this Issue.

21. As per Chapter VIII-A of the SEBI Guidelines, the Company may avail of the Green Shoe Option for stabilising the post-listing price of the Equity Shares. We have appointed DSP Merrill Lynch Limited as the Stabilising Agent. The Green Shoe Option consists of an option to over-allot up to 49,319,951 Equity Shares at the Issue Price, aggregating Rs. [●] crore, representing up to 15% of the Issue.

22. Our Promoters and members of the Promoter Group will not participate in this Issue.

23. Details of the allocation pursuant to the Pre-IPO Placing are set out below:

Date	Name	No. of Shares of face value of Rs. 10 each	Pre-IPO Placing issue price* (Rs.)	Consideration (Rs.)
23 November, 2006	PETRONAS International Corporation Ltd**	176,531,438	176.48	31,154,268,178.24
23 November, 2006	Merrill Lynch International Investment Funds	12,745,952	176.48	2,249,405,608.96
23 November, 2006	ABN AMRO Bank N.V., London Branch	12,745,952	176.48	2,249,405,608.96
23 November, 2006	Videocon Industries Limited	6,372,976	176.48	1,124,702,804.48
27 November, 2006	Citigroup Global Markets Mauritius Private Limited	991,277	176.48	174,940,564.96
24 November, 2006	Datavision Systems Private Limited	283,318	176.48	49,999,960.64

* If the Issue Price per Equity Share is lower than Rs. 176.48, the Pre-IPO Placing issue price will be reduced accordingly.

** Participation may be through a wholly owned subsidiary of PETRONAS International Corporation Ltd.

(1) The allotment of the Equity Shares allocated in the Pre-IPO Placing will be made post the closure of the book but before the listing of the Equity Shares offered in the Issue.

(2) The Equity Shares to be allocated in the Pre-IPO Placing will be locked-in for a period of 1 year from the date of allotment in this Issue, except for the Equity Shares to be allotted to PETRONAS International Corporation Ltd, which will be locked in for a period of 3 years, subject to certain terms and conditions agreed upon with the Company.

OBJECTS OF THE ISSUE

The objects of the Issue are to achieve the benefits of listing and to fund (a) the acquisition of shares of Cairn India Holdings Limited (b) part of the development of the Rajasthan Block, as well as further development of other producing fields, (c) certain of our exploration and appraisal activities, and (d) general corporate purposes as set out below (the "Objects"). We intend to utilise the proceeds of the Issue, after deducting underwriting and management fees, selling commissions and other expenses associated with the Issue (the "Net Proceeds") for the Objects.

The main object clause of our Memorandum of Association and objects incidental to the main objects enable us to undertake our existing activities and the activities for which funds are being raised by us through this Issue.

FUND REQUIREMENT

The table below sets forth expenditure requirements for 2007-2009 for development, exploration and appraisal activities and general corporate purposes. We expect the funding requirements will be satisfied through a combination of the Net Proceeds and funds available under our debt facilities.

Sr. No.	Object	Fund Requirement (in crores of Indian Rupees, unless otherwise stated)
1.	Cash consideration to be paid to Cairn UK Holdings Limited as consideration for shares of Cairn India Holdings Limited as described in the section entitled "History and Corporate Structure" beginning at page 95 of this Red Herring Prospectus(1)	[●] crore (approximately U.S. $[●] billion)
2.	Development (Development in the Rajasthan Block and additional drilling activities in Ravva and Cambay blocks)(2)	5,525 crore (approximately U.S. $1.2 billion)
3.	Exploration and appraisal activities including funding minimum work program for capital commitments and any additional appraisal expenditure that may arise as a result of exploration success in existing blocks and blocks that may be awarded in NELP VI round(3)	691 crore (approximately U.S. $150 million)
4.	General corporate purposes	23 crore (approximately U.S. $5 million)
5.	Contingencies, including the part payment of debt outstanding at the date of completion of the Issue(4)	up to 253 crore (approximately U.S. $55 million)
6.	Issue expenses	184 crore (approximately U.S. $40 million)

(1) The cash consideration payable by the Company to Cairn UK Holdings Limited for the shares of Cairn India Holdings Limited represents approximately 73.04% of the proceeds of the Issue at the Cap Price and 68.87% at the Floor Price based on a US Dollar to Rupee exchange rate of 1:44.70.

(2) Development includes drilling and completion of wells, surface facilities and related infrastructure.

(3) Exploration and appraisal activity includes seismic activity, drilling of exploration wells, interpretation of technical data and related activities.

(4) The exact amount to be used for part repayment of debt outstanding will be dependent upon the amount outstanding at the date of completion of the Issue, which as of the date of this Red Herring Prospectus cannot be determined.

The aforementioned funding plan is based on our current business plan and has not been appraised by any bank or financial institution or independent third party entity. In view of the dynamic environment of the industries in which we operate, we may have to revise our business plan from time to time. This may include, at the discretion of the Board of Directors, the rescheduling of our capital expenditure programmes and the increase or decrease of the capital expenditure required for particular purposes from our current plans.

Estimated schedule of acquisition of shares of Cairn India Holdings Limited

All of the estimated cash consideration to be paid to Cairn UK Holdings Limited as consideration for the shares of Cairn India Holdings Limited is expected to be paid by or as soon as reasonably practicable (and by mutual agreement between Cairn UK Holdings Limited and the Company) after the Stock Exchanges have granted clearance for trading of the Equity Shares offered in the Issue, assuming there is no Green Shoe Shortfall Amount and that we are not required by Cairn UK Holdings Limited to make any of the payments of the consideration in instalments (see the section entitled "History and Corporate Structure" at page 95 of this Red Herring Prospectus).

Estimated schedule of deployment of funds for our exploration and appraisal activities

We plan to deploy funds during the earlier part of the 2007-2009 period primarily on ongoing appraisal activity in the Rajasthan Block, while exploration expenditure commitments associated with our NELP V blocks comprise most of our exploration expenditure from late 2007. Approximately Rs. 691 crore (U.S. $150 million) is planned to be deployed towards ongoing exploration and appraisal in the Rajasthan Block and exploration expenditure commitments associated with minimum work programmes in NELP V blocks. We also assume certain exploration expenditure commitments in 2008 and 2009 associated with NELP VI blocks which have yet to be awarded.

Estimated schedule of deployment of funds for our development activities

Most of the estimated amount of funds to be deployed in connection with our Rajasthan Block development project capital expenditure is expected to be incurred after 31 December, 2006. We expect the amount of capital expenditure estimated to be required to reach first commercial oil production at the Mangala field to be deployed in roughly equal amounts in each of 2007, 2008 and 2009. However, as large scale energy projects are susceptible to delays in phases of their execution schedule and to compression of activity in other phases, there can be no assurance that the capital expenditure will be evenly distributed or that the planned capital expenditure required in any one period will not be more or less than planned.

Details of fund requirement

Expenditure on exploration and appraisal activities

- approximately Rs. 691 crore (U.S. $150 million)

Expenditure on development of the Rajasthan Block and other fields

Rajasthan Block

Our current estimated gross life of field capital expenditure requirements for the Rajasthan Block fields, of which 70% is net to Cairn India, are:

- Mangala field: approximately Rs. 6,906 crore (U.S. $1.5 billion)(1)(2)(3)
- Bhagyam field: approximately Rs. 1,289 crore (U.S. $280 million)(2)(3)
- Aishwariya field: approximately Rs. 1,059 crore (U.S. $230 million)(2)(3)
- Raageshwari oil/Saraswati fields: approximately Rs. 207 crore (U.S. $45 million)(2)(3)

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(1) We estimate that approximately Rs. 3,959 crore (U.S. $860 million) will be required to reach first commercial crude oil production from the Mangala field. Of this amount, Rs. 235 crore (U.S. $51 million) was incurred before 1 July, 2006.

(2) Of the expenditure estimated for the fields other than Mangala, Rs. 69.1 crore (U.S. $15 million) was incurred before 1 July, 2006.

(3) The capital expenditure estimates are gross in mid-2005 real money terms. As the increasing price of crude oil and natural gas has led to increased oil and gas development activities worldwide, prices for the raw materials and services required for such activities continue to increase. We have undertaken an assessment of the cost escalation likely to apply to the capital expenditure associated with the Mangala and Raageshwari developments. Following this assessment, we have applied a cost escalation factor of 7% per year in estimating our capital expenditure requirements during the key development phase of our Rajasthan fields. There can be no assurance that actual cost escalation over the next

several years will not be materially higher. In addition, investors should be aware that the estimates of capital expenditure set out above have been prepared based upon various assumptions. These assumptions reflect expenditures for materials, equipment, labour and services that in most cases have yet to be contracted and, with respect to the Bhagyam and Shakti fields, we have yet to submit an FDP to the GoI. In arriving at estimates for capital expenditure, the Company considers the activities to be undertaken, for example, to satisfy a PSC obligation or to deliver a particular strategy. The cost for these activities is calculated using a combination of techniques and taking account of the maturity of the plans including, but not limited to, the contracts and/or tenders received, known rates in the market, similar activities carried out in the past (adjusted for changes in assumptions if appropriate), and knowledge and experience. In the same way, the technique of ascertaining labour costs depends on the maturity of the plans. For activities in the early planning stages, labour costs are calculated by applying internally generated charge-out rates based on internal budgets. The final amount of capital expenditure required could be higher or lower than that set out above.

Current producing fields

Our current gross capital expenditure plans for the producing fields that we operate are:

- Ravva infill drilling and Lakshmi and Gauri additional wells: approximately Rs. 322 crore (U.S. $70 million) in mid-2005 real money terms.(1)

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(1) The capital expenditure estimates are gross in mid-2005 real money terms. As the increasing price of crude oil and natural gas has led to increased oil and gas development activities worldwide, prices for those raw materials and services required for such activities continue to increase. Therefore, there can be no assurance that the actual cost of these plans will not be materially higher.

Expenditure to acquire shares of Cairn India Holdings Limited

For details, see the sections entitled "History and Corporate Structure—Subscription and Share Purchase Agreement" and "History and Corporate Structure—Share Purchase Deed" at pages 95 and 96 of this Red Herring Prosepctus.

Means of Finance

We propose to utilise approximately Rs. 2,682 crore (approximately U.S. $600 million) from the Net Proceeds after applying Rs. 5,934 crore (approximately U.S. $1.33 billion) at the bottom of the range and Rs. 7,265 crore (approximately U.S. $1.63 billion) at the top of the range as cash consideration to be paid to Cairn UK Holdings Limited as consideration for shares of Cairn India Holdings Limited, to fund in part our exploration, appraisal and development plans and our general corporate purposes and to fund the remainder of the cost of our development plans through debt.

We intend to finance a significant component of our capital expenditure in the Rajasthan Block through the Facility, which is a U.S. $850 million (approximately Rs. 3,913 crore) syndicated revolving credit facility entered into by Cairn India Holdings Limited and certain of its subsidiaries including CEIL and CEHL with RBS, IFC and a syndicate of other commercial banks. The Facility was executed on 22 November, 2006. Our ability to borrow under the Facility in the amounts we require to finance our Rajasthan Block capital expenditure is subject to certain conditions, including the achievement of certain milestones relating to the development of a pipeline or other means to evacuate crude oil from the Rajasthan Block. See the section entitled "—Liquidity and Capital Resources—Dedicated Banking Facility" at page 323 of this Red Herring Prospectus.

Accordingly, we confirm that we have made firm arrangements for financing at least 75% of the fund requirement for our exploration and development activities for the period ending 31 July, 2009 excluding the Net Proceeds.

Interim use of Net Proceeds

Pending utilisation of the Net Proceeds for the purposes described above, we intend to invest the funds in high quality interest bearing liquid instruments, including money market mutual funds and bank deposits.

Monitoring of utilisation of funds

The Board and the Monitoring Agent, Industrial Development Bank of India Limited ("IDBI"), will monitor the utilisation of the proceeds of the Issue. We will disclose the utilisation of the proceeds of the Issue under a separate heading in our Directors' Reports for the years up to 31 December, 2009 and provide details, if any, of any such proceeds which have not been utilised as set out in this Red Herring Prospectus.

Pursuant to clause 49 of the Listing Agreement, the Company shall on a quarterly basis disclose to the Audit Committee the uses and applications of the proceeds of the Issue. On an annual basis, the Company shall prepare a statement of funds utilised for purposes other than those stated in this Red Herring Prospectus and place it before the Audit Committee. Such disclosure shall be made only until such time that all the proceeds of the Issue have been utilised in full. The statement shall be certified by the statutory auditors of the Company.

Other than as payment for the purchase of shares of Cairn UK Holdings Limited we will not pay any part of the issue proceeds as consideration to the Promoters, the Directors, key management personnel or companies promoted by the Promoters except in the normal course of business.

Expenses of the Issue*

All expenses with respect to the Issue will be allocated on the following basis:

Sr. No.	Activity	Expense (in Rs. crores)
1.	Lead Management, underwriting and selling commission	[●]
2.	Advertising and marketing expenses	[●]
3.	Printing and stationery, including transportation costs	[●]
4.	Others (Monitoring Agent fees, Registrar to the Issue fee, legal fees, listing fees etc.)	[●]
5.	**Total estimated Issue expenses**	[●]

* Will be incorporated after finalisation of the Issue Price.

BASIS FOR ISSUE PRICE

The Issue Price will be determined by the Company in consultation with the BRLMs on the basis of an assessment of market demand for the offered Equity Shares determined in accordance with the Book Building Process. The face value of the Equity Shares is Rs. 10 and the Issue Price is 16 times the face value at the lower end of the Price Band and 19 times the face value at the higher end of the Price Band.

Qualitative Factors

Internal Factors

- At the completion of the Reorganisation, the Company will acquire the Subsidiaries which hold all of the ownership and operated interests in Cairn Energy PLC's Indian crude oil and natural gas development and production assets and the majority of its Indian crude oil and natural gas exploration assets. On the Company's acquisition of the Subsidiaries, we aim to be a leading participant in the Indian crude oil and natural gas industry.
- We estimate the total gross 2P reserves attributable to the fields in production or under development in which Cairn India has interests to be 754 mmboe and its net working interest in these 2P reserves to be 472 mmboe.
- We have interests ranging from 40% in the Lakshmi and Gauri oil and gas fields to 22.5% in the Raava oil and gas field. We have a 70% interest in the two development areas in the Rajasthan Block (assuming, with respect to the Second Development Area, the exercise of the GoI's 30% "back-in" rights under the Rajasthan Block PSC in relation to commercial discoveries). As at 30 June, 2006, we estimated our net working interest, proved and probable reserves, to be 472 mmboe.
- We have a seven year tax holiday from corporate tax in respect of each eligible unit in the Rajasthan Block, commencing from 1 April in the tax year during which commercial production from that unit begins.
- We have a significant portfolio of exploration and appraisal acreage in eastern, western and northern India. We were awarded five new exploration blocks in India as part of NELP V in 2005. We are also actively participating in NELP VI.
- We have a long and proven exploration expertise in India, having made 30 hydrocarbon discoveries since 1994. In 2004, Cairn India made the largest onshore crude oil discovery in India since 1985 when it discovered the Mangala field in Rajasthan. Since then, Cairn India has made 18 additional discoveries in the Rajasthan Block and continues to undertake appraisal work which may lead to future discoveries.

External Factors

- India is the second most populous country in the world with a population of approximately 1.1 billion. Rapid economic growth in India has led to a significant increase in demand for crude oil and natural gas.
- We are likely to benefit from the high demand for oil in India because this demand cannot be met by current domestic production capacities as India fulfils only 20% of its oil and natural gas requirements from oil and natural gas production within India. We expect a gross plateau production rate from the Rajasthan Block of approximately 150,000 bopd.
- India is a net importer of crude oil and natural gas. In 2005, India consumed 115.7 million tonnes of crude oil, yet it produced only 36.2 million tonnes. Similarly, in 2005, India consumed 36.6 billion cubic metres of natural gas but produced only 30.4 billion cubic metres (Source: BP Statistical Review of World Energy, June 2006).

For a detailed discussion of the above factors, see the sections entitled "Industry Overview" and "Our Business" at pages 48 and 50 of this Red Herring Prospectus.

Quantitative Factors

Some of the quantitative factors which may form the basis for computing the Issue Price are as follows:

1. Adjusted Earnings per Share

The Company was incorporated on 21 August, 2006 and has no operating history. It has no history as an independent entity and the business comprising Cairn India will be acquired through our acquisition of Cairn India Holdings Limited, an intermediate holding company which is a subsidiary of Cairn Energy PLC. Cairn India Holdings Limited will, subject to the terms and conditions of the Subscription and Share Purchase Agreement and the Share Purchase Deed, own 27 subsidiaries through which the business of Cairn India will be conducted.

As at 30 June, 2006, approximately 98.9% of the gross assets of the Subsidiaries were held by CEA, CEIH and CEHL. These also contributed 100% of the production of Cairn India for the six month period ended 30 June, 2006. In the absence of the operating history of the Company and accordingly, the consolidated financial information of the Company under Indian GAAP and restated in accordance with the SEBI Guidelines, the following table includes a pro forma computation of EPS for the Company based on an aggregation of the earnings of the three material subsidiaries of Cairn India Holdings Limited which are CEA, CEIH, CEHL and the post-Issue equity share capital (number of shares) of the Company.

The historical pro forma EPS presented below does not necessarily reflect the actual results of operations and financial position of the Company as if CEA, CEIH and CEHL had been subsidiaries of the Company for that relevant period and consolidated financial information of the Company under Indian GAAP and restated in accordance with the SEBI Guidelines had been reported.

(All amounts (other than Equity Shares) are stated in crores of Indian Rupees, unless otherwise stated)

Companies	CEA	CEHL	CEIH	Pro forma combined
Net profit/(loss) after tax for the year ended 31 December, 2005	146.8	156.8	102.5	92.5
Post-Issue Equity Share Capital of Cairn India (Number of shares)				1,765,314,379
Pro forma EPS (based on earnings of three material subsidiaries)				0.52 (Rs. per share)

The Northern Fields in Rajasthan, which constitute the majority of the total estimated reserves of Cairn India as at June 2006, are expected to commence commercial production in 2009.

2. Price/Earning Ratio (P/E) in relation to the Issue Price:

Industry P/E*

a)	Highest	40.1
b)	Lowest	10.4
c)	**Industry Average**	25.14

**Source: Based on Capital Market magazine, Vol. XXI/13 (Aug 28–Sept 10, 2006)*

3. Accounting Ratios of some of the companies in the same Industry:

Companies	EPS * (Rs.)	P/E *	RONW * (%)	NAV * (Rs.)
Hindustan Oil Exploration Co. Ltd.	2.2	40.1	18.0	49.8
ONGC	98.2	11.5	29.7	374.1
Selan Expl. Tech	5.9	10.4	5.2	23.4

* *All the figures are as reported in Capital Market magazine, Vol. XXI/13 (Aug 28–Sept 10, 2006)*

4. The Issue Price of Rs. [●] has been determined by the Company in consultation with the BRLMs on the basis of the demand from investors for the Equity Shares through the Book Building Process. Prospective investors should also review the entire Red Herring Prospectus, including, in particular, the sections entitled "Risk Factors", "Industry Overview", "Our Business" and "Financial Information" at pages xiv, 48, 50 and 150 of this Red Herring Prospectus to obtain a more informed view about the investment proposition.

STATEMENT OF TAX BENEFITS

AUDITOR'S REPORT

Cairn India Limited

Mumbai
India

Dear Sirs,

We hereby report that the enclosed statement states the possible tax benefits available to Cairn India Limited ('CIL' or 'Company') and to its shareholders under the Income Tax Act, 1961, Wealth Tax Act, 1957 and the Gift Tax Act, 1958, presently in force in India. The benefits outlined in the statement will be dependent upon the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the statute. Hence, the ability of the Company or its shareholders to derive the tax benefits will be dependent upon such conditions being fulfilled. Additionally, in respect of the Company benefits listed, the business imperatives faced by the Company in the future will also affect the benefits actually claimed.

The benefits discussed in the enclosed statement are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

We do not express any opinion or provide any assurance as to whether:

(i) the Company is currently availing any of these benefits or will avail these benefits in future; or

(ii) the Company's share holders will avail these benefits in future; or

(iii) the conditions prescribed for availing the benefits have been / would be met with.

The contents of the enclosed statement are based on information, explanations and representations obtained from the Company and on the basis of the understanding of the business activities and operations of the Company.

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

Place: Edinburgh, Scotland
Date: September 23, 2006

STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO THE COMPANY AND ITS SHAREHOLDERS

UNDER THE INCOME TAX ACT, 1961 (‘ACT’)

A. BENEFITS AVAILABLE TO THE COMPANY

1. Amortisation of Preliminary Expenses

The Company will be entitled to a deduction equal to ⅕th of the specified preliminary expenditure, including expenditure incurred on the present public issue, such as in the nature of under writing, commission, brokerage and other charges beginning with the previous year in which the business commences. The total deduction however cannot exceed 5% of the cost of project/capital employed at the end of the last day of the previous year in which the business commences (section 35D of the Act).

2. Credit of Minimum Alternate Tax (‘MAT’)

MAT credit allowable is the difference between MAT paid and the tax computed as per the normal provisions of the Act and can be utilised in those years in which tax becomes payable under the normal provisions of the Act. MAT credit can be utilised to the extent of difference between any tax payable under the normal provisions and MAT payable for the relevant year. MAT credit cannot be carried forward and set off beyond 7 years immediately succeeding the assessment year in which it becomes allowable under section 115JAA(1A) of the Act (section 115 JAA(1A) of the Act).

3. Dividends

Dividend income (interim or final) received from a domestic company is exempt from tax in the hands of the resident shareholders. Thus the dividend income received by CIL from investments made in any domestic company will be exempt in its hands (section 10(34) of the Act read with section 115O).

4. Income from units

The following income is exempted from tax under the Act:

a. Income received in respect of the units of a Mutual Fund specified under clause (23D) of section 10; or

b. Income received in respect of units from the Administrator of a specified undertaking; or

c. Income received in respect of units from a specified company:

However, this exemption does not apply to any income arising from transfer of units of the Administrator of the specified undertaking or of the specified company or of a mutual fund, as the case may be (section 10(35) of the Act).

5. Capital Gains

5.1 Capital assets may be categorised into short term capital assets and long-term capital assets based on the period of holding. Shares held in companies, any other securities listed in a recognised stock exchanges in India, units of UTI or Mutual Funds specified under section 10(23D)and zero coupon bonds, will be considered as short term capital assets if they are held for a period not exceeding 12 months immediately preceding the date of their transfer. Other capital assets are considered to be short term assets if they are held for a period not exceeding 36 months immediately preceding the date of transfer.

In case the period of holding exceeds the 12 months or 36 months, as the case may be, the capital assets will be classified as long term capital assets.

Capital gains arising on transfer of short term capital assets are considered as short term capital gains while those arising on transfer of long term capital assets are considered as long term capital gains.

5.2 In computing the capital gains arising on sale of a capital asset, the cost of acquisition/improvement and expenses incurred in connection with the transfer of a capital asset shall be deducted from the sale consideration. However, in respect of capital gains arising from transfer of long-term capital assets, the Act offers a benefit by permitting substitution of cost of acquisition/improvement with the indexed cost of acquisition/improvement. The indexed cost of acquisition/ improvement is computed by adjusting the cost of acquisition/improvement by a cost inflation index as prescribed from time to time (section 48 of the Act).

5.3 Any long-term capital gains arising on transfer of equity shares in any other company or units of equity oriented fund are exempt from tax provided the transaction for sale of such equity shares or units is subject to Securities Transaction Tax ('STT'). However, while computing the book profits for MAT purposes, such gains would be considered (section 10(38) of the Act).

5.4 Any long-term capital gains (other than those covered in point 5.3 above) arising to CIL are taxed at the rate of 20% (plus applicable surcharge and education cess) after claiming indexation benefit. However, long term capital gains arising from transfer of listed securities/units/zero coupon bonds can be restricted to 10% (plus applicable surcharge and education cess) if the indexation benefit is not claimed (section 112 of the Act).

5.5 Any short-term capital gains arising from the transfer of equity shares in any other company or units of equity oriented fund are taxed at the rate of 10% (plus applicable surcharge and education cess) provided the transaction for sale of such equity shares or units is subject to STT (section 111A of the Act).

5.6 Long term capital gains (other than those covered in point 5.3 above) arising on transfer of long term capital assets is exempt from tax to the extent such capital gains are invested in long term specified assets within a period of 6 months after the date of such transfer in notified bonds (Presently, bonds issued by the National Highways Authority of India or the Rural Electrification Corporation Limited have been specified).

Where only a part of the capital gains is so invested, the exemption is proportionately available. The minimum holding period prescribed to remain eligible for the exemption is 3 years (section 54EC of the Act).

5.7 As per the provisions of the Act, where the Tax Treaty has been signed between India and another country for the purposes of avoiding double taxation, then the taxpayer has option to be governed by the provisions of the Tax Treaty to the extent they are more beneficial. Thus, the taxpayer can avoid double taxation of the same income by using the tax treaty.

Where the income is taxed by a country with which India does not have a tax treaty, then the taxpayer is entitled to get a deduction from the Indian income tax payable of the taxes paid in the other country. However, if the tax rate is higher in the other country, the credit will be restricted to the tax payable as per the Indian tax rate (section 90, 91 of the Act).

6. Rebate in respect of STT

As per the provisions of Section 88E of the Act, where the income chargeable under the head "Profits and gains of business or profession" includes profits and gains from purchase or sale of securities liable to STT, a rebate is allowable from the amount of income tax on such business income to the extent of the STT paid on such transactions. The amount of rebate shall, however, be limited to the amount of income tax arrived at by applying the average rate of income tax on such business income.

7. Special provisions for deductions in the case of business for prospecting, etc., for mineral oil

Under the Act, the following items as are specified in the Production Sharing Contract ('PSC') are allowed as a deduction.

a. Expenditure by way of infructuous or abortive exploration expenses in respect of any area surrendered prior to the beginning of commercial production by the company.

b. After the beginning of commercial production, any expenditure incurred by the taxpayer (whether incurred either before or after commercial production) in respect of drilling or exploration activities or services or in respect of physical assets used for drilling or exploration.

c. Depletion of mineral oil in the mining area in respect of the assessment year relevant to the previous year in which commercial production is begun and for such succeeding year or years as may be specified in the agreement.

Such allowances shall be computed and made in the manner specified in the PSC and the provisions of the Act are deemed to have been modified to such extent.

8. Depreciation

Depreciation on plant or machinery used for the purposes of business is allowed at the rate of 15% on written down value basis. Further, where new plant or machinery has been acquired and installed by a taxpayer engaged in business of manufacture or production of any article or thing, additional depreciation of 20% is allowed in the year of installation. For mineral oil concerns, an accelerated rate of depreciation at the rate of 60% on written down value of the asset is available under the Income tax Rules, 1962 on the following assets:

a. Plant used in the field operations (above ground)distribution-Returnable packages

b. Plant used in field operations (below ground), but not including kerbside pumps including underground tanks and fittings used in field operations (distribution) by mineral oil concerns

(section 32 of the Act)

9. Site Restoration Fund

Under the PSC, the participants are under an obligation to restore the site post the cessation of petroleum operations. Under the Act, deduction is available to a tax payer carrying on a business consisting of prospecting for, or extraction or production of, petroleum or natural gas or both and in respect of which it has entered into an agreement with the Government, for amounts deposited in a Special Account maintained under a scheme approved by the Government or in a Site Restoration Account opened under a Scheme framed by the Government. The deduction is the lower of the following:

- Amount deposited (interest credited is deemed as amount deposited); or
- 20 percent of the profits of such business, before making any deduction under this section.

In case the funds deposited in account are not utilised for specified purposes the same would be subject to tax in the year of withdrawal (section 33ABA of the Act).

10. Tax Holiday

Any undertaking which is engaged in commercial production of mineral oil is entitled to a deduction of 100 percent of its profits for a period of 7 consecutive assessment years including the previous year/ tax year in which the undertaking commences the production of mineral oil (section 80-IB(9) of the Act).

Further, the Company by way of investments through it subsidiary viz. Cairn India Holdings Limited holds interest in various oil and gas blocks in India. Such companies can avail the fiscal benefits discussed in point no 7 to 10 above.

BENEFITS AVAILABLE TO SHAREHOLDERS

B.I RESIDENT SHAREHOLDERS

1. Dividends

Dividend income (interim or final) received from a domestic company is exempt from tax in the hands of the resident shareholders and accordingly no taxes are required to be deducted at source on the dividend payment (section 10(34) of the read with section 115O).

2. Capital gains

2.1 In computing the capital gains arising on sale of a capital asset, the cost of acquisition/improvement and expenses incurred in connection with the transfer of a capital asset shall be deducted from the sale consideration. However, in respect of capital gains arising from transfer of long-term capital assets, the Act offers a benefit by permitting substitution of cost of acquisition/improvement with the indexed cost of acquisition/improvement. The indexed cost of acquisition/improvement is computed by adjusting the cost of acquisition/improvement by a cost inflation index as prescribed from time to time (section 48 of the Act).

2.2 Long-term capital gains arising on transfer of equity shares of a listed company are exempt from tax in the hands of the shareholders provided the transaction for sale of such equity shares is subject to STT (section 10(38) of the Act).

2.3 Long-term capital gains (other than mentioned in point 2.2 above) are taxed at the rate of 20% (plus applicable surcharge and education cess) after claiming indexation benefit. However, the tax liability on long term capital gains arising from the transfer of a long term capital asset being listed security can be restricted to 10% (plus applicable surcharge and education cess) if the indexation benefit is not claimed (section 112 of the Act).

2.4 Short-term capital gains from transfer of equity shares are taxed at the rate 10% (plus applicable surcharge and education cess) provided the transaction for sale of such equity shares is subject to STT (section 111A of the Act).

2.5 Long term capital gains (other than those covered in point 2.2 above) arising on transfer of shares are exempt from tax to the extent such capital gains are invested in long term specified assets within a period of 6 months after the date of such transfer in notified bonds (Presently, bonds issued by the National Highways Authority of India or the Rural Electrification Corporation Limited have been specified).

Where only a part of the capital gains is so invested, the exemption is proportionately available. The minimum holding period prescribed to remain eligible for the exemption is 3 years (section 54EC of the Act).

2.6 Long-term capital gains (other than those covered in point 2.2 above) arising to an individual or a HUF on transfer of shares are exempt from capital gains tax if the net consideration from transfer of such shares are used for purchase of residential house property within a period of 1 year before or 2 years after the date on which the transfer took place or for construction of residential house property within a period of 3 years after the date of such transfer. If part of the net consideration is invested within the prescribed period in a residential house, such gains would be exempt from tax on a proportionate basis. The minimum holding period for the new purchased/constructed house to remain eligible for exemption is 3 years (section 54F of the Act).

3. Rebate under section 88E

Where the income of the shareholder chargeable under the head "Profits and gains of business or profession" includes profits and gains from purchase or sale of securities liable to STT, a rebate is allowable from the amount of income tax on such income to the extent of the STT paid on such transactions. The amount of rebate shall, however, be limited to the amount of income tax arrived at by applying the average rate of income tax on such business income. No deduction, however is available in computing the income chargeable to tax as "capital gains" or under the head "Profits and gains of Business or Profession" for such amount paid on account of STT (section 88E of the Act).

B.II NON-RESIDENT SHAREHOLDERS

1. Dividends

Dividend income (interim or final) received from a domestic company is exempt from tax in the hands of the non resident shareholders and accordingly no taxes are required to be withheld on dividend payment (section 10(34) of the Act read with section 115O).

2. Capital gains

2.1. In computing capital gains arising from transfer of shares acquired in convertible foreign exchange (as per the exchange control regulations), the capital gain/loss in such a case is computed by converting the cost of acquisition, sales consideration and expenditure incurred wholly and exclusively in connection with such transfer, into the same foreign currency which was utilised for the purchase of shares. Cost indexation benefit is not available in such a case (section 48 of the Act).

2.2. Long-term capital gains arising on transfer of equity shares of a listed company are exempt from tax in the hands of the shareholders provided the transaction for sale of such equity shares is subject to STT and accordingly no taxes are required to be deducted at source (section 10(38) of the Act).

2.3. Long-term capital gains (other than those covered in point 2.2 above) are taxed at the rate of 20% (plus applicable surcharge and education cess). However, the tax liability on long term capital gains arising from the transfer of a long term capital asset being listed security can be restricted to 10% (plus applicable surcharge and education cess) without considering the indexation benefit (section 112 of the Act).

2.4. Short-term capital gains from transfer of equity shares are taxed at the rate 10% (plus applicable surcharge and education cess) provided the transaction for sale of such equity shares is subject to STT (section 111A of the Act).

2.5. Long term capital gains (other than those covered in point 2.2 above) arising on transfer of shares are exempt from tax to the extent such capital gains are invested in long term specified assets within a period of 6 months after the date of such transfer in notified bonds (Presently, bonds issued by the

National Highways Authority of India or the Rural Electrification Corporation Limited have been specified).

Where only a part of the capital gains is so invested, the exemption is proportionately available. The minimum holding period prescribed to remain eligible for the exemption is 3 years (section 54EC of the Act).

2.6. Long-term capital gains (other than those covered in point 2.2 above) arising to an individual or a HUF on transfer of shares of CIL are exempt from capital gains tax if the net consideration from transfer of such shares are used for purchase of residential house property within a period of 1 year before or 2 years after the date on which the transfer took place or for construction of residential house property within a period of 3 years after the date of such transfer. If part of the net consideration is invested within the prescribed period in a residential house, such gains would be exempt from tax on a proportionate basis. The minimum holding period for the new purchased/constructed house to remain eligible for exemption is 3 years (section 54F of the Act).

2.7. A non resident taxpayer has an option to be governed by the provisions of the Act or the provisions of a Tax Treaty that India has entered into with another country of which the investor is a tax resident, whichever is more beneficial (section 90(2) of the Act).

3. Rebate under section 88E

Where the income of the shareholder chargeable under the head "Profits and gains of business or profession" includes profits and gains from purchase or sale of securities liable to STT, a rebate is allowable from the amount of income tax on such income to the extent of the STT paid on such transactions. The amount of rebate shall, however, be limited to the amount of income tax arrived at by applying the average rate of income tax on such business income. No deduction, however is available in computing the income chargeable to tax as "capital gains" or under the head "Profits and gains of Business or Profession" for such amount paid on account of STT (section 88E of the Act).

B.III NON RESIDENT INDIANS

Non resident Indian means an individual, being a citizen of India or person of Indian origin who is not a resident. A person shall be deemed to be of Indian origin if he, or either of his parents or any of his grand parents, was born in undivided India.

1. DIVIDENDS

Dividend income (interim or final) received from a domestic company is exempt from tax in the hands of the Non Resident Indian shareholders and accordingly no taxes are required to be withheld on dividend payment (section 10(34) of the Act read with section 115O).

2. CAPITAL GAINS

2.1 In computing capital gains arising from transfer of shares acquired in convertible foreign exchange (as per the exchange control regulations), the capital gain/loss in such a case is computed by converting the cost of acquisition, sales consideration and expenditure incurred wholly and exclusively in connection with such transfer, into the same foreign currency which was utilised in the purchase of shares. Cost indexation benefit will not be available in such a case (section 48 of the Act).

2.2 Long-term capital gain arising on transfer of equity shares of a listed company are exempt from tax in the hands of the shareholders provided the transaction for sale of such equity shares is subject to STT and accordingly no taxes are required to be deducted at source (section 10(38) of the Act).

2.3 Short-term capital gains from transfer of equity shares are taxed at the rate 10% (plus applicable surcharge and education cess) provided the transaction for sale of such equity shares is subject to STT (section 111A of the Act).

2.4 The provisions referred to in point no 2.5 to point no 2.8 below are optional and the tax payer can opt out by filing the declaration along with the return of income (section 115I of the Act).

2.5 Long-term capital gains (other than mentioned in point 2.2 above) arising on transfer of shares, are taxed at the rate of 10 percent (plus applicable surcharge and education cess), without indexation benefit (section 115D read with section 115E of the Act and subject to the conditions specified therein).

2.6 Long-term capital gains (other than those covered in point 2.2) arising on transfer of shares shall not be chargeable to tax if the entire net consideration received on such transfer is invested within a period of 6 months in any specified asset or savings certificates referred to in Section 10(4B) of the Act. If part of such net consideration is invested within the prescribed period of 6 months in any specified asset or savings certificates referred to in Section 10(4B) of the Act, then such gains would be exempt from tax on a proportionate basis. The net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer. The minimum holding period for the specified asset or savings certificates to remain eligible for exemption is 3 years (section 115F of the Act).

2.7 Non-resident Indians are not required to file a return of income under section 139 of the Act, if their only source of income is income from investments or long-term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act (section 115G of the Act).

2.8 Where the non-resident Indian becomes assessable as a resident in India, he can continue to avail the benefits as mentioned in point no 2.5 to point no 2.7 above by filing declaration along with his return of income for that year in relation to such investment income derived from the specified assets until such assets are converted into money (section 115H of the Act).

2.9 A non resident taxpayer has an option to be governed by the provisions of the Act or the provisions of a Tax Treaty that India has entered into with another country of which the investor is a tax resident, whichever is more beneficial (section 90(2) of the Act).

B.IV SHAREHOLDERS BEING MUTUAL FUNDS

Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made thereunder, or Mutual Funds set up by public sector banks or public financial institutions or Mutual Funds authorised by the RBI and subject to the conditions notified by Central Government in this regard, would be eligible for income-tax exemption on their income (section 10(23D) of the Act).

B.V SHAREHOLDERS BEING FOREIGN INSTITUTIONAL INVESTORS (FIIS)

1. DIVIDENDS

Dividend income (interim or final) received from a domestic company is exempt from tax in the hands of the FIIs and accordingly no taxes are required to be withheld on dividend payment (section 10(34) of the Act read with section 115O).

2. CAPITAL GAINS

2.1 Long-term capital gain arising on transfer of equity shares of a listed company are exempt from tax in the hands of the shareholders provided the transaction for sale of such equity shares is subject to STT and accordingly no taxes are required to be deducted at source (section 10(38) of the Act).

2.2 Short-term capital gains from transfer of equity shares are taxed at the rate 10% (plus applicable surcharge and education cess) provided the transaction for sale of such equity shares is subject to STT (section 111A of the Act).

2.3 Capital gains arising from transfer of shares (other than those covered in point 2.1 and 2.2 above), are taxed as follows:

- Long term capital gains are taxed at the rate of 10% (plus applicable surcharge and education cess).
- Short term capital gains on shares are taxed at the rate of 30% (plus applicable surcharge and education cess).

The benefits of indexation and foreign currency fluctuation protection as provided under section 48 of the Act are not available to FIIs (section 115AD of the Act).

2.4 Long term capital gains (other than those covered in point 2.1 above) arising on transfer of shares will be exempt from tax to the extent such capital gains are invested in long term specified assets within a period of 6 months after the date of such transfer in notified bonds (Presently, bonds issued by the National Highways Authority of India or the Rural Electrification Corporation Limited have been specified).

Where only a part of the capital gains is so invested, the exemption is proportionately available. The minimum holding period prescribed to remain eligible for the exemption is 3 years (section 54EC of the Act).

2.5 A non resident taxpayer has an option to be governed by the provisions of the Act or the provisions of a Tax Treaty that India has entered into with another country of which the investor is a tax resident, whichever is more beneficial (section 90(2) of the Act).

3. Rebate under section 88E

Where the income of the shareholder chargeable under the head "Profits and gains of business or profession" includes profits and gains from purchase or sale of securities liable to STT, a rebate is allowable from the amount of income tax on such income to the extent of the STT paid on such transactions. The amount of rebate shall, however, be limited to the amount of income tax arrived at by applying the average rate of income tax on such business income. No deduction, however is available in computing the income chargeable to tax as "capital gains" or under the head "Profits and gains of Business or Profession" for such amount paid on account of STT (section 88E of the I.T. Act).

UNDER THE WEALTH TAX ACT, 1957

Shares in a Company held by a shareholder will not be treated as an asset within the meaning of Section 2(ea) of Wealth-tax Act, 1957; hence, wealth tax is not leviable on shares held in a Company.

UNDER THE GIFT TAX ACT, 1958

Gift of shares of the Company made on or after October 1, 1998 are not liable to gift tax.

Notes:

The tax benefits listed above are the possible benefits which the Company may avail depending upon its investment decisions/business activities. Several of these benefits will also be dependent upon CIL or its Shareholders fulfilling the conditions prescribed under the relevant tax laws (and acceptance of same by the Revenue authorities). Hence, the ability of CIL to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives CIL faces in the future, it may or may not choose to fulfill. The information provided is generic in nature and each investor is advised to consult his or her own consultant with respect to the specific tax implications arising out of their participation in the issue.

INDUSTRY OVERVIEW

The Indian Oil and Gas Industry

The origins of the Indian oil industry can be traced back to the nineteenth century when the first crude oil discoveries were made in Assam, in the north east of India. After independence in 1947, the development of the Indian oil and gas industry was viewed by successive Indian governments as critical to India's progress, particularly in light of the industry's strategic importance in terms of industrial growth and defence. In 1955, the GoI entered the oil and gas sector with the establishment of the Oil and Gas Directorate (the predecessor to ONGC), and formed joint venture agreements with domestic and foreign operators.

Throughout the 1960s, as the industry increased in size, it became increasingly dominated by state-owned entities. In 1974, ONGC discovered the large Mumbai High offshore oil field prompting large-scale expansion in the Indian oil and gas sector. In the 1970s, the Indian government implemented policies of nationalisation which led to the Government taking over the operations of, for example, Esso, Caltex and Burmah-Shell. The period also witnessed increased regulation in all aspects of the industry from production to pricing.

However, in the early 1990s, and as India's reliance on oil imports increased, the Government embarked on a series of reforms aimed at reducing India's dependence on imports, deregulating the industry, improving efficiency, and encouraging private and foreign investment.

In 1997, the NELP was implemented. According to the DGH, the NELP was designed as a means of allowing participants in the Indian oil and gas industry to compete on equal terms for exploration acreage. Successful bidders are required to enter into production sharing contracts with the Government. Historically, and in an effort to promote licensing rounds and encourage potential bidders, production sharing contracts have contained comparatively favourable terms, including, for example, 100% costs recovery, and a seven-year income tax holiday beginning from the tax year during which commercial production first begins.

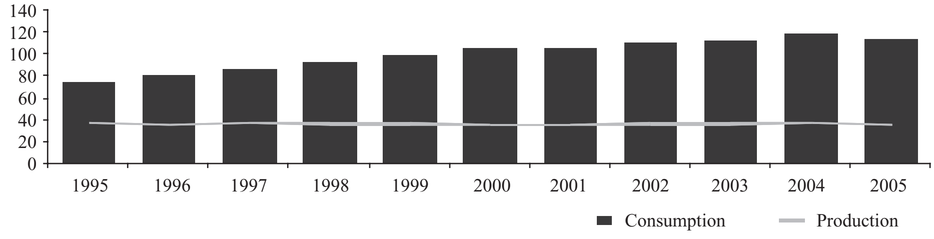
While deregulation and other Government initiatives have increased the level of private sector participation in the domestic production sector, the oil and gas industry in India is still dominated by two Government-controlled entities, ONGC and Oil India Limited. However, significant private-sector participants in the industry (other than Cairn India) include Reliance Industries, BG Group and Videocon Industries Limited (formerly Petrocon India Limited).

Indian Domestic Energy Demand

India is the second most populous country in the world with a population of approximately 1.1 billion. Rapid economic growth in India has led to a significant increase in demand for crude oil and natural gas. India is currently the sixth largest consumer of oil and gas (Source: IMF Country Report No.06/56, February 2006). In 2005, India's world share of crude oil and natural gas consumption was 3% and 1.3% respectively (Source: BP Statistical Review of World Energy, June 2006).

India is a net importer of crude oil and natural gas. In 2005, India consumed 115.7 million tonnes of crude oil, yet it produced only 36.2 million tonnes. Similarly, in 2005, India consumed 36.6 billion cubic metres of natural gas, but produced only 30.4 billion cubic metres (Source: BP Statistical Review of World Energy, June 2006). The following table sets out the deficit between crude oil consumption and production in India between 1995 and 2005:

Indian Crude Oil Production v. Consumption 1995-2005
(million tonnes)



Source: BP Statistical Review of World Energy, June 2006

The International Energy Agency has predicted that between 2003 and 2030 India will experience an average annual oil demand growth rate of 2.7%, which may be compared with China's predicted average annual oil demand growth rate of 3.3%. In contrast, the predicted world growth rate is expected to be 1.4% (Source: World Energy Outlook 2005, International Energy Agency).

Indian Oil Demand (million barrels per day) 2003-2030

	2003	2010	2020	2030	CAGR
India	2.5	3.3	4.3	5.2	2.7%
China	5.4	8.7	11.2	13.1	3.3%
World	79.2	92.5	104.9	115.4	1.4%

Source: World Energy Outlook 2005, International Energy Agency

In addition, the International Energy Agency has predicted that between 2003-2030 India will experience one of the most rapid increases in demand for natural gas in the world.

Indian Natural Gas Demand (bcm) 2003-2030

	2003	2010	2020	2030	CAGR
India	28	42	71	98	4.7%
World	2,709	3,215	4,061	4,789	2.1%

Source: World Energy Outlook 2005, International Energy Agency

OUR BUSINESS

Background

Cairn India Limited is a newly incorporated Indian company and has been promoted by Cairn Energy PLC, a crude oil and natural gas exploration and production company trading on the main market of the London Stock Exchange. At the completion of the Reorganisation, the Company will acquire the Subsidiaries which hold all of the ownership and operated interests in Cairn Energy PLC's Indian crude oil and natural gas development and production assets and the majority of its Indian crude oil and natural gas exploration assets. Upon the Company's acquisition of the Subsidiaries, we aim to be a leading participant in the Indian crude oil and natural gas industry. We estimate the total gross proved plus probable ("2P") reserves attributable to the fields in production or under development in which Cairn India has interests to be 754 mmboe and its net working interest in these 2P reserves to be 472 mmboe. Most of the 2P reserves are estimated to be contained in the Rajasthan Block which is currently subject to significant appraisal and development activity. In addition to proved plus probable reserves, we estimate the gross contingent resources attributable to these fields to be 413 mmboe. Outside of the Rajasthan Block we estimate the total gross 2P reserves attributable to the fields in production or under development in which Cairn India has interests to be 122 mmboe and on a net working interest basis we estimate these same reserves to be 30 mmboe. In addition, a further 157 mmboe of gross contingent resource has been identified in fields outside of Rajasthan, with most of this gross contingent resource (143 mmboe) estimated to be contained in the deep water Block KG-DWN-98/2.

Competitive Strengths

World class resource base. We estimate the Cairn India net working interest in 2P crude oil and natural gas reserves to be 472 mmboe. A significant portion of this 2P reserves base is in the Rajasthan Block and provides the opportunity for transformational growth in the near term. In addition, we have identified significant contingent resources, particularly in the Rajasthan Block, which provide us the opportunity to sustain and grow our production in the medium term. In addition to the exploration and appraisal potential remaining in Cairn India's production and development fields, Cairn India holds working interests in licences covering a significant portfolio of exploration and appraisal acreage in 10 blocks in eastern, western and northern India. These interests provide us opportunities to grow our business over the longer term.

Unique position in India. In partnership with the GoI and state governments, regulators and key industry participants such as ONGC, Cairn India has been exploring and operating development and production assets, in India for over 12 years. India is an attractive country for investment in the oil and gas exploration and production sector with domestic demand for hydrocarbons far exceeding supply in recent years, and expected to continue to do so. The current fiscal terms under which we, as well as other exploration and production companies, operate in India are relatively favourable in comparison with other countries, both in terms of recouping development expenditure and the levels of government take through production sharing and profit taxation. In addition, the GoI continues to show its support for investment in the exploration sector through the opening of new acreage to investors in the current NELP VI round. Cairn India's unique position in India and the importance of its development in Rajasthan to the GoI and relevant state governments of India is reflected by its estimation that Cairn India will operate approximately 20% of India's oil production by 2010, assuming Indian production remains at current levels and production from the Rajasthan Block's Northern Fields fulfils its target gross plateau production rate of approximately 150,000 bopd.

Experienced management. We have an executive management team with substantial experience in the Indian oil and gas industry, backed by a highly skilled and experienced Board. As a result, we believe we are ideally positioned to pursue value-adding opportunities, whether in respect of new or existing assets. In the Rajasthan Block, the development team is fully constituted and staffed with industry experts possessing a wealth of international experience in large-scale international development projects. The team is expected to be led through project implementation by our Chief Operating Officer Lawrence Smyth, formerly President of British Petroleum's business in Colombia and of the Sidanco Oil Company in Russia prior to its merger with TNK/BP. The detailed engineering design team for the Mangala field development consists of more than 100 people in Houston, USA comprising personnel employed by Cairn India working alongside personnel from Mustang. See the section entitled "Management" at page 113 of this Red Herring Prospectus.

Proven development and operational expertise. Cairn India has a proven track record of developing hydrocarbon resources in India. As the operator of the Lakshmi field in the Cambay Basin, Cairn India commenced natural gas production in less than 30 months following discovery and, at the Ravva field in the KG Basin, Cairn India increased crude oil production from an initial 3,700 bopd to 35,000 bopd in 26 months and ultimately to the current plateau of 50,000 bopd in 1999. This was achieved as a result of prudent reservoir management, integrated multidisciplinary studies, development of the field to international standards and application of the latest technology both in subsurface and surface operations. In addition, Cairn India is also an established low cost operator in India. It has been operating the Ravva field, which currently produces approximately 50,000 bopd, or approximately 7% of current domestic production, since 1996 and the Lakshmi and Gauri fields, that currently produce approximately 25,000 boepd, since 2002 (Lakshmi) and 2004 (Gauri). The average combined direct field operational expenditure at the production facilities for our producing fields was less than U.S. $1 per boe in the first half of 2006. In addition, the Ravva Field ranked in the leader category, in terms of operational costs, among 25 similar shallow water oil developments according to Ziff Energy's July 2005 "Operating Cost Benchmarking and Field Operating Efficiency Analysis".

Exploration expertise in India. Cairn India has long and proven exploration expertise in India, having made 30 hydrocarbon discoveries since 1994, including three of the seven landmark discoveries made in India between 2000 and 2005. In 2004, Cairn India made the largest onshore crude oil discovery in India since 1985 when it discovered the Mangala field in Rajasthan. Since then, Cairn India has made 18 additional discoveries in the Rajasthan Block and continues to undertake appraisal work which may lead to future discoveries. Cairn India has continued to add to its exploration portfolio and, in addition to accessing new opportunities through asset purchases and farm-ins, has been an active and successful participant in NELP licensing rounds.

Cairn India Strategy

Sustain production from and maintain low operating costs in existing producing fields. We aim to sustain Cairn India's current production volumes at the Ravva, Lakshmi and Gauri fields. At Ravva, we have commenced an infill drilling programme and will continue to assess various surface and subsurface initiatives to help maintain production levels, while in Block CB/OS-2 we plan to drill additional wells to access untapped accumulations of natural gas. Further, Cairn India is also currently developing the Lakshmi field separately for crude oil production. In addition, we aim to maintain Cairn India's low operating cost base through efficient operations with a focus on life cycle planning and continuous monitoring and control of operational costs as well as through the innovative application of operating concepts and technologies.

Execute Rajasthan Block Northern Fields development. We intend to execute our Rajasthan Block development to reach first commercial production at Mangala during 2009. While the Mangala field is intended to be the first of the Northern Fields to be developed, our development planning also includes the commencement of production from the Bhagyam and Shakti fields within six months and the Aishwariya field within 12 months of commencement of production from the Mangala field. All of the major regulatory clearances have been obtained, the land for the process facilities and the majority of the drilling sites acquired and the detailed engineering progressed to a point where ordering of long lead equipment can begin. In addition to our development and production experience, our execution of the Rajasthan Block development will also benefit from our extensive subsurface knowledge of the development areas. This knowledge base which includes extensive 2D and 3D seismic surveys, a comprehensive series of well tests and core and fluid analyses, will help us optimise reservoir development to maximise reserves and production.

Maximise potential in Rajasthan. We believe that there is a significant resource base in the Rajasthan Block. We are in the process of assessing the application of advanced technologies to help increase recovery from this resource base. For example, Cairn India is currently studying the staged and early application of EOR techniques for the Northern Fields. Early application of EOR in these fields would be designed to extend their crude oil production plateau periods, reduce water production, mitigate future decline rates and potentially accelerate crude oil production.

In addition, above the main Fategargh reservoir in both the Mangala and Aishwariya fields is a thick section of oil bearing reservoir rock of the Barmer Hill Formation. The Barmer Hill Formation has very low permeability resulting in low expected recovery rates. However, recent hydraulic fracture stimulation tests on the Barmer Hill Formation in the Mangala—6 and Aishwariya—4 wells have resulted in initial flow rates of 156 bopd and 400 bopd, respectively, and, indicate a potential further contingent resource for the future. Cairn India is currently in the early stages of estimating this contingent resource.

We will also continue to appraise our two development areas in the Rajasthan Block which cover approximately 2,288 km^2 as well as, subject to PSC extension applications, the Northern Appraisal Area which covers approximately 879 km^2. Appraisal of potential in the Rajasthan Block lies in numerous prospects and leads in a number of reservoirs in the vicinity of existing discoveries in the Rajasthan Block. A comprehensive and growing inventory has been collated, based upon analysis of the 2D and 3D seismic data and the various wells in the licence area, which we currently estimate includes approximately 30 prospects. The prospects and leads include new structures in existing plays, as yet untested plays, and extensions of, and new pools associated with, existing discoveries.

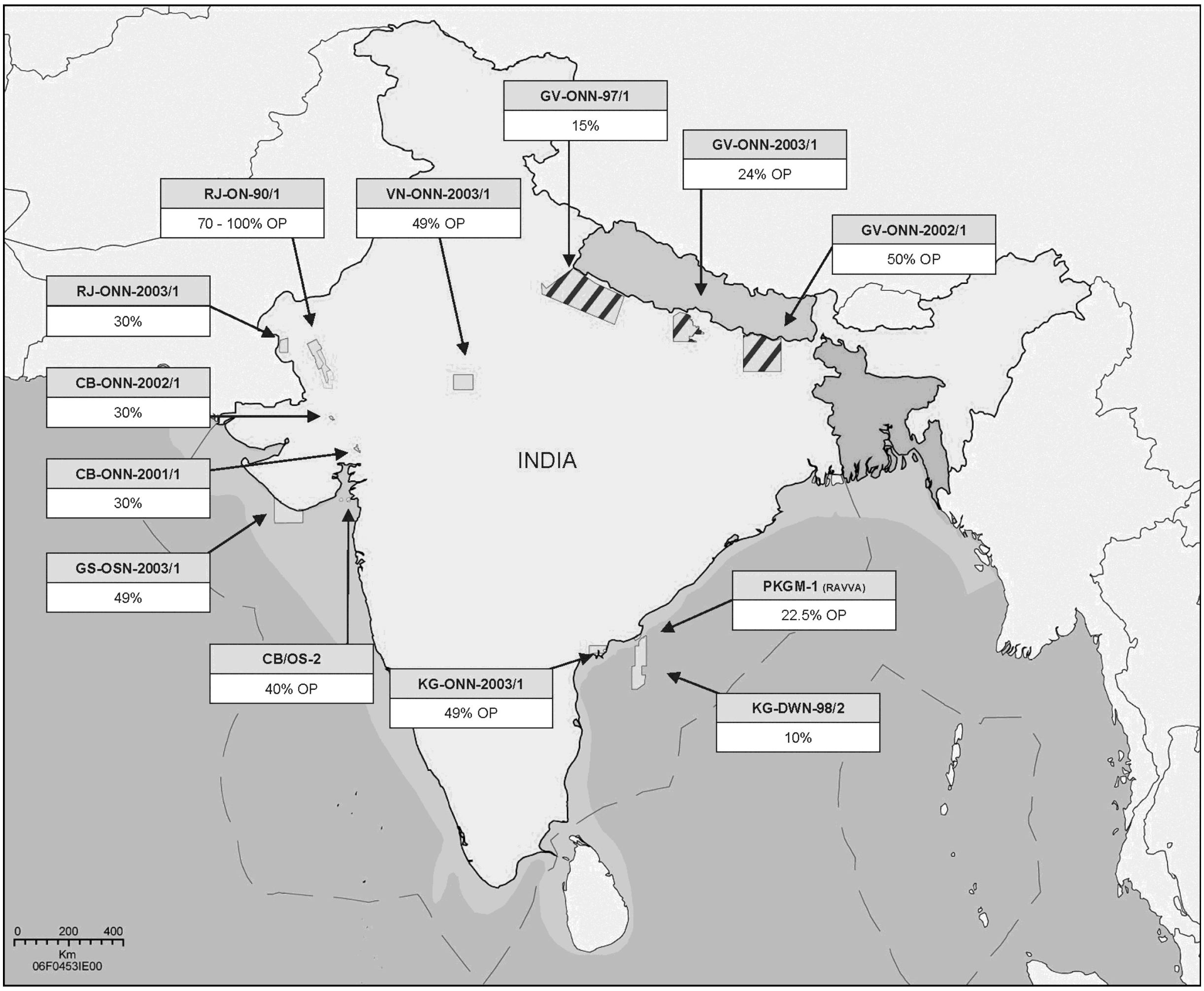
Identify new opportunities for growth in reserves and production. Cairn India is actively exploring for hydrocarbons in basins throughout India, where it has an interest in 10 exploration blocks. In addition to the appraisal potential in the Rajasthan Block we have identified a number of leads and prospects in our other blocks in India. The prospect and lead portfolio being developed and matured by Cairn India is diversified. This diversification allows Cairn India to drill a large number of potential prospects with high geologic risk, as well as explore for and drill smaller potential accumulations that carry less risk.

Our lead and play portfolio is also being fostered in both mature and frontier areas, as well as in regions and basins where the current data set can be optimised or reinterpreted. For example, Cairn India is pursuing strategies in which new technology for the acquisition and processing of 3D seismic data coupled with analog geologic play concepts should help identify potential leads, prospects, and accumulations in more mature hydrocarbon provinces. In addition, where modern geological and geophysical data are lacking, Cairn India has been successful in using geologic play concepts to target potentially successful basins or play areas. This early exploration "play concept" strategy has provided Cairn India early entry into several potential hydrocarbon—bearing regions in India. Early entry can be a critical factor in long-term exploration success, and Cairn India is very active in the evolution of leads and play fairways in relatively unexplored areas.

In addition, we believe that India has significant exploration potential with 26 basins with a sedimentary area of 3.1 million km^2, most of which we believe to be under-explored. Therefore, in addition to our existing exploration portfolio, we will seek out new exploration opportunities in India through organic growth, acquisition opportunities and our participation in future NELP rounds, including NELP VI. NELP VI is taking place during 2006 with 25 onshore and 30 offshore blocks on offer and Cairn India is an active participant. Bids in NELP VI, including our bids, were submitted on 15 September, 2006.

Key Assets

The following map shows the location of the assets included in Cairn India:



Ravva, Lakshmi and Gauri

Cairn India has operating interests in producing fields at Ravva in Block PKGM-1 (22.5% working interest) in the KG Basin offshore eastern India and at Lakshmi and Gauri in Block CB/OS-2 (40% working interest) in the Cambay Basin offshore western India. Crude oil and natural gas production from the Ravva field commenced in 1993 (23.4 mmboe (gross) in 2005). Production of natural gas commenced from the Lakshmi field in 2002 (19.4 bcf (gross) in 2005) and from the Gauri field in 2004 (16.0 bcf (gross) in 2005). Gauri oil production commenced in 2005 (gross production of commingled crude oil from the Gauri and Lakshmi fields was 0.2 mmbbl in 2005). For the six months ended 30 June, 2006, the total gross production rate from fields we operate was approximately 87,500 boepd of which Cairn India had a working interest in 24,000 boepd. Cairn India currently operates 11 offshore platforms, approximately 200 km of sub-sea pipelines and 2 processing plants.

The Rajasthan Block

The majority of the estimated hydrocarbons in place, 2P reserves and contingent resources attributable to fields in which Cairn India has an interest are contained in the Rajasthan Block where the upstream picture continues to evolve. Cairn India's primary asset is a 70% working interest in a development area of 1,858 km^2 (the "Development Area"), which is located in a former exploration area that was originally approximately 11,000 km^2. In January 2004, Cairn India discovered the Mangala field in the Development Area, the largest onshore crude oil field discovery in India since 1985. We estimate the Mangala field to have gross 2P reserves of 428 mmboe and our net working interest in those reserves to be 300 mmboe (in each case assuming the relevant production sharing contract is extended from 2020 until the end of the field's economic life in 2041). Cairn India's assets in the Rajasthan Block also include a 70%

working interest (assuming the exercise of the GoI's 30% "back-in" right under the Rajasthan Block PSC in relation to commercial discoveries) in a further development area of approximately 430 km^2 consisting of the Bhagyam and Shakti fields (the "Second Development Area"). We estimate the Bhagyam field to have gross 2P reserves of 140 mmboe. We have discovered 19 fields in the Rajasthan Block to date and these cover 22 separate oil and gas accumulations. The fields are at different stages of understanding and evaluation and many are still subject to significant appraisal. We estimate that the aggregate gross 2P hydrocarbons initially in place volume attributable to all of the existing Rajasthan Block accumulations is approximately 3.6 billion boe.

The Rajasthan Block accumulations fall into three groups:

- *Main Northern Fields* — Mangala, Bhagyam and Aishwariya;
- *Small Southern Fields* — Saraswati, Raageshwari oil and Raageshwari Deep gas; and
- *Other accumulations* — GS-V, Guda, N-E, Kameshwari, Shakti, Shakti NE, N-I, N-P, Bhagyam South, NI-North, NC West, Vijaya & Vandana, NR, Mangala Barmer Hill and Aishwariya Barmer Hill.

Currently, the Mangala, Bhagyam, Shakti, Aishwariya, Saraswati, Raageshwari oil and Raageshwari Deep gas fields are all under active development planning. We estimate the aggregate gross proved plus probable hydrocarbons initially in place and the gross proved plus probable reserves plus gross contingent resources attributable to these fields, excluding 219 mmboe and 36 mmboe of Raageshwari Deep gas, respectively, to total approximately 2 billion boe and 835 mmboe, respectively.

Of the three largest Rajasthan Block fields of Mangala, Bhagyam and Aishwariya, Mangala is the first to be developed and we currently expect first commercial crude oil production from the Mangala field during 2009, followed by Bhagyam (subject to FDP approval) within six months and Aishwariya within twelve months thereof. We estimate that the Mangala, Bhagyam and Aishwariya fields together contain gross proved plus probable reserves of 624 mmboe and gross contingent resources of 196 mmboe. EOR studies are being conducted on these fields, the initial results of which we believe are encouraging. It is likely that a pilot EOR scheme will be implemented on the Mangala field shortly after the start of production.

In each of these fields Cairn India is the operator. FDPs for the Mangala, Aishwariya, Raageshwari and Saraswati fields were submitted to the Rajasthan Block JV in May 2005 and to the GoI in December 2005. These FDPs were approved by the GoI in May 2006. Evaluation and appraisal of the Mangala and Aishwariya fields that continued after May 2005 has led to significant increases in our estimates of the gross proved plus probable reserves in both of these fields beyond those contained in the FDPs. In addition, a DoC for the Bhagyam field was submitted to the GoI in February 2006. Since then further evaluation and appraisal has led to a significant increase in the estimated gross proved plus probable hydrocarbons initially in place in the Bhagyam field. We currently are working on the FDP for the Bhagyam field, which we expect to submit to the GoI in early 2007, following approval of the DoC by the DGH on 14 November, 2006.

The other Rajasthan Block fields comprise smaller or low permeability fields and reservoirs requiring further evaluation. We currently estimate that these fields have aggregate gross proved plus probable hydrocarbons initially in place of 1.4 billion boe and gross contingent resources of 54 mmboe.

Cairn India is working in partnership with the GoI, acting through ONGC, in the Rajasthan Block. The GoI, acting through ONGC, owns, or has "back-in" rights to acquire, a 30% working interest in commercial discoveries made in the Rajasthan Block, as well as acting as Cairn India's buyer through its nominee, currently MRPL (a 72% subsidiary of ONGC). Cairn India is obliged to sell to the GoI or its nominee and the GoI is obliged to purchase 100% of the crude oil produced from the Rajasthan Block. Our development plan for the Mangala field assumed that the GoI's nominee would develop a pipeline and related infrastructure to transport the crude oil and condensate from the Mangala field.

Whilst this remains a potential outcome, we believe that the level of activity to date on construction of the Pipeline and related infrastructure is not commensurate with meeting scheduled first oil from the Mangala field. In addition we have not yet agreed a crude oil sales agreement with the nominee in respect of such crude. Accordingly, despite the obligations of the GoI under the PSC to take delivery of crude oil from the delivery point, we believe that, in view of our assessment of lack of progress towards construction of the Pipeline, it is appropriate for us to consider ways to mitigate the risks to the upstream development associated with the midstream schedule and to assess the potential benefit from participation in the whole production and oil sales chain. We are, therefore, examining the possibility of becoming directly involved in the midstream development to ensure the proper integration of upstream and midstream activities.

See the section entitled "—Summary of Cairn India" at page 57 of this Red Herring Prospectus for a table summarising the assets including exploration licences in which Cairn India has an interest. See the section entitled "—Summary of Cairn India's Estimates of Hydrocarbons Initially in Place, Reserves and Contingent Resources" at page 58 of this Red Herring Prospectus and the section entitled "DeGolyer and MacNaughton's Independent Estimates of Hydrocarbons Initially in Place, Reserves and Contingent Resources" at page 59 of this Red Herring Prospectus for a summary explaining Cairn India's and DeGolyer and MacNaughton's respective estimates of hydrocarbons initially in place, reserves and contingent resources and the assumptions underlying such estimates as well as certain material differences between the estimates of Cairn India and DeGolyer and MacNaughton.

Reorganisation of Cairn India's Business

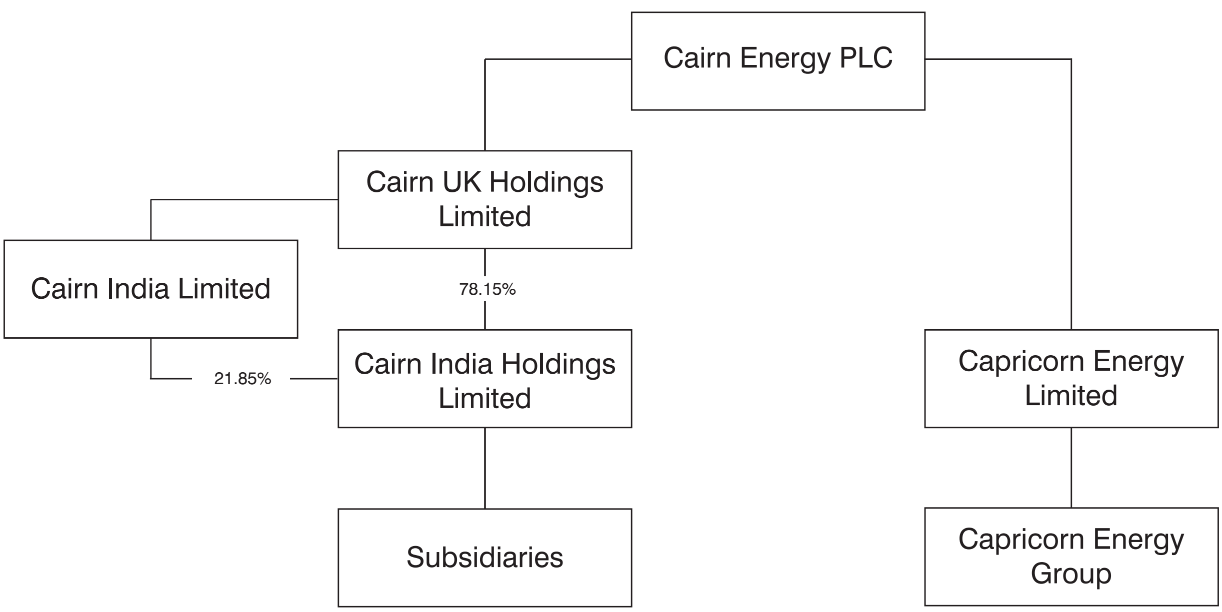
Cairn India will comprise certain assets, liabilities and related infrastructure that were formerly part of Cairn Energy PLC. These assets and liabilities are held in a number of subsidiaries within the Cairn Energy Group, all of which are, directly or indirectly, wholly-owned subsidiaries of Cairn India Holdings Limited, an intermediate holding company within the Cairn Energy Group. In order to effect the Reorganisation and separation of the relevant assets and liabilities which will comprise our business following completion of the Issue, we have acquired approximately 21.8%, and have entered into an agreement to acquire the balance, of the entire issued share capital of Cairn India Holdings Limited.

The Company has entered into the Share Purchase Deed with Cairn Energy PLC, Cairn UK Holdings Limited and Cairn India Holdings Limited to effect the acquisition of Cairn India Holdings Limited so that, subject to the terms and conditions of that agreement, the Company will own 100% of Cairn India Holdings Limited on the Final Transfer Date, which will occur on or prior to Allotment. Following the completion of the Issue and assuming no exercise of the Green Shoe Option, the Cairn Energy Group will beneficially own approximately 69.5% of the issued Equity Shares and the Company will therefore continue to be an indirect majority-owned subsidiary of Cairn Energy PLC. For further details, see the section entitled "History and Corporate Structure" at page 95 of this Red Herring Prospectus.

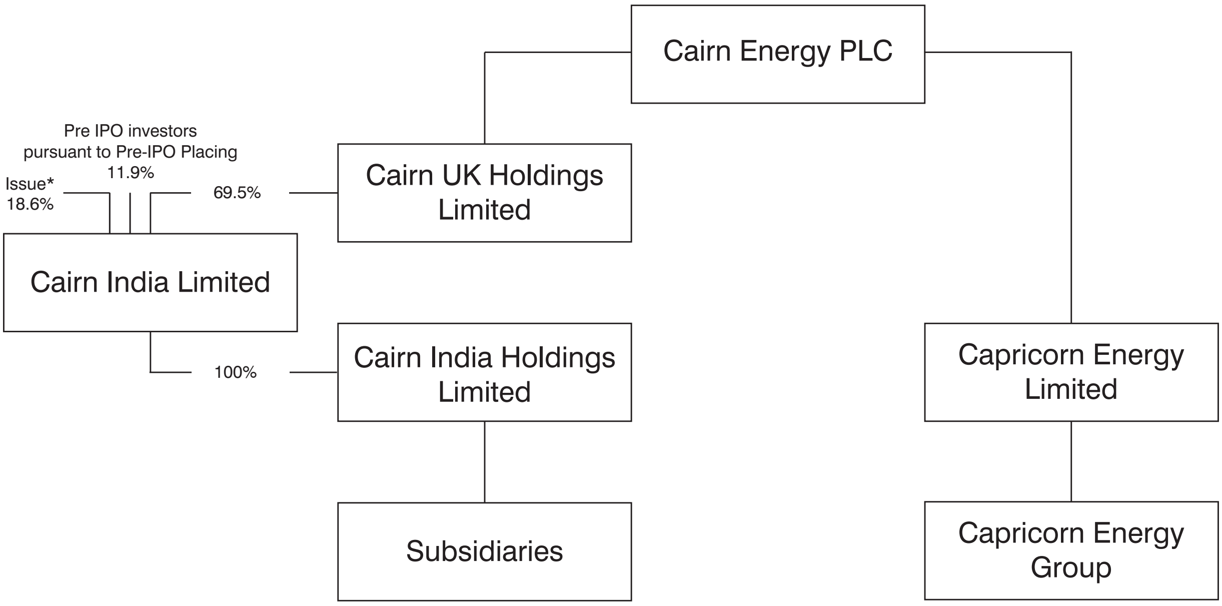
The Reorganisation will be completed, subject to the terms and conditions of the Share Purchase Deed, on or prior to Allotment and, accordingly, we refer in this Red Herring Prospectus to Cairn India as if the Reorganisation had been completed and the Company were the sole shareholder of the Subsidiaries.

We have set out below a structure chart highlighting the proposed corporate structure as at the date of this Red Herring Prospectus and as at the Final Transfer Date:

Structure as at the date of this Red Herring Prospectus



Structure as at the Final Transfer Date



* This figure assumes that the Green Shoe Option is not exercised.

Under the arrangements for the separation of our business from Cairn Energy PLC, certain of the employees who have been involved in the acquisition or development of Cairn India's interests have or will also transfer to us. We have assembled a management team with substantial experience in the oil and gas industry, both internationally and in India. We believe that, as a separate legal entity, with our own management and governance structure, we will be able to place a greater emphasis on the factors that are critical to our success. Cairn India has sought to minimise the number of areas in which we rely on Cairn Energy PLC for administrative and operational support; however, in areas where we believe it is economical to do so, we have contracted with Cairn Energy PLC to receive such support for a transitional period. For further details, see the section entitled "Relationship with Cairn Energy PLC" at page 141 of this Red Herring Prospectus. Given the substantial shareholding which the Cairn Energy Group will retain in the Company following completion of the Issue, it is necessary for us and the Cairn Energy Group to make certain arrangements as to the ongoing relationship of the two groups, details of which are also set out in the section entitled "Relationship with Cairn Energy PLC" at page 141 of this Red Herring Prospectus.

To mitigate any conflicts of interest in circumstances where Cairn Energy PLC competes with us for opportunities, such as for block awards in NELP rounds or otherwise, we have entered into the Non-Compete Agreement with Cairn Energy PLC and Capricorn Energy Limited which provides that, until the earlier of three years from the date the Equity Shares are admitted to trading in the BSE and NSE and such time as Cairn Energy PLC holds, directly or indirectly, less than 20% of our issued Equity Shares, it and its subsidiaries (other than us), will not, without our prior consent, acquire, bid or apply for or otherwise seek to acquire any interest in a Government contract relating to hydrocarbons, including a PSC in India, except for its holdings in the Himalayan Foreland Basin or any NELP VI blocks in which it may have an interest, or otherwise carry on or be employed in any business in competition with our business in India. We have agreed similarly to limit ourselves from conducting competing activity in Nepal, Bangladesh and Bangladeshi territorial waters. See the section entitled "Relationship with Cairn Energy PLC" at page 141 of this Red Herring Prospectus.

Summary of Cairn India

The following table sets forth information relating to the assets in which Cairn India has an interest and includes its percentage interest, its partner(s), each partner's percentage interest and the operator of the relevant asset:

Block	Interest of Cairn India(1)	Partner(s) and Interest(s) of Partner(s)(1)	Operator
Production and Development			
Block PKGM-1	22.5%	ONGC (40%); Videocon Industries Limited (25%)(2); Ravva Oil (Singapore) Pte Ltd. (12.5%)(3)	Cairn India
Block CB/OS-2	40%(4)	ONGC (50%); Tata Petrodyne Limited (10%)(4)	Cairn India
Block RJ-ON-90/1	70%(5)	ONGC (30%)(5)	Cairn India
Exploration			
CB-ONN-2001/1	30%	ONGC (70%)	ONGC
CB-ONN-2002/1	30%	ONGC (70%)	ONGC
KG-DWN-98/2	10%	ONGC (90%)	ONGC
GV-ONN-97/1	15%	ONGC (40%); IOC (30%); Cairn Energy Group (15%)	ONGC
GV-ONN-2002/1	50%	Cairn Energy Group (50%)	Cairn India
GV-ONN-2003/1	24%	ONGC (51%); Cairn Energy Group (25%)	Cairn India(6)
GS-OSN-2003/1	49%	ONGC (51%)	ONGC
KG-ONN-2003/1	49%	ONGC (51%)	Cairn India(6)
VN-ONN-2003/1	49%	ONGC (51%)	Cairn India(6)
RJ-ONN-2003/1	30%	ONGC (36%); ENI India Limited (34%)	ENI India Limited

(1) Interest is shown on a working interest basis pursuant to the relevant PSC.

(2) Videocon Industries Limited was formerly a separate corporate entity called Petrocon India Limited, previously named Videocon Petroleum Limited.

(3) Ravva Oil (Singapore) Pte Ltd. ("Ravva Oil") is a wholly owned subsidiary of Marubeni Corporation.

(4) Cairn India has a 40% working interest in the Lakshmi, Gauri, CB-X and Ambe development areas. The rights of Cairn India elsewhere in Block CB/OS-2 have otherwise been relinquished as required by the Block CB/OS-2 PSC.

(5) Assumes the exercise of a 30% "back-in" right under the Rajasthan Block PSC by the GoI or its nominee in relation to any commercial discovery, which has already been exercised in the Development Area. We expect this right to be exercised in relation to any such discovery.

(6) The PSC provides that ONGC is the proposed operator for the development and production of this Block.

(7) The NELP VI bids involving Cairn India were as follows: MN-DWN-2004/2 and KG-DWN-2004/4 (jointly with CEIL and Cairn India Limited); NEC-DWN-2004/1 (jointly with CEIL, Capricorn NEC Exploration 1 Limited, Capricorn NEC Exploration 2 Limited and Videocon Industries Limited); NEC-DWN-2004/2 (jointly with CEIL, Capricorn NEC Exploration 3 Limited, Capricorn NEC Exploration 4 Limited and Videocon Industries Limited); PR-OSN-2004/1 (jointly with CEIL, Cairn India Limited, ONGC and Tata Petrodyne Limited); KK-DWN-2004/1 (jointly with Cairn India

Limited, ONGC and Tata Petrodyne Limited); RJ-ONN-2004/1 (jointly with CEIL, Cairn India Limited and ONGC); MN-DWN-2004/3, MN-DWN-2004/4 and MN-DWN-2004/ (jointly with British Gas Exploration and Production India Ltd, ONGC and Cairn India Limited); KG-ONN-2004/1 (jointly with CEIL, Cairn India Limited, Capricorn KG Exploration 1 Limited, Total E&P Inde and Videocon Industries Limited); and PA-ONN-2004/1 (jointly with CEIL, Cairn India Limited, Capricorn PA Exploration 1 Limited and Capricorn PA Exploration 2 Limited).

Summary of Cairn India's Estimates of Hydrocarbons Initially in Place, Reserves and Contingent Resources

We use various measures of hydrocarbons to make decisions regarding exploration priorities and investment in field developments. In the exploration phase, our estimates of hydrocarbons initially in place, and the associated estimate of prospective resource are essentially speculative and subject both to a binary risk (probability of success or failure) and considerable uncertaintly of volumetric magnitude. Following successful exploration and appraisal work, and as a field matures technically and commercially through development work and actual production, it becomes possible for us to make estimates, which will change over time, of the volumes of hydrocarbons or reserves that, in varying degrees of certainty or uncertainty, will ultimately be recoverable.

We rely primarily on estimates of proved plus probable, or 2P, reserves for purposes of significant capital investment decisions. For purposes of financial accounting under Indian GAAP, proved, or 1P, reserves will have additional significance in that only proved reserves at the beginning of an accounting period may be compared with production for the period to determine the period's depletion charge on a unit of production basis.

Finally, as a further measure of the potential commerciality of known accumulations of hydrocarbons in our areas, we also use estimates of contingent resources. The estimation of these resources, and the likelihood that they may in the future be reclassified as reserves, depends on our ability to prove commercial and technical viability of recovery within a reasonable timeframe.

We employ reserves and resources definitions according to SPE/WPC International Standards which provide detailed descriptions for each category of reserves and resources. A summary of these definitions is provided under "Estimation of Reserves and Resources" at page 89 of this Red Herring Prospectus and you should read that summary carefully to understand the different meanings of different estimates presented in the tables below.

Set forth in the table below is certain data regarding our estimates of gross hydrocarbons initially in place, gross and net working interest reserves and gross contingent resources from fields within the Rajasthan Block, the Ravva fields and fields within Block CB/OS-2. All of our estimates with respect to Rajasthan Block fields assume that we will be granted an extension of the Rajasthan Block PSC at least until 2041 (which is when we estimate economically viable production will no longer be possible) except for the estimates of proved only reserves where we have only included volumes that we believe can be substantially produced by 2020, the current year of expiration of the Rajasthan Block PSC.

	Gross Proved plus Probable Hydrocarbons Initially in place	Gross Proved Reserves	Net Working Interest Proved Reserves(1)	Gross Proved plus Probable Reserves	Net Working Interest Proved plus Probable Reserves(1)	Gross Contingent Resources
		(mmboe)				
Rajasthan Block						
Mangala	1,202	225(2)	157	428(2)	300	120(4)
Bhagyam	468	0	0	140(3)	98(3)	56(4)
Aishwariya	249	0	0	56(3)	39(3)	20(4)
Total "MBA" Fields	1,919	225(2)	157	624(2)(3)	437(3)	196(4)
Rajasthan Block Small Fields(5)	298	4	3	8	5	6
Rajasthan Block Other Fields(6)	1,443	0	0	0	0	54
Rajasthan Block Total	3,660	229(2)	160	632(2)(3)	442(3)	256
Ravva Fields	506	83	19	106	24	0
CB/OS-2 Fields(7)	126	11	4	16	6	14
KG-DWN-98/2	302	0	0	0	0	143
Total	4,594	323(2)	183	754(2)(3)	472(3)	413

(1) Our net working interest reflects our simple ownership interest in the relevant PSC before GoI royalty interests and is different from our entitlement interest which measures our current share of the revenues from a PSC and which can decrease from time to time depending on the extent to which prior exploration, development and production costs have been recovered and the then applicable allocation of profit oil between the GoI and the contractor(s).

(2) The estimates of the proved and proved plus probable reserves data for Mangala assume that production from the Mangala field commences in late 2008. However, production is now expected to commence during 2009. We estimate that the resulting decrease in each of the proved and proved plus probable reserves estimates is less than 10 mmboe.

(3) The FDP for Bhagyam has not yet been approved and the development timing of Aishwariya has still to be agreed but, reflecting the close proximity of these fields to Mangala and the probability that they will be developed in a reasonable time frame, volumes for Bhagyam and Aishwariya have been included within proved and probable reserves in our estimates and in the independent estimates of DeGolyer and MacNaughton.

(4) These contingent resources estimates for the MBA fields assume our enhanced oil recovery plans are successful. For a discussion of these plans see the section entitled "Risk Factors—We may not be able to use enhanced oil recovery techniques successfully" at page xvii of this Red Herring Prospectus and the section entitled "Our Business—Rajasthan Block—Enhanced Oil Recovery" at page 71 of this Red Herring Prospectus.

(5) Comprises Saraswati and Raageshwari fields. Production from the Raageshwari Deep gas field, which we estimate separately contains proved plus probable reserves of approximately 36 mmboe, will be consumed as fuel for the heating of water in our Mangala waterflood project and, to that extent, cannot technically be classified under SPE/WPC definitions as proved plus probable reserves.

(6) Comprises GS-V, N-E, Kameshwari, Shakti, N-I, N-P, Bhagyam South, N-I North, NC-West, Vijaya and Vindana, Mangala (Barmer Hill), Aishwariya (Barmer Hill) and Guda.

(7) Comprises Lakshmi Gas, Lakshmi Oil, Gauri Gas, Gauri Oil, Ambe Gas and CB-X fields.

DeGolyer and MacNaughton's Independent Estimates of Hydrocarbons Initially in Place, Reserves and Contingent Resources

We engaged DeGolyer and MacNaughton, independent petroleum engineering consultants, to prepare estimates of the proved, probable, and possible oil, condensate, and sales gas reserves and the contingent and prospective resources contained within our areas. The Executive Summary of DeGolyer and MacNaughton's report on those estimates is attached as Appendix A and the full text of the report is available on display at our offices, at 3rd and 4th Floor, Orchid Plaza, Suncity, Sector 54, Gurgaon 122 002.

The estimation of oil and gas reserves and resources is highly uncertain and highly subjective and different, reasonable estimates may be produced by different engineers analysing the same geological, technical and commercial data. As a result, there are differences between our estimates and DeGolyer and MacNaughton's estimates.

Set forth in the table below is a summary of DeGolyer and MacNaughton's estimates of gross hydrocarbons initially in place, gross and net working interest reserves and gross contingent resources from fields within the Rajasthan Block, the Ravva fields (except for hydrocarbons in place where DeGolyer and MacNaughton did not provide any report) and fields within Block CB/OS-2.

	Gross Proved plus Probable Hydrocarbons Initially in Place	Gross Proved Reserves	Net Working Interest Proved Reserves	Gross Proved plus Probable Reserves	Net Working Interest Proved plus Probable Reserves	Gross Contingent Resource
	(mmboe)					
Rajasthan Block						
Mangala	1,206	146	102	334	233	121
Bhagyam	557	71	50	156	109	56
Aishwariya	281	23	16	60	42	20
Total "MBA" Fields	2,045	240	168	550	385	197
Rajasthan Block Small Fields	142	4	3	9	6	33
Rajasthan Block Other Fields	1,204	5	4	9	7	42
Rajasthan Block Total	3,391	249	174	568	397	271
Ravva Fields	N/A	85	19	106	24	24
CB/OS-2 Fields	138	19	8	29	12	7
KG-DWN-9812	220	0	0	0	0	102
Total	3,749(1)	353	201	703	433	404

(1) The total includes no hydrocarbons in place estimate for Ravva where DeGolyer and MacNaughton did not provide any report.

A summary of the most significant differences between our estimates and DeGolyer and MacNaughton's estimates follows.

Mangala Proved Reserves. We estimate 225 mmboe while DeGolyer and MacNaughton estimate 146 mmboe. The reason for this difference is that the DeGolyer and MacNaughton estimate does not include reserves associated with our intended water injection program due to the absence of a successful pilot project or analogous waterflood operations. DeGolyer and MacNaughton did include recovery factors for waterflood operations in its estimate of Mangala's probable reserves.

Bhagyam and Aishwariya Proved Reserves. We have not estimated any proved reserves attributable to the Bhagyam and Aishwariya fields due to our determination that these fields are not sufficiently mature from a technical perspective while DeGolyer and MacNaughton have estimated 71 mmboe and 23 mmboe respectively. DeGolyer and MacNaughton's estimation of proved reserves in the Aishwariya and Bhagyam fields consider the DoC documents filed by Cairn India and approved by the DGH on behalf of the GoI on 14 November, 2006, as well as the proximity of the fields to the Mangala field infrastructure.

Mangala Proved Plus Probable Reserves. We estimate 428 mmboe in proved plus probable reserves for the Mangala field while DeGolyer and MacNaughton only estimate 334 mmboe. This difference is attributable to our assumption that the Rajasthan Block PSC will be extended until our estimate of the end of the economic life of the field in 2041 and so we have included within our estimate all reserves that we forecast to produce by 2041 and that we believe are otherwise capable of being classified as proved and probable. DeGolyer and MacNaughton, however, have only included within proved and probable reserves those volumes that they forecast can be produced by 2025 assuming a five year extension to the Rajasthan Block PSC. The Rajasthan Block PSC, by its terms, does not have a single defined extension period but contemplates that the parties will negotiate to seek mutual agreement on an initial five year extension and possibly further extensions to the contract so long as production remains economically viable.

Block PKGM-1—KG Basin—Ravva Field

Overview

Cairn India is the operator of the Ravva field in Block PKGM-1, which lies in the KG Basin mostly off the coast of the state of Andhra Pradesh in eastern India in water depths of between approximately 5m and 40m isobath. ONGC discovered the Ravva field in 1987 and production commenced in 1993.

The PSC for the exploration, development and production of the Ravva field (the "Ravva PSC") was signed on 28 October, 1994 between the GoI and a consortium consisting of ONGC, Videocon Petroleum Limited, Ravva Oil and Command Petroleum (India) Pty Limited ("Command Petroleum") with Command Petroleum being designated as the operator. In 1996, Cairn Energy PLC acquired Command Petroleum, including its interest in the Ravva field, and Cairn India became the operator. Cairn India holds a 22.5% working interest in the Ravva field with the remaining interests currently held by ONGC (40%), Videocon Industries Limited (formerly a separate corporate entity called Petrocon India Limited, previously named Videocon Petroleum Limited) (25%) and Ravva Oil (12.5%) (together, the "Ravva JV"). See the section entitled "Ravva PSC" at page 63 of this Red Herring Prospectus below for more information about the Ravva PSC.

Ravva oil production levels, which were approximately 3,700 bopd before execution of the Ravva PSC, were increased by Cairn India, first to 35,000 bopd in the second quarter of 1997 and subsequently to the current plateau rate of 50,000 bopd, or approximately 7% of current domestic production, in the first quarter of 1999. As at 30 June, 2006, this plateau rate was maintained through the use of 13 crude oil production wells and seven water injection wells. We currently expect the plateau rate of 50,000 bopd to continue until the end of 2007 and decline thereafter, as discussed under "—*Crude Oil Production*" below.

Production from the Ravva Field

As at 30 June, 2006, the Ravva field had produced more than 200 mmboe since the commencement of production, including 168 mmbbls of 36° API crude oil. For the six months ended 30 June, 2006, the Ravva field's gross production rate was 62,700 boepd, of which Cairn India's entitlement interest was 6,431 boepd.

As part of its development programme for the Ravva field, the Ravva JV has built six unmanned offshore platforms (it also inherited 2 platforms previously built by ONGC) and additional sub-sea pipelines to transfer crude oil and natural gas from offshore and to inject water to the Ravva field to maintain reservoir pressure and to sweep for oil. We believe that the reservoir management strategy of water flooding utilised for the Ravva field has resulted in the high recovery factor experienced for the field of approximately 55%.

A 225 acre onshore processing facility at Surasaniyanam (the "Ravva Onshore Terminal"), which is owned by the Ravva JV, processes natural gas and crude oil from the Ravva field. The Ravva Onshore Terminal achieved ISO 14001 certification, an international standard for environmental management systems, in 2005 and has a capacity to process 90,000 bbls of gross fluids per day (70,000 bopd), 95 mmscfd of natural gas and 110,000 bbls per day of injection water. The processing facilities include three stage separator trains, storage tanks, gas and effluent treatment plants as well as 10 megawatt captive power generation. The Ravva Onshore Terminal is being upgraded to handle increased water cuts (that is, the ratio of water produced compared to the volume of total liquids produced) through produced water handling and re-injection. This upgrade is scheduled for completion in the second quarter of 2007.

Crude Oil Production

The Ravva main oil reservoir is of Mid-Miocene age at depths of between 1,500m and 1,800m. After the Ravva PSC was signed in 1994, 11 exploration wells and 26 development wells were drilled.

The Ravva field was expected to come off its plateau rate of 50,000 bopd in 2005, but various surface and sub-surface initiatives have allowed for an extension of this rate. An infill drilling programme designed to extend the plateau rate for approximately nine to 12 months was planned for 2004-05. However, due to a delay in obtaining the required approvals and the limited availability of offshore drilling rigs, the programme commenced on 7 October, 2006 and will include the drilling of five firm infill wells, one firm appraisal/development well, one firm workover and one firm exploration well ("LM 403"). It is anticipated that these infill wells, once producing, will maintain the Ravva field's plateau rate of 50,000 bopd until late 2007 at which point we expect that production will begin to decline.

Set out below is the gross production of crude oil from the Ravva field and Cairn India's net working interest with regard to such production for the periods indicated:

	For the year ended 31 December,								For the six months ended 30 June,	
	2002		2003		2004		2005		2006	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
	(mmbbls)									
Ravva	18.80	4.23	19.51	4.39	19.58	4.40	18.33	4.12	9.06	2.03

While the Ravva PSC specifies the commercial terms of sale for crude oil produced from the Ravva field, crude oil is sold to Bongaigaon Refinery & PetroChemicals Limited Assam and to Hindustan Petroleum Corporation Limited, Vizag, both of whom are GoI nominees, under letter agreements. As a result of a disagreement between Cairn India and the GoI over the price of Ravva crude oil, the pricing provisions under the Ravva PSC were referred to arbitration in 1997. The resulting arbitral award settled the price which is linked to an average of the international prices of Tapis and Minas (Asian benchmark crude oils) minus U.S. $0.60.

The Ravva JV provided tolling services to ONGC to allow it to transport the crude oil and condensate ("ONGC Crude") produced from its own onshore fields through the Ravva JV facilities since January 1999. For the six months ended 30 June, 2006, 608,237 barrels of ONGC Crude (average 3,379 bopd) was transported through the Ravva JV facilities.

As at 30 June, 2006 crude oil from the offshore platforms of the Ravva field is brought to the Ravva Onshore Terminal through four pipelines. After removing the associated natural gas in the three onshore separators, the crude oil is stored at the Ravva Onshore Terminal before transfer to buyers through an offshore single point mooring buoy. The Ravva Onshore Terminal has the capability to store up to one million barrels of crude oil onshore allowing for flexibility in the event that offshore loading is hindered by bad weather conditions.

Natural Gas Production

As at 30 June, 2006 the main field at Ravva was producing 44.5 mmscfd of natural gas, of which 78% is associated natural gas (that is, natural gas produced with crude oil from the same reservoir).

Non-associated natural gas in the Ravva field is produced mainly from a satellite field of Late-Miocene age natural gas reserves found at depths of between approximately 800 m and 1100 m. The satellite field was discovered during exploration drilling undertaken in 1997-98 and production from the field commenced in September 2001. As part of development work carried out in 2001-02 which gradually increased natural gas sales by March 2002 to a plateau rate of 31.78 mmscfd, one new natural gas well was drilled, one natural gas well was re-entered and two additional wells on existing platforms were connected. We currently expect the plateau rate to continue until the end of 2007, and decline thereafter. Also, as part of the developmental work, one platform and a sub-sea pipeline were installed to transfer natural gas to the Ravva Onshore Terminal.

Set out below are the gross sales volumes of natural gas from the Ravva field and Cairn India net working interest with regard to such production for the periods indicated.

	For the year ended 31 December,								For the six months ended 30 June,	
	2002		2003		2004		2005		2006	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
	(bcf)									
Ravva main	14.09	3.17	14.27	3.21	15.25	3.43	14.79	3.33	7.11	1.60
Ravva satellite	11.01	2.48	12.75	2.87	16.51	3.71	16.03	3.61	6.61	1.49
Total	25.10	5.65	27.02	6.08	31.76	7.14	30.82	6.94	13.72	3.09

The Ravva JV has entered into gas sale contracts ("GSCs") with Gail (India) Limited, formerly the Gas Authority of India Limited ("GAIL"), relating to the Ravva main field. The first contract, signed on 27 June, 1997, relates to production from the Ravva main field (the "Main GSC"). The second contract signed on 9 April, 2001, relates to the Ravva satellite field (the "Satellite GSC"). Both the Main GSC and the Satellite GSC are essentially life of field depletion contracts (though each contract has an expiration date of 27 October, 2019 and the Satellite GSC sets forth that total sales from the Ravva satellite field is to be 69.6 bcf). The Main GSC originally set the daily contract quantity ("DCQ") for production from the Ravva main field at 24.72 mmscfd, which was raised to 35.3 mmscfd, effective from 1999 until 30 November, 2006. From 1 December, 2006 to 30 November, 2008, the DCQ for the Main GSC has been set by the sellers at 24.7 mmscfd. Under the Main GSC the sellers have the right to nominate the DCQ for each contract year by notice to the buyers no later than 30 November in the year two years before the commencement of the relevant contract year. The DCQ under the Satellite GSC is 31.78 mmscfd and may only be changed by the parties to the Satellite GSC. There is no remaining entitlement on the part of the sellers to unilaterally nominate a new DCQ. The Satellite GSC provides for termination or delivery of a total gas quantity of 69.6 bcf under the contract, subject to the extension by mutual agreement of the parties. We expect to reach the maximum estimated contract volume by the fourth quarter of 2006 under the Satellite GSC and we are currently in the process of renegotiating the maximum estimated contract volume. Natural gas sold under both contracts is priced on the average of the daily mean values of the high and low prices of 3%/3.5% sulphur fuel crude oil basket, taken in equal part from Singapore Free on Board ("FOB"), Rotterdam Barge FOB and MED FOB, and is subject to price floors and ceilings. Effective from 1 July, 2005, the ceiling price for natural gas supplied to GAIL under the Main GSC has been increased to U.S. $3.5/mmbtu from U.S. $3/mmbtu. The ceiling price under the Satellite GSC is currently U.S. $3.3/mmbtu but is subject to revision from October 2006 and discussions between the Ravva JV and GAIL are ongoing.

Exploration Activity

While the Ravva field has been producing crude oil for over a decade and natural gas for almost a decade, we believe that there are considerable exploration and development opportunities remaining. Interpretation and mapping in Ravva from the Late Oligocene to Pliocene-Pleistocene age has permitted Cairn India to identify 9 internally high ranked prospects, above and below the currently producing areas. A comprehensive inventory has been collated, based upon the analysis of block-wide 3D seismic data and from various wells in and around the Ravva field.

A recent modeling study conducted by WesternGeco, a geophysical services company, indicated that the Ravva field is a good candidate for time-lapse (4D) seismic acquisition. This modeling study was conducted between November 2005 and April 2006 to predict the 4D seismic response in the Mid-Miocene oil and gas reservoirs of the Ravva field. These studies are intended to help find oil remaining that has been un-drained by the current recovery scheme or new prospects in the Ravva area. The potential benefits of the 4D studies include: identifying bypassed hydrocarbons; optimising resevoir management; and enhancing exploration evaluation through multi-component (Shear) data as well as better imaging. Cairn India is actively considering deploying this new technology to try and maintain the crude oil plateau rate of the Ravva field.

An exploration well (RX-9) spudded in June 2006 has now been plugged and abandoned after a test confirmed low volumes of gas and a negligible quantity of high viscous oil.

As at 30 June, 2006, we estimate that the prospective resources in the Ravva field are approximately 65 mmboe (gross) of which we have a 15 mmboe net working interest. **PROSPECTIVE RESOURCES RELATE TO UNDISCOVERED ACCUMULATIONS AND, ACCORDINGLY, 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.** See the section entitled "Estimation of Reserves and Resources" at page 89 of this Red Herring Prospectus and the section entitled "Risk Factors—Crude oil and natural gas initially in place, reserves and resources data are only estimates and are inherently uncertain, and the actual size of deposits may differ materially from these estimates" at page xxii of this Red Herring Prospectus.

Ravva PSC

The Ravva PSC is currently valid until 27 October, 2019, but may be extended, upon mutual agreement, for an additional ten years. Under the Ravva PSC, Cairn India is entitled to recover 100% of exploration, development and production costs from crude oil and natural gas sales before any profit is allocated among the parties, though the cost recovery is subject to an annual government audit that may result in certain costs being rejected and, thus, unrecoverable prior to the profit allocation. All initial contract costs were recovered by 2000 and further costs incurred have been recovered in the same year as incurrence. The profits in any year are shared among the parties according to a post tax rate of return regime ("PTRR") and, currently, the GoI's profit share pursuant to the Ravva PSC is at its maximum level of 60% with the Ravva JV being entitled to the remaining 40%. There is no relinquishment obligation of the contract area under the terms of the Ravva PSC.

Under the Ravva PSC, until such time as India attains self-sufficiency in its crude oil supply, Cairn India is required to sell in the domestic market of India, all of its entitlement to crude oil extracted from the Ravva field to assist in satisfying domestic Indian crude oil demand. All sales to the GoI nominees are to be valued at an FOB selling price per barrel, ascertained on Platts, a leading provider of energy information, of one or more crude oils of similar characteristics and quality or through the spot market for such crude oils, whichever price is determined by the parties to reflect more truly the current value of the sale.

The Ravva PSC also provides that royalties and cess are payable on production. The royalty rate on crude oil is set at Rs. 481 per metric tonne (U.S. $1.40 per barrel), regardless of the value of the crude oil. OIDA cess, which is a levy on production of crude oil, is set by the Ravva PSC at Rs. 900 per tonne of crude oil production (U.S. $2.61 per barrel). A further Rs. 18 per tonne (representing a 2% increase in the basic rate of OIDA cess), is levied against the contractors as educational cess, although this additional amount is paid by the contractors under protest. The royalty payable on natural gas is 10% of the wellhead value of the natural gas (typically 9% of natural gas revenue). OIDA cess is not payable on natural gas production. Royalties and OIDA cess are capped by the Ravva PSC at these levels regardless of the generally prevailing royalty and OIDA cess rate. Royalty and OIDA cess payments are recoverable under the Ravva PSC before any profit is allocated among the parties.

Because ONGC originally discovered the Ravva field, Cairn India and the other members of the Ravva JV are obliged to make a series of production payments to ONGC based on cumulative crude oil production. Cairn India has set out the method of calculating the production payments below:

Production	Gross Payment owed to ONGC	Net Payment by Cairn India
For every 25 million barrels produced up to 75 million barrels	U.S. $9.00 million	U.S. $3.38 million
For every 5 million barrels produced between 80-100 million barrels	U.S. $1.80 million	U.S. $0.68 million
For every 5 million barrels produced between 100-225 million barrels	U.S. $1.71 million	U.S. $0.64 million
For every 5 million barrels produced between 225-250 million barrels	U.S. $1.35 million	U.S. $0.51 million
For every 5 million barrels produced over 250 million barrels	U.S. $0.09 million	U.S. $0.34 million

The calculation of the GoI's share of crude oil produced from the Ravva field has been a matter of disagreement among the parties to the Ravva PSC for some years and the GoI is currently appealing an arbitration panel's decision in October 2004 regarding the calculation of payments that Cairn India is expected to make to it in connection with the Ravva field. The Ravva PSC obliges Cairn India to pay its proportionate share of ONGC's exploration, development, production and contract costs in consideration for ONGC's payment of costs related to construction and other activities it conducted in Ravva prior to the effective date of the Ravva PSC (the "ONGC Carry"). While Cairn India is challenging the GoI's appeal, if the arbitral award is reversed and such reversal is binding, Cairn India could be liable for up to Rs. 2.959 billion (U.S. $63.9 million) plus interest. See the section entitled "Outstanding Litigation and Material Developments" at page 329 of this Red Herring Prospectus.

In a separate and unrelated dispute related to the profit petroleum calculations under the Ravva PSC, the Ravva JV received a claim from DGH for approximately Rs. 766.1 crore (U.S. $166.4 million) (Rs. 172.2 crore (U.S. $37.4 million) net to Cairn India) of alleged underpayments of profit petroleum to the GoI, together with interest on that amount to June 2006 of Rs. 140.9 crore (U.S. $30.6 million) (Rs. 31.3 crore (U.S. $6.8 million) net to Cairn India). This claim relates to the GoI's allegation that the Ravva JV has recovered cost in excess of the BDC cap imposed in the PSC and that the Ravva JV has also allowed these excess costs in the calculation of the PTRR calculation. Cairn India believes that such a claim is unsustainable under the terms of the PSC because, amongst other reasons, of its belief that the

BDC cap only applies to the initial development of the Ravva Field and not to subsequent development activities under the PSC. Additionally the Ravva JV has also contested the basis of the calculation in the above claim from the DGH. Even if upheld, the Ravva JV believes that the DGH has miscalculated the sums that would be due to the GoI in such circumstances. See the section entitled "Outstanding Litigation and Material Developments" at page 329 of this Red Herring Prospectus.

Crude oil and natural gas production from the Ravva main field does not benefit from any income tax holiday because production of crude oil at that field commenced prior to 1 April, 1997 when the GoI began to allow for such holidays. However, production from the Ravva satellite field benefits from tax holiday relief and will continue to be eligible for this relief until 2007-08. Under current regulations, any future field developments may qualify for a similar tax holiday. During the tax holiday period, minimum alternate tax rules will also apply which currently result in a tax of 10.455% of accounting profits in accordance with Indian GAAP. Any minimum alternate tax paid can be carried forward (at current rates) for a period of seven years and used to reduce corporate tax paid.

Block CB/OS-2—Cambay Basin—Lakshmi, Gauri, CB-X and Ambe Fields

Overview

Cairn India operates in Block CB/OS-2, which is in the Cambay Basin mainly offshore of the state of Gujarat in western India. Based on exploration and development activities undertaken by Cairn India, Block CB/OS-2 has yielded natural gas discoveries in its offshore Lakshmi, Gauri and Ambe fields (the "Offshore CB/OS-2 Fields") and in its onshore CB-X field as well as crude oil discoveries in the Offshore CB/OS-2 Fields. Each of the Lakshmi and Gauri fields currently produces natural gas and the Gauri field currently also produces commingled crude oil. Our development of the Lakshmi field for crude oil and the CB-X field for natural gas is ongoing. The Ambe FDP is currently under preparation and is expected to be submitted for consideration by the management committee of the Block CB/OS-2 PSC (defined below) in 2007. A number of development options are currently being considered and a decision on the optimal development scheme is expected in 2007.

Exploration, development and production of Block CB/OS-2 is governed by a PSC between the GoI and a consortium consisting of ONGC, Tata Petrodyne Limited and Cairn India (the "Cambay JV") which was signed on 30 June, 1998 (the "Block CB/OS-2 PSC"). Cairn India's working interest in the Cambay JV consists of a 40% interest in the Lakshmi, Gauri, CB-X and Ambe development areas. The remaining interests in these development areas are held by ONGC (50%) and Tata Petrodyne Limited (10%). The rights of Cairn India elsewhere in Block CB/OS-2 have been relinquished as required by the Block CB/OS-2 PSC. See the section entitled "—Block CB/OS-2 PSC" at page 67 of this Red Herring Prospectus below for more information about the Block CB/OS-2 PSC.

Production from the Lakshmi and Gauri Fields

The Lakshmi and Gauri fields cover areas of 121.1 km^2 and 50.7 km^2, respectively, in the Cambay Basin and lie off the coast of the state of Gujarat in water depths of between approximately 6 m and 30 m isobath. As at 30 June, 2006, the Lakshmi and Gauri fields combined had produced more than 23.52 mmboe since the commencement of production, including over 0.95 mmbbls of commingled crude oil (crude oil plus condensate). For the six months ended 30 June, 2006, the gross production rate from these fields was 24,754 boepd (Cairn India entitlement interest was 10,558 boepd) with gross commingled crude oil production averaging 3,783 bopd.

An 82 acre onshore processing facility at Suvali (the "Suvali Processing Plant"), which is owned by the Cambay JV, processes natural gas and crude oil from the Lakshmi and Gauri fields. The Suvali Processing Plant achieved ISO 14001 certification in 2005 and has a capacity to process 150 mmscfd of natural gas and 5,000 bopd of crude oil. Cairn India has commissioned studies to examine expanding the crude oil processing capacity at the Suvali Processing Plant to 9,000 bopd to handle anticipated additional production. The processing facility includes three stage separator trains and 28,300 bbls storage as well as 5 megawatt captive power generation.

Natural Gas Production

The natural gas reservoirs of the Lakshmi and Gauri fields are of Mid-Miocene age and are found at depths of between approximately 735 m and 1,150 m. Cairn India discovered the Lakshmi natural gas reservoir in May 2000 and production from this reservoir commenced in October 2002 utilising two offshore platforms, six wells and a 36 km, 24 inch offshore pipeline which connects the field to the Suvali Processing Plant. The Gauri natural gas reservoir was discovered in January 2001 and production from this reservoir commenced in April 2004 utilising one offshore platform, four wells and a 5 km, 12 inch offshore pipeline connecting the field to the Lakshmi pipeline.

Set out below is the gross sales volume of natural gas from Lakshmi and Gauri, and Cairn India's net working interest with regard to such production for the periods indicated:

	For the year ended 31 December,								For the six months ended 30 June,	
	2002		2003		2004		2005		2006	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
	(bcf)									
Lakshmi	5.3	2.7	39.9	20.0	17.8	8.9	19.4	8.1	15.3	6.1
Gauri	—	—	—	—	10.8	5.4	16.0	6.8	7.4	3
Total	5.3	2.7	39.9	20.0	28.6	14.3	35.4	15.0	22.8	9.1

On 30 May, 2001, the Cambay JV entered into two GSCs relating to natural gas production from the Lakshmi field, one with Gujarat Paguthan Energy Corporation Private Limited, formerly Gujarat Powergen Energy Corporation Limited, ("GPEC") and the other with Gujarat Gas Company Limited, whose interest was subsequently assigned to Gujarat Gas Trading Company Limited ("GTCL"), as well as a master gas sales contract to govern the relationship between these GSCs. Pursuant to their GSCs, GPEC and GTCL purchase natural gas at a DCQ of 75 mmscfd and 45 mmscfd, respectively. GTCL purchases natural gas at a price linked to the two monthly average of Dated Brent and Naptha FOB Arabian Gulf with ceiling and floor prices while GPEC purchases natural gas at a basic contract price equivalent to U.S. $3.45 per mmscfd subject to adjustment in accordance with the GSC. GPEC and GTCL have the right to nominate and receive under their respective GSCs up to 115% of their DCQs on a daily basis. Each of the GSCs is essentially a life of field depletion contract in respect of natural gas production from the Lakshmi field. Since production of natural gas commenced from the Gauri field, Cairn India has sold natural gas from the Gauri field under the GSCs pursuant to a contractual right of substitution. Sales from the Lakshmi and Gauri fields commenced in November 2002 and April 2004, respectively.

Failure to deliver nominated quantities of natural gas (up to the maximum daily contract quantity) results in GPEC and GTCL, under their respective GSCs, receiving a 20% price discount on a corresponding proportion of the natural gas actually delivered. As Lakshmi natural gas production is currently on the decline and Gauri natural gas production is expected to maintain its plateau rate until the first quarter of 2007, after which it will also decline, natural gas sales effected under the GSCs have suffered, and are expected to continue to suffer, intermittent 20% price discounts on account of shortfalls on daily nominations made by the GPEC and GTCL. The shortfalls in the second quarter of 2006 are expected to be exacerbated by water production in one of the gas wells as well as natural depletion.

In addition, the sale of natural gas under the GSCs is subject to certain quality specifications which, if not met, result in a 10% price discount. Due to unusually rich wet natural gas produced in the Lakshmi field since 2005, the natural gas sales from Lakshmi effected under the GSCs have suffered additional 10% price discounts. This has meant that, together with the shortfalls discussed above, natural gas sales effected under the GSCs have suffered total intermittent price discounts of up to 30% (20% on account of a shortfall of natural gas and 10% on account of the natural gas quality specification).

Current local market prices for natural gas are higher than those being paid by the buyers under the GSCs. Cairn India is in discussions with the buyers over renegotiation of both the contracted price and gas volumes and related commercial terms of the GSCs.

We expect to drill two additional wells, one in Lakshmi and one in Gauri, during the fourth quarter of 2007 to access untapped accumulations of natural gas and to appraise further crude oil potential. These two wells together are expected to contribute to the gas volumes available for sale.

The Gauri field is adjacent, and connected in parts, to the Hazira field, in which Niko Resources Limited and Gujarat State Petroleum Corporation Limited hold interests (the "Hazira JV"). A gas balancing agreement ("GBA") was agreed on 17 February, 2006 between the Cambay JV and the Hazira JV with the intention of ensuring that each field is developed in accordance with good international practice and that each party exploits only the natural gas to which it is entitled under the terms of its respective PSC. The GBA provides a mechanism by which any over-production from any of the connected parts (as agreed by DeGolyer and MacNaughton) is redressed through compensatory production by the other party. As of 30 June, 2006, pursuant to the GBA, 25.8 bcf of natural gas is to be recovered by the Cambay JV due to historic over-production by the Hazira JV. It is intended that this will be accomplished by using the existing Gauri gas wells and the new gas well planned in the fourth quarter of 2007.

Crude Oil Production

The Lakshmi and Gauri fields have crude oil-bearing reservoirs, which are of Early-Miocene age and are found at depths of between approximately 1,175 m and 1,325 m. Cairn India, as operator, commenced crude oil production at Gauri in October 2005 utilising one crude oil well. Average commingled crude oil production from Gauri and Lakshmi was 2,102 bopd in December 2005 and 4,234 bopd in June 2006. The Cambay JV currently sells the commingled crude oil on a spot basis to private buyers in the Indian market FOB at the Suvali Processing Plant. Discussions are ongoing between the Indian Oil Corporation ("IOC") and Cairn India regarding a crude oil sales agreement in which the price of commingled crude oil would be potentially benchmarked to Bonny Light crude oil on a delivered basis.

Cairn India is currently developing the Lakshmi field separately for crude oil production. In April 2002, the LA-2 discovery well at Lakshmi flowed at a combined rate of 10,500 bopd and was followed by a successful appraisal well in the following month. The reservoirs at Lakshmi and Gauri are, however, poorly defined and do not appear to be well-connected and we expect to continue to develop the subsurface elements of each accumulation independently. Six sands have been considered for development of Lakshmi in view of its accumulation being commercial and proximate to the existing infrastructure. As part of Lakshmi crude oil development, it is planned to convert two of the existing wells into crude oil service, by the first quarter of 2007, and to drill two additional wells by the first quarter of 2008.

The Gauri and estimated Lakshmi production rates are constrained by the limitations of exporting crude oil and produced condensate by road tankers from the Suvali Processing Plant to IOC's refinery at Koyali. Dependent upon long-term production performance, Cairn India may consider other offtake options such as installing pipeline infrastructure in order to increase the production possible from Gauri and Lakshmi.

CB-X and Ambe Fields

In February 2004, Cairn India made a natural gas discovery in the onshore CB-X field in Block CB/OS-2 which has since been declared commercial. The FDP for this field was approved on 20 March, 2006, and implementation of the FDP is currently under progress. Field activities include completion of the well and laying a 9 km pipeline from the well site to the Suvali Processing Plant. We anticipate the commencement of natural gas production at rates of 3 mmscfd to 5 mmscfd in 2007.

The Ambe natural gas field, to the west of the Lakshmi and Gauri fields, was discovered in January 2001 and declared commercial in April 2006. Various development options for Ambe are currently being evaluated as part of the preparation of the FDP, including but not limited to considering use of the small Ambe gas field as a potential future satellite development to Lakshmi, particularly in the light of present high local gas prices. As with Lakshmi and Gauri, the Ambe natural gas field lies above crude oil-bearing reservoirs.

We intend to market natural gas produced from the CB-X and Ambe developments outside the scope of the Lakshmi GSCs, to increase realised prices.

Exploration Activity in Block CB/OS-2

Due to the relinquishment of exploration rights in Block CB/OS-2 as required under the Block CB/OS-2 PSC, exploration potential in the block is confined to potential additional oil pools beneath and adjacent to the known hydrocarbon pools in the Lakshmi, Gauri, Ambe and CB-X Fields. Exploration of these pools will be dependent on the successful appraisal and development of similar pools as described in the previous development section.

Block CB/OS-2 PSC

The Block CB/OS-2 PSC is currently valid until June 2023, but may be extended by the GoI for up to an additional ten years in the case of commercial production of non-associated natural gas or up to five years otherwise. Under the terms of the Block CB/OS-2 PSC, Cairn India is entitled to recover 100% of exploration, development and production costs from crude oil and natural gas sales before any profit is allocated among the parties, though the cost recovery is subject to an annual government audit that may result in certain costs being rejected and, thus, unrecoverable prior to the profit allocation. Valid contract costs which are not recovered in any year may be carried forward to following years until such costs have been fully recovered. All initial contract costs have been recovered and costs incurred in 2006 are expected to be recoverable in 2006 as they are incurred. The profits in any year are shared according to a PTRR, as follows:

CB/OS-2 Post Tax Rate of Return

PTRR achieved	Cambay JV share of profit oil
<15%	87.5%
<20%	77.5%
<25%	55%
<30%	50%
<35%	45%
>35%	40%

The Block CB/OS-2 PSC provides that Cairn India has no liabilities for royalty or OIDA cess. However, under the terms of an acquisition of a 30% interest in Block CB/OS-2 from Tata Petrodyne Limited in 1999, to the extent that revenues exceed operating expenses in a particular month, Cairn India is obliged to pay Tata certain amounts. Cairn India is liable to pay to Tata Petrodyne Limited U.S. $0.04 on each mcf of natural gas produced corresponding to Cairn India working interest on volumes of up to 700 bcf produced from Block CB/OS-2 and U.S. $0.06 on each mcf of natural gas produced corresponding to Cairn India working interest on volumes of between 700 bcf and 2 tcf produced from Block CB/OS-2.

Under the Block CB/OS-2 PSC, until such time as India attains self-sufficiency in its crude oil supply, Cairn India is required to sell in the Indian domestic market all of Cairn India entitlement to the crude oil extracted from Block CB/OS-2 to assist in satisfying domestic Indian crude oil demand. The GoI has the option to appoint a nominee to purchase the crude oil from Block CB/OS-2 and sales to such a nominee would be valued at a FOB selling price per barrel, ascertained on Platts, of one or more crude oils of similar characteristics and quality or through the spot market for such crude oils, whichever price is determined by the parties to reflect more truly the current value of the sale.

Each of the producing fields in Block CB/OS-2 benefits from a tax holiday of seven years commencing from 1 April in the tax year during which first commercial production of that field begins. As a result, the Lakshmi and Gauri fields are expected to benefit from tax holidays until the end of the 2008-09 and 2010-11 tax years, respectively. However, during the seven year tax holiday, minimum alternate tax rules will also apply which currently result in a tax of 10.455% of accounting profits in accordance with Indian GAAP. Any minimum alternate tax paid can be carried forward (at current rates) for a period of seven years and used to reduce corporate tax paid.

Rajasthan Block

Overview

Cairn India is the operator of the Rajasthan Block, a development and appraisal area of approximately 4,743 km^2 located in a former exploration area of approximately 11,108 km^2 in the Barmer Basin in western Rajasthan, India.

The Barmer Basin is a NNW-SSE oriented rift basin with normal fault growth having occurred mainly during the Palaeocene-Eocene age. The rift basin was developed in a terrain consisting of Pre-Cambrian granitic and metamorphic rocks, Mesozoic sediments (including significant sandstone formations) and Deccan Trap volcanics and volcanoclastics. The Barmer Basin exhibits a marked deepening from north to south along its axis, accompanied by changes in the structural configuration.

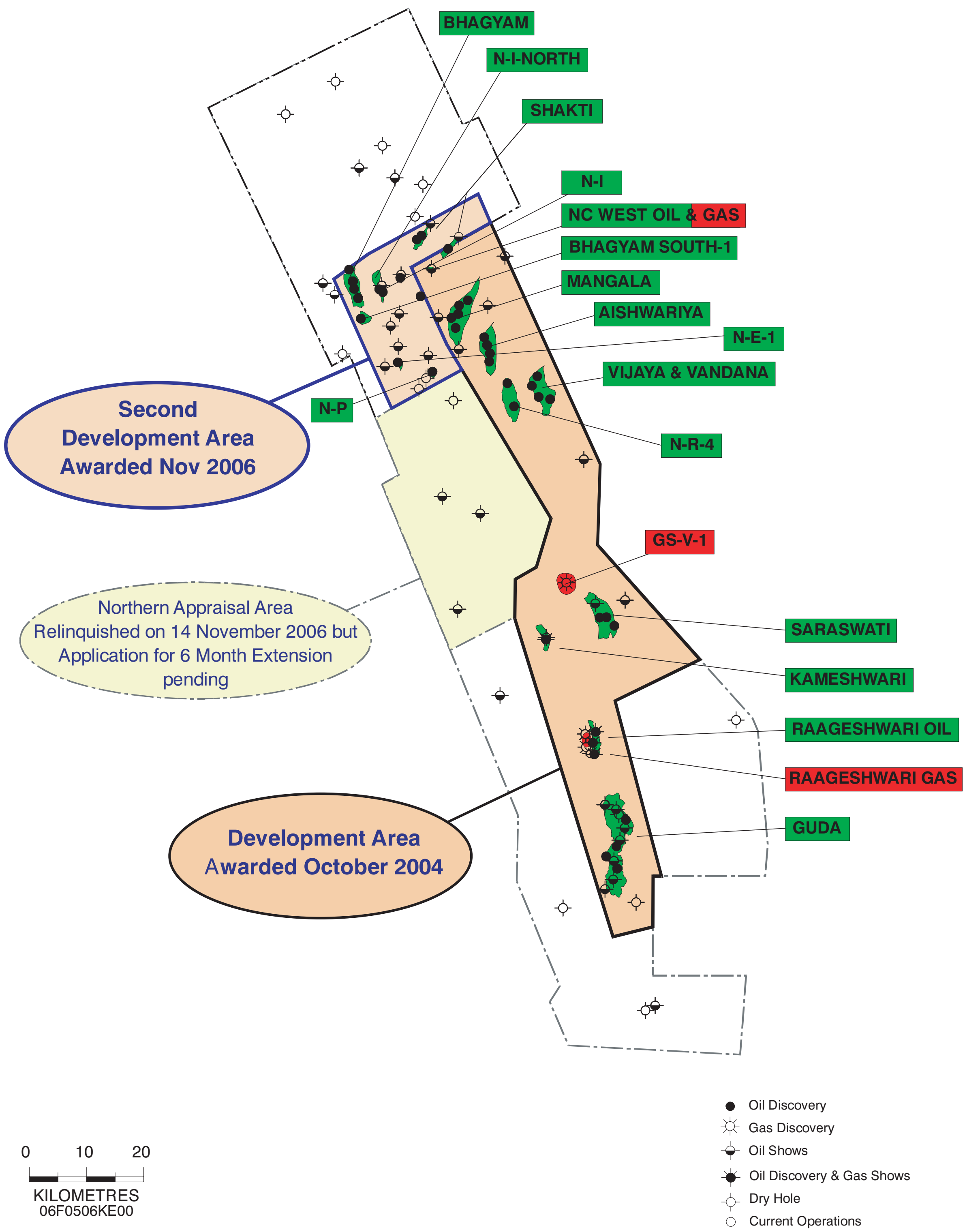
The basin has been informally subdivided into the Northern Fields and Southern Fields at an approximate line of latitude immediately north of the Saraswati field. The Northern Fields are generally relatively simple large scale tilted fault blocks, with a series of stacked fluvial sandstones of the Fatehgarh Group as the principal reservoir rocks. The Southern Fields consist of two principal plays: a shallow crude oil accumulation in fields such as Saraswati, Guda and Raageshwari oil, and a deeper gas accumulation beneath these fields, such as in the Raageshwari Deep gas field.

The Rajasthan Block consists of:

- The main development area (1,858 km^2), awarded to Cairn India in October 2004 and which includes the Mangala, Aishwariya, Saraswati and Raageshwari fields (the "Development Area"), until 2020;
- A further development area (430 km^2) consisting of the Bhagyam and Shakti fields (the "Second Development Area"). The designation of this development area was approved by the DGH on 14 November, 2006 and formal Rajasthan Block management committee approval is expected to follow shortly; and
- An 879 km^2 portion of the appraisal area (2,455 km^2), which was awarded to Cairn India for an 18 month period in June, 2005 and expired on 14 November, 2006. While the PEL in respect of this 2,455 km^2 area has expired, we have applied for a further six month PEL and PSC extension for a portion of the appraisal area totaling 879 km^2 of such original area (the "Northern Appraisal Area"). This area is adjacent to the Development Area and the Second Development Area in the Rajasthan Block.

The PSC for the Rajasthan Block was signed in May 1995 between the GoI and a consortium consisting of ONGC and Shell India Production and Development Limited ("SIPD") (the "Rajasthan Block PSC"). Cairn India acquired its interest in the Rajasthan Block PSC in three stages, eventually acquiring a 100% beneficial interest in the assets and liabilities as of May 2002 and acquiring legal title to this 100% interest on June 20, 2003. Under the Rajasthan Block PSC, the GoI has a 30% "back-in" right, that is, the right to acquire a working interest of 30% in any development area containing a commercial discovery. In 2004, the GoI, acting through ONGC, exercised this right in respect of the Development Area and acquired a 30% working interest with effect from January 2005. Cairn India includes a 100% interest in the remainder of the Rajasthan Block with the GoI maintaining its 30% "back-in" right. See the section entitled "—Rajasthan Block PSC" at page 81 of this Red Herring Prospectus below for more information about the Rajasthan Block PSC.

The Development Area, the Second Development Area and the Northern Appraisal Area together with the main discoveries and prospects are illustrated below:



Our current principal focus is the development of the discoveries in the Northern Fields of the Rajasthan Block. The first phase of the development project targets the Mangala field, where the commencement of commercial crude oil production is expected during 2009. The Mangala FDP states production potential of 94,000 bopd (gross) within six months of commencement of production, increasing to 96,000 bopd (gross) after a further nine months. The FDP forecasts this rate to continue for a further 3 years before the field starts to decline. Based on the increase in our estimates of gross proved plus probable reserves since the FDP was submitted, Cairn India believes that there is further production potential available. Commencement of crude oil production from the Bhagyam and Shakti fields and the Aishwariya field is expected within approximately six months and one year after commencement of production at the Mangala field, respectively, subject to receipt of all required approvals. Full approval of the development plan for the Mangala and Aishwariya fields has been given by the GoI. A key first step toward development approval for the Bhagyam field, the DoC was passed by the Rajasthan Block PSC operating committee in February 2006 and approved by the DGH in November 2006. Formal Rajasthan Block management committee approval is expected shortly.

We estimate that the gross development capital expenditure required for the commencement of crude oil production at the Mangala field to be approximately Rs. 3,959 crore (U.S. $860 million) gross in mid-2005 real money terms, of which Rs. 235 crore (U.S. $51 million) had been invested before 1 July, 2006. This includes the construction of a process terminal at the Mangala field supplied by crude oil from a number of well pads. The Mangala Process Terminal is designed to process up to 100,000 bopd initially with expansion of an additional 50,000 bopd planned to allow for processing from other fields.

We also expect commencement of production from the small Southern Fields of the Rajasthan Block to be from the Saraswati and the Raageshwari fields in the first quarter of 2007, which is the earliest anticipated commencement date and which remains subject to required approvals as well as negotiation of a crude oil supply agreement or implementation of appropriate interim offtake arrangements. First commercial production by trucking from the Saraswati field will begin as soon as the oil sales mechanism has been finalised with the GoI, currently anticipated in the first quarter of 2007. First commercial production from the Raageshwari oil field will start approximately three months after Saraswati. The FDPs for the Saraswati and Raageshwari fields, which were agreed with the GoI, indicate gross combined production potential from the Saraswati and the Raageshwari fields of 2,400 bopd within 6 months of commencement of production, continuing for two years and declining thereafter. We may consider other offtake options in the future such as installing pipeline infrastructure.

The crude oil at a number of the fields in the Rajasthan Block is characterised by its viscous nature in the reservoir and its propensity, inside or outside the reservoir, to solidify at certain temperatures. If the temperature of the crude oil in the reservoir falls, there is a risk that wax-like particles suspended in the crude oil could solidify and block the reservoir's pores, thereby reducing the rate at which crude oil might be recovered. To extract this waxy crude oil, we intend to use hot water injection as the recovery technique at these fields. Although this recovery technique has been successfully employed by other operators at other fields, most notably at the Shenyang field in China, we believe it has not been used before on the scale that we intend, particularly at the Mangala field.

Enhanced Oil Recovery

Cairn India is currently studying the staged and early application of aqueous-based EOR techniques for the Northern Fields. This includes ongoing laboratory work in the United States using Mangala and Bhagyam cores and fluids with appropriate chemicals, as well as detailed numerical simulation studies. Early application of EOR in these fields would be designed to extend their crude oil production plateau periods, reduce water production, mitigate future decline rates and potentially accelerate crude oil production.

Cairn India's EOR screening studies of the Northern Fields have concluded that polymer flooding or ASP flooding, two common EOR techniques, are the preferred EOR options. Polymer flooding is designed to "thicken" the injected water, increasing the sweep efficiency and ultimate crude oil recovery as well as delaying and reducing water production. ASP flooding is intended to provide the same benefits and, in addition, to reduce the residual crude oil saturation left behind by a conventional waterflooding. Both EOR techniques are also designed to extend the plateau period and accelerate oil production. The incremental recovery associated with these EOR methods is often relative to either the success of the initial waterflood or the target volume of residual or trapped oil.

From the examination of analogous field performance elsewhere in the world using these techniques, such as the large-scale Daqing field operation in China and the Minnelusa floods in Wyoming, United States, DeGolyer and MacNaughton estimates that polymer flooding could result in an incremental recovery over the base waterfloods of an additional 5-15% of estimated oil initially in place. A limited initial polymer flood is planned for the Mangala field at the commencement of commercial oil production.

Offtake

The development of the Northern Fields is based on delivering crude oil to a delivery point located at the outlet of the field storage facilities at the Mangala field, which is consistent with Cairn India's obligations under the Rajasthan Block PSC. Under the terms of the Rajasthan Block PSC, the GoI or its nominee for the purchase of crude oil in the Rajasthan Block, currently MRPL, is responsible for the transportation of produced crude oil downstream from the field storage facilities.

We have assumed that the produced crude oil will be transported from the delivery point via an insulated pipeline system to the northwestern coast of India where there are port facilities in the Mundra—Kandla area. The distance from the Mangala field to any of these locations is approximately 500 km. Cairn India has designed the field facilities to allow for the delivery of the full volume of crude oil produced from the Northern Fields into the Pipeline at a specification, including temperature, such that it is suitable for transportation via the Pipeline or by other possible means.

However, while the GoI has an obligation under the PSC to take delivery from the delivery point of the full volume of oil produced from the Northern Fields, we are aware of no firm agreement for the construction of the Pipeline or its specifications, including its route and we have been provided with only limited information in respect of the status of the nominee's pipeline studies. Accordingly, despite the obligations of the GoI under the PSC, we believe that, in view of our assessment of the lack of progress towards construction of the Pipeline, it is appropriate for us to investigate the possibility of becoming directly involved in midstream development planning and construction to ensure the proper integration of the upstream development and the Pipeline.

However, our involvement in development of the Pipeline will increase the overall demands on our management team and complexity of our Rajasthan Block development projects as we will need to analyse the different technical and commercial issues associated with transportation options to the existing pipeline network and various possible refineries, all of which are located a considerable distance from the Mangala field. Connections to existing pipelines, other transportation options and the choice of the ultimate refinery or refineries for delivery of Mangala crude oil will need to be considered in terms of return on pipeline investment to us, cost of third party transportation tariffs to us, each possible refinery's existing and expected capacity and complexity to refine Mangala crude oil as well as the economic benefits overall to us and, as of this time, it is unknown which transportation and refinery option presents the greatest value to Cairn India. See the section entitled "Risk Factors—Transportation infrastructure may not be constructed on time or, once constructed, may not be operated successfully and, if necessary, our involvement in midstream development options will increase the scale and complexity of our Rajasthan Block development project" at page xv of this Red Herring Prospectus for more information about the risks associated with the construction and operation of the Pipeline.

In the event that suitable commercial arrangements can be agreed with the GoI and potentially third parties, we believe that our involvement in the midstream development planning and construction may mitigate scheduling and operational risk and may provide greater flexibility on maximum offtake rates.

In the event that a pipeline is not constructed (whether by the nominee or with our involvement) and operational such that the full volume of crude oil produced from the Northern Fields may be transported from the fields, alternative means (such as truck or rail) would potentially become necessary, which would result in a significant reduction in the production capacity from these fields for a period of time. See the section entitled "Risk Factors—Transportation infrastructure may not be constructed on time or, once constructed, may not be operated successfully and our involvement in midstream development options will increase the scale and complexity of our Rajasthan Block development project" at page xv of this Red Herring Prospectus for more information about the risks associated with the construction and operation of the Pipeline.

Moreover, under the terms of the Rajasthan Block JOA, Cairn India is required to negotiate a sales agreement with the GoI or its nominee at least six months prior to the start of each commercial production from the development areas. Although the Rajasthan Block PSC contains detailed provisions for agreement or determination of the price of the crude oil produced, we have not yet agreed the terms of a crude oil sales agreement in respect of such crude with the GoI's current nominee, MRPL. Thus, we currently anticipate that a full crude oil sales agreement will not be finalised prior to commencement of production from the southern fields and assuming this remains the case, an interim arrangement may be put into effect with respect to the southern fields until a definitive crude oil sales agreement for the Rajasthan Block is agreed.

Appraisal Activity in the Rajasthan Block

Further appraisal potential in the Rajasthan Block lies in numerous prospects and leads in a number of reservoirs in the vicinity of existing discoveries in the Rajasthan Block. A comprehensive and growing inventory has been collated, based upon analysis of the 2D and 3D seismic data and the various wells in the Rajasthan Block, which we currently estimate includes approximately 30 prospects. The prospects and leads include new structures in existing plays, as yet untested plays, and extensions of, and new pools associated with, existing discoveries. Additional potential lies in the stimulation and pump testing of existing wells where hydrocarbon shows have been observed but natural flow of hydrocarbons to surface has not been confirmed due to various combinations of reservoir quality, reservoir pressure and hydrocarbon type. The ongoing evaluation and successful application of the appropriate technology in these instances will examine further potential as appraisal, development and production activity progresses.

In June 2005, Cairn India was granted an 18 month extension to complete its activities in the Northern Appraisal Area to the north and west of the Development Area. A 524 km^2 3D seismic programme was completed in August, 2006. The data processing was fast tracked and we believe new prospects are emerging from the interpretation of the 3D dataset. Two wells were drilled in the area prior to relinquishment on 14 November, 2006. An application has been submitted to the GoI for a further six month extension of the Northern Appraisal Area to enable full evaluation of the area.

As at 30 June, 2006, we estimate that the prospective unrisked resources in the Rajasthan Block are approximately 110 mmboe (gross) of which we have an 88 mmboe net working interest. **PROSPECTIVE RESOURCES RELATE TO UNDISCOVERED ACCUMULATIONS AND, ACCORDINGLY, 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.** See the section entitled “Estimation of Reserves and Resources” at page 89 of this Red Herring Prospectus and the section entitled “Risk Factors—Crude oil and natural gas initially in place, reserves and resources data are only estimates and are inherently uncertain, and the actual size of deposits may differ materially from these estimates” at page xxii of this Red Herring Prospectus.

Northern Fields

Mangala

The Mangala field is the principal field in the Barmer Basin, with estimated gross 2P reserves of 428 mmboe (assuming extension of the Rajasthan Block PSC from 2020 to 2041 which is the estimated end of the economic life of the field). It was discovered by Cairn India in 2004 and we expect to commence commercial production in the Mangala field during 2009 with initial production of up to 50,000 bopd and a plateau of 100,000 bopd. The Mangala FDP plans for production potential of 94,000 bopd (gross) within six months of commencement of production, increasing to 96,000 bopd (gross) after a further nine months. The FDP forecasts this rate to continue for a further three years before the field starts to decline. Based on the increase in proved plus probable reserves since the FDP was submitted, Cairn India believes that there is further production potential available. These rates and the time at which they are attained are dependent on successful commissioning of the plant facilities and related equipment.

The main reservoir unit in the Mangala field is of the late Palaeocene Age Fatehgarh Group which is also common to the other Northern Fields. The Fatehgarh sequence consists of stacked reservoir units of interbedded sands and shales. The Fatehgarh sandstones exhibit world class reservoir characteristics, with porosities in the range of 21% to 26% and *in-situ* permeability of 0.2-20 Darcies. The structure is a simple tilted fault block, bounded to the west and north by first and second order faults respectively, with the field structure dipping at around 9^o toward the south-east. The depth of the crest of the structure is only 600 m below sea level, with crude oil-water contact at 960 m below sea level. Ground elevations are in the order of 200 m above mean sea level. The Fatehgarh crude oil column covers an area in excess of 13 km^2.

Mangala crude oil is waxy and sweet, having a low sulphur content, with an API gravity of 27.3^o and a relatively high pour point of 40^o to 45^{o}C. In addition, as the reservoir is at a relatively shallow depth, the pressure in the reservoir is low and we intend to use the circulation of hot water as the artificial lift technology for vertical wells. The injection of hot water will be the principal method of maintaining reservoir pressure.

The Mangala field has been appraised by eight well penetrations (which includes seven wells and one geological sidetrack). Data covering the field includes 2D seismic surveys carried out between 1996 and 2003 and a 3D seismic survey carried out in 2004. A comprehensive programme of data gathering from core, fluids and dynamic well tests has also been undertaken. Cairn India has stochastically populated the Mangala 3D reservoir model with sand bodies and non-reservoir lithologies in accordance with the core data, well results (from the eight field penetrations), and published studies of stacked fluvial sandstone reservoirs. A 120 km^2 high density 3D survey over the field commenced acquisition in August, 2006 and is designed to enable detailed reservoir characterisation studies and improved structural interpretation as well as to provide the basis for improved development well planning for the field.

Cairn India has successfully carried out a series of well tests in which hydrocarbons have been flow-tested; interference tests, in which pressure pulses have been sent from one well to another, thereby allowing calculations to be made on the permeability and connectivity of reservoir conditions; and injection tests, during which water has been injected and the ability of the reservoir to accept progressively more water has been measured. Certain wells have been flow tested to determine the deliverability of various reservoir units in the Mangala field and the average daily rates per reservoir unit were in the range of 1,200 bopd to 3,000 bopd. Certain well tests were flowed for a period in excess of two weeks to obtain information on the internal architecture of the field and structural fault positions.

Due to the characteristics of the Mangala reservoir, which include relatively low rock strength, high crude viscosity and early water breakthrough, there is a risk of sand production that may block the wells. Some short-term well tests have produced sand. We intend to apply sand control technologies to mitigate the effect of sand production in horizontal wells.

Bhagyam

The Bhagyam field is located to the northeast of the Mangala field. It was discovered by Cairn India in August, 2004. Bhagyam is the second largest discovery in the Northern Fields, after Mangala, with estimated gross 2P reserves of approximately 140 mmboe. Subject to FDP approval, we are currently planning to commence production in the Bhagyam field six months after production commences in the Mangala field, which means in the second half of 2009 or the first half of 2010 assuming first commercial production from the Mangala field during 2009. The DoC indicates production potential of 25,200 bopd on commencement of production, continuing for 2½ years and declining thereafter. However, since the DoC was submitted, our estimate of gross 2P hydrocarbons initially in place for the Bhagyam field has increased. Consequently, evaluation of Bhagyam's recovery factor, recoverable reserves and optimisation of the development concept for the field is ongoing. Implementation of our development plans for the Bhagyam field will be subject to obtaining satisfactory management committee approval of the final FDP.

The Fatehgarh Group reservoir at Bhagyam is of high quality, with slightly higher permeability than in the Mangala field. Bhagyam crude oil is waxy and sweet, and of medium gravity, averaging 26 ^{o} API and has a pour point of 39^{o} to 45^{o}C which is similar to the pour point of the crude oil from the Mangala field. Further, there is slightly more variation in crude oil type with depth at Bhagyam than in the other Northern Fields with a variation from 21^{o} API close to the crude oil water contact and up to 33^{o} API at the crest. Moreover, the Bhagyam field has a very small gas cap in the Fatehgarh Group accounting for less than 2% of the total reservoir pore volume.

The DoC for Bhagyam was approved by the Rajasthan Block PSC operating committee in February 2006 and by DGH in November 2006, and formal Rajasthan Block PSC management committee approval is expected to follow shortly. The FDP is under active preparation.

Seven appraisal wells and four geological sidetracks have been drilled in the Bhagyam field. Of the total rock volume above the crude oil-water-contact the vast majority is crude oil bearing high quality sandstones. Consequently, although the Bhagyam area of structural closure containing the crude oil is approximately 4.5 km^2, the thick pay of up to 200 m results in an estimated gross 2P reserves of 140 mmboe, according to our estimates.

The field is shallow at only 400 m below sea level at the crest and reservoir pressure and temperature is therefore also relatively low. The appraisal wells have been naturally flow tested at rates between 100 bopd to 1,500 bopd depending on the zone. Pump tests have also been carried out and have confirmed that significantly higher flow rates are possible, as the pumps are used to offset the low flow rate as a result of the low reservoir pressure given the shallow reservoir depth.

We intend to carry out a phased drilling programme incorporating 75 wells over a three year period. Later infill growth may mean that a total of 90 wells is possible in the future. A mixture of deviated and horizontal, or even multilateral, well types will be drilled, targeting an initial edge waterflood which may later convert to a pattern scheme in upper zones.

Aishwariya

The Aishwariya field is located in the northern Barmer Basin, immediately to the south of the Mangala field. We estimate gross 2P reserves of 56 mmboe in this field. It was discovered by Cairn India in March 2004. We expect to commence production in the Aishwariya field approximately one year after commencement of production from the Mangala field, which means during 2010 assuming first commercial production from the Mangala field during 2009. The FDP indicates gross production potential of 14,600 bopd on commencement of production, continuing at rates of between 12,300 and 10,700 bopd for three years, and declining thereafter. Based on the increase in reserves since the FDP was submitted, we currently anticipate production potential of 17,050 bopd on commencement of production. We expect production to continue at rates between 14,340 bopd and 12,450 bopd for three years and declining thereafter.

The main reservoir unit in Aishwariya is of the Fatehgarh Group, consisting of stacked reservoir units of interbedded sands and shales. The reservoir characteristics of the Fatehgarh sands vary from moderate to excellent with porosities in the range of 12% to 26% and *in-situ* permeabilities ranging from 10 milli-Darcies to over 20 Darcies. The Aishwariya structure is a simple tilted fault block, dipping at around 12º to the east.

Aishwariya crude oil is waxy and sweet, having a low sulphur content, with an API gravity ranging from 27º to 32º API. As with the Mangala field, the crude oil has a relatively high pour point of 40º to 45ºC. The reservoir pressure is low and the aquifer volume is small, meaning that there is insufficient pressure support for production purposes. As a result, waterflood is planned from the commencement of crude oil production to maintain reservoir pressure and to sweep reserves. Similar to the Mangala field, production wells will be required to be lifted by pump when water breakthrough occurs and we intend to use hot water circulation as the artificial lift method.

A total of six appraisal wells were drilled on the Aishwariya field. These wells were subjected to extensive data gathering of core, fluids, and flow tests. A 3D seismic survey was also conducted across the structure.

Well flow tests in reservoir units at the Aishwariya field in various appraisal wells ranged from 200 bopd to 1,500 bopd per unit. A water injection test was also carried out at the Aishwariya field to ensure injectivity levels assumed in the field development scheme could be met successfully. The injection test confirmed the ability to inject substantial water volumes, while also providing reservoir connectivity data by examining the response seen on pressure gauges installed in other appraisal wells located in the crude oil column often several kilometres away.

The Aishwariya reservoir is currently assessed to be less well connected than the Mangala field and as a consequence the higher quality lower reservoir will be developed first while data is gathered on the upper reservoir, as deeper wells to the lower zones are drilled through it. Although the precise details of the development scheme have not been established, the current plan contemplates two discrete phases: lower, then upper reservoir. The lower reservoirs of the Fatehgarh Group will be developed first with up to 33 production and injection wells drilled prior to, and up to one year after, the commencement of crude oil production. The development of the upper reservoir would then follow in the second year after the commencement of crude oil production; a scheme of a further 18 production wells to develop the upper reservoirs is currently envisaged.

Northern Fields Development

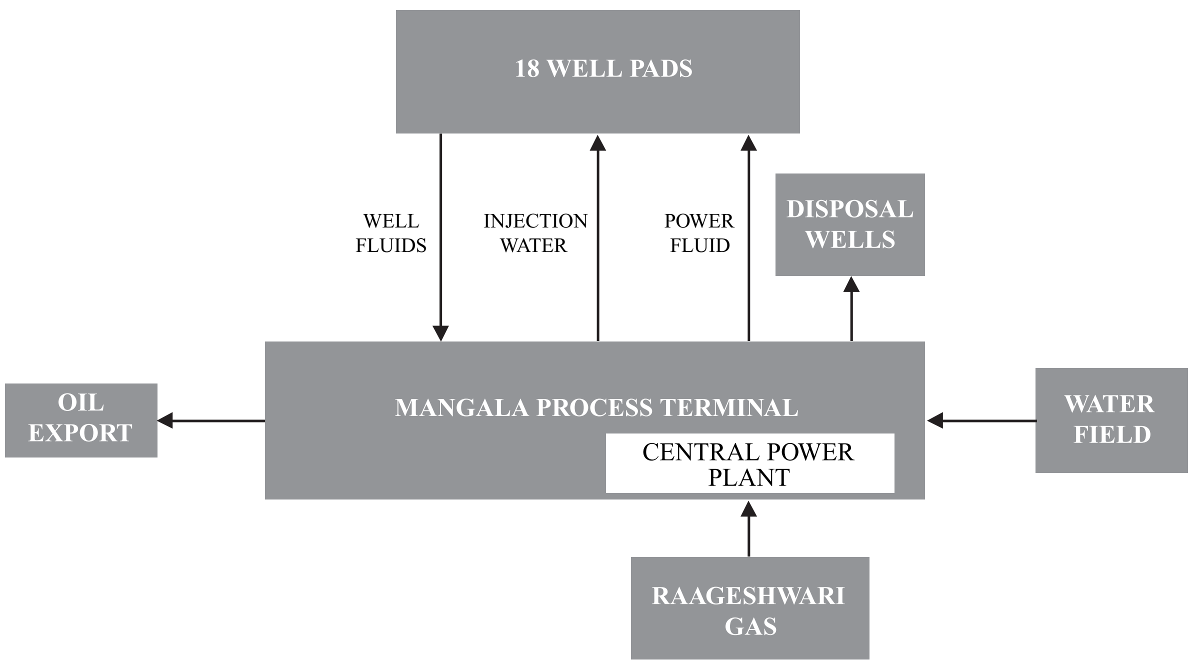
The Mangala field is intended to be the first of the Northern Fields to be developed. Cairn India is currently in the detailed design stage of development of the Mangala field and expects to commence commercial production of this field during 2009. Our development plans also include the commencement of commercial production from the Bhagyam and Shakti fields within six months and the Aishwariya field within one year, respectively, of commencement of commercial production from the Mangala field. The development of the Northern Fields is being managed under a gated system of project control, which monitors and verifies project progress through each of the pre-development, development and post-development phases.

Mangala

The Mangala field development is expected to be executed in two phases. Cairn India has planned the first phase to achieve commercial production from Mangala at a capacity of approximately 100,000 bopd by initially drilling approximately 30 oil-producing wells and, in the three years following the commencement of crude oil production, drilling additional wells to reach a total of approximately 115 wells to maintain this rate of production.

We anticipate the second phase of the development of the Mangala field to involve the drilling of a further number of wells to reach a total well count at the completion of the two phases of development of the Mangala field of up to 168 wells to maintain plateau production, and the expansion of the surface facilities will permit the processing of additional produced water after water breakthrough. Up to 65 additional wells may be drilled at the Mangala field, if required, depending upon reservoir connectivity, individual well performance or for EOR. See the section entitled "—Enhanced Oil Recovery" at page 71 of this Red Herring Prospectus.

Due to the challenging nature of the crude oil characteristics, the surface facilities design is mainly reliant on heat for flow assurance. All water introduced to the system for water injection or as power fluid for artificial lift is expected to be heated. In addition, the processing, storage and other facilities at the Mangala field have been designed with sufficient capacity to permit these facilities to serve as a central hub to accommodate production from the other Northern Fields. The surface facilities, as illustrated in the flow diagram below, consist of the following elements, which are discussed in more detail below, joined by inter-connecting pipelines and a power distribution grid.



Well pads: Our plans for the development of the Mangala field involve the construction of 18 well pads, of which 10 will be required for the initial phase one crude oil production. Each well pad is planned to be a facility which allows a number of wells to be drilled, produced and serviced at an optimum cost. The well pad concept is somewhat similar to an offshore platform and is widely adopted in onshore production practice as well. A well pad consists of multiple wellheads for producers and injectors. Producers and injectors are connected to production and injection wellhead manifolds, respectively. Each well pad production manifold is connected to the central facilities by production gathering lines. The number of well pads and their locations are carefully selected for maximum exploitation of down time for the field at an optimum cost with due regard to deviated drilling and surface features such as habitations, community water wells and pipelines, power lines, sand dunes, roads and railways.

Central Processing Facilities ("CPF"). The CPF will be designed to process the crude oil to offtake specification. This process includes collecting the produced fluid coming in through the gathering lines from the well pads, separating out any solids (that is, sand and wax) from the production fluid, raising the temperature of the production fluid to maintain flow assurance and separating water and associated gas from the crude oil. The facility will be designed initially from crude for the Mangala field for a nominal total processing capacity of 100,000 bopd in a minimum of two parallel processing trains of equal capacity to increase operability and to minimise the production impact of down time for facilities maintenance and provide for the installation of additional facilities, processing trains and tie-in points to process additional volumes made from crude from Mangala and/or additional fields.

Central Power Plant ("CPP"): We expect the CPP will be designed to meet the load requirement of the entire Mangala field development, including the source water well pads. We expect that the primary generators will be driven by steam turbines, while emergency power back up will be provided with diesel driven generator(s). The CPP is designed with a power generating capacity of 40 megawatts (with a 20% load reserve margin).

Reliability of fuel supply for power generation and heating for the Northern Field facilities is critical. The facilities at the Mangala field will be fueled by using associated gas from the Mangala field itself, supplemented with gas from the Raageshwari Deep gas field located approximately 80 km from the site designated for the CPP as and when required. We also intend to connect to the local electricity grids to provide a secondary supply of power. The gas from the Raageshwari Deep gas field will be transported via a pipeline to the Mangala Process Terminal. We expect the Raageshwari Deep gas will initially be the fuel source for the facilities at Mangala field and will also serve as a supplemental or back up fuel source for the associated gas from the Mangala field itself during the early phase of production. We expect that the Raageshwari Deep gas will eventually become the primary fuel source for the facilities at Mangala field as the amount of associated gas diminishes.

Central Tank Farm ("CTF"): The CTF will be designed to provide up to five days storage for produced crude oil based on production volume of 100,000 bopd and to allow for additional expansion of storage. Once producing, crude oil from the Bhagyam, Aishwariya and other fields will also be received at the CTF. We also intend to provide facilities to take condensate from the Raageshwari Deep gas field, when required, and the condensate will be exported with the Mangala crude oil. We intend to locate the CTF adjacent to the GGS and CPF to allow sharing of the GGS and CPF infrastructure, wherever feasible, including the heat and utility packages and a fire fighting system.

Additional Infrastructure. The Mangala field development will require significant infrastructural work, including:

- internal and external communication systems;
- interconnecting roads between facilities and well pads within the Mangala field, the source water wells field and the Raageshwari Deep gas field;
- buildings for process equipment and key infrastructure such as control rooms, office and administrative buildings, warehousing, support services, work shops, a laboratory, a communications centre, a fire station and an ambulance building;
- residential accommodation facilities for field and visiting personnel; and
- a power transmission network.

Water Source. Hot water injection is planned as the recovery technique at the Northern Fields to support Cairn India's FDPs, aimed at ensuring a reliable supply of sufficient volumes of water for the project, while minimising the impact on local water use for the lifetime of the overall development. We plan to source the water required for injection support for the Northern Fields from the shallow saline Thumbli aquifer sands, in the vicinity of the Vijaya and Vandana fields which are located about 20 km to the southeast of the Mangala field. Water from Thumbli is saline and is not useable for either drinking or irrigation. In January 2006, the Rajasthan State Government gave its consent for the extraction of saline groundwater from Thumbli.

We expect to use up to 8 water wells in phase one of development of the Mangala field, with each well pumping approximately 10,000 barrels of water per day. A number of monitoring wells may also be required, both for operational monitoring of the wellfield and to check the regional aquifer drawdown. The first of these wells has already been drilled and completed. Early monitoring will be implemented to establish a baseline before pumping begins. As demand rises, we expect to add additional wells.

Cairn India is working closely with the Rajasthan Ground Water Department and local communities in the Barmer district. Cairn India's extensive mapping of the regional aquifers using hydrocarbon exploration technology indicates that the total volume of water required by Cairn India over the expected life of fields to 2041 amounts to less than 1% of the total volume of the available water resource, even before aquifer recharge is considered.

In addition, Cairn India has identified an alternate, deeper aquifer in the south of the Block, that if required, could satisfy Cairn India's water requirements, although with significant additional cost incurred to drill new wells and construct a suitable pipeline.

Key Milestones.

The following are the high level milestones and development activities to the commencement of crude oil production at Mangala: obtain pre-construction approvals of the FDP, clearance from the central ground water authority, environmental clearance, defense clearance and consent to establish; analyse the conceptual and FEED (as defined below) work; establish the detailed design and engineering as well as the "follow on" engineering; procure major equipment; procure contracts; construct the facilities; procure wells; commence drilling; and commission the production facilities. We believe that satisfactory progress on the proposed development of the Mangala and Raageshwari Deep gas fields has been made. All of the required regulatory clearances have been obtained, the land for the process facilities and the majority of the drilling sites have been acquired and the detailed engineering has progressed to a point where ordering of long lead equipment can begin once we have finalised the midstream strategy and sanctioned the requisite expenditure.

Front-end engineering and design ("FEED") work for the Mangala project was initially carried out by MEG Worley Limited. In November 2005, Cairn India appointed Mustang Engineering Inc. ("Mustang"), a subsidiary of John Wood Group plc, to provide detailed design and engineering services, including FEED verification, procurement support to Cairn India for critical and long-lead items, and an optional support of field construction and commissioning activities. Mustang has sub-contracted certain of this design and engineering work to L&T Valdel Engineering Private Limited of Bangalore, India. Multiphase Solutions, Inc., also a subsidiary of John Wood Group plc, will provide flow assurance expertise to the project. The detailed design and engineering activities, as well as procuring the long-lead items are key to sustain the delivery of the project on schedule and on budget.

Together with Mustang, Cairn India has identified the long-lead equipment, including H.P. pumps and turbine driven generator sets, required for the Mangala development. Cairn India is currently soliciting quotations before award of contracts in accordance with the procurement schedule to meet the scheduled production start during 2009. Long lead equipment includes major equipment that must be ordered to satisfy field installation requirements such that ordering cannot be delayed for incorporation in the construction contractors' scope of work as well as equipment for which early vendor data is required to progress the detailed design of the project. Examples of long-lead equipment include H.P. pumps and turbine driven generator sets. Further, at this time the major request for quotations ("RFQ") packages, vendor pre-qualification has been carried out for most packages and, following approval of bidders, issuance of the RFQs will commence. The first such issuance occurred in October 2006 with the issue of the RFQ for the high pressure pumps. As of 31 October, 2006, the only major contract awarded is the detailed design and engineering contract awarded to Mustang described above.

However, due to the strain on oil and gas sector engineering services, the absolute resource levels currently available in the market place may be constrained resulting in adverse cost and schedule impacts. If Cairn India were to continue to experience a deficient level of engineering and project management resources, Cairn India may experience delays in commencing crude oil production at the Mangala field.

Bhagyam and Shakti

We intend to develop the Bhagyam and Shakti fields as satellite fields to the Mangala field.

The DoC for the Bhagyam field and the nearby smaller Shakti field was approved by the DGH in November 2006. Having received the designation of the Second Development Area and approval of the DoC by the DGH, Cairn India expects to submit to the management committee the FDP for the Bhagyam field in early 2007. Assuming management committee approval of the FDP, we are currently planning first commercial production of crude oil from the Bhagyam and Shakti fields within six months following commencement of production from the Mangala field. This schedule is dependent on our ability to obtain all the required consents and meet the conditions attached to the project management approval process.

The DoC for the Bhagyam field envisages developing the Bhagyam field by drilling 42 wells comprising 31 producing wells and 11 water injection wells from 14 well pads, tied to a group gathering station for initial centralised processing. The crude oil will then be transported to the crude tank farm at the Mangala field. The power requirement for the operation of Bhagyam will be supplied by the power plant at the Mangala field. Similarly, the additional requirement for raw water for injection into Bhagyam will also be supplied from the Mangala processing facility. Since the DoC was submitted, our estimate of gross 2P hydrocarbons initially in place for the Bhagyam field has increased. Consequently, evaluation of Bhagyam's recovery factor, recoverable reserves and optimisation of the development concept for the field is ongoing. Implementation of our development plans for the Bhagyam field will be subject to obtaining satisfactory management committee approval of the final FDP.

Subject to satisfactory management committee approval, we currently intend to develop the Shakti field as a satellite field with minimal facilities catering to small capacity well pads. The base case for development involves the use of three of the existing exploration/appraisal wells in the field. Crude oil produced from the Shakti field would be processed through a three phase separation unit and stored in tankage for export by truck.

Cairn India has contracted with Mustang for the provision of concept engineering for the production facilities at the Bhagyam and Shakti fields, which will be followed by front end engineering design for the project.

Aishwariya

The Aishwariya field is expected to be developed as a satellite field of the Mangala field. The FDP contemplates developing Aishwariya in two phases. The lower Fatehgarh sands will be developed in phase one, while the upper sands will be developed in phase two. The FDP envisages a drilling programme of up to 51 wells incorporating 18 producing wells and 15 injector wells drilled in phase one, with a further 18 producing wells drilled in phase two. We currently anticipate to commence crude oil production at the Aishwariya field within one year following commencement of production from the Mangala field.

The surface facilities will consist of nine well pads, gathering line systems, group gathering stations and a pipeline to the central processing facilities at the Mangala field. As crude oil from Aishwariya will be processed at the Mangala field, there are no storage facilities planned for the Aishwariya field.

Cairn India has contracted with Mustang for the provision of front-end engineering design verification for the production facilities at the Aishwariya field.

Southern Fields

The first commercial production, subject to GoI approval and an oil sale agreement, from the Saraswati and Raageshwari fields is planned for the first quarter of 2007. All the required regulatory consents have been secured and the engineering work completed, which we expect will enable first commercial production from the Saraswati and Raageshwari fields once the oil sales mechanism has been finalised with the GoI. The FDP indicates gross production potential of 2,400 bopd within 6 months of commencement of production, continuing for 2 years and declining thereafter. Crude oil will be transported initially by road tanker. However, once the Mangala export infrastructure is installed, it is planned, subject to capacity, that Saraswati and Raageshwari, as well as other southern fields, will be tied into the export system.

Raageshwari

The Raageshwari crude oil field is located at the northern end of the Central Basin High within the Barmer Basin and was discovered by Cairn India in 2003. The FDP indicates production potential of around 1,000 bopd within 6 months of commencement of production, continuing for approximately 2 years and declining thereafter. Cairn India reservoir studies of the Raageshwari field indicate that the field is capable of producing to 2024.

The Raageshwaari field has been appraised by four wells to date, all of which have been flow tested from various zones. The shallow Thumbli sandstone reservoir is the primary reservoir in the field. The Thumbli section is a relatively tight sandstone formation of laminated sands and shales. The typical porosity ranges from 20% to 35%, with permeability varying from 10 to 250 milli-Darcies. Appraisal flow tests have been characterised by attractive initial flow rates of up to 500 bopd which declined to a steady rate of approximately 100 bopd to 200 bopd.

A 3D seismic survey is available over this area of the Rajasthan Block and this has identified that the Rageshwaari crude oil field is compartmentalised into various fault blocks which are likely to require individual drain points to develop the field's reserves.

The Rageshwaari field also has a gas cap which will provide natural pressure support when the field is under production but we intend to retain the gas cap for later recovery once the crude oil has been produced.

The crude oil from Raageshwari has a typical crude oil gravity of 35° API, a high wax content and a relatively high pour point though not as high as the crude oil found in the Northern Fields. The crude oil is responsive to typical pour point depressant chemicals, and these, combined with crude oil heating fuelled by associated gas, will be used to provide flow assurance for the initial export scheme proposed by trucking. Unlike the Northern Fields, we do not intend to use hot water injection.

Two existing appraisal wells will be used for initial production using sucker rod pumps, while up to 13 new production wells will be drilled from four new drilling centres to access crude oil in the various fault compartments. Initial extraction is planned by depletion alone from the existing and new drill wells but we anticipate that a later conventional waterflood may then be justified. The moderate formation productivity means that common and low cost sucker rod pumping will be employed from early in the field development to improve and maintain production rates.

Surface facilities will be designed to handle and process well production for transportation from the site by trucks. The chosen development concept focuses on the minimum facilities to provide separation, metering, and flow lines with the associated infrastructure and utilities. Crude oil, water and associated gas from the well heads will be processed through production and separation units on each of the planned pads. It is anticipated that storage tanks with capacity for four days production will allow for continuous production, and crude oil degassing and settling before transfer.

Saraswati

The Saraswati field was discovered by Cairn India in 2001. The FDP indicates production potential of around 1,400 bopd within 6 months of commencement of production, continuing for approximately 2 years and declining thereafter. Reservoir studies of Saraswati indicate that the field is capable of producing to 2026.

Four appraisal wells have been drilled at Saraswati and several have been successfully flow tested. There are two reservoir types in the field: the Fatehgarh Group Sandstone Reservoir and the Higher Barmer Hill Formation sandstones. The Fatehgarh formation at this location is approximately 65 km south of the Mangala field and at a deeper depth and is not of as high a quality as in the Northern Fields with porosity at 15% to 20% and permeability 50 to 100 milli-Darcies. The Barmer Hill formation is tight as in the north but there is strong evidence of a fracture system at Saraswati which augments its production potential, unlike in the north.

The Saraswati-1 well was tested at rates of 1,500 bopd from the Barmer hill and 450 bopd from the Fatehgarh. Later both zones were tested for extended periods exceeding one month each; the Barmer Hill zone declined to some 750 bopd, whilst the Fatehgarh showed no discernible decline.

Saraswati crude oil is light and sweet, having a low sulphur content, and has a typical crude oil gravity of 40° API. In common with other Rajasthan Block crudes, it has a high wax content, but its pour point is lower at 30^{o} centigrade. The crude, as at Raageshwari, is responsive to typical crude oilfield pour point depressant chemicals, and this combined with heating using associated gas as fuel, will be the means of flow assurance for the initial proposed export scheme via trucking.

We anticipate that the crude oil at Saraswati will be recovered initially by natural depletion using two existing wells and up to seven new drill wells in a continuous phase one and phase two drilling campaign. The phase two wells will be optimally placed for exploitation of the remaining reserves based upon the results of the phase one wells. A feasibility study has been performed on water injection in case the early well and production results show that water injection would be a suitable means, technically and commercially, to further raise recovery.

The development will incorporate two existing wells: Saraswati 1 and Saraswati 4. These wells will produce from stand alone surface locations. Four new development wells as part of phase one, and three additional wells as part of phase two, will be drilled from two new separate multi-well surface pad locations. Additional wells will be drilled if required for optimal recovery.

The drilling and completion of seven new wells will commence after initial production from the existing wells, and we expect to continue to build production levels thereafter. The FDP contemplates adding approximately three wells per quarter to the wells already in production until the reservoir is fully developed at the end of phase two.

The chosen development concept focuses on facilities to provide separation, metering, and flow lines with the associated utilities and infrastructure. Crude oil, water and associated gas will be processed through production and separation units on each of the planned pads.

The focus of the initial development targets the more predictable Fatehgarh Group with a pattern of producers spaced by approximately 500 m. These wells will also drill through the overlying Barmer Hill formation thereby gathering further geological information. The existing Saraswati-1 well site will also produce from the Barmer Hill a combination of the new static geological data and dynamic production data which will be used to propose a further Barmer Hill based development if required.

The surrounding areas of the proposed Saraswati Fatehgarh development will be appraised during the course of the production life of the field. In order to exploit the surrounding structures and potential accumulations, any hydrocarbon bearing areas will be tied into the production operations then existing as part of a Greater Saraswati development.

Barmer Hill Reservoir and Reservoir Stimulation Programme

A programme of hydraulic fracture stimulation on various lower permeability reservoirs in the Rajasthan Block has been undertaken, which highlighted potential for new reserves from the low permeability reservoirs.

Above the main Fategargh reservoir in both the Mangala and Aishwariya fields is a thick section of much poorer oil bearing reservoir rock of the Barmer Hill Formation. Recent hydraulic fracture stimulation tests on the Barmer Hill Formation in the Mangala—6 and Aishwariya—4 wells have resulted in initial flow rates of 156 bopd and 400 bopd, respectively, and, thus, we expect indicate a potential further contingent resource for the future. Cairn India is currently in the early stages of estimating this potential contingent resource. DeGolyer and MacNaugton have estimated best (mean) original oil in place of 180 mmboe and 248 mmboe, respectively, for the Barmer Hill Formations in the Mangala and Aishwariya fields, with a corresponding contingent resource of 5 mmboe and 12 mmboe, respectively. The poor recovery rates reflect the poor reservoir quality. We expect that development drilling in the underlying Fategargh reservoir will provide useful additional data to assist in evaluation of these contingent resources in advance of any development plans.

Results from the Raageshwari field from a single tested zone indicated a two-fold increase in productivity. Testing elsewhere in the field is on-going following a three stage fracture stimulation treatment, with a stabilised rate of approximately 4 mmscfd. A two stage hydraulic fracture treatment has also been completed on the Raageshwari field. The well is currently being tested.

The Vijaya, Vandana, N-R and the Southern Fields are also potential candidates for future fracture stimulation to access new reserves or accelerate production.

Rajasthan Block PSC

The Rajasthan Block PSC establishes a management committee for the Rajasthan Block which consists of four persons, two representing the GoI and the licensee (currently ONGC) and two representing Cairn India. The management committee must approve by a unanimous vote annual work programmes and budgets, proposals for the declaration of a discovery as commercial, FDPs, and the delineation of or additions to a development area.

The Rajasthan Block PSC is currently valid until May 2020. Under the PSC, there is a five year extension right, subject to mutual agreement among the parties, and the potential for a further extension period linked to the expected production life of the field that is also subject to mutual agreement among the parties. We estimate that the Northern Fields are capable of producing to 2041 and the FDPs and the DoCs for Rajasthan Block fields have been prepared on the basis of an economic life to 2041. Reaching mutual agreement to extend the Rajasthan Block PSC may involve amendments to the terms of the PSC and there can be no assurance such amendments will be financially favourable to Cairn India or that any such agreement will be reached.

The Rajasthan Block PSC governs Cairn India's relationship with the GoI with respect to Block RJ-ON-90/1. Cairn India bears all the exploration risks and costs and funds 70% of the development and production risks and costs (assuming the GoI's exercise of its 30% "back-in" right under the Rajasthan Block PSC in relation to commercial discoveries) in return for a share of the production resulting from this effort. However, in any year, Cairn India is entitled to recover 100% of properly incurred exploration, development and production costs from crude oil and gas sales revenues before any profit is allocated, though the cost recovery is subject to an annual government audit that may result in certain costs being rejected and, thus, unrecoverable prior to the profit allocation.

After Cairn India's costs have been recovered, the parties' share of profits in any year is calculated separately for each development area according to the investment multiple achieved. The investment multiple is the ratio of Cairn India's cumulative net income to cumulative investment at the end of a given year. The investment multiples under the Rajasthan PSC are as follows:

Rajasthan Investment Multiple

Investment Multiple achieved	Cairn India share of profit oil
0 < 1.5	80%
1.5 < 2.0	70%
2.0 < 2.5	60%
≥ 2.5	50%

Under the Rajasthan Block PSC, royalty, annual area rental charges and licence fees are to be paid by ONGC as licensee.

Cairn India has been notified by the GoI through the MoPNG that the GoI is of the opinion that Cairn India is liable together with ONGC for OIDA cess on the production of crude oil from the Rajasthan Block. See the section entitled "Risk Factors—We may be liable to pay cess under the Indian Oil Industry (Development) Act 1974 ("OIDA cess") in relation to the production of crude oil from the Rajasthan Block" at page xx of this Red Herring Prospectus.

Each eligible unit in the Rajasthan Block will benefit from a tax holiday of seven years commencing from 1 April in the tax year during which commercial production from that unit begins. However, during the seven year tax holiday, minimum alternate tax rules will also apply resulting in a tax of 10.455% of accounting profits in accordance with Indian GAAP. Any minimum alternate tax paid can be carried forward (at current rates) for a period of seven years and used to reduce corporate tax paid.

Under the Rajasthan Block PSC, until such time as India attains self-sufficiency in its crude oil supply, Cairn India is required to sell to the GoI, or its nominee, all of Cairn India's entitlement to crude oil and condensate extracted from the Rajasthan Block in order to assist in satisfying domestic Indian crude oil demand. The GoI is entitled to appoint a nominee to purchase all of the crude oil and condensate produced from the Rajasthan Block. All sales are to be valued at a weighted average FOB selling price per barrel of a basket of international crude oils quoted in Platts to be agreed by all parties. For any delivery period in which sales take place, the price will be set at an average price per barrel determined by calculating the average for such delivery period of the mean of the high and low FOB prices of the basket for each day adjusted for differences in quality, delivery time, quantity, payment terms and other contract terms to the extent known. In agreeing an appropriate basket, the parties are obliged to choose a mixture and weighting of crude oils which would produce a quality similar to the quality of crude oil expected to be produced from that development area, and to agree what quality adjustment (if any) to the basket price is appropriate. In determining the quality of crude oil, account is to be taken of all relevant characteristics including gravity, sulphur and metal content, pour point and product yield.

We anticipate that the crude oil produced at the Rajasthan Block will be sold at a discount to Dated Brent due to its API and product yield. In the event that there is a dispute between the parties to the Rajasthan Block PSC as to the basis of, or mechanism for, the calculation of the crude oil price, then any party may refer the matter to a sole expert who is to be an independent and impartial person of international standing with relevant qualifications and experience. Under the provisions of the Rajasthan Block PSC, the decision of the sole expert is final and binding on the parties.

Exploration Blocks

In addition to the production and development interests described in this Red Herring Prospectus, Cairn India also holds equity interests in 10 blocks where there is currently no production or development but which are in various stages of exploration. The three main basins where Cairn India is currently actively involved in exploring include the Cambay, Krishna-Godavari and Himalayan Foreland Basins. NELP V awarded new acreage to the portfolio and exploration activity in these blocks has just commenced. Further bids have been made in NELP VI in September 2006 and we are currently awaiting formal notification of the results of our bids. This section provides a summary of the exploration interests.

Cambay Basin

Block CB-ONN-2001/1 & Block CB-ONN-2002/1

ONGC is the operator of, and holds a 70% working interest in, Block CB-ONN-2001/1 and Block CB-ONN-2002/1, each of which are located onshore in the state of Gujarat to the north of Block CB/OS-2. Cairn India holds the remaining 30% working interest in each of these blocks. Block CB-ONN-2001/1 and Block CB-ONN-2002/1 cover areas of 215 km^2 and 135 km^2, respectively.

Block CB/ONN-2001/1 is currently in the first phase of exploration which is to include the drilling of four wells. The first well drilled in 2004, prior to Cairn India's farm-in, was suspended for further workover, as was the second well drilled in 2005. The third well drilled in the second quarter of 2006 was dry. We understand that ONGC plans to continue to try to establish productivity from the suspended wells. A fourth commitment well is planned to be drilled in the fourth quarter of 2006.

We understand that ONGC is in the process of reviewing 3D seismic data for Block CB-ONN-2002/1, which is located to the north of Block CB-ONN-2001/1, and is preparing to drill two wells during the second half of 2006 with a third commitment well in 2007-08. Cairn India has not yet reviewed ONGC's specific well proposals for Block CB-ONN-2002/1 and we understand that ONGC is preparing to drill two exploration wells in the first half of 2007.

The work commitments for each of Block CB-ONN-2001/1 and Block CB-ONN-2002/1 also included 120 km^2 3D seismic acquisition, processing and interpretation, which, in each case, has been completed.

The PSC for Block CB-ONN-2001/1 was signed on 4 February, 2003, between the GoI and ONGC. Cairn India acquired a 30% interest in this Block with a commercial effective date of 30 September, 2003 as part of an asset sale and purchase agreement with ONGC, dated 31 December, 2004 (the "ONGC Asset Transaction"), that also included the acquisition by Cairn India of its interests in Blocks CB-ONN-2002/1 and GV-ONN-97/1 and the farm out of part of Cairn India's interest in Block KG-DWN-98/2. The PSC for Block CB-ONN-2002/1 was signed on 6 February, 2004, between the GoI and a consortium of ONGC and Cairn India. Under the terms of each of these PSCs, Cairn India is entitled to recover 100% of exploration, development and production costs from crude oil and natural gas sales before any profit element is allocated among the parties, though the cost recovery is subject to an annual government audit that may result in certain costs being rejected and, thus, unrecoverable prior to the profit allocation. Valid contract costs which are not recovered in any year may be carried forward to the following year. The parties' share of profits in any year is split according to an investment multiple regime, with a relatively high government share of the profits due to prolific productivity of the Cambay Basin. The terms of the PSCs for Block CB-ONN-2001/1 and Block CB-ONN-2002/1 provide that the consortium is obliged to pay royalties to the GoI at the rate of 12.5% of the well-head value of crude oil, and 10% of the value of natural gas.

Production in both Block CB-ONN-2001/1 and Block CB-ONN-2002/1 is anticipated to benefit from a tax holiday of seven years commencing from 1 April in the tax year during which first commercial production begins. During the tax holiday, minimum alternate tax rules will also apply resulting in a tax of 10.455% of accounting profits in accordance with Indian GAAP. Any minimum alternate tax paid can be carried forward (at current rates) for a period of seven years and used to reduce corporate tax paid.

KG Basin

Block KG-DWN-98/2

Block KG-DWN-98/2, which covers currently an area of 7,338 km^2 is located in the KG Basin and is situated 20 km south of the Ravva field in water depths of between approximately 350m and 3,200m isobath. Cairn Energy PLC acquired a 100% working interest in this deepwater block in April 2000 and in September 2004 announced the farm-out to ONGC of a 90% operated interest in Block KG-DWN-98/2, with an effective economic date of 30 September, 2003, as part of the ONGC Asset Transaction. As a result, Cairn India currently has a 10% working interest in this Block while ONGC now serves as the operator and holds the remaining 90% interest.

Drilling of six exploration and appraisal wells during 2000 and 2001 in the deep water acreage of Block KG-DWN-98/2 resulted in a succession of crude oil and natural gas discoveries which, at the time, were not commercial on a stand-alone basis. ONGC, as operator, drilled four exploratory wells between the third quarter of 2005 and the second quarter of 2006 targeting a series of untapped exploration prospects and testing the lateral extension of neighboring discoveries, and plans to drill one further well in the second half of 2006. One of these wells is currently operating in an untested part of the basin on a high impact structure in approximately 3000m water depth in the south of the Block. It is unclear at this stage whether the, as yet unappraised, discoveries resulting from ONGC's recent campaigns will be commercial on a stand-alone basis or will be exploited in a cluster development as satellites or developed at all within a reasonable time frame. A high resolution 3D seismic survey is being acquired over all the existing deep water discoveries in the Block. Approximately 1,100 km^2 of data have been acquired to date with a remaining 85 km^2 expected to be acquired in the near term.

We understand that ONGC envisages the joint development of several Block KG-DWN-98/2 discoveries around a development hub in its neighboring Block KG-OS-DW-IV. However, at present, no development plans, costs or schedule have been prepared.

The PSC for Block KG-DWN-98/2 was signed on 12 April, 2000, between the GoI and Cairn India with ONGC becoming a party to it upon its acquisition of a 90% interest under its sale and purchase agreement with Cairn India dated 31 December, 2004, but with a commercial effective date of 30 September, 2003. Under the terms of this PSC, the joint venture parties are entitled to recover 100% of exploration, development and production costs from crude oil and natural gas sales before any profit element is allocated among the parties, though the cost recovery is subject to an annual government audit that may result in certain costs being rejected and, thus, unrecoverable prior to the profit allocation. Valid contract costs which are not recovered in any year may be carried forward to the following year. The PSC parties' share of profits in any year is split according to an investment multiple regime. The terms of the PSC for Block KG-DWN-98/2 provide that the joint venture parties are obliged to pay royalties to the GoI at the rate of 10% of the well-head value of crude oil and natural gas produced offshore in waters up to and including 400 m isobath (5% of the well-head value from waters beyond 400 m isobath for the first seven years from the commencement of commercial production).

Production in Block KG-DWN-98/2 is anticipated to benefit from a tax holiday of seven years commencing from 1 April in the tax year during which first commercial production begins. During the tax holiday, minimum alternate tax rules will also apply resulting in a tax of 10.455% (at current rates) of accounting profits in accordance with Indian GAAP. Any minimum alternate tax paid can be carried forward for a period of seven years and used to reduce corporate tax paid.

In addition, Cairn India signed a PSC for Block KG-ONN-2003/1 on 23 September, 2005 which was awarded in NELP V. For more information about Block KG-ONN-2003/1, please see the section entitled "NELP V Awards" at page 85 of this Red Herring Prospectus below.

We estimate that the unrisked prospective resources in Block KG-DWN-98/2 are approximately 744 mmboe (gross) of which we have a 74 mmboe working interest. As at 30 June, 2006, we estimate that the prospective resources in Block KG-ONN-2003/1 are approximately 53 mmboe (gross) of which we have a 26 mmboe working interest. **PROSPECTIVE RESOURCES RELATE TO UNDISCOVERED ACCUMULATIONS AND, ACCORDINGLY, 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.** See the section entitled "Estimation of Reserves and Resources" at page 89 of this Red Herring Prospectus and the section entitled "Risk Factors—Crude oil and natural gas initially in place, reserves and resources data are only estimates and are inherently uncertain, and the actual size of deposits may differ materially from these estimates" at page xxii of this Red Herring Prospectus.

Himalayan Foreland Basin

Cairn India includes interests in Block GV-ONN-97/1 and Block GV-ONN-2002/1, which are situated in the Ganga Valley in the state of Uttar Pradesh in northern India. Cairn India includes approximately half of the interests in each of these Blocks which Cairn Energy PLC possessed prior to the Issue, with Cairn Energy PLC retaining the remaining percentages of such interests in these Blocks. See the section entitled "Relationship with Cairn Energy PLC" at page 141 of this Red Herring Prospectus for more information on our relationship with Cairn Energy PLC.

The PSC for Block GV-ONN-97/1, which covers an area of 18,375 km^2, was signed on 12 April, 2000, between the GoI and a consortium of ONGC and IOC. Cairn Energy PLC subsequently acquired a 30% interest with a commercial effective date of 30 September, 2003 as part of the ONGC Asset Transaction. Cairn India includes a 15% interest in Block GV-ONN-97/1 with ONGC holding a 40% operated interest, IOC holding a 30% interest and Cairn Energy PLC retaining a 15% interest. The first phase of the work programme for this Block included the acquisition of 320 km^2 of 2D seismic data and reprocessing of 212 km^2 of 2D seismic data. Since then, an exploration well has been drilled in the Block and is in the process of completion. This will fulfil the second phase minimum work programme. The DGH has approved entry into the third phase by the contractor parties. In this phase one additional exploration well will be drilled pursuant to the terms of the PSC.

Cairn India was awarded Block GV-ONN-2002/1, which covers an area of 15,550 km^2, through the fourth NELP licensing round in 2004. The PSC for Block GV-ONN-2002/1 was signed between the GoI and Cairn India on 6 February, 2004. Cairn India includes a 50% operated interest in this Block with Cairn Energy PLC retaining a 50% interest. Operations in Block GV-ONN-2002/1 are currently in the first phase of exploration with Cairn India committed to acquiring 500 km^2 of 2D seismic data, reprocessing 500 km^2 of 2D seismic data, collecting 200 samples in a geochemical survey and drilling one exploration well by June 2008. We plan to commence these operations in the fourth quarter of 2006 or the first quarter of 2007. In the second phase of exploration, Cairn India would be committed to acquiring 250 km^2 of 2D seismic data and drilling one exploration well, and, in the third phase of exploration, Cairn India would be committed to perform 250 km^2 of 2D seismic re-processing and drilling one additional exploration well. Performance of its commitments in the second and third phase is subject to Cairn India electing to proceed to those phases under the terms of the PSC.

NELP V Awards

Cairn India formed part of consortia which were awarded five new exploration blocks in India in the NELP V bidding round in 2005: Blocks GV-ONN-2003/1, GS-OSN-2003/1, KG-ONN-2003/1, VN-ONN-2003/1, and RJ-ONN-2003/1. The PSCs for each of these Blocks were signed on 23 September, 2005 and the JOAs for these Blocks were signed on 1 September, 2006 (for Block RJ-ONN-2003/1) and 27 September, 2006 (for the remaining four Blocks). Petroleum exploration licences ("PELs") have been obtained for Blocks GS-OSN-2003/1, VN-ONN-2003/1 and RJ-ONN-2003/1.

Block GV-ONN-2003/1 is located in the state of Uttar Pradesh in northern India, approximately 200 km west of Block GV-ONN-2002/1, and covers an area of 7,210 km^2. No discovery has yet been drilled though some wells in the region have encountered crude oil. Cairn India is the operator of Block GV-ONN-2003/1 and holds a 24% interest in this Block with ONGC and Cairn Energy PLC holding the remaining 51% and 25% interests, respectively. The PSC for the Block provides that ONGC is the proposed operator during the development and production phases. Phase one exploration commitments on the Block include the reprocessing of 660 km^2 of 2D seismic data and the acquisition of 550 km^2 of 2D seismic data as well as a geochemical survey (200 samples) in the first three years. The PEL for this Block has not yet been granted but is being actively pursued by Cairn India.

Block GS-OSN-2003/1 is located in shallow water off the coast of Saurasthra in the state of Gujarat in western India and covers an area of 5,970 km^2. The Block is located approximately 110 km to the south-west of Block CB/OS-2. Cairn India holds a 49% interest in this Block with ONGC holding the remaining 51% interest. ONGC has been appointed operator of the Block. Operations in Block GS-OSN-2003/1 are currently in phase one of exploration, which is to include the reprocessing of 1,000 km^2 of 2D seismic data and the acquisition of 500 km^2 of seismic data by December 2008.

Block KG-ONN-2003/1 is located in the state of Andhra Pradesh in eastern India and covers an area of 1,697 km^2. The Block is located approximately 80 km to the west of the Ravva field. An initial screening review has revealed two structural prospects as well as several leads and lead concepts. Cairn India holds a 49% interest in this Block with ONGC holding the remaining 51% interest. Cairn India is currently the operator for Block KG-ONN-2003/1 and the PSC for the Block provides that ONGC is the proposed operator during the development and production phases. Phase one exploration commitments on the Block include the reprocessing of 1,000 km^2 of 2D seismic data and acquisition of 550 km^2 of 2D seismic data and 200 km^2 of 3D seismic data as well as a geochemical survey (500 samples) in the first three years. The PEL for this Block has not yet been granted but is being actively pursued by Cairn India.

Block VN-ONN-2003/1 is located in the Chambal valley in the state of Rajasthan and covers an area of 3,585 km^2. No wells have been drilled in or around the Block. Cairn India holds a 49% interest in this Block with ONGC holding the remaining 51% interest. Cairn India is currently the operator for Block VN-ONN-2003/1 and the PSC for the Block provides that ONGC is the proposed operator during the development and production phases. Operations in Block VN-ONN-2003/1 are currently in phase one of exploration which includes commitments to perform reprocessing of 170 km^2 of 2D seismic data and to acquire 500 km^2 of 2D seismic data as well as a geochemical survey (500 samples) by April 2009.

Block RJ-ONN-2003/1 is located in the state of Rajasthan, adjacent to the Pakistani border and covers an area of 1,335 km^2. One dry well has been drilled just outside the Block by ONGC. We believe the Block has thus far been under-explored. Cairn India has a 30% interest in this Block with ONGC holding a 36% interest and ENI India Limited holding the remaining 34% interest. ENI India Limited has been appointed operator of the Block. Operations in Block RJ-ONN-2003/1 are currently in phase one of exploration which includes commitments to perform reprocessing of 1,000 km^2 of 2D seismic data, to acquire 1,355 km^2 of 3D seismic data and to drill two wells to 2,700 m, one well to 3,500 m and one well to 4,000 m as well as a geochemical survey (500 samples) by February 2009.

Competition

The exploration, development and production industry in India is highly competitive. In seeking to obtain desirable exploration and development prospects, in particular in the NELP licensing rounds, we face significant competition from Indian companies, including ONGC and Reliance Industries Limited, and major integrated and large independent multinational companies. ONGC, which is controlled by the GoI and has been awarded the majority of the exploration blocks offered by the GoI in the first five NELP licensing rounds, has recently been told by the GoI to focus on their exploration and production activities against which we compete. Many of these competitors have access to financial or other resources substantially in excess of those available to us and may, accordingly, be better positioned to acquire and exploit prospects, hire personnel and market production. In addition, many of our competitors may be better able to withstand the effect of changes in industry conditions such as worldwide crude oil and natural gas prices and levels of supply and the application of government regulations, which affect our business and which are beyond the control of the Company.

Employees

At 30 June, 2006 Cairn India had approximately 425 employees. The Rajasthan Block project team currently consists of approximately 50 staff members. To carry out our operations in the Rajasthan Block, we expect to reach a peak employment of approximately 140 people who will provide direct support for our operations towards the end of 2007. None of our employees are to be covered by collective bargaining agreements. Cairn India has not experienced any significant labour-related problems or disruptions, and management considers its relations with employees to be good.

In addition, we currently contract with Mustang for detailed design and engineering of the Mangala field project. Mustang is also carrying out conceptual and FEED studies on the Bhagyam, Shakti and Aishwariya fields. We also intend to contract with national Indian contractors for the provision of facilities construction.

Health, Safety and Environment

Cairn India activities are subject to a wide range of government laws and regulations regarding health, safety and environment ("HSE") protection, including:

- The Environment Protection Act, 1986;
- The Water (Prevention and Control of Pollution) Act, 1974;
- The Air (Prevention and Control of Pollution) Act, 1981; and
- The Hazardous Waste (Management and Handling) Rules, 1989.

State Pollution Control Boards have been set up under these laws and regulations for the purpose of exercising the powers and performing the functions for preventing and controlling pollution. Cairn India obtains clearances from these Pollution Control Boards for operating its facilities and for its drilling activities.

The OISD, an organisation under the control of the MoPNG in India, issues safety guidelines with which we have to comply. Cairn India also must comply with the safety regulations prescribed by the DGMS.

Cairn India is committed to protecting the health and safety of employees and contractors working on its sites, the people who come into contact with its operations and the health and sustainability of the environment in which it operates. We aspire to high standards of HSE practice through a process of continual improvement and the adoption of appropriate international codes and standards.

Cairn India has HSE specialists at its operating sites supported by further HSE specialists at its Gurgaon head office, who are responsible for ensuring that activities are performed in accordance with the safety guidelines and regulations prescribed by OISD and DGMS. The HSE specialists are also responsible for obtaining necessary licences and clearances from the State Pollution Control Boards.

Cairn India also has in place a comprehensive HSE management system which specifies how Cairn India manages HSE within its activities, in order to comply with our HSE Policies, Guiding Principles, legislation and regulations. Cairn India also has an environmental management system based on the international standard ISO 14001 standard and ISO 14001:1996 certification has been obtained for all of its producing fields in India.

While Cairn India takes precautions to avoid accidents or pollution incidents, it has trained emergency response teams and equipment in place to deal with any emergency at our facilities and exercises are performed on a regular basis. Additionally, Cairn India has oil spill response plans and equipment in place at its Ravva and Suvali facilities.

Corporate Social Responsibility

Ravva Field

The Ravva Onshore Terminal is located in Surasaniyanam village. The population of approximately 8,000 people is employed mainly in agriculture and fishing activities and is not directly affected by the project operation.

Cairn India and the Ravva JV instituted a community development plan through which they contribute annually to a fund administered by local district administration for improvements to local infrastructure such as schools. Cairn India also provides financial and direct assistance to various community development projects in Surasaniyanam, including improvement to school facilities and village water supply systems, the provision of medical care, and adult education and training facilities.

Block CB/OS-2

The Suvali Processing Plant is located approximately 7 km from the industrial belt of Hazira, including the Shell/Total LNG terminal, in the district of Surat. The nearest village is Suvali which is located around 2 km from the Suvali Processing Plant.

Cairn India and the Cambay JV have instituted a community development plan, pursuant to which various community development projects have been implemented, including improvements to school facilities and village water supply systems.

Rajasthan

Cairn India has established a substantial community development programme in Barmer district and employs several staff dedicated to this programme. Cairn India has implemented a number of initiatives through local non-governmental organisations ("NGOs") and the elected community bodies, and developed a multi-stakeholder community development plan with the purpose of contributing to the development of sustainable livelihoods in the project area. Projects implemented to date include, for example, rainwater harvesting systems, upgrading of school facilities, supporting health care camps and a blindness alleviation programme, donating funds in order to provide vaccines and providing mobile veterinary vans.

Cairn India has also been working since 2004 with the International Finance Corporation ("IFC") a member of the World Bank Group, on joint initiatives through IFC's Corporate Citizenship Facility and SME Linkages Program. These include a proposal to establish an enterprise centre in Barmer to be managed by IFC with support of a specialist Business Development Service ("BDS") provider, and to include a dairy development project and a Child and Maternity Health program that would offer an HIV/AIDS awareness initiative.

A District Co-ordination Committee was established in which certain local government officials, community representatives, concerned special invitees, and Cairn India, participated, with the aim of facilitating implementation of future community projects. The community development plan will lead to a formalised and coordinated integrated plan for community and local economic development, bringing together local communities, local government, NGOs and us.

Intellectual Property

We are in the process of applying for several trademark registrations in India, and have entered into various agreements with the Cairn Energy Group in connection with the Cairn trademark and corporate logo. For further details of these agreements, see the section entitled "Relationship with Cairn Energy PLC" at page 141 of this Red Herring Prospectus.

ESTIMATION OF RESERVES AND RESOURCES

There are numerous uncertainties in estimating quantities of reserves and resources and in projecting future rates of production and timing of expenditures for exploration, development and production. The accuracy of any evaluation of reserves or resources depends on the quality of available information and engineering and geological interpretation. All estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including in the price of crude oil, natural gas or gas-condensate, contract terms or development plans. See the section entitled "Risk Factors—Crude oil and natural gas initially inplace, reserves and resources data are only estimates and are inherently uncertain, and the actual size of deposits may differ materially from these estimates" at page xxii of this Red Herring Prospectus.

On 25 May, 2006 the MoPNG issued guidelines for the announcement of new discoveries and on 30 May, 2006, the DGH issued guidelines for the classification of resources and reserves. Neither of these sets of guidelines supersedes Cairn India's contractual obligations under the PSCs to which it is a party. Our policy is to comply with guidelines fully. In light of these guidelines we have established practices for the classification and estimation of reserves and resources to ensure such compliance. However, with respect to the prescribed format of certain notification requirements of the guidelines regarding new discoveries, there have been two instances since the issuance of the guidelines where we have not provided certain notifications in the format prescribed or the time indicated. The first relates to the submission of a notice following approval of the FDPs for the Mangala, Aishwariya, Raageshwari and Saraswati fields, and the second relates to the submission of a notice following approval of the DoC for the Bhagyam and Shakti fields. We expect to submit these notices in the required form forthwith and to comply with the guidelines going forward. Further, our ability to make disclosure of our reserves estimates would be subject to any changes to law, regulation or guidelines that may occur and we may be restricted or prevented from making such disclosure in the future as a result of any such changes.

SPE/WPC International Standards

In estimating reserves and resources in the fields in production or under development in which we have an interest, we use international standards promulgated by the Society of Petroleum Engineers, or "SPE," and the World Petroleum Congresses, or "WPC," in March 1997. These international standards, referred to as "SPE/WPC International Standards," classify reserves as "proved," "probable" or "possible," and resources as "prospective" or "contingent," based on the physical presence of hydrocarbons *and* the economic viability of their recovery, including such factors as exploration and drilling costs, ongoing production costs, transportation costs, taxes, prevailing prices for the products, and factors that influence the economic viability of a given deposit.

SPE/WPC International Standards differ in certain material respects from standards applied by the U.S. Securities and Exchange Commission, referred to as the "SEC Standards." Accordingly, information relating to our estimated natural gas and crude oil reserves included in this Red Herring Prospectus is not indicative of information that would be reported under SEC Standards. You should note that the magnitude of any proved reserve difference between the SPE/WPC International Standards and the SEC Standards could vary greatly. Each reservoir must be analysed based on its individual situation. In some cases the difference could be significant, whereas in other cases there could be very little difference.

Reserves

According to the SPE/WPC International Standards, reserves are estimated by reference to available reservoir and well information, including production and pressure trends for producing reservoirs and, in some cases, subject to definitional limits, to similar data from other producing reservoirs. All reserve estimates involve some degree of uncertainty. The uncertainty depends chiefly on the amount of reliable geologic and engineering data available at the time of the estimate and the interpretation of these data. Also, changes in the price of crude oil or natural gas may affect estimates of proved, probable and possible reserves because the reserves are evaluated based on prices and costs as of the appraisal date.

The SPE/WPC International Standards define proved reserves as "those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods, and government regulations." Such reserves are reserves that have been proved to a high degree of certainty by analysis of the producing history of a reservoir and/or by volumetric analysis of adequate geological and engineering data. Commercial productivity has been established by actual production, successful testing, or in certain cases by favourable core analyses and electrical-log interpretation when the producing characteristics of the formation are known from nearby fields. Volumetrically, the structure, area extent, volume, and characteristics of the reservoir are well defined by a reasonable interpretation of adequate subsurface well control and by known continuity of hydrocarbon-saturated material above known fluid contacts, if any, or above the lowest known structural occurrence of hydrocarbons.

Reserves may be classified as proved if facilities to process and transport those reserves to market are operational at the time of the estimate or there is a reasonable expectation that such facilities will be installed. In general, estimates of reserves for undeveloped or partially developed fields are subject to greater uncertainty over their future life than estimates of reserves for fields that are substantially developed and depleted.

Proved undeveloped reserves are proved reserves that are recoverable from additional wells yet to be drilled. Undeveloped reserves are those considered proved for production by reasonable geological interpretation of adequate subsurface control in reservoirs that are producing or proved by other wells but are not recoverable from existing wells. This classification of reserves requires drilling of additional wells, major deepening of existing wells, or installation of EOR or other facilities. As a field goes into production, the amount of proved reserves will be subject to future revision once additional information becomes available through, for example, the drilling of additional wells or the observation of long-term reservoir performance under producing conditions. Our currently limited proved reserves in the Rajasthan fields are proved undeveloped reserves.

Reserves recoverable by EOR methods may be classified as proved developed or proved undeveloped reserves depending upon the extent to which such EOR methods are in operation. These reserves are considered to be proved only in cases where a successful fluid-injection program is in operation, a pilot program indicates successful fluid injection, or information is available concerning the successful application of such methods in the same reservoir and it is reasonably certain that the program will be implemented.

Probable reserves are unproved reserves which analysis of geographical and engineering data suggests are more likely than not to be recoverable. They are reserves susceptible of being proved that are based on reasonable evidence of producible hydrocarbons within the limits of a structure or reservoir above known or inferred fluid contacts but are defined to a lesser degree of certainty because of more limited well control and/or the lack of definitive production tests. Probable reserves may include extensions of proved reservoirs or other reservoirs that have not been tested at commercial rates of flow or reserves recoverable by EOR methods that have not yet been tested in the same reservoir or where there is reasonable uncertainty that the program will be implemented.

Resources

Under SPE/WPC International Standards, prospective resources are those deposits that are estimated, on a given date, to be potentially recoverable from undiscovered accumulations. By contrast, contingent resources are those deposits that are estimated, on a given date, to be potentially recoverable from known accumulations, but that are not currently considered commercially recoverable or for which the degree of commitment is not such that the accumulation is expected to be developed and placed on production within a reasonable time frame. Contingent resources include accumulations for which there is no currently viable market, or where commercial recovery is dependent on the development of new technology or where evaluation of the accumulation is still at an early stage.

The estimation of resources quantities for an accumulation is subject to both technical and commercial uncertainties and, in general, may be quoted as a range. The range of uncertainty reflects a reasonable range of estimated, potentially recoverable volumes. In all cases, the range of uncertainty is dependent on the amount and quality of both technical and commercial data that are available and may change as more data becomes available.

REGULATIONS AND POLICIES

This section gives a brief overview of the regulatory framework governing the upstream activities of exploration and production in the oil and gas industry in India.

Regulation of Exploration and Production

The MoPNG is the principal regulator of oil and natural gas exploration and production in India. The MoPNG set up the DGH in 1993 with the objective of promoting sound management of Indian petroleum and natural gas resources with due regard to the environment, safety, technological and economic aspects of petroleum activities. The DGH is responsible for, *inter alia*, ensuring correct reservoir management practices, reviewing and monitoring exploratory programmes, the development plans of national oil companies as well as private sector companies, monitoring production and the optimal utilisation of gas fields.

The main functions of the DGH include, in respect of discovered fields, ensuring optimal exploitation, reviewing and approving development plans, work programmes, budgets, reservoir evaluations and advising on mid-course corrections and, in respect of the exploration blocks, appraisal of work programmes and monitoring exploration activities on behalf of the MoPNG.

Other bodies under the control of the MoPNG include the Oil Industry Safety Directorate, which develops standards for safety, fire fighting, training programs and information dissemination, and conducts periodic safety audits of all petroleum-handling facilities; and the Oil Industry Development Board, which provides financial and other assistance for the conducive development of the oil industry. The safety standards prescribed by the Oil Industry Safety Directorate, and the safety regulations prescribed by the Directorate General of Mines Safety in respect of onshore petroleum mining installations, are required to be complied with.

The Oilfields Act

Oil and natural gas exploration activities are governed by the Oilfields Act, which provides for the regulation of "oilfields" and for the development of "mineral oil" resources. "Oilfields" are defined as areas where any operation, for the purpose of obtaining natural gas and petroleum, crude oil, refined oil, partially refined oil and any of the products of petroleum in a liquid or solid state, is to be or is being carried on; and "mineral oils" are defined to include natural gas and petroleum. Under the Oilfields Act, the GoI is empowered to frame rules with respect to regulating the granting of mining leases, prohibiting the grant of such leases, granting a petroleum exploration or prospecting licence, the conservation and development of mineral oils, the production of oil and regulation of oilfields. Under the Oilfields Act, a "mining lease" is defined as a lease for the purpose of searching for, winning, working, getting, making merchantable, carrying away or disposing of mineral oils, including natural gas and petroleum. The Oilfields Act also provides for payment of royalties in respect of any mineral oil mined, quarried, excavated or collected from the leased area. Pursuant to its powers under the Oilfields Act, the Government framed the Petroleum and Natural Gas Rules, 1959.

On 1 September, 2006, pursuant to its powers under section 8 of the Oilfields Act, the Government designated the DGH as the authority or agency to exercise the powers and functions of the Government with a view to promoting sound management of the hydrocarbon resources in India. The DGH shall (i) monitor upstream petroleum operations in India; (ii) review and monitor the exploration programme and development plans for commercial discoveries of hydrocarbon reserves proposed by licensees or lessees; (iii) review the management of petroleum reservoirs by a licensee or a lessee; (iv) ask for and maintain all geo-scientific data, reports and information from a licensee or a lessee; (v) review the reserves discovered by the licensee or lessee in accordance with generally accepted international petroleum industry practices; (vi) lay down norms for the declaration or announcement of discoveries by a licensee or a lessee; (vii) exercise the powers of the Government; and (viii) monitor oil and gas production and the payment of royalties or any other charges, fees or levies due to the Government.

Where the Government has executed a PSC, the DGH shall discharge its duties in accordance with, and in a manner consistent with, such PSC.

Petroleum Exploration Licence ("PEL") and Petroleum Mining Lease ("PML") under the Petroleum and Natural Gas Rules, 1959 (the "P&NG Rules")

The P&NG Rules provide the framework for the granting of petroleum exploration licences and petroleum mining leases. Rule 4 of the P&NG Rules prohibits the prospecting or exploitation of any oil or gas unless a licence or lease has been granted under the P&NG Rules. A PML entitles the lessee to an exclusive right to extract oil and gas from the relevant contract area. PELs and PMLs are granted by the MoPNG for offshore areas and by the relevant state governments, with the prior approval of the GoI, for onshore areas.

On 28 August, 2006, pursuant to its powers under sections 5 and 6 of the Oilfields Act, the Government amended the P&NG Rules so that a licensee or lessee is now under an obligation to provide to the Government or its designated agency all data obtained or to be obtained as a result of petroleum operations under the licence or lease, including, geological, geophysical, geochemical, petrophysical, engineering, well logs, maps, magnetic tapes, cores, cuttings and production data as well as all interpretive and derivative data, including, reports, analysis, interpretations and evaluations prepared in respect of petroleum operations. Such data shall be the property of the Government, provided that the licensee or lessee shall have the right to make use of such data, free of cost, for the purposes of petroleum operations under the licence or lease.

The Government has the right to disclose to the public all non-proprietary data without the consent of the licensee or lessee and all proprietary data with the consent of the licensee or lessee. The Government is the sole authority to determine what is proprietary and what is not.

The Territorial Waters, Continental Shelf, Exclusive Economic Zone and other Maritime Zones Act, 1976

The Territorial Waters, Continental Shelf, Exclusive Economic Zone and other Maritime Zones Act, 1976 regulates the exploration and exploitation of resources of the continental shelf and exclusive economic zone.

The Essential Commodities Act, 1955

The Essential Commodities Act, 1955 makes provisions controlling the production, supply and distribution of certain essential commodities, which include petroleum and petroleum products.

Environmental Regulations

The Environmental Protection Act, 1986, the Water (Prevention and Control of Pollution) Act, 1974 and the Air (Prevention and Control of Pollution) Act, 1981 provide for the prevention, control and abatement of pollution. Pollution control boards have been set up in states in India to exercise the powers under these statutes for the purpose of preventing and controlling pollution. Companies must obtain the prior clearance of the relevant state pollution control board for emissions and discharge of effluents into the environment. In case the project value exceeds Rs. 1 billion for a new project or Rs. 500 million for the expansion of an existing oil and gas exploration and production project, the project also requires the approval of the MoEF.

The Hazardous Waste (Management and Handling) Rules, 1989 define waste oil and oil emulsions as hazardous wastes and impose an obligation on each occupier and operator of any facility generating hazardous waste to dispose of such hazardous wastes properly and also imposes obligations in respect of the collection, treatment and storage of hazardous wastes. Each occupier and operator of any facility generating hazardous waste is required to obtain an approval from the relevant state Pollution Control Board for collecting, storing and treating the hazardous waste.

In addition, the Merchant Shipping Act, 1958 provides for liability in respect of loss or damage caused outside the ship by contamination resulting from the escape or discharge of oil from the ship, wherever such escape or discharge occurs.

The NELP

To encourage investment in the oil and gas sector, licences are being offered under the NELP. The NELP was formulated by the GoI in 1997-98 to provide a level playing field in which all parties may compete on equal terms for the award of exploration acreage. The successful bidder must enter into a PSC with the GoI. The salient features of the NELP are as follows:

General

(a) Fiscal stability provisions in the PSC;

(b) Finalisation of contract on the basis of a model PSC;

(c) Petroleum tax guide to facilitate investments; and

(d) Possibility of the use of seismic data in the first phase of the exploration period.

Fiscal and Contractual Terms

(a) No payment of signature, discovery or production bonus;

(b) No customs duty on imports required for petroleum operations;

(c) No minimum expenditure commitment during the exploration period;

(d) No mandatory state participation by national oil companies and no mandatory carried interest in their favour;

(e) Freedom for the operator to market oil and gas in the domestic market;

(f) Biddable cost recovery limit up to 100%;

(g) Sharing of profit petroleum based on investment multiple achieved by the operator;

(h) Royalty for on-land areas payable at the rate of 12.5% for crude oil and 10% for natural gas. For offshore areas, royalty payable at the rate of 10% for both crude oil and natural gas. Royalty for discoveries in deep water areas beyond 400m isobath chargeable at half the applicable rate for offshore areas for the first seven years of commercial production;

(i) Option to amortise exploration and drilling expenditures over a period of ten years from first commercial production;

(j) Income tax holiday for seven years from start of commercial production;

(k) Provision for assignment; and

(l) Dispute resolution in accordance with the Indian Arbitration and Conciliation Act, 1996.

The Petroleum Act, 1934 read with the Petroleum Rules, 2002

The Petroleum Act, 1934 provides that no person shall produce, refine, blend, store or transport petroleum except in accordance with the rules framed by the GoI under the Petroleum Act, 1934. The Petroleum Rules, 2002 now regulate these activities.

The Petroleum and Natural Gas Regulatory Board Act, 2006

The Petroleum and Natural Gas Regulatory Board Act, 2006 provides for the establishment of the Petroleum and Natural Gas Regulatory Board to regulate the refining, processing, storage, transportation, distribution, marketing and sale of petroleum, petroleum products and natural gas (excluding production of crude oil and natural gas) so as to protect the interests of consumers and entities engaged in specific activities relating to petroleum, petroleum products and natural gas and to ensure uninterrupted and adequate supply of petroleum, petroleum products and natural gas in all parts of the country and to promote competitive markets.

Petroleum Pipeline Guidelines

The Petroleum Product Pipeline Policy, announced by the GoI in December 2002, provides a mechanism for laying pipelines in the country on the basis of a common carrier principle. Pursuant to the policy, any company that intends to lay a pipeline originating from a port or a pipeline exceeding 300 km in length originating from a refinery must publish its intention and allow other interested companies to take a capacity in the pipeline on a "take or pay" or other mutually agreed basis. Companies laying new pipelines are required to provide at least 25% extra capacity beyond that needed by themselves and their interested companies for other users. The Petroleum and Minerals Pipelines (Acquisition of Right of User in Land) Act, 1962 provides the framework governing the acquisition of rights of users in land for laying pipelines for the transportation of petroleum and minerals and other matters connected therewith. The legislation is limited to the acquisition procedure, restrictions on use of land and compensation payable to the persons interested in the land.

The Petroleum and Minerals Pipelines (Acquisition of Right of User in Land) Act, 1962

The Petroleum and Minerals Pipelines (Acquisition of Right of User in Land) Act, 1962 provides the framework governing the acquisition of right of user in land for laying pipelines for the transportation of petroleum and minerals and other matters connected therewith. This law is limited to the acquisition procedure, restrictions on use of land and compensation payable to the persons interested in the land.

Government Policy for FDI in the Petroleum and Natural Gas Sector

Petroleum & Natural Gas sector

All activities other than refining and including market study and formulation, investment financing and setting up infrastructure for marketing,	FDI up to 100% is allowed under the automatic route, subject to sectoral regulations issued by the MoPNG; and in the case of actual trading and marketing of petroleum products there must be a divestment of 26% equity in favour of an Indian partner or the Indian public within five years. FDI up to 100% under the automatic route is allowed in oil exploration for both small and medium-sized fields, subject to and under the policy of the GoI on private participation in (a) exploration for oil; and (b) the discovered fields of national oil companies.

HISTORY AND CORPORATE STRUCTURE

History

The Company was incorporated under the Companies Act on 21 August, 2006 and obtained its certificate of commencement of business on 14 September, 2006.

The registered office of the Company was changed from Lentin Chambers, 3rd Floor, Dalal Street, Fort, Mumbai 400 023, India to 401, Dalamal Towers, Nariman Point, Mumbai 400 021, India on 12 October, 2006.

Major Events

Subscription and Share Purchase Agreement

On 15 September, 2006 we entered into the Subscription and Share Purchase Agreement with Cairn Energy PLC, Cairn UK Holdings Limited and Cairn India Holdings Limited[1] in order for us to acquire from Cairn UK Holdings Limited 54,884,448 ordinary shares in the capital of Cairn India Holdings Limited (approximately 21.8% of its issued share capital) in two tranches.

The First Tranche

- This tranche was completed on 12 October, 2006.
- Cairn UK Holdings Limited subscribed for 365,028,898 Equity Shares for an initial subscription price per Equity Share of Rs. 138 (the "Initial Subscription Price"), representing a total subscription price of Rs. 50,373,987,924.
- We acquired 41,493,659 ordinary shares in the capital of Cairn India Holdings Limited (approximately 16.5% of its issued share capital) for a total price of approximately Rs. 50,373 crore (U.S.$ 1.1 billion).

The Second Tranche

- This tranche was completed on 22 November, 2006.
- Cairn UK Holdings Limited paid to us as additional share premium Rs. 48.09 per share in respect of each of the 365,028,898 Equity Shares subscribed by it on 12 October, 2006 (the "Additional Premium"), amounting to aggregate Additional Premium of Rs. 17,554,239,705.
- We purchased a further 13,390,789 ordinary shares in the capital of Cairn India Holdings Limited (approximately 5.3% of its issued share capital) for a purchase price equal to the U.S. Dollars equivalent of the Additional Premium. The remittance of such amount was certified by the Auditors.

Further Additional Premium

- The subscription price paid by Cairn UK Holdings Limited (being the aggregate of the Initial Subscription Price and the Additional Premium) is subject to an obligation of Cairn UK Holdings Limited to pay a further additional share premium, in the event that we notify Cairn UK Holdings Limited that the highest price per share at which the Equity Shares will be marketed in relation to the Issue will exceed the aggregate of the Initial Subscription Price and the Additional Premium, such further additional share premium being equal to the amount of such excess (the "Further Additional Premium").
- Any Further Additional Premium is payable by no later than the business day before the Bid/Issue Opening Date.
- If any Further Additional Premium is paid by Cairn UK Holdings Limited, we will be liable to pay a corresponding amount to Cairn UK Holdings Limited by way of increase to the purchase price payable for the 54,884,448 ordinary shares in the capital of Cairn India Holdings Limited acquired

1 Cairn India Holdings Limited is a party to the Subscription and Share Purchase Agreement solely for the purposes of acknowledging its terms and does not have any substantive rights, and is expressly stated to have no obligations or liabilities under the Subscription and Share Purchase Agreement.

by us (but only to the extent that such additional payment can be made in compliance with the FEMA Overseas Investment Regulations).

- If the approval of the RBI is required for the making of all or any part of this payment to Cairn UK Holdings Limited and is not obtained within a reasonable time, we and Cairn UK Holdings Limited will use our respective reasonable endeavours to agree (and if necessary implement) such arrangements to provide Cairn UK Holdings Limited security in respect of our obligation to pay such amount.
- If we and Cairn UK Holdings Limited reasonably consider that the approval of the RBI may not be obtained, we and Cairn UK Holdings Limited will use our respective reasonable endeavours to agree a means by which an amount equal to such amount can be paid to Cairn UK Holdings Limited.

Warranties

- Both Cairn UK Holdings Limited and Cairn Energy PLC have given warranties relating to the title to the shares in Cairn India Holdings Limited, as well as customary warranties relating to matters such as capacity, authorisation and solvency.
- No warranties are given relating to matters such as Cairn India Holdings Limited's title to shares in the companies carrying on the business of Cairn India, the ownership of the underlying assets by those companies or the financial position of those companies or of Cairn India Holdings Limited, as to the absence of undisclosed liabilities or as to material litigation (although see the section entitled "Share Purchase Deed" below).
- We have given customary warranties relating to matters such as capacity, authorisation, the issue of the Equity Shares to Cairn UK Holdings Limited and solvency.

Governing Law

- The agreement is governed by English law, save that certain matters relating to the issue of Equity Shares to Cairn UK Holdings Limited will be governed by Indian law. We, Cairn Energy PLC and Cairn UK Holdings Limited have submitted to the jurisdiction of the English courts in respect of proceedings arising out of or in connection with the agreement.

Guarantor

- Cairn Energy PLC has agreed to guarantee the performance by Cairn UK Holdings Limited of all of its obligations, commitments and undertakings under the agreement.
- Cairn Energy PLC has agreed to forthwith on demand unconditionally perform (or procure performance of) or satisfy (or procure satisfaction of) the obligations, commitments and undertakings of Cairn UK Holdings Limited in the event of a default by Cairn UK Holdings Limited.

Amendment Agreement

- On 5 October, 2006 we entered into an amendment agreement with Cairn Energy PLC, Cairn UK Holdings Limited and Cairn India Holdings Limited which provides for certain amendments to the Subscription and Share Purchase Agreement.
- In particular, the amendment agreement amends, amongst other things, the amount of the Initial Subscription Price and the Additional Premium and the numbers of ordinary shares in the capital of Cairn India Holdings Limited acquired by us in the first and second tranches of the acquisition of Cairn India Holdings Limited ordinary shares.

Please note that the description of the Subscription and Share Purchase Agreement set out in this document is a description of that agreement as amended by the amendment agreement.

Share Purchase Deed

On 12 October, 2006 we entered into the Share Purchase Deed with Cairn Energy PLC, Cairn UK Holdings Limited and Cairn India Holdings Limited which provides for the acquisition by us of those issued shares in the capital of Cairn India Holdings Limited which we did not acquire under the Subscription and Share Purchase Agreement (the "Remaining Shares").

Price Payable for the Remaining Shares

- The price payable by us for the Remaining Shares will be satisfied partly in cash and partly through the issue of Equity Shares to Cairn UK Holdings Limited.
- [●]% of the Remaining Shares (the "Cash Remaining Shares") will be acquired for a cash consideration payable by us to Cairn UK Holdings Limited equal to:

(i) the gross proceeds of the issue of the Equity Shares issued pursuant to the Pre-IPO Private Placing (described below) plus, if and to the extent approved by the RBI, any interest which has accrued to our benefit on such amount; and

(ii) the gross proceeds of the Issue less Rs. [●] plus, if and to the extent approved by the RBI, any interest which has accrued to our benefit on such amount.

- We will retain Rs. [●] of the proceeds of the Issue to partially finance Cairn India's ongoing oil and gas exploration, development and production business and for general corporate purposes and contingencies as described in the section entitled "Objects of the Issue" at page 31 of this Red Herring Prospectus.
- [●]% of the Remaining Shares (the "Exchange Remaining Shares") will be acquired for a consideration consisting of the issue by us to Cairn UK Holdings Limited of 861,764,893 Equity Shares.
- If and to the extent that any Green Shoe Shortfall Amount (as described in the section entitled "Green Shoe Option" at page 6 of this Red Herring Prospectus) is paid to us, the purchase price for the Cash Remaining Shares shall be increased by, and we will pay to Cairn UK Holdings Limited, an amount equal to the Green Shoe Shortfall Amount (together with any interest which has accrued to our benefit on such amount).
- The aggregate purchase price for the Remaining Shares will not exceed (and will be reduced if it would otherwise exceed) the maximum value that can be ascribed to the Cash Remaining Shares or the Exchange Remaining Shares (as the case may be) in accordance with the FEMA Overseas Investment Regulations. However, we have agreed with Cairn UK Holdings Limited that if any amounts in respect of the purchase price for the Cash Remaining Shares cannot therefore be paid to Cairn UK Holdings Limited, then we and Cairn UK Holdings Limited will use our reasonable endeavours to agree means by which an amount which is equal to any such unpaid purchase price and any such reduction(s) can be paid to Cairn UK Holdings Limited.

Conditions of the Sale and Purchase of the Remaining Shares

- The sale and purchase of the Remaining Shares is conditional upon certain matters, including:

(i) the Issue Price being determined prior to the transfer to us of the Exchange Remaining Shares in terms satisfactory to Cairn UK Holdings Limited;

(ii)[2] the Underwriting Agreement having been entered into by the parties to it and not having terminated prior to the transfer to us of the Exchange Remaining Shares;

(iii) in respect of the Cash Remaining Shares, the Underwriting Agreement having been entered into by the parties to it and not having been terminated prior to the completion of the transfer to us of the Cash Remaining Shares; and

(iv) the passing at a duly held and convened meeting of Cairn Energy PLC of a resolution approving transactions contemplated by the Share Purchase Deed by no later than 31 December 2006 (or such other date as we may agree with Cairn UK Holdings Limited but in any event by no later than the Bid/Issue Opening Date).

2 Cairn UK Holdings Limited may waive in whole or in part, in relation to the sale and purchase of the Exchange Remaining Shares only, thus condition (ii).

• If any of the conditions (other than those set out in paragraphs (ii), (iii) or (iv) above are not satisfied (or, if applicable, waived) by the date specified, either we or Cairn UK Holdings Limited can terminate the Share Purchase Deed by written notice.

• If the conditions set out in paragraphs (ii), (iii) or (iv) above are not fulfilled by the specified date the Share Purchase Deed will terminate with immediate effect.

Acquisition of the Remaining Shares

• The Share Purchase Deed provides for us to acquire the Remaining Shares in two tranches:

(i) we will acquire the Exchange Remaining Shares and issue 861,764,893 Equity Shares to Cairn UK Holdings Limited as consideration for the Exchange Remaining Shares on the ninth day after the Bid/Issue Closing Date or such other date as we may agree with Cairn UK Holdings Limited; and

(ii) subject to us having acquired the Exchange Remaining Shares, we will acquire the Cash Remaining Shares by no later than the date on which the Equity Shares subscribed under the Pre-IPO Placing are allotted or, if the Pre-IPO Placing does not proceed, by no later than Allotment.

Outstanding Consideration

• If and to the extent that any of the additional payment that we are required to make under the Subscription and Share Purchase Agreement (if any Further Additional Premium is paid by Cairn UK Holdings Limited (as described under "Subscription and Share Purchase Agreement" above)) has not been paid by the time the Stock Exchanges have granted clearance for the Equity Shares offered in the Issue to be admitted to trading, then, subject to the approval (if required) of the RBI, we shall pay to Cairn UK Holdings Limited, as soon as reasonably practicable an equivalent amount as additional consideration for the Cash Remaining Shares (the "Outstanding Consideration").[3]

Payment

• If, by the time a payment of any part of the cash consideration for the Cash Remaining Shares is due and Cairn UK Holdings Limited has not opened a bank account into which such cash consideration can be paid, then that payment obligation will be deferred and, subject to receiving all necessary approvals of the RBI, we will pay the relevant part of the consideration to Cairn UK Holdings Limited at such time or times as Cairn UK Holdings Limited may direct.

• If payment is so deferred, we and Cairn UK Holdings Limited have agreed to use our reasonable endeavours to agree a means by which to provide Cairn UK Holdings Limited with security in respect of our payment obligation.

• If any of the elements of the purchase price for the Cash Remaining Shares is not paid in full when due, we and Cairn UK Holdings Limited shall each use our reasonable endeavours to agree means to provide Cairn UK Holdings Limited security in respect of the our obligation to pay the unpaid amount.

• Payment of the cash consideration in respect of the Cash Remaining Shares may be made in Indian Rupees or, at the direction of Cairn UK Holdings Limited (and if all necessary approvals of the RBI have been obtained), in U.S. Dollars less certain conversion expenses, if any.

Tax Losses

• The Share Purchase Deed provides that certain trading losses or other amounts eligible for group relief (as defined in section 402 of the United Kingdom Income and Corporation Taxes Act 1988) that arise to CEHL (if any) in respect of accounting periods ended on or before the date of the Share Purchase Deed or for any subsequent period or part thereof during which CEHL is a subsidiary or subsidiary undertaking of Cairn Energy PLC may be surrendered to Cairn UK Holdings Limited or other subsidiaries or subsidiary undertakings of Cairn Energy PLC provided

3 Any such payment will be reduced to the extent that together with other elements of consideration for the Cash Remaining Shares it exceeds the maximum value that can be ascribed to the Cash Remaining Shares in accordance with the FEMA Overseas Investment Regulations.

we and Cairn UK Holdings Limited can agree an appropriate amount of consideration for such proposed surrender.

Miscellaneous

- If, at any time after Allotment, any of the rights or other assets in respect of the interests in the licences and production sharing contracts identified as being held by us in the section entitled "Our Business" (under the sub-heading "Summary of Cairn India" at page 57 of this Red Herring Prospectus (or any associated asset)) is found to be held by a member of the Cairn Energy Group, then Cairn Energy PLC will (at its own cost) procure that the relevant assets are promptly transferred for no consideration to Cairn India.
- Pending such transfer of assets, Cairn Energy PLC will procure that the Cairn Energy Group will use, dispose of and exercise all rights in respect of any such assets as directed by us and account to us for any money or other benefits received in respect of any such assets.[4]
- If any third party consent, approval, authorisation or waiver is required for the transfer of any such asset, we and Cairn Energy PLC have agreed to cooperate, and use all reasonable endeavours, to obtain it. If, notwithstanding such cooperation and reasonable endeavours, any required third party consent, approval or authorisation has not been obtained within 12 months of the date it was first requested from the relevant third party, we and Cairn Energy PLC shall seek to agree the action to be taken.

Warranties

- We have received warranties from Cairn UK Holdings Limited and Cairn Energy PLC which are substantially the same in all material respects as those as we received from them in the Subscription and Share Purchase Agreement.
- In addition to those very limited warranties, we have also received warranties relating to Cairn India Holdings Limited's title to the shares in the companies carrying on the Cairn India business as described in this Red Herring Prospectus and in relation to guarantees, indebtedness and trading balances between Cairn India Holdings Limited and its subsidiaries and subsidiary undertakings on the one hand, and the Cairn Energy Group on the other.
- The additional warranties are deemed to be incorporated into the Subscription and Share Purchase Agreement and to be given at completion of each of the transfers to us of the Cairn India Holdings Limited shares transferred or to be transferred to us thereunder.
- The Share Purchase Deed does not contain warranties relating to matters such as the ownership of the underlying assets by the companies carrying on the business of Cairn India (as described in this Red Herring Prospectus), the financial position of those companies or Cairn India Holdings Limited, as to the absence of undisclosed liabilities or as to material litigation.
- The warranties given by Cairn UK Holdings Limited and Cairn Energy PLC under the Share Purchase Deed are given as at the date of the Share Purchase Deed and are deemed to be repeated on each date on which the Remaining Shares are transferred to us.
- We have given certain customary warranties which are the same in all material respects as those as we gave in the Subscription and Share Purchase Agreement. These warranties are given at the date of the Share Purchase Deed and are deemed to be repeated on the date on which the Exchange Remaining Shares are transferred to us.

Guarantor

- Cairn Energy PLC has agreed to guarantee the performance by Cairn UK Holdings Limited, Capricorn Energy Limited and each of the other members of the Cairn Energy Group of their obligations, commitments and undertakings under the Share Purchase Deed and certain other transaction documents (including the Transition Support Agreement, the two transition support agreements between Cairn Energy PLC and CEIL, the Non-Compete Agreement, the Relationship

4 We have given an undertaking in the same terms in respect of rights in respect of the interest in licences and production sharing contracts of the Cairn Energy Group

Agreement, the Confidentiality Agreement and the trademark agreements described in the section entitled "Relationship with Cairn Energy PLC" at page 141 of this Red Herring Prospectus).

- Cairn Energy PLC has also agreed unconditionally to perform (or procure performance of) or satisfy (or procure satisfaction of) forthwith on demand the obligations, commitments and undertakings of the aforementioned parties under the aforementioned agreements in the event of their default under such agreements.

Pre-IPO Placing

The Company has made a Pre-IPO placement of 209,670,913 Equity Shares at a price of Rs. 176.48 per Equity Share. If the Issue Price per Equity Share is lower than Rs. 176.48, the Pre-IPO Placing issue price will be reduced accordingly. The allotment of the Equity Shares pursuant to the Pre-IPO Placing will be made post the closure of the book but before the listing of the Equity Shares offered in the Issue. For a list of pre-IPO investors, see the section entitled Capital Structure on page 25 of this Red Herring Prospectus.

Under the terms of the Coordination Agreement the Company appointed the Global Coordinators to assist the Company in completing the Pre-IPO Placing by identifying prospective investors for, and coordinating the allocation and allotment of Equity Shares in, the Pre-IPO Placing. Pursuant to the Coordination Agreement, the Company has agreed to indemnify and hold harmless each Global Coordinator and its associates against, amongst other things, any and all loss, liability, claim, damage, cost, charge and expense, joint or several, whatsoever, as incurred, arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in the information supplied to investors in the Pre-IPO Placing or the omission or alleged omission to state therein a material fact necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading.

Each Global Coordinator has agreed, severally and not jointly, to indemnify and hold harmless the Company and its associates, to the same extent as the foregoing indemnity from the Company to such Global Coordinator, but only with reference to and in conformity with information furnished to the Company in writing by such Global Coordinator expressly for use in the information supplied to prospective investors in the Pre-IPO Placing, it being understood that the only such information is that described as such in a separate letter to be delivered by the Global Coordinators to the Company.

The Company and Cairn UK Holdings Limited have entered into a subscription agreement with each investor in the Pre-IPO Placing. The subscription price paid by an investor is set out in the section entitled "Capital Structure" at page 25 of this Red Herring Prospectus. Each subscription agreement obliges each investor not to, directly or indirectly, offer, sell, assign, dispose of, exchange, pledge, encumber, hypothecate or otherwise transfer the Equity Shares allotted to it pursuant to the Pre-IPO Placing until the later to occur of: (i) one year from the date of Allotment, save for the Equity Shares to be allotted to PETRONAS International Corporation Ltd, which will be locked-in for a period of 3 years, subject to certain terms and conditions agreed upon with the Company; and (ii) the completion of such other term as may be specified by the SEBI from time to time, in each case without the prior written consent of the Company.

Main Objects of the Company

The main objects of the Company as stated in the Memorandum of Association include the following:

- To carry on in India and elsewhere in the world the business or businesses of surveying, prospecting, drilling and exploring for, acquiring, developing, producing, maintaining, refining, storing, trading, supplying, transporting, marketing, distributing, importing, exporting and generally dealing in minerals and other natural oils, petroleum and all other forms of solid, liquid and gaseous hydrocarbons and other minerals and their products and by-products and all their branches.

- To search for, purchase, take on lease or licence, obtain concessions over or otherwise acquire, any estate or interest in, develop the resources of, work, dispose of, or otherwise turn to account, land or sea or any other place in India or in any other part of the world containing, or thought likely to contain, oil, petroleum, petroleum resource or alternate source of energy or other oils in any form, asphalt, bitumen or similar substances or natural gas, chemicals or any substances used, or which is thought likely to be useful for any purpose for which petroleum or other oils in any form, asphalt, bitumen or similar substances, or natural gas is, or could be used and to that end to organise, equip and employ expeditions, commissions, experts and other agents and to sink wells, to make borings and otherwise to search for, obtain, exploit, develop, render suitable for trade, petroleum, other mineral oils, natural gas, asphalt, or other similar substances or products thereof.

Changes in Memorandum of Association

Except for the reduction in the authorised share capital of the Company from Rs. 50,000,000,000 divided into 5,000,000,000 Equity Shares to Rs. 22,500,000,000 divided into 2,250,000,000 Equity Shares pursuant to a shareholder's resolution dated 21 September, 2006 there have been no changes in the Memorandum of Association since the incorporation of the Company.

Subsidiaries of the Company and their businesses

We have set out below the subsidiaries which, as at the date of this Red Herring Prospectus, are held by Cairn India Holdings Limited. We have also set out information in respect of Cairn India Holdings Limited which as at the Final Transfer Date will become a wholly-owned subsidiary of the Company.

As at the date of this Red Herring Prospectus, the Company has a 21.8% shareholding in Cairn India Holdings Limited. As described in the sections entitled "Subscription and Share Purchase Agreement" and "Share Purchase Deed", the Company has entered into agreements to acquire the remaining 78.2% of the issued share capital of Cairn India Holdings Limited prior to Allotment.

None of the companies described below is a listed company. None of the companies described below is a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985 or is subject to a winding-up order.

Common pursuits for all Subsidiaries

The 27 Subsidiaries described below and Cairn India Holdings Limited are either holding companies or oil and gas exploration, development and production companies.

1. Cairn India Holdings Limited

Cairn India Holdings Limited was incorporated in Jersey on 2 August, 2006. Its registered office is 22 Grenville Street, St Helier, Jersey JE4 8PX, Channel Islands. Cairn India Holdings Limited is a holding company.

Shareholders as of 22 November, 2006

Shareholder	Number of equity shares	Holding
Cairn India Limited	54,884,448	21.8%
Cairn UK Holdings Limited	196,340,296	78.2%

Board of directors

Name	Age	Position	Appointed
D Le Blancq	33	Director	2006
R Dhir	40	Director	2006
J Brown	51	Director	2006

Financial Performance

The financial information of Cairn India Holdings Limited is set out in the section entitled "Financial Information" at page 150 of this Red Herring Prospectus.

2. Cairn Energy Hydrocarbons Limited

Cairn Energy Hydrocarbons Limited was originally incorporated in Scotland on 19 February, 1997 as a private limited company under the company name Randotte (No. 435) Limited. On 21 July, 1997 it changed its name to Cairn Energy Onshore Limited; on 18 July, 2001 to Cairn Energy Offshore Limited, and on 11 June, 2002 to its current name, Cairn Energy Hydrocarbons Limited. Its registered office is

50 Lothian Road, Edinburgh EH3 9BY, Scotland. The main business of Cairn Energy Hydrocarbons Limited is the exploration, development and production of petroleum and natural gas.

Shareholder as of 22 November, 2006

Shareholder	Number of equity shares	Holding
Cairn India Holdings Limited	31,341,712 ordinary shares of £1 each	100%

Board of directors

Name	Age	Position	Appointed
M J Watts	50	Director	2002
W B B Gammell	53	Non-executive director	2006
N L Murray	58	Non-executive director	2006
H M Grossart	49	Non-executive director	2006
Aman Mehta	60	Non-executive director	2006
Naresh Chandra	72	Non-executive director	2006
Omkar Goswami	50	Non-executive director	2006

Financial Performance

The financial information of Cairn Energy Hydrocarbons Limited is set out in the section entitled "Financial Information" at page 150 of this Red Herring Prospectus.

3. Cairn Petroleum India Limited

Cairn Petroleum India Limited was incorporated in Scotland on 7 August, 2002 as a private limited company. Its registered office is 50 Lothian Road, Edinburgh EH3 9BY, Scotland. The main business of Cairn Petroleum India Limited is exploration for petroleum and natural gas.

Shareholder as of 22 November, 2006

Shareholder	Number of equity shares	Holding
Cairn India Holdings Limited	1 ordinary share of £1 each	100%

Board of directors

Name	Age	Position	Appointed
W B B Gammell	53	Director	2002
M J Watts	50	Director	2002

Financial Performance

The financial information of Cairn Petroleum India Limited is set out in the section entitled "Financial Information" at page 150 of this Red Herring Prospectus.

4. Cairn Energy Discovery Limited

Cairn Energy Discovery Limited was incorporated in Scotland on 20 August, 2002 as a private limited company. Its registered office is 50 Lothian Road, Edinburgh EH3 9BY, Scotland. The main business of Cairn Energy Discovery Limited is the exploration for petroleum and natural gas.

Shareholder as of 22 November, 2006

Shareholder	Number of equity shares	Holding
Cairn India Holdings Limited	23,216 ordinary shares of £1 each	100%

Board of directors

Name	Age	Position	Appointed
W B B Gammell	53	Director	2004
M S Thoms	51	Director	2004
M J Watts	50	Director	2002

Financial Performance

The financial information of Cairn Energy Discovery Limited is set out in the section entitled "Financial Information" at page 150 of this Red Herring Prospectus.

5. Cairn Energy Gujarat Block 1 Limited

Cairn Energy Gujarat Block 1 Limited was originally incorporated in Scotland on 4 September, 2003 as a private limited company under the company name Cairn Energy Idar Limited. On 18 September, 2003, the company changed its name to Cairn Energy Gujarat Block 1 Limited. Its registered office is 50 Lothian Road, Edinburgh EH3 9BY, Scotland. The main business of Cairn Energy Gujarat Block 1 Limited is the exploration for petroleum and natural gas.

Shareholder as of 22 November, 2006

Shareholder	Number of equity shares	Holding
Cairn India Holdings Limited	551 ordinary shares of £1 each	100%

Board of directors

Name	Age	Position	Appointed
W B B Gammell	53	Director	2003
M S Thoms	51	Director	2003
M J Watts	50	Director	2003

Financial Performance

The financial information of Cairn Energy Gujarat Block 1 Limited is set out in the section entitled "Financial Information" at page 150 of this Red Herring Prospectus.

6. Cairn Exploration (No.2) Limited

Cairn Exploration (No.2) Limited was incorporated in Scotland on 11 May, 2005 as a private limited company. Its registered office is 50 Lothian Road, Edinburgh EH3 9BY, Scotland. The main business of Cairn Exploration (No.2) Limited is the exploration for petroleum and natural gas.

Shareholder as of 22 November, 2006

Shareholder	Number of equity shares	Holding
Cairn India Holdings Limited	1 ordinary share of £1	100%

Board of directors

Name	Age	Position	Appointed
W B B Gammell	53	Director	2005
M S Thoms	51	Director	2005
M J Watts	50	Director	2005

Financial Performance

The financial information of Cairn Exploration (No.2) Limited is set out in the section entitled "Financial Information" at page 150 of this Red Herring Prospectus.

7. Cairn Exploration (No.4) Limited

Cairn Exploration (No.4) Limited was incorporated in Scotland on 11 May, 2005 as a private limited company. Its registered office is 50 Lothian Road, Edinburgh EH3 9BY, Scotland. The main business of Cairn Exploration (No.4) Limited is the exploration for petroleum and natural gas.

Shareholder as of 22 November, 2006

Shareholder	Number of equity shares	Holding
Cairn India Holdings Limited	1 ordinary share of £1	100%

Board of directors

Name	Age	Position	Appointed
W B B Gammell	53	Director	2005
M S Thoms	51	Director	2005
M J Watts	50	Director	2005

Financial Performance

The financial information of Cairn Exploration (No.4) Limited is set out in the section entitled "Financial Information" at page 150 of this Red Herring Prospectus.

8. Cairn Exploration (No.6) Limited

Cairn Exploration (No.6) Limited was incorporated in Scotland on 18 May, 2005 as a private limited company. Its registered office is 50 Lothian Road, Edinburgh EH3 9BY, Scotland. The main business of Cairn Exploration (No.6) Limited is the exploration for petroleum and natural gas.

Shareholder as of 22 November, 2006

Shareholder	Number of equity shares	Holding
Cairn India Holdings Limited	1 ordinary share of £1	100%

Board of directors

Name	Age	Position	Appointed
W B B Gammell	53	Director	2005
M S Thoms	51	Director	2005
M J Watts	50	Director	2005

Financial Performance

The financial information of Cairn Exploration (No.6) Limited is set out in the section entitled "Financial Information" at page 150 of this Red Herring Prospectus.

9. Cairn Exploration (No.7) Limited

Cairn Exploration (No.7) Limited was incorporated in Scotland on 18 May, 2005 as a private limited company. Its registered office is 50 Lothian Road, Edinburgh EH3 9BY, Scotland. The main business of Cairn Exploration (No.7) Limited is the exploration for petroleum and natural gas.

Shareholder as of 22 November, 2006

Shareholder	Number of equity shares	Holding
Cairn India Holdings Limited	1 ordinary share of £1	100%

Board of directors

Name	Age	Position	Appointed
W B B Gammell	53	Director	2005
M S Thoms	51	Director	2005
M J Watts	50	Director	2005

Financial Performance

The financial information of Cairn Exploration (No.7) Limited is set out in the section entitled "Financial Information" at page 150 of this Red Herring Prospectus.

10. Cairn Energy Holdings Limited

Cairn Energy Holdings Limited was incorporated in Scotland on 14 October, 1996 as a private limited company. Its registered office is 50 Lothian Road, Edinburgh EH3 9BY, Scotland. Cairn Energy Holdings Limited is a holding company.

Shareholder as of 22 November, 2006

Shareholder	Number of equity shares	Holding
Cairn India Holdings Limited	67,418,405 ordinary shares of £1 each	100%

Board of directors

Name	Age	Position	Appointed
W B B Gammell	53	Director	1996
M J Watts	50	Director	1999

Financial Performance

The financial information of Cairn Energy Holdings Limited is set out in the section entitled "Financial Information" at page 150 of this Red Herring Prospectus.

11. Cairn Energy Netherlands Holdings B.V.

Cairn Energy Netherlands Holdings B.V. was incorporated in the Netherlands on 18 January, 2001 as a private limited company. Its registered office is Koninginnegracht 23, 2514 AB, the Hague, the Netherlands. Cairn Energy Netherlands Holdings B.V. is a holding company.

Shareholder as of 22 November, 2006

Shareholder	Number of equity shares	Holding
Cairn Energy Holdings Limited	18 equity shares of EUR 1,000 each	100%

Board of directors

Name	Age	Position	Appointed
A J Bol	66	Director	2001
A E Driessen	68	Director	2001
L W Smyth	61	Director	2005

Financial Performance

The financial information of Cairn Energy Netherlands Holdings B.V. is set out in the section entitled "Financial Information" at page 150 of this Red Herring Prospectus.

12. Cairn Energy Group Holdings B.V.

Cairn Energy Group Holdings B.V. was incorporated in the Netherlands on 15 October, 1996 as a private limited company. Its registered office is Koninginnegracht 23, 2514 AB, the Hague, the Netherlands. Cairn Energy Group Holdings B.V. is a holding company.

Shareholder as of 22 November, 2006

Shareholder	Number of equity shares	Holding
Cairn Energy Netherlands Holdings B.V.	215 equity shares of NLG 1,000 each (in accordance with Article 2:178c of the Dutch Civil Code, this sum converts to EUR 453.78)	100%

Board of directors

Name	Age	Position	Appointed
Cairn Energy Netherlands Holdings B.V.	N/A	Director	2001

The financial information of Cairn Energy Group Holdings B.V. is set out in the section entitled "Financial Information" at page 150 of this Red Herring Prospectus.

13. Cairn Energy India Holdings B.V.

Cairn Energy India Holdings B.V. was incorporated in the Netherlands on 17 April, 1998 as a private limited company. Its registered office is Koninginnegracht 23, 2514 AB, the Hague, the Netherlands. Cairn Energy India Holdings B.V. is a holding company.

Shareholder as of 22 November, 2006

Shareholder	Number of equity shares	Holding
Cairn Energy Group Holdings B.V.	40 equity shares of NLG 1,000 each (in accordance with Article 2:178c of the Dutch Civil Code, this sum converts to EUR 453.78)	100%

Board of directors

Name	Age	Position	Appointed
Cairn Energy Group Holdings B.V.	N/A	Director	2001

The consolidated financial information of Cairn Energy India Holdings B.V. is set out in the section entitled "Financial Information" at page 150 of this Red Herring Prospectus.

14. Cairn Energy India West Holding B.V.

Cairn Energy India West Holding B.V. was incorporated in the Netherlands on 17 April, 1998. Its registered office is Koninginnegracht 23, 2514 AB, the Hague, the Netherlands. Cairn Energy India West Holding B.V. is a holding company.

Shareholder as of 22 November, 2006

Shareholder	Number of equity shares	Holding
Cairn Energy India Holdings B.V.	41 shares of EUR 454 each	100%

Board of directors

Name	Age	Position	Appointed
Cairn Energy Group Holdings B.V.	N/A	Director	2001

Financial Performance

The financial results of Cairn Energy India West Holding B.V. are included in the consolidated results of Cairn Energy India Holdings B.V. The consolidated financial information of Cairn Energy India Holdings B.V. is set out in the section entitled "Financial Information" at page 150 of this Red Herring Prospectus.

15. Cairn Energy India West B.V.

Cairn Energy India West B.V. was incorporated in the Netherlands on 17 April, 1998. Its registered office is Koninginnegracht 23, 2514 AB, the Hague, the Netherlands. The main business of Cairn Energy India West B.V. is the exploration, development and production of petroleum and natural gas.

Shareholder as of 22 November, 2006

Shareholder	Number of equity shares	Holding
Cairn Energy India West Holding B.V.	40 shares of NLG 1,000 each (in accordance with Article 2:178c of the Dutch Civil Code, this sum converts to EUR 453.78)	100%

Board of directors

Name	Age	Position	Appointed
Cairn Energy Group Holdings B.V.	N/A	Director	2001

Financial Performance

The financial results of Cairn Energy India West B.V. are included in the consolidated results of Cairn Energy India Holdings B.V. The consolidated financial information of Cairn Energy India Holdings B.V. is set out in the section entitled "Financial Information" at page 150 of this Red Herring Prospectus.

16. Cairn Energy Cambay Holding B.V.

Cairn Energy Cambay Holding B.V. was incorporated in the Netherlands on 29 December, 2000. Its registered office is Koninginnegracht 23, 2514 AB, the Hague, the Netherlands. Cairn Energy Cambay Holding B.V. is a holding company.

Shareholder as of 22 November, 2006

Shareholder	Number of equity shares	Holding
Cairn Energy India Holdings B.V.	18 shares of EUR 1,000 each	100%

Board of directors

Name	Age	Position	Appointed
Cairn Energy Group Holdings B.V.	N/A	Director	2001

Financial Performance

The financial results of Cairn Energy Cambay Holding B.V. are included in the consolidated results of Cairn Energy India Holdings B.V. The consolidated financial information of Cairn Energy India Holdings B.V. is set out in the section entitled "Financial Information" at page 150 of this Red Herring Prospectus.

17. Cairn Energy Cambay B.V.

Cairn Energy Cambay B.V. was incorporated in the Netherlands on 17 April, 1998. Its registered office is Koninginnegracht 23, 2514 AB, the Hague, the Netherlands. The main business of Cairn Energy Cambay B.V. is the exploration, development and production of petroleum and natural gas.

Shareholder as of 22 November, 2006

Shareholder	Number of equity shares	Holding
Cairn Energy Cambay Holding B.V.	40 shares of NLG 1,000 each (in accordance with Article 2:178c of the Dutch Civil Code, this sum converts to EUR 453.78)	100%

Board of directors

Name	Age	Position	Appointed
Cairn Energy Group Holdings B.V.	N/A	Director	2001

Financial Performance

The financial results of Cairn Energy Cambay B.V. are included in the consolidated results of Cairn Energy India Holdings B.V. The consolidated financial information of Cairn Energy India Holdings B.V. is set out in the section entitled "Financial Information" at page 150 of this Red Herring Prospectus.

18. Cairn Energy Gujarat Holding B.V.

Cairn Energy Gujarat Holding B.V. was incorporated in the Netherlands on 17 April, 1998. Its registered office is Koninginnegracht 23, 2514 AB, the Hague, the Netherlands. Cairn Energy Gujarat Holding B.V. is a holding company.

Shareholder as of 22 November, 2006

Shareholder	Number of equity shares	Holding
Cairn Energy India Holdings B.V.	41 shares of EUR 454 each	100%

Board of directors

Name	Age	Position	Appointed
Cairn Energy Group Holdings B.V.	N/A	Director	2001

Financial Performance

The financial results of Cairn Energy Gujarat Holding B.V. are included in the consolidated results of Cairn Energy India Holdings B.V. The consolidated financial information of Cairn Energy India Holdings B.V. is set out in the section entitled "Financial Information" at page 150 of this Red Herring Prospectus.

19. Cairn Energy Gujarat B.V.

Cairn Energy Gujarat B.V. was incorporated in the Netherlands on 17 April, 1998. Its registered office is Koninginnegracht 23, 2514 AB, the Hague, the Netherlands. The main business of Cairn Energy Gujarat B.V. is the exploration, development and production of petroleum and natural gas.

Shareholder as of 22 November, 2006

Shareholder	Number of equity shares	Holding
Cairn Energy Gujarat Holding B.V.	40 shares of NLG 1,000 each (in accordance with Article 2:178c of the Dutch Civil Code, this sum converts to EUR 453.78)	100%

Board of directors

Name	Age	Position	Appointed
Cairn Energy Group Holdings B.V.	N/A	Director	2001

Financial Performance

The financial results of Cairn Energy Gujarat B.V are included in the consolidated results of Cairn Energy India Holdings B.V. The consolidated financial information of Cairn Energy India Holdings B.V. is set out in the section entitled "Financial Information" at page 150 of this Red Herring Prospectus.

20. Cairn Energy Australia Pty Limited

Cairn Energy Australia Pty Limited was incorporated in Australia on 30 September, 1996 as a private limited company with the name A.C.N. 075 810 954 Pty Limited. On 2 October, 1996 the company changed its name to Cairn Energy Australia Pty Limited. Its registered office is 99 White Rock Road, White Rock, NSW 2795, Australia. Cairn Energy Australia Pty Limited is a holding company.

Shareholder as of 22 November, 2006

Shareholder	Number of equity shares	Holding
Cairn Energy Group Holdings B.V.	116,789,079 ordinary shares of AUS$1 each	100%

Board of directors

Name	Age	Position	Appointed
A F Batley	75	Director	1998
M S Thoms	51	Director	1998
V S Lehner	68	Director	2001

Financial Performance

The consolidated financial information of Cairn Energy Australia Pty Limited is set out in the section entitled "Financial Information" at page 150 of this Red Herring Prospectus.

21. CEH Australia Limited

CEH Australia Limited was incorporated in the British Virgin Islands on 6 April, 1993 as a private limited company under the name Soco Australia Limited. On 23 October, 1997 the company changed its name to CEH Australia Limited. Its registered office is c/o Equity Trust, Tropic Isle Building, PO Box 438, Road Town, Tortola, British Virgin Islands. CEH Australia Limited is a holding company.

Shareholder as of 22 November, 2006

Shareholder	Number of equity shares	Holding
Cairn Energy Australia Pty Limited	100 shares of U.S.$1 each	100%

Board of directors

Name	Age	Position	Appointed
M S Thoms	51	Director	1998
A F Batley	75	Director	1998
V S Lehner	68	Director	2001

Financial Performance

The financial results of CEH Australia Limited are included in the consolidated information of Cairn Energy Australia Pty Limited. The consolidated financial information of Cairn Energy Australia Pty Limited is set out in the section entitled "Financial Information" at page 150 of this Red Herring Prospectus.

22. CEH Australia Pty Limited

CEH Australia Pty Limited was incorporated in Australia on 13 April, 1993 as a private limited company under the name Soco Australia Pty Limited. On 21 October, 1997 the company changed its name to CEH Australia Pty Limited. Its registered office is 99 White Rock Road, White Rock, NSW 2795, Australia. CEH Australia Pty Limited is a holding company.

Shareholder as of 22 November, 2006

Shareholder	Number of equity shares	Holding
CEH Australia Limited	2 ordinary shares of AUS$1	100%

Board of directors

Name	Age	Position	Appointed
M S Thoms	51	Director	1998
A F Batley	75	Director	1998
V S Lehner	68	Director	2001

Financial Performance

The financial results of CEH Australia Pty Limited are included in the consolidated results of Cairn Energy Australia Pty Limited. The consolidated financial information of Cairn Energy India Holdings B.V. is set out in the section entitled "Financial Information" at page 150 of this Red Herring Prospectus.

23. Cairn Energy Asia Pty Limited

Cairn Energy Asia Pty Limited was incorporated in Australia on 22 March, 1979 as a public company under the name Command Petroleum Limited. The company changed its name to Cairn Energy Asia Limited on 3 March, 1997 and on 16 May, 2002 the company converted from a public to a proprietary company under the name Cairn Energy Asia Pty Limited. Its registered office is 99 White Rock Road, White Rock, NSW 2795, Australia. Cairn Energy Asia Pty Limited is a holding company.

Shareholders as of 22 November, 2006

Shareholders	Number of equity shares	Holding
Cairn Energy Australia Pty Limited	225,339,654 ordinary shares of AUS$1 each	68%
CEH Australia Pty Limited	105,182,963 ordinary shares of AUS$1 each	32%

Board of directors

Name	Age	Position	Appointed
V S Lehner	68	Director	2001
A F Batley	75	Director	1998
R J E Jones	51	Director	2004

Financial Performance

The financial results of Cairn Energy Asia Pty Limited are included in the consolidated results of Cairn Energy Australia Pty Limited. The consolidated financial information of Cairn Energy Australia Pty Limited is set out in the section entitled "Financial Information" at page 150 of this Red Herring Prospectus.

24. Cairn Energy Investments Australia Pty Limited

Cairn Energy Investments Australia Pty Limited was incorporated in Australia on 2 September, 1970 as a public company called Command Minerals N.L. The company changed its name to Command Petroleum N.L. on 23 February, 1983 then to Command Petroleum (Australia) N.L. on 15 December, 1994 and to Cairn Energy Investments Australia N.L. on 3 March, 1997. On 26 April, 2002 the company converted from a public company to a proprietary company and changed its name to Cairn Energy

Investments Australia Pty Limited. Its registered office is 99 White Rock Road, White Rock, NSW 2795, Australia. Cairn Energy Investments Australia Pty Limited is a holding company.

Shareholder as of 22 November, 2006

Shareholder	Number of equity shares	Holding
Cairn Energy Asia Pty Limited	144,101,302 ordinary shares of AUS$1 each	100%

Board of directors

Name	Age	Position	Appointed
V S Lehner	68	Director	2001
A F Batley	75	Director	1998
M S Thoms	51	Director	1998

Financial Performance

The financial results of Cairn Energy Investments Australia Pty Limited are included in the consolidated results of Cairn Energy Australia Pty Limited. The consolidated financial information of Cairn Energy Australia Pty Limited is set out in the section entitled "Financial Information" at page 150 of this Red Herring Prospectus.

25. Wessington Investments Pty Ltd

Wessington Investments Pty Limited was incorporated in Australia on 23 June, 1987 as a public company called Wessington Investments Limited. The company converted from a public company to a proprietary company and changed its name to Wessington Investments Pty Limited on 8 February, 2002. Its registered office is 99 White Rock Road, White Rock, NSW 2795, Australia. Wessington Investments Pty Limited is a holding company.

Shareholder as of 22 November, 2006

Shareholder	Number of equity shares	Holding
Cairn Energy Asia Pty Limited	30,000,000 ordinary shares of AUS$0.25 each	100%

Board of directors

Name	Age	Position	Appointed
V S Lehner	68	Director	2001
A F Batley	75	Director	1998
M S Thoms	51	Director	1998

Financial Performance

The financial results of Wessington Investments Pty Limited are included in the consolidated results of Cairn Energy Australia Pty Limited. The consolidated financial information of Cairn Energy Australia Pty Limited is set out in the section entitled "Financial Information" at page 150 of this Red Herring Prospectus.

26. Sydney Oil Company Pty Ltd

Sydney Oil Company Pty Ltd was incorporated in Australia on 24 March, 1970 as a public company called Minerol Investments Limited. The company changed its name to Sydney Oil Company Limited on 8 August, 1980. On 26 March, 2002 the company converted from a public company to a proprietary company and changed its name to Sydney Oil Company Pty Limited. Its registered office is 99 White Rock Road, White Rock, NSW 2795, Australia. Sydney Oil Company Pty Limited is a holding company.

Shareholder as of 22 November, 2006

Shareholder	Number of equity shares	Holding
Cairn Energy Investments Australia Pty Limited	27,024,288 ordinary shares of AUS$0.25 each	100%

Board of directors

Name	Age	Position	Appointed
V S Lehner	68	Director	2001
A F Batley	75	Director	1998
M S Thoms	51	Director	1998

Financial Performance

The financial results of Sydney Oil Pty Company Ltd are included in the consolidated results of Cairn Energy Australia Pty Limited. The consolidated financial information of Cairn Energy Australia Pty Limited is set out in the section entitled "Financial Information" at page 150 of this Red Herring Prospectus.

27. CEIL

CEIL was incorporated in Australia on 22 January, 1981 under the company name Command Petroleum (India) Pty Ltd. It changed its name to CEIL on 1 October, 1997. Its registered office is 99 White Rock Road, White Rock, NSW 2795, Australia. The main business of CEIL is the exploration, development and production of petroleum and natural gas.

Shareholder as of 22 November, 2006

Shareholder	Number of equity shares	Holding
Sydney Oil Company Pty Limited	2 ordinary shares of AUS$1 each and 1,000 ordinary shares of AUS$45,792.67 each	100%

Board of directors

Name	Age	Position	Appointed
V S Lehner	68	Director	2001
A F Batley	75	Director	1998
L W Smyth	61	Director	2005

Financial Performance

The financial results of CEIL are included in the consolidated results of Cairn Energy Australia Pty Limited. The consolidated financial information of Cairn Energy Australia Pty Limited is set out in the section entitled "Financial Information" at page 150 of this Red Herring Prospectus.

MANAGEMENT

Board of Directors

Under its Articles of Association, the Company is required to have at least three Directors and not more than twelve Directors. As at the date of this Red Herring Prospectus, the Company has nine Directors.

The following table sets out certain details of the Directors as at the date of this Red Herring Prospectus. Save as set out below, there has been no change in our Board of Directors since incorporation.

Name and Address	Age (years)	Term (years)	Nationality	Appointed	Other Directorships
Sir William B.B. Gammell, Non-Executive Chairman Earlscross The Shore Earlsferry Leven KY9 1AP United Kingdom	53	3	British	Pursuant to a resolution of the Board on 22 August, 2006	Cairn Energy PLC Cairn Energy Bangladesh Limited Cairn Energy Holdings Limited Cairn Energy Assets Limited Cairn Energy Search Limited Cairn Petroleum India Limited Cairn Energy Discovery Limited Cairn Energy Hydrocarbons Limited Cairn Energy Gujarat Block 1 Limited Cairn Energy Dhangari Limited Cairn Energy Birganj Limited Cairn Energy Malangawa Limited Cairn Energy Lumbini Limited Cairn Energy Karnali Limited Cairn Energy Nepal Holdings Limited Cairn Resources Management Limited Cairn Energy Management Limited Cairn Oil Limited Cairn Energy North Sea Limited Cairn Exploration and Production Company Limited Cairn Exploration (No.1) Limited Cairn Exploration (No.2) Limited Cairn Exploration (No.4) Limited Cairn Exploration (No.6) Limited Cairn Exploration (No.7) Limited Capricorn Energy Limited Cairn UK Holdings Limited Scottish Institute of Sport Foundation Isla Mines Limited The Scottish Institute of Sport Artemis AiM VCT plc CEHL
Norman L. Murray, Non-Executive Deputy Chairman 8 Pentland Avenue Edinburgh EH13 0HZ United Kingdom	58	3	British	Pursuant to a resolution of the Board on 22 August, 2006	Cairn Energy PLC Penta Capital Partners (Holdings) Limited Robert Wiseman Trust Company Limited Robert Wiseman Dairies PLC Greene King plc CEHL
Rahul Dhir, Chief Executive Officer A1 West End Ground Floor New Delhi 110021 India	40	5	Indian	Pursuant to a resolution of the Board on 22 August, 2006	Cairn India Holdings Limited

Name and Address	Age (years)	Term (years)	Nationality	Appointed	Other Directorships
Lawrence W. Smyth, Chief Operating Officer E-14/3, 2nd Floor Vasant Vihar New Delhi 110057 India	61	No fixed term—terminable on 6 months' notice	British	Pursuant to a resolution of the Board on 22 August, 2006	CEIL Cairn Energy Netherlands Holdings B.V.
Jann Brown, Acting Chief Financial Officer Slatehall Gullane Road Aberlady EH32 0QB United Kingdom	51	Appointed until the next annual general meeting of the Company	British	Pursuant to a resolution of the Board on 22 August, 2006	Cairn Energy PLC Cairn India Holdings Limited
Hamish M. Grossart, Non-Executive Director Pitlour Strathmiglo Cupar Fife KY14 7RS United Kingdom	49	3	British	Pursuant to a resolution of the Board on 22 August, 2006	Cairn Energy PLC Petronius Limited New Ingliston Limited Indigo Vision Group plc Artemis Investment Management Limited British Polythene Industries plc McLaren Group CEHL
Aman Mehta, Independent Non-Executive Director 4/7 Shanti Niketan New Delhi 110 021 India	60	3	Indian	Pursuant to a letter of appointment dated 4 September, 2006 and a resolution of the Board on 21 September, 2006	Jet Airways (India) Limited Tata Consultancy Services Limited Vedanta Resources plc (UK) Godrej Consumer Products Limited Wockhardt Pharmaceuticals Limited PCWW Limited (Hong Kong) Raffles Holdings Limited (Singapore) Max Healthcare Institute Limited CEHL
Naresh Chandra, Independent Non-Executive Director Sector C4 Flat 4053 Vasant Kunj New Delhi 110070 India	72	3	Indian	Pursuant to a letter of appointment dated 1 September, 2006 and a resolution of the Board on 21 September, 2006	Tata Consultancy Services Limited Hindustan Motors Limited Electrosteel Castings Limited Balrampur Chini Mills Limited Bajaj Auto Limited A.C.C. Limited Aviec Limited Linde Process Technologies Private Limited Vedanta Resources plc (UK) Vis Legis Consult Pvt Ltd G-4S Corporate Services (India) Pvt Limited Great Offshore Limited CEHL
Dr. Omkar Goswami, Independent Non-Executive Director A-130 Neeti Bagh New Delhi 110049 India	50	3	Indian	Pursuant to a letter of appointment dated 4 September, 2006 and a resolution of the Board on 21 September, 2006	Infosys Technologies Dr. Reddy's Laboratories Limited IDFC Limited Crompton Greaves Limited Gujarat Ambuja Cements Limited SRF Limited Sona Koyo Steering Systems Limited DSP Merrill Lynch Fund Managers Limited CERG Advisory Private Limited CEHL

Brief profiles of the Directors

Sir William Gammell, Non-Executive Chairman

Sir William Gammell was appointed as non-executive Chairman of the Company on 22 August, 2006. He holds a BA in Economics and Accountancy from Stirling University. He founded Cairn Energy PLC and was appointed chief executive on its initial listing in 1988. He has over 25 years' experience in the international oil and gas industry. He is chairman of the Scottish Institute of Sport Foundation, a director of the Scottish Institute of Sport and a director of Artemis AiM VCT plc. He was awarded a Knighthood for services to industry in Scotland in the 2006 UK New Year Honours List.

Norman Murray, Non-Executive Deputy Chairman

Norman Murray was appointed as non-executive Deputy Chairman of the Company on 22 August, 2006. He was appointed an independent non-executive director of Cairn Energy PLC in 1999 and chairman in 2002. He is a qualified chartered accountant, and has been involved in the venture capital industry for over 25 years. He was a co-founder and former chairman of Morgan Grenfell Private Equity Limited, a director of Morgan Grenfell Asset Management Limited, and a non-executive director of Bristow Helicopter Group Limited. He is a past chairman of the British Venture Capital Association and is currently President of the Institute of Chartered Accountants of Scotland. He is also a non-executive director of Greene King plc, Robert Wiseman Dairies PLC, and Penta Capital Partners Holdings Limited.

Rahul Dhir, Chief Executive Officer

Rahul Dhir joined Cairn India in May 2006 and was appointed Chief Executive Officer on 22 August, 2006. He was educated at the Indian Institute of Technology in Delhi (Bachelor of Technology), the University of Texas at Austin (Master of Science) and the Wharton Business School in Pennsylvania (Master of Business Administration). Mr. Dhir started his career as an oil and gas reservoir engineer before moving into investment banking. He has worked at SBC Warburg, Morgan Stanley and Merrill Lynch where he managed a team advising several major oil companies and a number of independent E&P companies on merger and acquisition and capital market related issues. Before joining Cairn India, he was managing director and co-head of Energy and Power Investment Banking at Merrill Lynch.

Lawrence Smyth, Chief Operating Officer

Lawrence Smyth joined Cairn India as managing director of CEIL in April 2005 and was appointed a director of the Company on 22 August, 2006. He began his career in upstream refinery engineering, and has been involved in major projects. He has experience of the exploration and production aspects of the oil and gas industry. He has spent his 35-year professional career in the oil and gas business. In the past decade, he has filled a number of executive roles, including President of British Petroleum's business in Colombia and President of the Sidanco Oil Company in Russia before its merger with TNK/BP. During his technical and managerial career, he has sat on a number of company boards and industry committees.

Jann Brown, Acting Chief Financial Officer

Jann Brown was appointed acting Chief Financial Officer of the Company on 22 August 2006. She is currently Finance Director of Cairn Energy PLC, having replaced Kevin Hart after the EGM of Cairn Energy PLC held on 17 November, 2006. She has served on the Cairn Group Management Board for seven years. She holds an MA from the University of Edinburgh and joined Cairn Energy PLC in 1998 after a career in the accountancy profession, mainly with KPMG. She is a member of The Institute of Chartered Accountants of Scotland and The Chartered Institute of Taxation. She is employed by Cairn Energy PLC.

Hamish Grossart, Non-Executive Director

Hamish Grossart was appointed a non-executive Director of the Company on 22 August, 2006. He was appointed an independent non-executive director of Cairn Energy PLC in 1994 and became deputy chairman in 1996. He has 20 years' experience on public company boards in a wide range of industries, both in an executive and non-executive capacity. He is currently also deputy chairman of British Polythene Industries PLC, chairman of Indigo Vision Group plc, and a director of Artemis Investment Management Limited.

Aman Mehta, Independent Non-Executive Director

Aman Mehta was appointed a non-executive Director of the Company on 4 September, 2006. Until 2003, Aman Mehta was the chief executive officer of HSBC Asia Pacific. Mr. Mehta is currently a non-executive director of Jet Airways (India) Limited, Tata Consultancy Services Limited, and Vedanta Resources plc.

Naresh Chandra, Independent Non-Executive Director

Naresh Chandra was appointed a non-executive Director of the Company on 1 September, 2006. Previously, Naresh Chandra was Chairman of the Indian Committee on Corporate Governance, Indian Government Ambassador to the U.S., adviser to the Indian Prime Minister, Cabinet Secretary to the GoI and Chief Secretary of the State of Rajasthan. Mr. Chandra is currently a non-executive director on a number of boards including Tata Consultancy Services Limited, Hindustan Motors Limited and Electrosteel Castings Limited, amongst others.

Dr. Omkar Goswami, Independent Non-Executive Director

Dr. Omkar Goswami was appointed a non-executive Director of the Company on 4 September, 2006. Previously, Dr. Goswami was Chief Economist for the Confederation of Indian Industry and the Editor of Business India. He has since founded his own consultancy giving advice to companies on corporate governance, corporate strategy, business restructuring and economic research. Dr. Goswami is currently a non-executive director on a number of boards including Infosys Technologies Limited.

None of our Directors are related to each other.

One of our full-time executive Directors, Rahul Dhir, has not been resident in India for a continuous period of twelve months preceding the date of his appointment to the Board. The Company is in the process of applying to the GoI to obtain its approval for such appointment.

Terms and Conditions of Employment of Executive Directors

We have entered into arrangements with our Chief Executive Officer and Chief Operating Officer in relation to their terms and conditions of employment. The following arrangements have been approved by the Remuneration Committee of the Company and the terms and conditions of employment of those Directors are in the process of being formalised.

Rahul Dhir, our Chief Executive Officer, was appointed on 22 August, 2006 and will be paid remuneration in the sum of Rs. 0.24 crore per annum and other statutory benefits including contributions to a provident fund, gratuity and reimbursement of expenses incurred by him in the discharge of his duties.

Lawrence Smyth, our Chief Operating Officer, was appointed on 22 August, 2006 and is liable to retire by rotation. He will be paid remuneration in the sum of Rs. 0.216 crore per annum and other statutory benefits including contributions to a provident fund, gratuity and reimbursement of expenses incurred by him in the discharge of his duties.

The appointment of both Rahul Dhir and Lawrence Smyth is terminable on 6 months' notice by either party. In addition Rahul Dhir's appointment is for an initial fixed term of 5 years. The other terms in relation to their employment relate, amongst others, to duties, hours of work and holidays.

Jann Brown, our acting Chief Financial Officer, will continue to be employed by Cairn Energy PLC as Finance Director and will receive no remuneration from the Company.

Terms and Conditions of Employment of Non-Executive Directors

The non-executive Directors do not have service contracts with the Company. Each has been appointed under a letter of appointment for an initial term of three years. Such appointment may be renewed, subject to the terms of the letter of engagement, the Articles of Association and the laws of India. The appointments provide for termination by either party on written notice.

The Company will, subject to the provisions in the Companies Act, the applicable listing agreements, and obtaining shareholder consent, pay each non-executive Director sitting fees for Board and committee meetings and a commission as a percentage of net profits up to in each case the maximum permissible limits specified in the Act. The Company will, in accordance with the Company's expenses policy from time to time, reimburse the non-executive Directors for all receipted out-of-pocket business expenses necessarily incurred by them in the proper performance of their duties.

Separately, each of the non-executive Directors receives a fee from CEHL in respect of holding office as a director of that company.

Key Management Personnel

An individual has accepted the Company's offer for the position of company secretary. The letter of offer states that such individual will join the Company on or before 15 December, 2006. In the meantime the Company has appointed Preeti Chheda as interim company secretary.

An individual has accepted the Company's offer for the position of chief financial officer. A date has not yet been agreed for such individual to join the Company.

Richard Heaton, director of Exploration

Richard Heaton has 25 years' experience in the E&P sector. He joined Cairn India in 1994, having previously worked with BNOC, Britoil and BP in various exploration roles in the North Sea, USA, Far East and Middle East. He was general manager in Bangladesh between 1996-1999, deputy general manager in India between 2000-2002, and has been head of exploration in India since 2002. He holds a BSc in Geological Sciences from the University of Leeds and an MSc in Engineering Geology from the University of Durham. Richard is employed by Cairn Energy PLC and seconded to CEIL.

Rob Theriault, director of Producing Assets and Midstream

Rob Theriault joined Cairn India in 1999 as general manager of operations, and has since held various technical and management roles. He holds a degree in Mechanical Engineering from the University of Calgary, and has over 29 years' experience working in countries including Canada, Indonesia, Australia, and China. Before joining Cairn India, he was Vice President (International) for Husky Oil China. He is employed by CEIL.

Rolf Stork, director of Rajasthan Operations

Rolf Stork joined Cairn India in 2002. He holds a Bachelor of Engineering (Hons) from the University of Queensland, and a MBA from Deakin University, Australia. He has 25 years' upstream oil and gas experience and has worked in Australia, the UK, Indonesia, China, and India. He held the senior management positions of Manager: Exploration and Production (Western Australia), Upstream Operations Manager and Project Manager at Origin Energy, and since joining Cairn India has held the positions of GM Development and Production Manager (Cambay Basin) and Rajasthan Asset Manager within Cairn India. He is employed by CEIL.

P. Elango, director of Strategy

P. Elango joined Cairn India in January 1996. He holds an MBA from the Annamalai University of Tamil Nadu. He has over 20 years' experience in the Indian oil and gas sector, ten years of which were with ONGC. He is involved in both commercial and asset management functions of Cairn India. He is employed by CEIL.

Jon Hafsmo, director of Projects

Jon Hafsmo joined Cairn India in August 2004. He holds a mechanical engineering qualification from Trondheim, Norway in 1969. He has 36 years' experience in the chemical, petrochemical, refining, power and exploration and production industries with companies including Norsk Hydro, Rafinor, Amoco and BP. His working career, in both operations and project development, has been almost equally split between Norway and locations including Argentina, Trinidad & Tobago, Texas, Egypt, Vietnam, and now India. He is employed by CEIL.

John McNeill, director of Reservoir Development

John McNeill holds a BSc in Chemical Physics from Bristol University and an MSc in Petroleum Engineering from Imperial College. After six years as a logging engineer with Baker Atlas, he joined Conoco UK in 1988 where he worked on the appraisal and development of oil, gas and gas condensate fields in the UK sector of the North Sea. He joined Cairn Energy PLC from Conoco UK in 1994 and has worked on all Cairn Energy PLC's exploration, appraisal and development projects since then in a variety of roles including the Rajasthan Block asset manager and head of subsurface for the Rajasthan Block. He is employed by CEIL.

David Nisbet, director of Communications

David Nisbet joined Cairn India in July 2006. He was previously head of group communications for Cairn Energy PLC. He has extensive experience in the media industry having worked for the BBC for 14 years as a correspondent in radio and television. He also ran his own media consultancy business for a number of years. He was educated at Leicester University where he obtained a Bachelor Degree in English and drama and University College Cardiff where he obtained a Diploma in Journalism Studies. He is employed by CEIL.

H. P. Bhalla, director of Business Services

H. P. Bhalla has over 42 years' experience in the oil industry. This includes 37 years with ONGC, where he worked as head of operations in Bombay High. He joined Cairn India in August 2000 and until April 2005 worked as head of assets for the Cambay Basin and Rajasthan. He is a consultant to CEIL.

John Caldwell, Chief Corporate Counsel

John Caldwell joined Cairn India in 2005. He obtained an LLB (Hons) from the University of Edinburgh in 1994 and qualified as a lawyer in Scotland in 1997. He has 11 years' experience in corporate and commercial law. Before joining Cairn India, he worked in private practice at Edinburgh-based firm, Shepherd+Wedderburn, and also in industry at BP Exploration in Aberdeen. He is employed by CEIL.

T. Vijayagopal, head of Finance (Joint Venture)

T. Vijayagopal joined Cairn India in October 2000. He holds a Bachelor Degree in Commerce from Madras University and is an associate member of the Institute of Chartered Accountants of India. He has over 17 years of post-qualification experience, which includes seven years in the manufacturing and five years in the service sector. He is employed by CEIL.

S. Suriyanarayanan, head of Finance (Corporate and Investor Relations)

S. Suriyanarayanan holds a Bachelor Degree in Commerce from Madras University. He is an associate member of the Institute of Chartered Accountants of India. He has over 19 years' post-qualification experience in finance, accounts, mergers and acquisitions and corporate governance. He joined Cairn India in August 2006. Previously, he worked for four years in the oil and gas business of the British Gas group, and for six years with Whirlpool of India Ltd. He is employed by CEIL.

Robert Newcomb, head of Finance (Accounting Services)

Robert Newcomb is a Fellow of the Chartered Institute of Management Accountants, London. He has over 30 years' experience in the international oil industry, both upstream and downsteam, and has held a series of senior financial management positions. Prior to joining Cairn India in April 2004, he worked for Exxon Mobil, Shell and Petrokazakstan. He is employed by CEIL.

P. Senthil Kumar, head of Human Resources and Administration

P. Senthil Kumar joined Cairn India in 2005. He holds a Bachelor of Technology (Chemical Engineering) and a post-graduate Diploma in Personnel Management and Industrial Relations. He has over 20 years' experience in a variety of industries and has held various management positions in human resources throughout his career. He is employed by CEIL.

Prabhakar Sastry, head of Legal

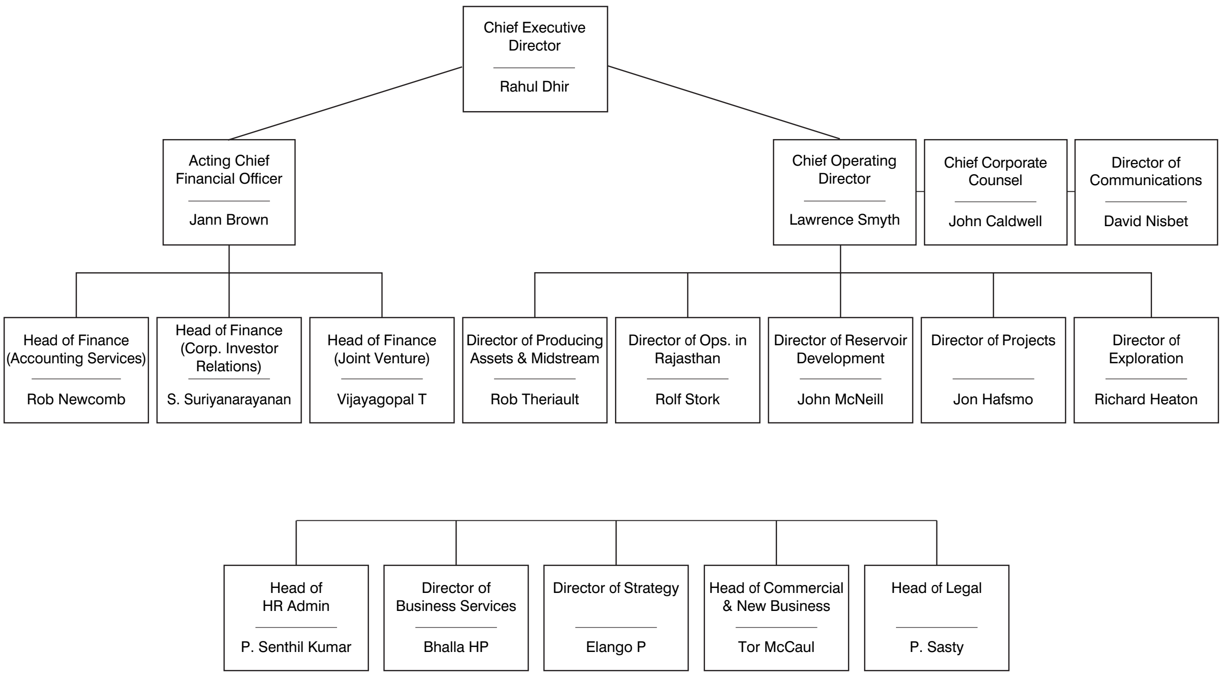
Prabhakar Sastry joined Cairn India in June 1998. He obtained a degree in law from Sri Venkateswara University, Tirupati in 1978 and practised law in the High Court of Andhra Pradesh at Hyderabad between 1979 and 1984. He was a legal adviser to ONGC between 1984 and 1998. He is employed by CEIL.

Tor McCaul, head of Commercial & New Business

Tor McCaul holds a BE Hons (Petroleum), BE Con and MBA. He joined Cairn India in mid-2004 and provides commercial input across all the activities of Cairn India. His early career was spent in petroleum and reservoir engineering roles on projects in Australia, New Zealand, Papua New Guinea and Pakistan. Later, he moved to a finance role for LASMO in Karachi. Whilst working for LASMO, he was seconded to the joint LASMO-BP-owned VICO Indonesia where he spent four years working in marketing and sales in Japan, South Korea, and Taiwan for Bontang LNG and LPG. He is employed by CEIL.

Apart from H. P. Bhalla, who is a consultant, and Richard Heaton, who is seconded from Cairn Energy PLC, all our other key managerial personnel are employed by Cairn India.

We have set out below a structure chart highlighting our key managerial personnel:



Changes in Key Managerial Personnel

There have been the following changes in the key managerial personnel of Cairn India in the year immediately preceding the date of this Red Herring Prospectus:

Name	Position	Change	Date	Reason
Richard Heaton	Director of Exploration	Appointment (nine month secondment from Cairn Energy PLC)	1 September, 2006	Organisational requirements
David Nisbet	Director of Communications	Appointment	14 July, 2006	Organisational requirements
John McNeill	Director of Reservoir Development	Appointment	1 October, 2006	Organisational requirements
S. Suriyanarayanan . .	Head of Finance (Corporate and Investor Relations)	Appointment	4 August, 2006	Organisational requirements
Stuart Wheaton	Head of Subsurface	Cessation	18 August, 2006	Resignation
Peter Brookes	Head of Finance	Cessation	31 July, 2006	Expiry of fixed term contract

Retention and Incentive Schemes for Executive Directors and Key Management Personnel

The Company has established the following share incentive arrangements pursuant to which options to acquire Equity Shares have been or will be granted to selected employees and Directors of Cairn India:

- CISMP;

- CIPOP; and
- CIESOP.

The main particulars of the CISMP, CIPOP and the CIESOP are described below:

CISMP

The CISMP was approved by the Company's shareholders at an EGM held on 17 November, 2006 and was subsequently adopted by the Board on the same day. The CISMP (which is administered by the Company's Remuneration Committee) is a discretionary arrangement that allows the Company to grant options to a limited number of its key senior management team.

On 24 November, 2006, the Company granted the following two options under the CISMP:

- an option to acquire up to 6,714,233 Equity Shares granted to Rahul Dhir ("Mr Dhir's Option"); and
- an option to acquire up to 1,584,480 Equity Shares granted to Lawrence Smyth ("Mr Smyth's Option").

Given that the maximum number of Equity Shares over which options can be granted pursuant to the CISMP is 8,298,713, it is not anticipated that any further options will be granted under this arrangement. In any event, no further options will be granted under the CISMP once the Issue has taken place.

The price payable for each Equity Share on the exercise of an option granted under the CISMP will be Rs. 33.70.

In the case of Mr Dhir's Option, vesting will generally occur as follows:

- one third of the option will vest on the day following the date on which the Equity Shares have been admitted to listing on the Stock Exchanges (the "Admission Date");
- a further third will vest 18 months after the Admission Date; and
- conditional on the Issue becoming effective, the final third of the option will vest on achieving 30 days' consecutive production of over 150,000 bopd from the Rajasthan Block.

In the case of Mr Smyth's Option, vesting will generally occur as follows:

- one half of the option will vest on the day following the Admission Date;
- conditional on the Issue becoming effective, a further quarter will vest on the date on which all major equipment for the start-up of the Mangala field is delivered to site; and
- conditional on the Issue becoming effective, the final one quarter of the option will vest on achieving 100,000 boepd from the Mangala field.

Notwithstanding the above, no part of any option granted under the CISMP will vest unless the Remuneration Committee is satisfied that there has been an overall satisfactory and sustained improvement in the performance of the Company since the date on which the option was granted. This additional condition does not, however, apply to any part of an option that vests on the day following the Admission Date.

A vested option (or part thereof) will generally remain exercisable for a period of 18 months. To the extent that an option (or part thereof) has not been exercised at the end of this period, it will lapse.

The issue of Equity Shares following the exercise of an option granted under the CISMP will result in a charge to the income statement of the Company. Such charge shall be equal to the product of the number of Equity Shares issued and the difference between the market price of such Equity Shares (as on the date of their issue) and the price payable on the exercise of the relevant option.

The options granted under the CISMP will not be administered in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (the "SEBI ESOP Guidelines"). Accordingly, in accordance with the SEBI Guidelines, any Equity Shares acquired on a post-Issue exercise of an option granted under the CISMP are locked-in and cannot be sold during a period of 12 months following the date of allotment of Equity Shares under the Issue.

Particulars of the options granted under the CISMP on 24 November, 2006 to Rahul Dhir and Lawrence Smyth are as follows:

(i)	Options granted	8,298,713
(ii)	Exercise price	Rs. 33.70
(iii)	Options vested	NIL
(iv)	Options exercised	NIL
(v)	Total number of Equity Shares arising as a result of exercise of options	NIL
(vi)	Options forfeited/lapsed	NIL
(vii)	Extinguishment or modification of options	NIL
(viii)	Variation of terms of options	NONE
(ix)	Money realised by exercise of options	NIL
(x)	Total number of options in force	8,298,713
(xi)	Person-wise details of options granted to:	
	(a) Directors and key managerial employees;	(a) Rahul Dhir, Chief Executive Officer—option to acquire up to 6,714,233 Equity Shares; and Lawrence Smyth, Chief Operating Officer—option to acquire up to 1,584,480 Equity Shares.
	(b) Any other employee who has received a grant in a year of options amounting to 5% or more of options granted during that year; and	(b) NONE
	(c) Identified employees who are granted options, during any one year, equal to or exceeding 1% of our issued equity shares (excluding outstanding warrants and conversions) at the time of grant.	(c) NONE
(xii)	Dilution in EPS	Not applicable as the Company does not have any earnings.
(xiii)	Vesting schedule	Please refer to the terms and conditions of the CISMP at page 120 of this Red Herring Prospectus.
(xiv)	Lock-in	12 months from the date of allotment of Equity Shares under the Issue.
(xv)	A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information: (a) risk-free interest rate; (b) expected life; (c) expected volatility; (d) expected dividends; and (e) the price of the share in market at the time of grant.	Fair values of options will be calculated by reference to the Issue Price.

CIPOP

The CIPOP was approved by the Company's shareholders at an EGM held on 17 November, 2006 and was subsequently adopted by the Board on the same day. The CIPOP is a discretionary arrangement and will be operated and administered by the Remuneration Committee in accordance with the SEBI ESOP Guidelines.

The CIPOP will enable the grant of options over Equity Shares to selected employees and executive Directors of Cairn India, the vesting of which will be dependent on the extent to which pre-determined performance conditions are met over a specified period.

Although the rules of the CIPOP will generally allow options to be granted to any executive Director or employee of Cairn India, it is expected that this arrangement will be used to make regular annual grants to Cairn India's senior managers, including its executive Directors. It is also anticipated that the grant process under the CIPOP will generally be aligned to the Company's annual staff appraisal system. As a consequence, only those employees and executive Directors who achieve a threshold level of performance will normally be considered for the grant of an option.

The initial options under the CIPOP (the "Initial POP Options") will be granted after the Issue Price has been determined but prior to listing of the Equity Shares in this Issue. Given the provisions of the CISMP, it is not intended that Rahul Dhir or Lawrence Smyth will participate in the Initial POP Options. Following the Issue, no further options will be granted under the CIPOP until it has been ratified by the Company's shareholders in general meeting.

The price payable for each Equity Share on the exercise of an option granted under the CIPOP will be Rs. 10 (being the nominal value of one Equity Share).

Options will generally vest (i.e. become exercisable) at the end of a "performance period" which will be set by the Remuneration Committee at the time of grant (although such period will not be less than three years). However, the percentage of an option which vests on this date will be determined by the extent to which pre-determined performance conditions have been satisfied. To the extent that an option has not vested at the end of the original performance period, it will lapse. In addition, the vesting of the Initial POP Options will be conditional on the completion of the Issue.

The maximum number of options that may be granted under the CIPOP to any employee in a fiscal year is limited to 1% of the Company's issued equity capital as on the date of grant, except where the same is approved by an ordinary resolution passed by the Company's shareholders.

The total value (see below) of Equity Shares over which an individual may be granted options under the CIPOP during the period commencing on the date of its adoption and ending on the final day of the Company's fiscal year ending 31 December, 2007 (both days inclusive) will not exceed 300% of his/her annual rate of base salary.

In any subsequent fiscal year of the Company, the total value (see below) of Equity Shares over which an individual may be granted options during that year will not exceed 200% of his/her annual rate of base salary.

For the purposes of applying the above limits:

- in the case of the Initial POP Options, the value of an Equity Share over which such options are granted will be taken as being equal to the Issue Price; and
- in the case of any other option, the value of an Equity Share over which that option is granted will be its closing price for the date of grant on the stock exchange on which the Equity Shares are listed.

Equity Shares may be newly issued to satisfy the exercise of options granted under the CIPOP. However, the aggregate number of Equity Shares over which options may be granted under the CIPOP, when added to the total number of Equity Shares over which options have been granted pursuant to the CIESOP, shall not exceed 88,265,718, being approximately 5% of the Company's expected issued equity capital as at the date of Issue.

For the purposes of the above limit:

- Equity Shares that have actually been issued under the CIPOP or the CIESOP on the exercise of an option will continue to count; but
- no account will be taken of any Equity Shares where the right to acquire such shares was released or has lapsed without being exercised.

Options will not be granted under the CIPOP more than 10 years after the date of its initial approval and adoption by the Company's shareholders in general meeting.

The issue of Equity Shares following the exercise of an option granted under the CIPOP will result in a charge to the income statement of the Company. Such charge shall be equal to the product of the number of Equity Shares issued and the difference between the market price of such Equity Shares (as on the date of their issue) and the price payable on the exercise of the relevant option.

Details of (i) the total number of options that will be granted under the CIPOP; and (ii) the Initial POP Options that will be granted under the CIPOP after the Issue Price has been determined but prior to listing of the Equity Shares in this Issue are as follows:

(i)	Total number of options to be granted under the CIPOP	88,265,718 (when aggregated with the number of options to be granted pursuant to the CIESOP).
(ii)	Exercise price	Rs. 10
(iii)	Options vested	NIL
(iv)	Options exercised	NIL
(v)	Total number of Equity Shares arising as a result of exercise of options	NIL
(vi)	Options forfeited/lapsed	NIL
(vii)	Extinguishment or modification of options	NIL
(viii)	Variation of terms of options	NONE
(ix)	Money realised by exercise of options	NIL
(x)	Total number of Initial POP Options to be granted	Not more than 88,265,718 (when aggregated with the number of options to be granted pursuant to the CIESOP).
(xi)	Person-wise details of Initial POP Options to be granted to:	
	(a) Directors and key managerial employees;	(a) Each of the executive Directors (other than Rahul Dhir and Lawrence Smyth) and the key managerial employees will be granted an Initial POP Option. Based on (i) the annual rate of assured pay currently payable to the highest paid executive Director/key managerial employee to whom an Initial POP Option will be granted (being £243,000 or Rs. 2.07 crore); and (ii) an assumed Issue Price of Rs. 160, the maximum number of Equity Shares over which an Initial POP Option will be granted to an executive Director/key managerial employee will be 129,321.
	(b) Any other employee who has received a grant in a year of options amounting to 5% or more of options granted during that year; and	(b) NONE
	(c) Identified employees who are granted options, during any one year, equal to or exceeding 1% of our issued equity shares (excluding outstanding warrants and conversions) at the time of grant.	(c) NONE
(xii)	Dilution in EPS	Not applicable as the Company does not have any earnings.

(xiii) Vesting schedule	Please refer to the terms and conditions of the CIPOP at page 122 of this Red Herring Prospectus.
(xiv) Lock-in	NONE
(xv) A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information: (a) risk-free interest rate; (b) expected life; (c) expected volatility, (d) expected dividends; and (e) the price of the share in market at the time of grant.	Fair values of Initial POP Options will be calculated by reference to the Issue Price.

CIESOP

The CIESOP was approved by the Company's shareholders at an EGM held on 17 November, 2006 and was subsequently adopted by the Board on the same day. The CIESOP is a discretionary arrangement and will be operated and administered by the Remuneration Committee in accordance with the SEBI ESOP Guidelines.

The CIESOP will enable selected employees of Cairn India to receive a grant of options over Equity Shares. Optionholders will generally be able to exercise their options at the end of a three-year "vesting period" provided they have remained in employment.

Although the rules of the CIESOP will generally allow options to be granted to any executive Director or employee of Cairn India, it is anticipated that, where an individual receives an option under the proposed CIPOP in any fiscal year, he will not be granted options under the CIESOP during that same period. Given that the intention is to make annual grants under the CIPOP to Cairn India's senior managers, including its executive Directors, it is not expected that these individuals will be granted any options under the CIESOP. It is also anticipated that the grant process under the CIESOP will generally be aligned to the Company's annual staff appraisal system. As a consequence, only those employees who achieve a threshold level of performance will normally be considered for the grant of an option.

The initial options under this arrangement (the "Initial ESOP Options") will be granted after the Issue Price has been determined but prior to listing of the Equity Shares in this Issue. Following the Issue, no further options will be granted under the CIESOP until it has been ratified by the Company's shareholders in general meeting.

The price payable for each Equity Share on the exercise of an option granted under the CIESOP shall be determined by the Remuneration Committee but shall not be less than its fair market value on the date of grant.

In the case of the Initial ESOP Options, the fair market value of an Equity Share on the date of grant shall be taken as being equal to the Issue Price. For the purposes of all other options granted pursuant to the CIESOP, the fair market value of an Equity Share on the date of grant shall be its closing price for the relevant day on the stock exchange on which such Equity Shares are listed.

Options which have not lapsed will normally "vest" (i.e. become exercisable) on the third anniversary of the date of grant (subject, in the case of the Initial ESOP Options, to the completion of the Issue).

Vested options will generally remain exercisable until the tenth anniversary of grant. To the extent that options have not been exercised at the end of this period, they will lapse.

The maximum number of options that may be granted under the CIESOP to any employee in a fiscal year is limited to 1% of the Company's issued equity capital as on the date of grant, except where the same is approved by a resolution passed by the Company's shareholders.

The total fair market value (at the date of grant) of Equity Shares over which an individual may be granted options under the CIESOP during the period commencing on the date of its adoption and ending on the final day of the Company's fiscal year ending 31 December, 2007 (both days inclusive) will not exceed 300% of his/her annual rate of base salary.

In any subsequent fiscal year of the Company, the total fair market value (again at the date of grant) of Equity Shares over which an individual may be granted options during that year will not exceed 200% of his/her annual rate of base salary.

Equity Shares may be newly issued to satisfy the exercise of options granted under the CIESOP. However, the aggregate number of Equity Shares over which options may be granted under the CIESOP, when added to the total number of Equity Shares over which options have been granted pursuant to the CIPOP, shall not exceed 88,265,718, being approximately 5% of the Company's expected issued equity capital as on the date of Issue.

For the purposes of the above limit:

- Equity shares that have actually been issued under the CIPOP or the CIESOP on the exercise of an option will continue to count; but
- no account will be taken of any Equity Shares where the right to acquire such shares was released or has lapsed without being exercised.

Options will not be granted under the CIESOP more than 10 years after the date of its initial approval and adoption by the Company's shareholders in general meeting.

The issue of Equity Shares following the exercise of an option granted under the CIESOP will result in a charge to the income statement of the Company. Such charge shall be equal to the product of the number of Equity Shares issued and the difference between the market price of such Equity Shares (as on the date of their issue) and the price payable on the exercise of the relevant option.

Details of (i) the total number of options that will be granted under the CIESOP; and (ii) the Initial ESOP Options that will be granted under the CIESOP after the Issue Price has been determined but prior to listing of the Equity Shares in this Issue are as follows:

(i)	Total number of options to be granted under the CIESOP	88,265,718 (when aggregated with the number of options granted pursuant to the CIPOP).
(ii)	Exercise price	As determined by the Remuneration Committee, but not less than the fair market value of the Equity Shares on the date of grant.
(iii)	Options vested	NIL
(iv)	Options exercised	NIL
(v)	Total number of Equity Shares arising as a result of exercise of options	NIL
(vi)	Options forfeited/lapsed	NIL
(vii)	Extinguishment or modification of options	NIL
(viii)	Variation of terms of options	NONE
(ix)	Money realised by exercise of options	NIL
(x)	Total number of Initial ESOP Options to be granted	Not more than 88,265,718 (when aggregated with the number of options to be granted pursuant to the CIPOP).

(xi) Person-wise details of Initial ESOP Options to be granted to:	
(a) Directors and key managerial employees;	NONE
(b) Any other employee who has received a grant in a year of options amounting to 5% or more of options granted during that year; and	NONE
(c) Identified employees who are granted options, during any one year, equal to or exceeding 1% of our issued equity shares (excluding outstanding warrants and conversions) at the time of grant.	NONE
(xii) Dilution in EPS	Not applicable as the Company does not have any earnings.
(xiii) Vesting schedule	Please refer to the terms and conditions of the CIESOP at page 124 of this Red Herring Prospectus.
(xiv) Lock-in	NONE
(xv) A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information:	Fair values of Initial ESOP Options will be calculated by reference to the Issue Price.
(a) risk-free interest rate;	
(b) expected life;	
(c) expected volatility;	
(d) expected dividends; and	
(e) the price of the share in market at the time of grant.	

Interests of Directors

All of the Directors may be deemed to be interested to the extent of fees payable to them for attending meetings of the Board or a committee thereof as well as to the extent of other remuneration and reimbursement of expenses payable to them under the Articles of Association and to the extent of remuneration paid to them for services rendered as a Director or employee of the Company.

The Directors may also be regarded as interested in the Equity Shares, if any, held by them, or that may be subscribed by or allotted to companies, firms and trusts in which they are interested as directors, members, partners, trustees and/or promoters pursuant to this Issue. The Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the Equity Shares. Further, the Directors may be deemed to be interested to the extent of the fees and other payments that may be made to companies of which they are Directors.

Certain Directors and key managerial personnel of the Company are shareholders of our Promoter, Cairn Energy PLC, and as a result may benefit from the promotion of the Company (see the sections entitled "Objects of the Issue" and "History and Corporate Structure" at pages 31 and 95 of this Red

Herring Prospectus). The interests of those Directors and key managerial personnel who hold shares in Cairn Energy PLC as at 24 November, 2006 are set out in the table below:

Name	Number of shares in Cairn Energy PLC
Rahul Dhir	2,900
Sir William Gammell*	805,000
Norman Murray	100,000
Hamish Grossart	40,000
Jann Brown	41,519
Richard Heaton	81,500
John McNeill	12,500
Rob Theriault	20,000
Tor McCaul	250

* The interests of Sir William Gammell include 108,548 shares in Cairn Energy PLC which are held in discretionary trusts of which the children of Sir William Gammell are potential beneficiaries.

The table set out above assumes no dealings by the Directors or their connected persons after 24 November, 2006.

In addition, as at 24 November, 2006, the following options, and awards made to certain Directors and key managerial personnel under the Cairn Energy PLC LTIP were outstanding:

Name	Options	LTIP Tier 1	LTIP Tier 2
Sir William Gammell		146,500	147,800
Jann Brown		54,900	63,300
Richard Heaton		54,900	69,800
Rob Theriault		31,800	
Rolf Stork		35,400	
Jon Hafsmo		18,700	
John McNeill		29,200	
David Nisbet		42,800	
Tor McCaul	11,258		
John Caldwell	10,302		
T Vijayagopal	8,154		
P Elango	29,090		
Robert Newcomb	8,283		
Prabhakar Sastry	10,069		
P Senthil Kumar	5,133		
S Suriyanarayanan		—	

Other Interests of Directors

Mr. Rahul Dhir, our Chief Executive Officer, and Mr. Lawrence Smyth, our Chief Operating Officer, are also employees of our subsidiary CEIL. Furthermore, Mr. Lawrence Smyth is also a director of CEIL.

Mr. Dhir and Mr. Smyth, as employees of CEIL, will be paid approximately U.S. $751,000 (approximately Rs. 3.46 crore) and £375,500 (approximately Rs. 3.20 crore) per annum respectively, including a contribution to personal pension arrangements. They will also receive other benefits including an annual cash bonus, specific transaction bonuses, allowances and reimbursement of expenses incurred by each of them in the discharge of their duties. These arrangements have been approved by the Renumeration Committee of the Company, and the terms and conditions of employment of those Directors are in the process of being finalised.

Pursuant to the completion of the Reorganisation, we will seek approval for the above payments from our shareholders at the next annual general meeting of the Company.

Directors' Indemnities

Cairn UK Holdings Limited has granted indemnities, subject to applicable law, to those Directors of the Company who are not directors of Cairn Energy PLC in respect of certain liabilities which may arise in connection with the Issue.

Corporate Governance

The provisions of the Listing Agreement to be entered into with the Stock Exchanges in connection with corporate governance will apply to the Company upon listing of the Equity Shares on such Stock Exchanges. The Company has complied with the corporate governance code in accordance with clause 49 of the Listing Agreement including adoption of a code of conduct for Directors and senior management in the required form.

In complying with clause 49 of the Listing Agreement, the Company has appointed three independent non-executive directors, comprising one third of the total membership of the Board, and constituted the following committees:

Audit Committee

The Audit Committee was constituted by the Board at its meeting held on 22 August, 2006. The Audit Committee currently comprises the following Directors of whom all are non-executive, and the Chairman and two other members are independent directors:

- Aman Mehta (chairman)
- Norman Murray
- Naresh Chandra
- Dr. Omkar Goswami

General Functions and Powers

- Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure correct, sufficient and credible financial information;
- Recommending to the Board the appointment, re-appointment or replacement of statutory auditors, and the setting of audit fees;
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- Reviewing, with management, the annual financial information before submission to the Board for approval, with particular reference to:
  - (a) matters required to be included in the Directors' Responsibility Statement in the Board's report pursuant to clause (2AA) of section 217 of the Companies Act;
  - (b) changes, if any, in accounting policies and practices and reasons for such changes;
  - (c) major accounting entries involving estimates based on the the exercise of judgement by the Company's management;
  - (d) any significant adjustments made in the financial information arising out of audit findings;
  - (e) compliance with listing and other legal or regulatory requirements relating to financial information;
  - (f) disclosure of any "related party transactions" as such term is defined in Accounting Standard 18, Related Party Transactions, issued by the Institute of Chartered Accountants of India; and
  - (g) any qualifications in the draft audit report.
- Reviewing, with management, the quarterly financial information before submission to the Board for approval;
- Reviewing, with management, the performance of statutory and internal auditors, and the adequacy of the internal control systems of the Company;

- Approving the appointment, removal and terms of remuneration of the chief internal auditor;
- Reviewing the adequacy of the internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- Discussing with internal auditors any significant findings and following up on any such significant findings;
- Reviewing the findings of any internal investigation by internal auditors into matters relating to irregularities, fraud, or a failure in internal control systems of a material nature, and reporting such matters to the Board;
- Pre-audit discussion with the statutory auditors as to the nature and scope of the audit and post-audit discussion to acertain any areas of concern;
- Looking into the reasons for any substantial defaults in payments to debenture holders, shareholders (in case of the non-payment of declared dividends) and creditors;
- Reviewing the Company's financial and risk management policies;
- Monitoring the utililisation of funds to be raised pursuant to a public issue; and
- Carrying out any other function as the Board may from time to time refer to the Audit Committee.

Authority to Sub-delegate

The Audit Committee shall have authority to sub-delegate its function in relation to the co-ordination and overseeing of the development of risk assessment, management and minimisation procedures to a committee, to be known as the Risk Management Committee, on such terms as it considers appropriate.

Internal Audit

KPMG India and BSR & Co are engaged to provide internal audit services to the Company.

Remuneration Committee

The Remuneration Committee was constituted by the Board of Directors at its meeting held on 22 August, 2006. The Remuneration Committee currently comprises the following Directors, of whom all are non-executive and the Chairman and two other members are independent directors:

- Naresh Chandra (chairman)
- Sir William Gammell
- Hamish Grossart
- Aman Mehta
- Dr. Omkar Goswami

General Functions

- Determining remuneration packages payable to executive Directors of the Company, including pension contributions and compensation payments; and
- Determining remuneration packages payable to key managerial personnel of the Company.

Shareholder/Investor Grievance Committee

The Shareholder/Investor Grievance Committee was constituted by the Board at its meeting held on 22 August, 2006. The Shareholder/Investor Grievance Committee currently comprises the following Directors, of whom two are independent non-executive directors, including the Chairman:

- Dr. Omkar Goswami (chairman)
- Naresh Chandra
- Rahul Dhir

General Functions

- Looking into the redressing of shareholders' and investors' complaints; and
- Carrying out any other functions as the Board of Directors may deem necessary from time to time.

Nomination Committee

The Nomination Committee was constituted by the Board at its meeting held on 22 August, 2006. The Nomination Committee comprises the following:

- Sir William Gammell (chairman)
- Rahul Dhir
- Norman Murray
- Hamish Grossart

General Functions

- regularly reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board, with a view to ensuring the continued ability of the Company to compete effectively in the marketplace, and make recommendations to the Board with regard to any changes;
- identifying and nominating, for the approval of the Board, appropriate individuals to fill Board vacancies as and when they arise;
- evaluating the balance of skills, knowledge and experience of the Board and, in the light of this evaluation, preparing a description of the role and capabilities required for particular appointments;
- in identifying suitable candidates, where appropriate, reviewing internal candidates through a process of succession planning and/or:
  - (i) using open advertising or the services of external advisers to facilitate the search; and
  - (ii) considering candidates from a wide range of backgrounds;
- considering candidates on merit and against objective criteria, taking care that appointees have enough time available to devote to the position;
- reviewing annually the time required from each non-executive director, using performance evaluation, to assess whether the non-executive director is giving sufficient commitment to the role;
- considering succession planning in the course of its work, taking into account the challenges and opportunities facing the Company and what skills and expertise are therefore needed from members of the Board in the future; and
- ensuring that on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside board meetings.

The Committee shall make recommendations to the Board concerning:

- plans for the succession of both executive and non-executive directors and, in particular, for the key roles of Chairman and Chief Executive Officer;
- suitable candidates for the role of senior independent director;
- membership of the Audit, Remuneration and Shareholder/Investor Grievance Committees, in consultation with the chairman of each of those committees;
- the re-appointment of any non-executive director at the conclusion of his specified term of office, having given due regard to his performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required;
- the continuation (or not) in service of any director who has reached the age of 70;

- the re-election by shareholders of any director under the "retirement by rotation" provisions in the Articles of Association having due regard to his performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required;
- the appointment of any director to an executive or other office other than to the positions of Chairman and Chief Executive Officer, the recommendation for which would be considered at a meeting of the full Board; and
- any matters relating to the continuation in office of any director at any time, including the suspension or termination of service of an executive Director as an employee of the Company subject to the provisions of the law and their service contract.

Project, Engineering and Technical Advisory Board

The Project, Engineering and Technical Advisory Board ("PETAB") was constituted by the Board at its meeting held on 22 August, 2006. Currently only Philip Tracy, the Cairn Energy PLC Engineering and Operations Director, has been appointed to the PETAB. It is anticipated that two further individuals with suitable industry experience will be appointed to the PETAB in due course.

General Functions

- Enabling the Board to obtain independent, expert advice on projects undertaken by the Company;
- Acting as an advisory body rather than an executive body of the Company; and
- Advising on the implementation and management of large-scale hydrocarbon projects.

Code of Internal Procedures and Conduct for the Prevention of Insider Trading

The provisions of regulation 12(1) of the SEBI (Prohibition of Insider Trading) Regulations, 1992 will be applicable to the Company immediately upon the listing of the Equity Shares on the Stock Exchanges. The Company undertakes to take all necessary steps to comply with all the requirements of the SEBI (Prohibition of Insider Trading) Regulations, 1992 on listing of the Equity Shares and the Board has adopted a code of internal procedures and conduct for the prevention of insider trading.

Borrowing powers of the Board of Directors

Under the Articles of Association of the Company, as amended by our shareholders at their EGM held on 21 September, 2006, until 30 September, 2009 or if earlier upon the Company ceasing to be a subsidiary undertaking for purposes of borrowing limits contained in the articles of association of the parent company of the Cairn Energy Group, the Board shall not, without the consent of the Company in general meeting, exercise the powers of the Company to borrow moneys if as a result of the aggregate amount of the moneys borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) shall exceed the lesser of (i) Rs. 5,625 crore (approximately U.S. $1.2 billion) and (ii) the aggregate of the paid-up capital of the Company and its free reserves (that is to say, reserves not set apart for any specific purpose). Under the Relationship Agreement, Cairn Energy PLC has undertaken to use all reasonable endeavours to procure that its articles of association are amended at the first EGM of Cairn Energy PLC held after admission of the Equity Shares to trading on the BSE and the NSE (or, if earlier, its Annual General Meeting in 2007) to the effect that the indebtedness of Cairn India is not taken into account in determining the borrowing limits of the Cairn Energy Group and thereafter to vote in favour of any resolution proposed at a General Meeting of the Company to remove this restriction.

PROMOTERS AND PROMOTER GROUP

PROMOTERS

Our Promoters are Cairn Energy PLC and Cairn UK Holdings Limited.

Cairn Energy PLC

Cairn Energy PLC is the holding company of Cairn UK Holdings Limited which holds 100% of our pre-Issue share capital and which will own 69.5% of our post-Issue share capital if the Green Shoe Option is not exercised, and 67.6% if the Green Shoe Option is exercised in full.

History of Cairn Energy PLC

Cairn Energy PLC is an independent oil and gas exploration company, listed on the London Stock Exchange with a market capitalisation, as at 24 November, 2006, of approximately £3,129.46 million. Its activities are focused on the exploration, appraisal, development and production of assets in south Asia, specifically in India, Bangladesh and Nepal.

In 1988, Cairn Energy PLC was admitted to the Official List of the London Stock Exchange and William Gammell became chief executive.

Cairn Energy PLC's involvement in south Asia commenced in 1993 when it farmed into the Bangladesh position of Holland Sea Search Holding N.V. ("HSSH"). By virtue of a joint venture between Cairn Energy PLC and HSSH, PSCs were entered into for Block 16 and Block 15 in Bangladesh in 1994 and 1995 respectively. HSSH, and its major shareholder Command Petroleum ("Command"), had focused on growth opportunities in Bangladesh and India. In 1994, Command signed the Ravva PSC. Cairn Energy PLC acquired the Amsterdam-listed HSSH and the Sydney-listed Command in public offers during 1995 and 1996 respectively.

In 1996, Cairn Energy PLC discovered the Sangu gas field offshore Bangladesh in the Bay of Bengal. In the same year, Cairn Energy PLC farmed out 25% of the Sangu gas field to Halliburton ("HBR") in return for 50% of the development costs. During 1997 and 1998, Cairn Energy PLC farmed out a 37.5% interest in Sangu and a 50% exploration interest in Bangladesh to Shell in return for $130 million cash, certain back-costs and a work programme carry. The transaction with Shell involved Cairn Energy PLC acquiring a 10% stake in the Rajasthan Block with options to increase that stake to 40% by carrying Shell through certain work programmes. In 1999, a joint venture between Cairn Energy PLC and Shell discovered the Guda oil field in Rajasthan. In a further transaction Cairn Energy PLC increased its stake in the Rajasthan Block to 50% and took over the operatorship from Shell. At the same time, the operatorship in Bangladesh transferred from Cairn Energy PLC to Shell. In May 2002, Cairn Energy PLC acquired the remaining 50% interest in the Rajasthan Block from Shell and simultaneously agreed a three year extension of the PSC exploration term with the GoI. In January 2004, the Mangala field was discovered.

Pursuant to a scheme of arrangement under section 425 of the UK Companies Act, 1985 which became effective on 19 February, 2003, a new holding company was introduced to the group. This company was called New Cairn Energy PLC but was renamed Cairn Energy PLC when the scheme became effective. The former Cairn Energy PLC was renamed Cairn Energy Bangladesh PLC at the same time. Also on the scheme effective date, the new holding company was admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's market for listed securities and correspondingly the previous holding company delisted on the same date.

Cairn Energy PLC's development interests and production activities in India have been described in the section entitled "Our Business" at page 50 of this Red Herring Prospectus. As described in this Red Herring Prospectus, on the Final Transfer Date the Company will acquire all of the oil and gas development and production assets, and the majority of the exploration assets, of the Cairn Energy Group in India.

Board of directors

The board of directors of Cairn Energy PLC as at the date of this Red Herring Prospectus comprises 12 directors, including six executive directors and six independent, non-executive directors:

Name	Age	Position	Appointed
W B B Gammell	53	Chief Executive	1988
M J Watts	50	Exploration Director	1997
J M Brown	51	Finance Director	2006
M S Thoms	51	Chief Operating Officer	2000
P O J Tracy	56	Engineering & Operations Director	2004
S J Thomson	41	Legal and Commercial Director	2006
N L Murray	58	Non-Executive Chairman	1999
H M Grossart	49	Non-Executive Deputy Chairman	1994
E T Story	62	Non-Executive Director	1997
T M Hunt	53	Non-Executive Director	2003
M R J Tyndall	48	Non-Executive Director	2003
A B Shilston	50	Non-Executive Director	2004

Kevin Hart resigned as finance director of Cairn Energy PLC on 17 November, 2006. He was succeeded by Jann Brown on 17 November, 2006.

Financial Performance

The audited consolidated financial results of Cairn Energy PLC for 2005 and 2004 under IFRS 2004 and 2003 under U.K. GAAP and its unaudited consolidated financial results for the six months ended June 2006 are summarised below:

	6 months ended 30 June, 2006 IFRS	Financial Year ended 31 December, 2005 IFRS	Financial Year ended 31 December, 2004 IFRS	Financial Year ended 31 December, 2004 U.K. GAAP	Financial Year ended 31 December, 2003 U.K. GAAP
	$'000	$'000	$'000	£'000	£'000
Total Revenue	153,861	262,562	172,909	95,449	155,814
Profit/(Loss) after tax	(5,794)	79,072	(15,674)	10,842	46,229
Equity Share Capital including Share Premium (paid up)	225,351	223,670	219,888	123,179	16,731
Reserves and surplus (excluding revaluation reserves) and debit balance of profit and loss account	517,331	533,928	491,309	307,961	321,047
Earnings/(Loss) per share (diluted)	(3.68) cents	50.10 cents	(10.28) cents	7.05 pence	31.38 pence
Net Asset Value per share	4.64 cents	4.74 cents	4.47 cents	27.11 pence	22.5 pence

For the years ended 31 December, 2003 and 2004, the Company prepared its consolidated financial information in accordance with U.K. GAAP. For the period ended 30 June, 2006 and the year ended 31 December, 2005 the Company prepared its consolidated financial information in accordance with IFRS. On adoption of IFRS in the year ended 31 December, 2005 the Company also restated its results for the year ended 31 December, 2004 and changed its presentational currency from £ to $.

Shareholding Pattern

As of 31 October, 2006 the shareholding pattern of Cairn Energy PLC was as follows:

Category	Accounts	Number of equity shares	Shareholding %
Mutual funds	165	45,812,178	28.67
Insurance	98	41,772,474	26.15
Pensions	252	41,102,179	25.73
Retail		15,036,010	9.41
Trading	20	4,610,634	2.89
Central Government	8	3,880,455	2.43
Investment Trusts	16	3,212,488	2.01
Hedge	13	2,322,936	1.45
Charities	17	1,494,764	0.94
Banks	1	284,092	0.18
Corporate	2	238,422	0.15

Details of listing and highest and lowest market price during the preceding six months

The shares of Cairn Energy PLC are listed on the Official List of the United Kingdom Listing Authority and traded on the London Stock Exchange's market for listed securities.

The highest and lowest market prices of the shares of Cairn Energy PLC in £ sterling during the previous six months are as follows:

Month	High	Low
May 2006	25.08	19.83
June 2006	21.93	18.76
July 2006	21.66	20.02
August 2006	21.84	19.25
September 2006	21.45	18.20
October 2006	19.01	17.55

At the close of trading on the London Stock Exchange's market for listed securities on 24 November, 2006, the share price of Cairn Energy PLC was £19.53.

Details of public issue/rights issue of capital in the last three years

On 2 July, 2004 Cairn Energy PLC placed 7,512,850 new ordinary shares of 10 pence each (the "Placing Shares") with institutions at a price of £13.70 per share, raising approximately £102.9 million before expenses (the "Placing"). Admission of the Placing Shares to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's market for listed securities became effective in July 2004.

The Placing was made to provide additional flexibility for Cairn Energy PLC's operations in India and Bangladesh. Specifically, the Placing was made to support the development of its discoveries in Rajasthan, while providing additional resources for increased exploration activity.

Mechanism for redressal of investor grievance

Communications with shareholders are given high priority by the board of Cairn Energy PLC. All shareholders are sent the company's annual report and accounts and interim report and accounts. Cairn Energy PLC endeavours to respond to all correspondence from shareholders and also has a website which contains a range of information, including a dedicated investor relations section. Prospective investors in the Issue should note that the information on the website of Cairn Energy PLC is not a part of the disclosures relating to the Issue and should not be used or relied on by prospective investors.

In addition, Mr. Grossart, the senior independent non-executive director, is available to shareholders if they have concerns which contact through the normal channels of the chairman, chief executive or finance director has failed to resolve or for which such contact is inappropriate.

Each of the non-executive directors is available to attend meetings with major shareholders (without the executive directors present), if requested by such major shareholders.

Joint Venture Arrangements

For details of the material agreements and the relationship between the Company and Cairn Energy PLC, see the sections entitled "History and Corporate Structure" and "Relationship with Cairn Energy PLC" at pages 95 and 141 of this Red Herring Prospectus.

Promoters of Cairn Energy PLC

Cairn Energy PLC is a professionally managed company and it has no promoters of its own.

Other Information

Cairn Energy PLC is neither a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985 nor is it subject to a winding-up order or petition.

The details of Cairn Energy PLC's permanent account number, registration number, bank account number and the address of the Registrar of Companies in Scotland are as follows:

PAN	N/A
Registration Number	SC226712
Bank Account	Citibank N.A., 336 Strand, London (Acc. No: 10597031)
Registrar of Companies in Scotland . . .	Companies House, 37 Castle Terrace, Edinburgh EH1 2EB

Common Pursuits

On the Final Transfer Date, Cairn Energy PLC will hold indirectly approximately 69.5% of the Company if the Green Shoe Option is not exercised. In addition, Cairn Energy PLC will continue to carry out exploration and development activities which are similar to the operations of the Company. Cairn Energy PLC will continue to hold interests in Bangladesh, Nepal and Papua New Guinea as well as in certain retained Indian assets. For details of the relationship between the Company and Cairn Energy PLC, see the section entitled "Relationship with Cairn Energy PLC" at page 141 of this Red Herring Prospectus.

Interest of Cairn Energy PLC

On the Final Transfer Date, Cairn Energy PLC will hold indirectly approximately 69.5% of the Company if the Green Shoe Option is not exercised and the Company will be its subsidiary. For details of the relationship between the Company and Cairn Energy PLC, see the section entitled "History and Corporate Structure" at page 95 of this Red Herring Prospectus.

Payment of benefits to Cairn Energy PLC

For details of the benefits of the Issue to Cairn Energy PLC, see the sections entitled "Objects of the Issue" and "History and Corporate Structure" at pages 31 and 95 of this Red Herring Prospectus.

Related Party Transactions

For details on related party transactions, see the section entitled "Financial Information" at page 150 of this Red Herring Prospectus.

Cairn UK Holdings Limited

Cairn UK Holdings Limited holds 100% of our pre-Issue share capital and will hold 69.5% of our post-Issue share capital if the Green Shoe Option is not exercised.

Cairn UK Holdings Limited was incorporated in Scotland on 26 June, 2006 as a private limited company. Its registered office is 50 Lothian Road, Edinburgh EH3 9BY, Scotland. Cairn UK Holdings Limited is a holding company.

Board of directors

Name	Age	Position	Appointed
W B B Gammell	53	Director	2006
M S Thoms	51	Director	2006
M J Watts	50	Director	2006

Financial Performance

The audited financial results of Cairn UK Holdings Limited are set out below.

	Periods ended 30 June, 2006 IFRS
	£'000
Total Revenue	—
Profit/(Loss) after tax	—
Equity Share Capital including Share Premium (paid up)	221,444
Reserves and surplus (excluding revaluation reserves) and debit balance of profit and loss account	—
Earnings/(Loss) per share (diluted)	—
Net Asset Value per share	100 pence

The audited financial information was prepared in accordance with IFRS as adopted by the European Union and presented in £.

Shareholder

As at 30 June, 2006, the shareholder of Cairn UK Holdings Limited was as follows:

Shareholder	Number of shares	Holding
Cairn Energy PLC	221,444,035 ordinary shares of £1 each	100%

Promoters of Cairn UK Holdings Limited

Cairn Energy PLC is the promoter of Cairn UK Holdings Limited.

Other Information

Cairn UK Holdings Limited is neither a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985 nor is it subject to a winding-up order or petition.

The details of Cairn UK Holdings Limited's permanent account number, registration number, bank account number and the address of the Registrar of Companies in Scotland are as follows:

PAN	N/A
Registration Number	SC304517
Bank Account	Citibank N.A., 336 Strand, London (Acc No: 11270699)
Registrar of Companies in Scotland	Companies House, 37 Castle Terrace, Edinburgh EH1 2EB

Interest of Cairn UK Holdings Limited

On the Final Transfer Date, Cairn UK Holdings Limited will hold 69.5% of the issued share capital of the Company (67.6% if the Green Shoe Option is exercised in full) and the Company will be its subsidiary. For details of the relationship between the Company, Cairn UK Holdings Limited and Cairn Energy PLC, see the sections entitled "History and Corporate Structure" and "Relationship with Cairn Energy PLC" at pages 95 and 141 of this Red Herring Prospectus.

Payment of benefits to Cairn UK Holdings Limited

For details of the benefits of the Issue to Cairn UK Holdings Limited, see the sections entitled "Objects of the Issue," "History and Corporate Structure" and "Relationship with Cairn Energy PLC" at pages 31, 95 and 141 of this Red Herring Prospectus.

Confirmations

The Promoters and Promoter Group entities, including relatives of the Promoters, have confirmed that they have not been declared as wilful defaulters by the RBI or any other governmental authority and there are no violations of securities laws committed by them in the past or pending against them.

PROMOTER GROUP COMPANIES

In addition to the Promoter, the following companies form part of the Promoter Group as they have operations or interests in assets in India. None of these companies is a listed company, has made any public or rights issue in the preceding three years, is a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985 or is subject to a winding-up order.

1. Cairn Exploration (No.1) Limited

Cairn Exploration (No.1) Limited was incorporated in Scotland on 11 May, 2005 as a private limited company. Its registered office is 50 Lothian Road, Edinburgh EH3 9BY, Scotland. Cairn Exploration (No.1) Limited holds a 25% equity interest in Block GV-ONN-2003/1.

Shareholder as of 22 November, 2006

Shareholder	Number of equity shares	Holding
Capricorn Energy Limited	1 ordinary share of £1	100%

Board of directors

Name	Age	Position	Appointed
W B B Gammell	53	Director	2005
M S Thoms	51	Director	2005
M J Watts	50	Director	2005

Financial Performance

The audited financial results of Cairn Exploration (No.1) Limited are set out below:

	6 months ended 30 June, 2006 IFRS	7 months ended 31 December, 2005 IFRS
	£	£
Total Revenue	—	—
Profit/(Loss) after tax	—	—
Equity Share Capital including Share Premium (unpaid)	1	1
Reserves and surplus (excluding revaluation reserves) and debit balance of profit and loss account	—	—
Earnings/(Loss) per share (diluted)	—	—
Net Asset Value per share	1	1

The audited financial information was prepared in accordance with IFRS as adopted by the European Union and presented in £.

2. Cairn Energy Search Limited

Cairn Energy Search Limited was incorporated in Scotland on 7 August, 2002. Its registered office is 50 Lothian Road, Edinburgh EH3 9BY, Scotland. Cairn Energy Search Limited holds a 50% equity interest in Block GV-ONN-2002/1.

Shareholder as of 22 November, 2006

Shareholder	Number of equity shares	Holding
Capricorn Energy Limited	551 ordinary shares of £1 each	100%

Board of directors

Name	Age	Position	Appointed
W B B Gammell	53	Director	2002
M J Watts	50	Director	2002

Financial Performance

The audited financial results of Cairn Energy Search Limited are set out below:

	6 months ended 30 June, 2006 IFRS	Financial Year ended 31 December, 2005 IFRS	Financial Year ended 31 December, 2004 IFRS	Financial Year ended 31 December, 2004 U.K. GAAP	Financial Year ended 31 December, 2003 U.K. GAAP
	£	£	£	£	£
Total Revenue	—	—	—	—	—
Profit/(Loss) after tax	(117)	(41)	—	—	—
Equity Share Capital including Share Premium (unpaid)	551	1	1	1	1
Reserves and surplus (excluding revaluation reserves) and debit balance of profit and loss account	(161)	(41)	—	—	—
Earnings/(Loss) per share (diluted)	(21.2) pence	4,100 pence	—	—	—
Net Asset Value per share	70.8 pence	(4,000) pence	100 pence	100 pence	100 pence

For the years ended 31 December, 2003 and 2004 the Company prepared its financial information in accordance with U.K. GAAP. For the period ended 30 June, 2006 and the years ended 31 December, 2005 the Company prepared its financial information in accordance with IFRS as adopted by the European Union. All financial information has been presented in £.

3. Cairn Energy Exploration and Production Company Limited

Cairn Energy Exploration and Production Company Limited was incorporated in Scotland on 25 July, 2002 as a private limited company. Its registered office is 50 Lothian Road, Edinburgh EH3 9BY, Scotland. Cairn Energy Exploration and Production Company Limited holds a 15% equity interest in Block GV-ONN-97/1.

Shareholder as of 22 November, 2006

Shareholder	Number of equity shares	Holding
Capricorn Energy Limited	23,216 ordinary shares of £1 each	100%

Board of directors

Name	Age	Position	Appointed
W B B Gammell	53	Director	2002
M S Thoms	51	Director	2004
M J Watts	50	Director	2004

Financial Performance

The financial results of Cairn Energy Exploration and Production Company Limited are set out below:

	6 months ended 30 June, 2006 IFRS	Financial Year ended 31 December, 2005 IFRS	Financial Year ended 31 December, 2004 IFRS	Financial Year ended 31 December, 2004 U.K. GAAP	Financial Year ended 31 December, 2003 U.K. GAAP
	£	£	£	£	£
Total Revenue	—	—	—	—	—
Profit/(Loss) after tax	(1,946)	(117)	—	—	—
Equity Share Capital including Share Premium (unpaid)	23,216	1	1	1	1
Reserves and surplus (excluding revaluation reserves) and debit balance of profit and loss account	(529)	(41)	—	—	—
Earnings/(Loss) per share (diluted)	(0.08) pence	(11,700) pence	—	—	—
Net Asset Value per share	0.98 pence	(4,000) pence	100 pence	100 pence	100 pence

For the years ended 31 December, 2003 and 2004 the Company prepared its financial information in accordance with U.K. GAAP. For the period ended 30 June, 2006 and the years ended 31 December, 2005 the Company prepared its financial information in accordance with IFRS as adopted by the European Union. All financial statements have been presented in £.

Common Pursuits of all Promoter Group Companies

All the Promoter Group companies hold equity interests in certain blocks in the Himalayan Foreland Basin, India (as described above).

Disassociation of companies by Cairn Energy PLC in the last three years

Name of the company	Relationship with Cairn Energy PLC	Reasons for disassociation	Date of disassociation
Cairn Energy Gujarat Block 3 Limited	subsidiary	The company held no assets and was no longer required	24 December, 2004
Cairn Energy Gujarat Block 2 Limited	subsidiary	The company held no assets and was no longer required	24 December, 2004
Cairn Energy Unjhav Limited	subsidiary	The company held no assets and was no longer required	24 December, 2004
Cairn Energy Vadnagar Limited	subsidiary	The company held no assets and was no longer required	24 December, 2004
Cairn Exploration (No.3) Limited	subsidiary	The company held no assets and was no longer required	20 January, 2006
Cairn Exploration (No.8) Limited	subsidiary	The company held no assets and was no longer required	20 January, 2006
Cairn Exploration (No.9) Limited	subsidiary	The company held no assets and was no longer required	20 January, 2006
Cairn Exploration (No.10) Limited	subsidiary	The company held no assets and was no longer required	3 February, 2006
Cairn Exploration (No.11) Limited	subsidiary	The company held no assets and was no longer required	3 February, 2006

RELATIONSHIP WITH CAIRN ENERGY PLC

Introduction

We have entered into a Subscription and Share Purchase Agreement and a Share Purchase Deed with Cairn Energy PLC, Cairn UK Holdings Limited and Cairn India Holdings Limited which provide for us to acquire the entire issued share capital of Cairn India Holdings Limited, a company which owns all of the oil and gas development and production assets and the majority of the exploration assets of the Cairn Energy Group in India as described in this Red Herring Prospectus. The Subscription and Share Purchase Agreement and the Share Purchase Deed are described in the section entitled "History and Corporate Structure" at page 95 of this Red Herring Prospectus. On the Final Transfer Date, we will, subject to and on the terms and conditions of the Subscription and Share Purchase Agreement and the Share Purchase Deed, own the entire issued share capital of Cairn India Holdings Limited.

Cairn India Holdings Limited and its subsidiaries have historically depended on Cairn Energy PLC for certain services, including treasury, taxation, certain insurance requirements and accounting and auditing and their business activities have been conducted using employees of Cairn Energy PLC and other companies in the Cairn Energy Group.

Following the Final Transfer Date, assuming no exercise of the Green Shoe Option, the Cairn Energy Group will beneficially own approximately 69.5% of the issued Equity Shares and Cairn Energy PLC will therefore continue to be the ultimate parent company.

In order to regulate the relationship between us and the Cairn Energy Group, we have entered into a number of agreements with the Cairn Energy Group which are described below. In addition, the Articles of Association confer certain specific rights on the Cairn Energy Group for so long as it is the holder of certain percentages of the issued Equity Shares. See the section entitled "History and Corporate Structure" at page 95 of this Red Herring Prospectus.

Relationship Agreement

We have entered into the Relationship Agreement with Cairn Energy PLC and Cairn UK Holdings Limited. The Relationship Agreement is conditional upon, and takes effect upon, the admission of the Equity Shares to listing on the BSE and the NSE taking place not later than 8am on 31 March, 2007.

Under the Relationship Agreement, Cairn Energy PLC has undertaken to us that it will exercise all of its powers and, so far as it is able to do so, procure that each of the members of its group and the directors nominated by it to the Board under the Articles of Association shall exercise all of their respective powers to ensure compliance with principles relating to our autonomy and corporate governance.

The parties to the Relationship Agreement have confirmed their intention to seek to ensure that we are capable at all times of carrying on the business independently of any member of the Cairn Energy Group and that all dealings between Cairn India and the Cairn Energy Group will be on terms approved by the Audit Committee of the Company. Our business and affairs will, subject to the provisions of the Relationship Agreement, be managed by the Board in accordance with the Articles of Association and all applicable laws and for the benefit of the shareholders as a whole.

As regards corporate governance, the parties have confirmed that they will use reasonable endeavours to ensure that we can comply with our obligations to the SEBI, the BSE and the NSE, and that Cairn Energy PLC can comply with its obligations to the UK Financial Services Authority and under UK disclosure and insider trading rules. Each party has undertaken to adopt and follow such principles and policies of corporate governance as will enable the other party to comply with the obligations of that other party to the relevant authority and stock exchanges and under relevant insider trading regulations and disclosure rules. The Relationship Agreement provides that if in consequence a party would have to comply with standards on some matter which differ, the party shall comply with the higher standard. Where the standards are similar but additional, the party shall comply with both standards. Where the party believes that to comply with both standards is impossible or is unduly onerous, the parties shall use reasonable endeavours to achieve the best possible compliance with each standard. Without prejudice to the foregoing, we have agreed to comply with such best practice principles, standards, policies and provisions relating to internal control and audit policies and procedures, a corporate social responsibility policy, risk management policies and other minimum corporate governance principles and policies as Cairn Energy PLC may approve from time to time in relation to its group as a whole.

The Relationship Agreement provides that for so long as Cairn Energy PLC is our parent undertaking, they and we will take steps to ensure that our respective employees and directors who are likely to be in possession of price sensitive information relating to either company will comply with a code of dealing in terms no less exacting than the the SEBI Insider Trading Regulations or the UK insider trading rules. The Relationship Agreement contains provisions relating to the relaxation of the borrowing limit in our Articles of Association. See "Management—Borrowing Powers of the Board of Directors" at page 131 of this Red Herring Prospectus.

The Relationship Agreement contains provisions for the supply by us to Cairn Energy PLC of such information and confirmations as Cairn Energy PLC may require to comply with its legal, regulatory and reporting obligations for so long as the Cairn Energy Group's holding in us is of such a level that Cairn Energy PLC is required to account the holding as a subsidiary or associated undertaking under International Accounting Standards. During such time we will provide Cairn Energy PLC with such information relating to members of Cairn India and their business as Cairn Energy PLC may reasonably request and which is necessary or reasonably required to enable any member of the Cairn Energy Group to comply with its reporting obligations or any other statutory or regulatory requirements applicable to it in any jurisdiction. In addition, and upon request by Cairn Energy PLC, we will issue it with a letter stating the adequacy (or otherwise) of Cairn India's internal controls, the extent of Cairn India compliance with the principles, standards, policies, provisions and procedures relating to internal control, audit, corporate social responsibility, risk management and other corporate governance principles and policies approved by Cairn Energy PLC for adoption by us under the Relationship Agreement and any control weaknesses identified in the previous year. We will have no liability in respect of information provided except in the case of gross negligence, wilful default or fraud.

We have agreed under the Relationship Agreement to retain Ernst & Young LLP and S.R. Batliboi & Associates as our statutory auditors and KPMG LLP and BSR & Co. as our internal auditors and to adopt such internal audit procedures as Cairn Energy PLC may approve from time to time.

The Relationship Agreement provides that we will either keep unpublished price sensitive information confidential or will disclose it appropriately in a manner that enables Cairn Energy PLC to comply with its obligations to the UK Listing Authority and the London Stock Exchange and under UK disclosure and insider trading rules. We have agreed that we will comply, and will procure that the Directors and employees comply, with the UK Combined Code on Corporate Governance to the same extent and in the same manner as Cairn Energy PLC, insofar as their activities could affect compliance with the Combined Code by Cairn Energy PLC.

The parties to the Relationship Agreement have agreed to review the operation of the Relationship Agreement annually.

We have also agreed that, subject to applicable law and following Admission, Cairn Energy PLC will have the right to require us to take such steps as are reasonably required by it in connection with a proposed sale or disposal of Equity Shares by any member of the Cairn Energy Group. Any steps taken by us as a result of any such request shall be taken at Cairn Energy PLC's cost and with such allocation of liability in relation to any such steps as the parties agree, save that, subject to all applicable law, Cairn Energy PLC will have no liability for any statements, representations or omissions of material facts regarding Cairn India to the extent that the information accurately reflects that provided by us.

Cairn may exercise such sale-related rights on not more than four separate occasions and may not exercise such rights within six months of the date of any previous sale or disposal of Equity Shares. Cairn may also not exercise such rights in respect of any sale or disposal of Equity Shares if they represent or would represent less than 10 per cent. of the total issued paid up equity share capital of the Company at the time of the sale or disposal. Nothing in the agreement will require Cairn India to register, or take any steps to register, any of its equity share capital or other securities with the Securities and Exchange Commission in the United States, or publish or take any step to publish a prospectus in any Member State of the European Economic Area pursuant to the Prospectus Directive.

The obligations under the Relationship Agreement are at all times subject to all relevant statutory and regulatory requirements and obligations of the parties in the United Kingdom, India and elsewhere including the requirements of the London Stock Exchange and the relevant Indian stock exchanges and no party is required to take any action or omit to take any action if to do so would result, or be reasonably likely to result, in a breach of such requirement or obligation.

The Relationship Agreement shall continue in force for so long as the Cairn Energy Group holds 10% or more of the Equity Shares. If the Cairn Energy Group ceases to hold 10% or more of the Equity Shares but within a period of 90 days thereafter increases its holding to or above 10% of the Equity Shares, the Relationship Agreement will revive and continue in full force and effect.

The Relationship Agreement is subject to English law and we, Cairn Energy PLC and Cairn UK Holdings Limited have submitted to the non-exclusive jurisdiction of the English courts in respect of any dispute arising out of the Relationship Agreement. If there is a dispute or claim arising out of the Relationship Agreement, we, Cairn Energy PLC and Cairn UK Holdings Limited will use all reasonable endeavours to resolve the matter on an amicable basis. The Relationship Agreement provides that if a party serves notice of a dispute on another and such dispute is not resolved within 30 days thereafter, the dispute will be referred to the parties' Chief Executives. Save for seeking injunctive relief from the English courts, no party to the Relationship Agreement will have recourse to legal proceedings unless and until such dispute resolution procedure is followed.

Non-Compete Agreement

We have entered into a Non-Compete Agreement with Cairn Energy PLC and Capricorn Energy Limited pursuant to which the parties have agreed that Cairn India shall exclusively be entitled to seek, explore for and develop hydrocarbon resources within the geographical area of India, including Indian territorial waters ("Cairn India's Primary Area"). For the duration of the agreement, no member of the Cairn Energy Group shall be entitled, without our prior written consent (such consent to be given in our sole discretion), to (a) acquire, bid or apply for, or otherwise seek (whether alone or jointly with any other party, whether directly or indirectly) to acquire any interest that is located within Cairn India's Primary Area, except in respect of (i) certain existing holdings of the Cairn Energy Group in the Ganga Valley and (ii) any production sharing contract with the Government, or any other agreement, mining lease, petroleum exploration licence or any other right, agreement, lease or licence to explore, mine, develop and/or produce hydrocarbons granted by any government or other state, regulatory or municipal authority, awarded jointly to any member of Cairn India and any member of the Cairn Energy Group as part of the NELP VI Licensing Round, or (b) otherwise carry on or be employed or engaged or interested in any business in Cairn India's Primary Area that would be in competition with any part of Cairn India's business. We have also agreed that if we consent to a member of the Cairn Energy Group engaging in any such activity, we shall cooperate and work with the other parties in order to establish the basis on which such interest will be acquired and developed or such activity will be carried out.

Under the terms of the Non-Compete Agreement, the parties have also agreed on the same terms as that set out in this section above that the Cairn Energy Group shall exclusively be entitled to seek, explore for and develop hydrocarbon resources within the geographical areas of Nepal and Bangladesh, including Bangladeshi territorial waters. The parties have also agreed that we will continue to co-operate and work together in relation to the Ganga Valley assets and the NELP VI Licensing Round in which we have submitted certain joint bids. If any of those joint bids are successful, the parties have agreed to cooperate and work together in accordance with the terms of the bids and shall negotiate in good faith any further terms and conditions which are necessary in order to govern the relationship between us and to develop the NELP VI assets.

The agreement shall come into effect from the later of the date on which the shares of the Company are admitted to trading on the BSE or the NSE, and shall terminate when Cairn Energy PLC holds, directly or indirectly, a shareholding in the Company which amounts to less than 20% of our issued equity share capital or, if earlier, three years from the effective date of the agreement. The Non-Compete Agreement is governed by, and to be construed, interpreted and applied in accordance with the laws of England and the parties to it have submitted to the exclusive jurisdiction of the English courts.

Articles of Association

Cairn UK Holdings Limited shall have the right to nominate for appointment up to three persons (or, if greater, one-third of the total number of Directors of the Company) as non-retiring Directors of the Company and to remove them or any one of them from office. The number of persons that Cairn UK Holdings Limited shall have the right to nominate as non-retiring Directors of the Company depends on the Cairn Energy Group's shareholding in the total issued paid-up and subscribed equity share capital of the Company. If the Cairn Energy Group holds 20% or more of the total issued paid-up and subscribed equity share capital of the Company, it shall have the right to nominate three non-retiring Directors of the

Company (or, if greater, one-third of the total number of Directors of the Company). If the Cairn Energy Group holds 15% or more but less than 20% of the total issued paid-up and subscribed equity share capital of the Company, it shall have the right to nominate two non-retiring Directors of the Company. If the Cairn Energy Group holds between 10% or more but less than 15% of the total issued paid-up and subscribed equity share capital of the Company, it shall have the right to nominate one non-retiring Director of the Company. If the Cairn Energy Group holds less than 10% of the total issued paid-up and subscribed Equity Capital of the Company, it shall cease to have the right to appoint any non-retiring Directors of the Company.

If the Cairn Energy Group holds 50% or more of the total issued, paid up and subscribed equity share capital of the Company, the Board shall have the power to appoint from amongst the persons appointed as Directors on the Board, based on the nomination of the Cairn Energy Group, the Managing Director or Managing Directors of the Company for a fixed term not exceeding five years at a time. For so long as the Cairn Energy Group does not hold 50% or more of the total issued, paid up and subscribed equity share capital of the Company, the Managing Director may be appointed by the Board subject to such appointment being approved by Cairn UK Holdings Limited if the Cairn Energy Group holds 20% of more of the total issued, paid up and subscribed equity capital of the Company.

To the extent that the Cairn Energy Group holds 20% or more of the total issued, paid-up and subscribed equity share capital of the Company, the Chairman of the Board of Directors of the Company shall be elected from amongst the non-retiring Directors nominated to the Board by Cairn UK Holdings Limited. In addition, for so long as the Cairn Energy Group holds 20% or more of the total issued paid-up and subscribed equity share capital of the Company, Cairn UK Holdings Limited shall have the right, subject to applicable law, to appoint the Chairman of any committee of the Board that may be formed or if the appointment of Chairman of the committee as aforesaid is prohibited by law, subject to applicable law, Cairn UK Holdings Limited shall have the right to appoint one of the Directors nominated by it on the Board, as a member of the relevant committee.

The quorum for a meeting of the Board is one-third of its total strength or two Directors, whichever is higher, including for so long as Cairn UK Holdings Limited has the right to nominate a Director, one Director nominated by Cairn UK Holdings Limited, unless the requirement is waived by any of the Directors appointed by Cairn UK Holdings Limited or the company secretary of Cairn UK Holdings Limited.

To the extent that the Cairn Energy Group holds less than 50% but more than 20% of the total issued, paid up and subscribed equity capital of the Company, the auditors may be nominated by the Board for appointment at a general meeting, which shall be subject to the affirmative vote of Cairn UK Holdings Limited at the general meeting of the Company.

For so long as the Cairn Energy Group together holds 20% or more of the total issued, paid-up and subscribed equity capital of the Company, the internal auditors shall be appointed by the Board, subject to such appointment being approved by Cairn UK Holdings Limited in writing.

Each provision of the Articles, which has effect if Cairn UK Holdings Limited and/or member(s) of the Cairn Energy Group holds a specified minimum percentage of equity capital of the Company, ceases to have any further effect if the holding of equity capital by Cairn UK Holdings Limited and/or member(s) of the Cairn Energy Group falls below that minimum percentage for a period of more than 90 days. The rights granted to Cairn UK Holdings Limited or any member of the Cairn Energy Group under the relevant provisions will be suspended until Cairn UK Holdings Limited or any member of the Cairn Energy Group regains the necessary equity capital constituting the specified minimum percentage of equity capital during this period of 90 days.

Confidentiality Undertaking

We have entered into the Confidentiality Undertaking with Cairn Energy PLC pursuant to which each party has agreed, in relation to any confidential information disclosed to it by the other party, to keep such information secret and confidential and to comply with certain restrictions regarding the use and disclosure of that information. The undertaking does not apply to any information which the recipient can prove that it has developed after the effective date of the Confidentiality Undertaking independently of any confidential information disclosed to it by the other party, or which is disclosed or made available to the other party by a third party (provided it was not disclosed or made available pursuant to a breach of confidence) or to the extent such information is required to be disclosed by law, regulation, the rules of any applicable regulatory organisation, any government agency lawfully requesting the information, or any court requesting disclosure in pursuance of its powers. Information may also be disclosed as expressly required by certain provisions of the Relationship Agreement. If Cairn India relinquishes or surrenders in full a contract area awarded under a PSC in which Cairn India has a participating interest in accordance with the terms of the relevant PSC (whether before or after the effective date of the Confidentiality Undertaking), then Cairn Energy PLC is not prevented from making use, after the termination of the Non-Compete Agreement, of any confidential information to the extent it relates to that relinquished or surrendered interest. The Confidentiality Undertaking takes effect on the later of the date on which the Equity Shares offered in the Issue are admitted to trading by the NSE or the BSE and continues for a period of five years from the termination of the last to expire of the Relationship Agreement, the Transition Support Agreements, the Non-Compete Agreement and the trade mark licences that we have entered into with Cairn Energy PLC and Capricorn Resources Limited (as described below). The Confidentiality Agreement is governed by, and is to be construed, interpreted and applied in accordance with the laws of England and the parties to it have submitted to the exclusive jurisdiction of the English courts.

Contribution Agreement

The Company and Cairn Energy PLC have entered into the Contribution Agreement pursuant to which Cairn Energy PLC agrees to bear a proportion of (i) any payments made by the Company under any of those indemnities given or to be given by the Company under each of the Coordination Agreement, the Memorandum of Understanding and the Underwriting Agreement (the "Relevant Indemnities") and (ii) relevant costs and expenses incurred in dealing with a claim under the Relevant Indemnities. The Contribution Agreement contains the provisions set out below, amongst others.

In the event of the Company making payment in respect of a liability under any of the Relevant Indemnities, Cairn Energy PLC will bear a proportion of the liability and of the relevant costs and expenses, which will be equivalent to the proportion which (i) the aggregate gross proceeds of the Pre-IPO Placing, the Issue and the exercise of the Green Shoe Option (the "Gross Proceeds") less a sum equal to the amount of such gross proceeds which will be retained by the Company for working capital purposes, to repay certain debt and to bear certain Issue expenses (the "Retained Proceeds") bears to (ii) the Gross Proceeds.

The Contribution Agreement also contains certain provisions which would result in the Company or Cairn Energy PLC (as appropriate) bearing the whole of a particular payment under any of the Relevant Indemnities in the event that, broadly, (i) the claim giving rise to the particular payment results from an untrue statement of a material fact in the prospectuses or the offering memoranda (including any amendment or supplement thereto) issued in connection with the Issue or an omission to state a material fact necessary in order to make the statements in such documents, in the light of the circumstances under which they are made, not misleading and (ii) such untrue statement or omission is known at the relevant time(s) to certain executive directors of the relevant company (being the company that would therefore have to bear the whole of the relevant payment) but not to the relevant executive directors of the other company. However, unless and until a final determination of whether such untrue statement or omission was known by the relevant executive directors at the relevant time(s), Cairn Energy PLC and the Company will bear any payments under any of the Relevant Indemnities in their due proportions.

The Contribution Agreement also contains certain limitations on the liability of Cairn Energy PLC to make payments to the Company in the event of the Company having to make payments under any of the Relevant Indemnities. Claims are required to be notified to Cairn Energy PLC before the third anniversary of the date of the Contribution Agreement. In addition, the total aggregate sum which Cairn Energy PLC may be required to pay the Company under the Contribution Agreement will not exceed a sum equal to the Gross Proceeds less the aggregate of the Retained Proceeds and certain Issue-related expenses.

The Contribution Agreement is governed by and construed in accordance with the laws of India and subject to arbitration in accordance with the Rules of Arbitration of the Indian Council of Arbitration.

Transition Support Agreements

On 4 October, 2006 we entered into a Transition Support Agreement with Cairn Energy PLC. The Transition Support Agreement takes effect upon the later of the date of admission of the Equity Shares to trading on the BSE and the date of admission of the Equity Shares to trading on the NSE. The Transition

Support Agreement sets out the terms and conditions under which Cairn Energy PLC will provide (or procure the provision of) certain services to us on a transitional basis.

Under the Transition Support Agreement, Cairn Energy PLC is required to render certain services, called "primary services" for the purposes of the Transition Support Agreement, to Cairn India at our request. Such primary services include legal, commercial, tax, finance and treasury services, certain health and safety, corporate social responsibility and security services, and the provision of specialist project advice and support to our Project Advisory Board. Cairn Energy PLC has also agreed to provide certain other services, called "secondary services" for the purposes of the Transition Support Agreement, to Cairn India at our request unless the rendering of such services would have, in the opinion of Cairn Energy PLC (acting reasonably), a material adverse effect on its existing and future operations and/or business. Such secondary services include commercial, geological, geophysical and petrophysical exploration and interpretation, CAD and petroleum engineering services and certain additional health and safety, corporate social responsibility and security services and advice in relation to upgrading our project integrity management system and technical consultation and analyses.

We have agreed to pay Cairn Energy PLC a service fee of cost plus 10%, together with associated costs and expenses, for the services provided under the Transition Support Agreement.

In the event of a breach, negligent performance or failure or delay in performance of the Transition Support Agreement by Cairn Energy PLC that is capable of remedy, we must ask Cairn Energy PLC to re-perform or perform (as the case may be) the relevant service and Cairn Energy PLC must do so (at no extra cost to us) within 14 days of such request. If the relevant service is not remedied at the first attempt by Cairn Energy PLC to our satisfaction within the 14 day period, we are entitled to take such action and pursue such remedies as we see fit.

Under the Transition Support Agreement Cairn Energy PLC has agreed to indemnify us against certain losses including: (i) losses incurred as a result of or in connection with any alleged or actual infringement of any third party's intellectual property rights arising out of the use or supply of the services; or (ii) any claim brought or made against us in respect of any loss sustained by our employees or agents or any customer or third party to the extent that such loss was caused by, relates to or arises from a breach or negligent performance or failure or delay in performance of the Transition Support Agreement by Cairn Energy PLC. We have agreed to indemnify Cairn Energy PLC in respect of all losses it suffers as a result of or in connection with claims brought against Cairn Energy PLC in respect of any losses sustained by Cairn Energy PLC's employees or agents or by any customer or third party to the extent that such loss is caused by, relates or arises out of the breach or negligent performance or failure or delay in performance of the Transition Support Agreement by us. Both our and Cairn Energy PLC's liability under the Transition Support Agreement is subject to a maximum limit for any and all breaches in terms of a particular service request, of the total sums paid to Cairn Energy PLC under that service request.

The Transition Support Agreement provides that all intellectual property rights arising out of the provision of the services will belong to us.

In the event that the Transfer of Undertakings (Protection of Employment) Regulations 2006 of the United Kingdom ("TUPE") or any equivalent Indian legislation applies to any personnel engaged in providing services under the Transition Support Agreement, we may terminate the employment of such person and Cairn Energy PLC will indemnify us in respect of all liabilities and costs (including redundancy costs) arising out of the employment of such person, termination of such employment or any liability which transferred to us under TUPE.

The terms of the Transition Support Agreement permit Cairn Energy PLC to delegate, with our prior written consent (not to be unreasonably withheld or delayed), the performance of the services to any other technically competent affiliate of Cairn Energy PLC or third party. In the event of such delegation, Cairn Energy PLC will remain bound under the Transition Support Agreement and will be liable for breaches of the Transition Support Agreement by such affiliate or third party. The Transition Support Agreement will expire after a period of six months from the date on which the Equity Shares are admitted to trading on the Stock Exchanges but will remain in effect (a) in respect of legal services, for a period of 12 months and (b) for the purposes of assisting with the preparation and submission of non-Indian subsidiary tax returns, until the enquiry period for the 2006 tax returns is over and any issues raised in respect of such tax returns but not at that date finally concluded have been agreed with the relevant tax authority, after which times it shall terminate in respect of the relevant service.

We will have the right to request on reasonable notice (but no more frequently than once during any calendar year) an audit of Cairn Energy PLC's records of the costs and expenditure incurred by it in the performance of the services and details of works carried out under the Transition Support Agreement. Any such audit will be conducted (at our cost unless it is agreed or determined by such audit that we have been overcharged) by Cairn Energy PLC's statutory auditors or, if they will not accept such appointment, by an external auditor of international standing appointed by us. Disputes relating to such audit are to be determined by an independent auditor.

The Transition Support Agreement is governed by English law and we and Cairn Energy PLC have submitted to the exclusive jurisdiction of the English courts in respect of any dispute arising out of the Transition Support Agreement (other than a dispute relating to an audit of Cairn Energy PLC's records). If there is a dispute or claim arising out of the Transition Support Agreement, it must be referred to certain representatives of us and Cairn Energy PLC for resolution before legal proceedings can be brought. If any dispute cannot be resolved within a maximum of 20 business days, then either party can refer it to court.

CEIL entered into two transition support agreements with Cairn Energy PLC on 4 October, 2006.

Both of the transition support agreements between CEIL and Cairn Energy PLC require Cairn Energy PLC to render certain services to CEIL and its affiliates at their request. One of these transition support agreements relates to the provision of the same services to be supplied under the Transition Support Agreement. The other transition support agreement between CEIL and Cairn Energy PLC relates to the provision of exploration services. The other terms of the transition support agreements between CEIL and Cairn Energy PLC are substantially the same as the terms of the Transition Support Agreement which we entered into with Cairn Energy PLC on 4 October, 2006, the material terms of which are summarised above.

We have also entered in to a letter agreement with Cairn Energy PLC and CEIL which provides that, although each of the Transition Support Agreements and the two transition support agreements between Cairn Energy PLC and CEIL specifies a maximum number of service days that Cairn Energy PLC can be required to provide in respect of each service, such maximum is an aggregate across all three agreements. The allocation of service days will be agreed between us and CEIL.

Trade Mark Agreements

Assignment Agreement between the Company and Cairn Energy Assets Limited ("CEAL")

We have entered into a trade mark deed of assignment with CEAL dated 4 October, 2006 in order to acquire from CEAL for nominal consideration its rights in various Benelux and UK trade mark registrations. On the later of the date upon which the Equity Shares are admitted to trading on the BSE and the date upon which the Equity Shares are admitted to trading on the NSE (the "Effective Date") we will acquire the following registered trade marks (together, the "Trade Marks") from CEAL:

Mark	Territory and Registered Number	Classes	Expiry Details
Cairn Energy	UK (2183151)	16, 35, 37, 39, 40, 41 and 42	Registered (expires 28/11/2008)
Cairn	UK (2183153)	16, 35, 37, 39, 40, 41 and 42	Registered (expires 28/11/2008)
Cairn Logo	UK (2183158)	16, 35, 37, 39, 40, 41 and 42	Registered (expires 28/11/2008)
Cairn Energy	Benelux (656253)	16, 35, 37, 39, 40, 41 and 42	Registered (expires 08/04/2009)
Cairn	Benelux (656260)	16, 35, 37, 39, 40, 41 and 42	Registered (expires 08/04/2009)
Cairn Logo	Benelux (656267)	16, 35, 37, 39, 40, 41 and 42	Registered (expires 16/04/2009)
Cairn Resources	UK (2276265)	16, 35, 37, 39, 40, 41 and 42	Registered (expires 26/07/2011)
Cairn Resources	Benelux (705023)	16, 35, 37, 39, 40, 41 and 42	Registered (expires 07/08/2011)

Trade Mark Licence Agreement between the Company and Cairn Energy PLC

Pursuant to a trade mark licence agreement, we have agreed to grant Cairn Energy PLC a non-exclusive, royalty-free worldwide licence to use the Trade Marks for the purpose of carrying out its energy investment business as such business will be carried out immediately following the date on which the licence takes effect (and not in relation to any other or new business). The licence includes the right to use the word “Cairn” as part of PLC’s corporate or trading name. The licence will take effect from the later of the date upon which the Equity Shares are admitted to trading on the BSE and the date upon which the Equity Shares are admitted to trading on the NSE and will terminate with effect from when Cairn Energy PLC holds, directly or indirectly, a shareholding in the Company which amounts to less than 10% of the issued equity share capital of the Company.

Cairn Energy PLC must cease trading under, or using in any way the Trade Marks or any name or device which includes the word “Cairn” immediately upon the termination of the licence.

Cairn Energy PLC will be entitled to sub-licence its rights under the licence to any parent undertaking of Cairn Energy PLC and (only for the purposes of entitling such person to identify itself as being part of the Cairn Energy Group by reference to the Cairn name or logo) any member of the Cairn Energy Group.

Trade Mark Licence Agreement between the Company and Capricorn Energy Limited

We have also agreed to grant to Capricorn Energy Limited a non-exclusive, royalty-free licence to use the Trade Marks in the United Kingdom, India, Bangladesh and Nepal for the purpose of carrying out its oil and gas exploration, production and development business as such business is carried on at the date on which the licence takes effect (and not in relation to any other or new business). The licence will take effect from the later of the date upon which the Equity Shares are admitted to trading on the BSE and the date upon which the Equity Shares are admitted to trading on the NSE. The licence also includes the right for Capricorn Energy Limited, or any member of the Capricorn Energy Group, to use any of the Trade Marks as part of its current corporate or trading name.

Capricorn Energy Limited will be entitled to sub-licence its rights under the licence to any member of the Capricorn Energy Group.

Under the terms of this agreement, Capricorn Energy Limited shall as soon as is reasonably practicable after the date on which the licence takes effect take all reasonable steps to procure that all members of its group undergo a change of name to a name which does not include the word “Cairn” and cease to use the Trade Marks.

The licence is granted for a period of 24 months whereafter the term may be extended by mutual agreement. We have agreed to consent to extend the term of the licence in respect of the rights granted in relation to Nepal and Bangladesh for such period as Capricorn Energy Limited may reasonably request if, in our reasonable opinion, failure to extend the licence would have a material adverse impact on Capricorn Energy Limited’s business and we are satisfied of Capricorn Energy Limited’s compliance with its obligation to take all reasonable steps to procure that all members of the Capricorn Group undergo a change of name to a name which does not include the word “Cairn” (which shall include making all relevant applications to third parties to notify them of the change of name and seeking the consent of third parties to change the name on all necessary documentation) and cease to use the Trade Marks.

DIVIDEND POLICY

The Company does not intend to distribute any dividends in the foreseeable future.

FINANCIAL INFORMATION OF THE COMPANY

SUMMARY STATEMENT OF ASSETS AND LIABILITIES AND SUMMARY STATEMENT OF PROFITS AND LOSSES OF CAIRN INDIA LIMITED UNDER INDIAN GAAP AS AT 12 OCTOBER, 2006 AND FOR THE PERIOD FROM 21 AUGUST, 2006 TO 12 OCTOBER, 2006

Report by the Auditors of the Company as required by Part II of Schedule II to the Companies Act, 1956 and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000.

To The Board of Directors
Cairn India Limited
Mumbai
India

Dear Sirs,

1. In connection with the proposed Initial Public Offer ('IPO') of Cairn India Limited (the 'Company') of its equity shares having a face value of Rs. 10 per equity share at an issue price, as may be decided by the Board of Directors, to be arrived at by the 100% book building scheme and at your request, we have examined, as detailed in paragraph 3 below, the summary financial information (as defined in paragraph 4 below) of the Company as at October 12, 2006 and for the period from August 21, 2006 to October 12, 2006 (hereinafter referred to as the 'period under examination') annexed to this report and initialled by us for identification purposes.

2. The above financial information is the responsibility of the management of the Company and has been prepared in accordance with the requirements of:

   a. paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 (the 'Act');

   b. the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 (the 'Guidelines') issued by the Securities and Exchange Board of India ('SEBI') on January 19, 2000, as amended from time to time in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992.

3. Our examination was conducted in accordance with the applicable generally accepted auditing standards ('GAAS') framework in India, including inter alia, requirements mandated by the Institute of Chartered Accountants of India ('ICAI') in the Guidance Note on Reports in Company Prospectuses, Guidance Note on Audit Reports/Certificates on Financial Information in Offer Documents and Guidance Note on Audit Reports and Certificates for Special Purposes issued by the ICAI.

Financial information as per audited financial statements of Cairn India Limited

4. We have examined the attached summary statement of assets and liabilities of the Company as at October 12, 2006 and the attached summary statement of profits and losses for the period under examination ('Summary Financial Information') (see Annexure I and II) as prepared by the Company. The notes to the Summary Financial Information are attached in Annexure III to this report.

5. The summary of significant accounting policies adopted by the Company pertaining to the Summary Financial Information for the period under examination is enclosed as part of Annexure IV to this report.

6. Based on our examination of the Financial Information, we confirm that:

   — there are no extraordinary items which need to be disclosed separately in the Summary Financial Information; and

   — there are no qualifications in the auditors' reports, which require any adjustments to Summary Financial Information.

Other financial information

7. At your request, we have also examined the following other financial information of the Company for the period under examination, annexed to this report, which is proposed to be included in the Offer Document:

Details of Other Financial Information Examined	Annexure Reference
Summary statement of cash flows	V
Details of other income	VI
Capitalisation statement as at 12 October, 2006	VII
Details of secured and unsecured loans as at 12 October, 2006	VIII
Accounting ratios based on the profits relating to earnings per share, return on net worth, net asset value per share and debt/equity ratio	IX
Statement of related party transactions	X

We have been informed that the Company has not declared any dividend on its equity shares for the period ended 12 October, 2006.

8. In our view, the 'financial information as per audited financial statements' and 'other financial information' referred to above has been prepared in accordance with Part II of Schedule II to the Act and the Guidelines.

9. This report should not be in any way construed as a reissuance or redating of any of the previous audit report issued by us nor should this report be construed as a new opinion on any of the financial statements referred to herein.

10. This report is intended solely for your information and for inclusion in the Offer Documents in connection with the proposed IPO of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No: 89218

Place: New Delhi
Date: November 24, 2006

ANNEXURE I: SUMMARY STATEMENT OF ASSETS AND LIABILITIES

Cairn India Limited

(All amounts are stated in crores of Indian Rupees, unless otherwise stated)

		As at 12 October 2006
A	**Fixed assets**	
	Gross block	—
	Less: Accumulated depreciation	—
	Net block	—
	Producing properties (net of depletion)	—
	Exploratory & development wells in progress	—
		—
B	**Goodwill**	—
C	**Investments**	**5,037.4**
D	**Current assets, loans and advances**	
	Inventories	—
	Sundry debtors	—
	Cash and bank balances	0.1
	Loans and advances	—
	Other current assets	—
	Intercompany loans and receivables	—
		0.1
E	**Liabilities and provisions**	
	Secured loans	—
	Unsecured loans	—
	Intercompany payables	2.5
	Current liabilities and provisions	0.1
		2.6
F	**Net worth (A+B+C+D−E)**	**5,034.9**
	Represented by	
G	**Share capital**	365.1
H	**Reserves and surplus**	4,669.8
I	**Net worth (G+H)**	**5,034.9**

The above summary statement is to be read with the notes to the summary financial information and significant accounting policies as appearing in Annexure III and IV, respectively.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

New Delhi
November 24, 2006

For and on behalf of the Board of Directors

Rahul Dhir
Director

New Delhi
November 24, 2006

ANNEXURE II: SUMMARY STATEMENT OF PROFITS AND LOSSES

Cairn India Limited

(All amounts are stated in crores of Indian Rupees, unless otherwise stated)

	Period from 21 August 2006 to 12 October 2006
Income	
Sales	—
Other income	—
Movement of inventories	—
	—
Expenditure	
Production costs	—
Depletion, depreciation and amortisation	—
Unsuccessful exploration costs	—
Staff costs and administrative expenses	0.1
Financing expenses	—
	0.1
Net loss before tax	**(0.1)**
Taxation	
—Current tax	—
—Deferred tax	—
—Fringe benefit tax	—
	—
Net loss after tax	**(0.1)**

The above summary statement is to be read with the notes to the summary financial information and significant accounting policies as appearing in Annexure III and IV, respectively.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

New Delhi
November 24, 2006

For and on behalf of the Board of Directors

Rahul Dhir
Director

New Delhi
November 24, 2006

ANNEXURE III: NOTES ON SUMMARY FINANCIAL INFORMATION

Cairn India Limited

(a) Introduction

Cairn India Limited ('the Company' or 'Cairn') has been incorporated on August 21, 2006 and is a subsidiary of Cairn UK Holdings Limited.

The Company has been incorporated primarily to engage in the business of surveying, prospecting, drilling and exploring for, acquiring, developing, producing, maintaining, refining, storing, trading, supplying, transporting, marketing, distributing, importing, exporting and generally dealing in minerals, oils, petroleum, gas and related by-products and other activities incidental to the above. As part of its business activities, the Company would also be holding interests in other group entities which have been granted rights to explore and develop oil exploration blocks in India. The other group entities are participants (together with other venturers) in Blocks/Oil & gas field permits granted by the Government of India ('GoI'). In terms of the Production Sharing Contract ('PSC') entered into between the GoI and the group entities together with other venture partners, in respect of each of these blocks, there are joint operating arrangements amongst the venturers (Unincorporated Joint Ventures ('UJVs')).

(b) During the period, the Company has issued 365,028,898 equity shares at par value of Rs. 10 per equity share to its holding Company, Cairn UK Holdings Limited, a body corporate, at a premium of Rs. 172.54 per equity share for total consideration of Rs. 66,630,627,015. Of the securities premium, the Company has called up securities premium of only Rs. 128 per equity share with balance securities premium of Rs. 44.54 to be called later. Accordingly, it has received total consideration of Rs. 50,373,987,924 in cash.

The Company is intending to list on the Bombay Stock Exchange and National Stock Exchange of India in the coming months. In accordance with the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, in a public issue by an unlisted company, the promoter shall contribute not less than 20% of the post issue capital. Accordingly, the Promoter and the Company have agreed that if, at the time of public issue, the price per share being offered to the public is more than the price paid by the Promoter, the Promoter shall make an additional contribution towards securities premium. The additional contribution will be equal to the difference between the public offer price and the price paid by the Promoter.

(c) During the period, the Company has invested Rs. 50,373,987,924 in 41,493,659 ordinary shares, of £1 each, of Cairn India Holdings Limited ('CIHL') at consideration of Rs. 1,214.02 per ordinary share. The Company has made this investment for acquiring 16.52% of the share capital of CIHL. This strategic investment has been made to acquire the oil and gas assets of CIHL and its subsidiaries.

(d) The Summary Financial Information of Cairn India Limited dated October 12, 2006 together with 'Notes on Summary Financial Information', 'significant accounting policies', 'summary statement of cash flows', 'details of other income', 'capitalisation statement as at October 12, 2006', 'details of loans and principal terms and conditions of loans outstanding as at October 12, 2006', 'accounting ratios', and 'details of related party transactions and outstanding balances', (collectively referred to as 'Other Annexures') which were presented in Rs. millions and prepared for inclusion in the Draft Red Herring Prospectus of Cairn India Limited to be filed with Securities and Exchange Board of India ('SEBI'), were approved by the Board of Directors at its meeting held on October 12, 2006. Subsequent to such board meeting, the Company has been advised by SEBI that the respective figures need to be in Rs. crores instead of Rs. millions and therefore, the amounts in this Summary Financial Information together with Other Annexures have been presented in Rs. crores instead of Rs. millions as presented earlier and there is no other change in the revised financial information.

As per our report of even date

For S.R. Batliboi & Associates Chartered Accountants	**For and on behalf of the Board of Directors**
per Raman Sobti Partner **Membership No. 89218**	**Rahul Dhir** Director
New Delhi **November 24, 2006**	**New Delhi** **November 24, 2006**

ANNEXURE IV: SIGNIFICANT ACCOUNTING POLICIES

Cairn India Limited

Significant accounting policies stated below are based on the proposed plans of Cairn India Limited (the Company) and as adopted by the Company's Board of Directors.

(a) Basis of preparation

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India ('ICAI') and the relevant provisions of the Companies Act, 1956 under the historical cost convention and on an accrual basis.

(b) Oil and gas assets

The Company follows a successful efforts method for accounting for oil and gas assets as set out by the Guidance Note issued by the ICAI on "Accounting for Oil and Gas Producing Activities".

Expenditure incurred on the acquisition of a licence interest is initially capitalised on a licence by licence basis. Costs are held, undepleted, within exploratory & development wells in progress until the exploration phase relating to the licence area is complete or commercial oil and gas reserves have been discovered.

Exploration expenditure incurred in the process of determining exploration targets but which cannot be directly related to individual exploration wells is expensed in the period in which it is incurred.

Exploration/appraisal drilling costs are initially capitalised within exploratory & development wells in progress on a well by well basis until the success or otherwise of the well has been established. The success or failure of each exploration/appraisal effort is judged on a well by well basis. Drilling costs are written off on completion of a well unless the results indicate that oil and gas reserves exist and there is a reasonable prospect that these reserves are commercial.

Where results of exploration drilling indicate the presence of oil and gas reserves which are ultimately not considered commercially viable, all related costs are written off to the profit and loss account.

Following appraisal of successful exploration wells, when a well is ready for commencement of commercial production, the related exploratory & development wells in progress are transferred into a single field cost centre within producing properties, after testing for impairment.

Where costs are incurred after technical feasibility and commercial viability of producing oil and gas is demonstrated and it has been determined that the wells are ready for commencement of commercial production, they are capitalised within producing properties for each cost centre. Subsequent expenditure is capitalised when it enhances the economic benefits of the producing properties or replaces part of the existing producing properties. Any costs remaining associated with such part replaced are expensed in the financial statements.

Net proceeds from any disposal of an exploration asset within exploratory & development wells in progress are initially credited against the previously capitalised costs and any surplus proceeds are credited to the profit and loss account. Net proceeds from any disposal of producing properties are credited against the previously capitalised cost and any gain or loss on disposal of producing properties is recognised in the profit and loss account, to the extent that the net proceeds exceed or are less than the appropriate portion of the net capitalised costs of the asset.

(c) Depletion

The Company depletes expenditure on producing properties within each cost centre.

Depletion is charged on a unit of production basis, based on proved reserves for acquisition costs and proved and developed reserves for other costs.

(d) Decommissioning

At the end of the producing life of a field, costs are incurred in removing and decommissioning production facilities. The Company recognises the full cost of decommissioning as an asset and liability when the obligation to rectify environmental damage arises. The decommissioning asset is included within producing properties of the related asset. The amortisation of the asset, calculated on a unit of production basis based on proved and developed reserves, is included in the "depletion and decommissioning charge" in the profit and loss account.

(e) Impairment

i. The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised where the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

ii. After impairment, depreciation/depletion is provided in subsequent periods on the revised carrying amount of the asset over its remaining useful life.

iii. Where there has been a charge for impairment in an earlier period, that charge will be reversed in a later period where there has been a change in circumstances to the extent that the discounted future net cash flows are higher than the net book value at the time. In reversing impairment losses, the carrying amount of the asset will be increased to the lower of its original carrying value or the carrying value that would have been determined (net of depletion) had no impairment loss been recognised in prior periods.

(f) Other Tangible Fixed Assets, depreciation and amortization

Tangible assets, other than oil and gas assets, are stated at cost, less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which take a substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

Depreciation is provided using the Straight Line Method as per the useful lives of the assets estimated by the management, or at the rates prescribed under schedule XIV of the Companies Act, 1956 whichever is higher. The expected useful economic lives are as follows:

Vehicles	2 to 4 years
Freehold buildings	10 years
Computers	2 to 4 years
Furniture and fixtures	2 to 4 years
Office equipments	2 to 4 years
Plant and Equipment	2 to 4 years

Leasehold improvements are amortised over the remaining period of the primary lease or useful life, whichever is shorter.

(g) Intangible fixed assets and amortisation

Intangible assets, other than oil and gas assets, have finite useful lives and are measured at cost and amortised over their expected useful economic lives as follows:

Computer software	2 to 4 years

Goodwill arising on acquisition is capitalised and is subject to annual review for impairment.

(h) Leases

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss account on a straight-line basis over the lease term.

(i) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. Current investments are measured at cost or market value, whichever is lower. All other investments are classified as long-term investments. Long term investments are measured at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

(j) Inventory

Inventories of oil and condensate held at the balance sheet date are valued at net realisable value based on the estimated selling price. Inventory of stores and spares are stated at cost.

(k) Joint Ventures

The Company participates in several Joint Ventures which involve the joint control of assets used in the oil and gas exploration, development and producing activities. The Company accounts for its share of the assets and liabilities of Joint Ventures in which it holds a participating interest.

(l) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Revenue from operating activities

Revenue represents the Company's share of oil, gas and condensate production, recognised on a direct entitlement basis and tariff income received for third party use of operating facilities and pipelines in accordance with agreements.

Other income

Interest income is recognised on a time proportion basis and is recognised within "Other income" in the Profit and Loss account.

(m) Borrowing costs

Borrowing costs include interest and commitment charges on borrowings, amortisation of costs incurred in connection with the arrangement of borrowings and finance charges under leases. Borrowing costs incurred on borrowings directly attributable to development projects are capitalised within the development/producing asset for each cost-centre.

All other borrowing costs are recognised in the Profit and Loss account in the period in which they are incurred.

(n) Foreign currency transactions and translations

The Company translates foreign currency transactions into Indian Rupees at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into Indian Rupees at the rate of exchange prevailing at the Balance Sheet date. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

Exchange differences arising on the settlement of monetary items or on reporting the Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise except those arising from investments in non-integral operations. Exchange differences arising in respect of fixed assets acquired from outside India are capitalised as a part of fixed asset.

All transactions of integral foreign operations are translated as if the transactions of those foreign operations were the transactions of the Company itself. In translating the financial statements of a non-integral foreign operation for incorporating in financial statements, the Company translates the assets and liabilities at the rate of exchange prevailing at the balance sheet date. Income and expenses of non-integral subsidiaries are translated using rates at the date of transactions. Resulting exchange differences are disclosed under the Foreign Currency translation reserve until the disposal of the net investment.

On the disposal of a non-integral foreign operation, the cumulative amount of the exchange differences which have been deferred and which relate to that operation are recognised as income or as expenses in the same period in which the gain or loss on disposal is recognised.

When there is a change in the classification of a foreign operation, the translation procedures applicable to the revised classification are applied from the date of the change in the classification.

(o) Income taxes

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax are measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act.

Deferred income tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax assets and liabilities are measured, based on tax rates and laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets and deferred tax liabilities across various countries of operation are not set off against each other as the Company does not have a legal right to do so. Current and deferred tax assets and liabilities are only offset where they arise within the same entity and tax jurisdiction.

Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If the Company has carry forward of unabsorbed depreciation and tax losses, deferred tax assets are recognised only if there is virtual certainty that such deferred tax assets can be realised against future taxable profits. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

(p) Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period are adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares, if any.

(q) Provisions

A provision is recognised when the Company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

(r) Cash and Cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments.

(s) Employee Benefits

Retirement and Gratuity benefits

Retirement benefits in the form of Provident Fund, Superannuation/Pension Schemes, if any, are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due.

In case of a Gratuity plan for the benefit of employees, which is established based on certain eligibility criteria, the liability under the plan is provided based on actuarial valuation. The scheme is maintained and administered by an insurer to which the trustees make periodic contributions.

Provision for leave encashment is accrued and provided for to the extent applicable to the employer.

Share schemes

The cost of awards to employees under the Company's ultimate parent entity's Long Term Incentive Plans ("the LTIP") and share option plans are recognised over the three year period to which the performance relates. The amount recognised is based on the fair value of the shares as measured at the date of the award. The awards under the LTIP are valued at the market price at grant date while the shares issued under share options are valued using a binomial model.

The costs of awards to employees, in the form of cash but based on share performance (phantom options) are recognised over the period to which the performance relates. The amount recognised is based on the fair value of the liability arising from the transaction.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

New Delhi
November 24, 2006

For and on behalf of the Board of Directors

Rahul Dhir
Director

New Delhi
November 24, 2006

ANNEXURE V: SUMMARY STATEMENT OF CASH FLOWS

Cairn India Limited

(All amounts are stated in crores of Indian Rupees, unless otherwise stated)

		Period from 21 August 2006 to 12 October 2006
A	**Cash flow from operating activities**	
	Net loss before tax	(0.1)
	Adjustments for:	
	Preliminary expenses adjusted against share premium	(2.5)
	Operating loss before working capital changes	**(2.6)**
	Adjustments for:	
	Increase in intercompany payables	2.5
	Increase in current liabilities and provisions	0.1
	Cash used in operations	—
	Income taxes paid	—
	Net cash used in operating activities—A	—
B	**Cash flow from investing activities**	
	Long term, unquoted investment made during the period	(5,037.4)
	Net cash used in investing activities—B	**(5,037.4)**
C	**Cash flow from financing activities**	
	Proceeds from issue of share capital (including securities premium)	5,037.5
	Net cash flow from financing activities—C	**5,037.5**
	Net increase in cash and cash equivalents (A+B+C)	0.1
	Cash and cash equivalents at the beginning of the period	—
	Cash and cash equivalents at the end of the period	0.1

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

New Delhi
November 24, 2006

For and on behalf of the Board of Directors

Rahul Dhir
Director

New Delhi
November 24, 2006

ANNEXURE VI: DETAILS OF OTHER INCOME

Cairn India Limited

(All amounts are stated in crores of Indian Rupees, unless otherwise stated)

Sources and particulars of other income	Nature	Period ended 12 October 2006
Other income	—	—
Other income as per statement of profits and losses		—

Note:

1. The figures disclosed above are based on the summary statement of profits and losses for the period from 21 August, 2006 to 12 October 2006.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

New Delhi
November 24, 2006

For and on behalf of the Board of Directors

Rahul Dhir
Director

New Delhi
November 24, 2006

ANNEXURE VII: CAPITALISATION STATEMENT AS AT 12 OCTOBER 2006

Cairn India Limited

(All amounts are stated in crores of Indian Rupees, unless otherwise stated)

	Pre-issue at 12 October 2006
Short term debt	—
Long term debt	—
Total debt	**—**
Shareholders' funds	
Equity share capital	365.1
Reserves and surplus	4,669.8
Total shareholders' funds	**5,034.9**
Long term debt/shareholders' funds	**—**
Total debt/shareholders' funds	—

Note:

1. The figures disclosed above are based on the summary statement of assets and liabilities as at 12 October 2006.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

New Delhi
November 24, 2006

For and on behalf of the Board of Directors

Rahul Dhir
Director

New Delhi
November 24, 2006

ANNEXURE VIII: DETAILS OF LOANS AND PRINCIPAL TERMS AND CONDITIONS OF LOANS OUTSTANDING AS AT 12 OCTOBER 2006

Cairn India Limited

(All amounts are stated in crores of Indian Rupees, unless otherwise stated)

Details of loans	At 12 October 2006
Secured loans	—
Unsecured loans	—
	—

Details of principal terms and conditions of loans outstanding at 12 October 2006

Name of Lender	Amount	Interest Rate	Repayment terms	Security
Secured loans	—	—	—	—
Unsecured loans	—	—	—	—
Total	—			

Note:

1. The figures disclosed above are based on the summary statement of assets and liabilities as at 12 October 2006

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

New Delhi
November 24, 2006

For and on behalf of the Board of Directors

Rahul Dhir
Director

New Delhi
November 24, 2006

ANNEXURE IX: ACCOUNTING RATIOS

Cairn India Limited

(All amounts are stated in crores of Indian Rupees, unless otherwise stated)

	Period ended 12 October 2006
Basic and diluted earnings/(loss) per share (Rs.)	(0.10)
Return on net worth (%)	(0.001)%
Net asset value per equity share (Rs.)	7,258
Total debt/equity ratio	—
Weighted average number of equity shares during the period/year	6,937,338

Notes:

1. The accounting ratios disclosed above are based on the summary statement of assets and liabilities as at 12 October 2006.
2. The ratios have been computed as below:

Earnings per share	$\dfrac{\text{Net earnings/(loss) attributable to equity shareholders}}{\text{Weighted average number of equity shares outstanding during the period}}$
Return on net worth (%)	$\dfrac{\text{Net profit/(loss after tax)}}{\text{Net worth as at the end of the period}}$
Net asset value per equity share (Rs.)	$\dfrac{\text{Net worth as at the end of the period}}{\text{Weighted average number of equity shares outstanding during the period}}$
Total debt/equity ratio	$\dfrac{\text{Long term debt and short term debt as at the end of the period}}{\text{Equity share capital and reserves and surplus as at the end of the period}}$

3. Net worth is the equity share capital and reserves and surplus of the Company.
4. Earnings per share calculations are done in accordance with Accounting Standard-20 on "Earnings per share" issued by the Institute of Chartered Accountants of India.
5. Weighted average number of equity shares is the number of equity shares outstanding at the beginning of the period, adjusted by the number of equity shares issued during the period multiplied by the time-weight factor. The time-weight factor is the number of days for which the specific shares were outstanding as a proportion of the total number of days during the period.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

New Delhi
November 24, 2006

For and on behalf of the Board of Directors

Rahul Dhir
Director

New Delhi
November 24, 2006

ANNEXURE X: DETAILS OF RELATED PARTY TRANSACTIONS AND OUTSTANDING BALANCES

Cairn India Limited

List of related parties and relationships

The related parties listed below are disclosed in accordance with Accounting Standard-18 on "Related party disclosures" issued by the Institute of Chartered Accountants of India.

Name of related party	Relationship
Companies	
Cairn Energy PLC	Ultimate holding company
Cairn UK Holdings Limited	Intermediate holding company
Cairn Energy Holdings Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Netherlands Holdings B.V.	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Group Holdings B.V.	Fellow subsidiary of Cairn Energy PLC
Cairn India Holdings Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Hydrocarbons Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Australia Pty Ltd	Fellow subsidiary of Cairn Energy PLC
CEH Australia Ltd	Fellow subsidiary of Cairn Energy PLC
CEH Australia Pty Ltd	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Asia Pty Ltd	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Investments Australia Pty Ltd	Fellow subsidiary of Cairn Energy PLC
Wessington Investments Pty Ltd	Fellow subsidiary of Cairn Energy PLC
Sydney Oil Company Pty Ltd	Fellow subsidiary of Cairn Energy PLC
Command Petroleum (PPL56) Ltd	Fellow subsidiary of Cairn Energy PLC
Cairn Energy India Pty Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Petroleum Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Discovery Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Gujarat Block 1. Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Exploration (No.2) Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Exploration (No.4) Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Exploration (No.6) Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Exploration (No.7) Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy India Holdings B.V.	Fellow subsidiary of Cairn Energy PLC
Cairn Energy India West Holding H.V.	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Cambay Holding B.V.	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Gujarat Holding B.V.	Fellow subsidiary of Cairn Energy PLC
Cairn Energy India West B.V.	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Cambay B.V.	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Gujarat B.V.	Fellow subsidiary of Cairn Energy PLC
Cairn Resources Limited	Fellow subsidiary of Cairn Energy PLC
Holland Sea Search Holding N.V.	Fellow subsidiary of Cairn Energy PLC
Holland Sea Search II B.V.	Fellow subsidiary of Cairn Energy PLC
Cairn Energy International Holdings B.V.	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Bangladesh Block 7 B.V.	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Exploration (Bangladesh) Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Sangu Field Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Bangladesh Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Resources Management Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Management Limited	Fellow subsidiary of Cairn Energy PLC
Energy Explorer Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Oil Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy North Sea Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Assets Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Nepal Holdings Limited	Fellow subsidiary of Cairn Energy PLC
Command Petroleum (Gulf) Ltd	Fellow subsidiary of Cairn Energy PLC
Cairn Exploration (No.1) Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Search Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Exploration and Production Company Limited	Fellow subsidiary of Cairn Energy PLC

Name of related party	Relationship
Cairn Energy Dhangari Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Karnali Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Lumbini Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Malangawa Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Birganj Limited	Fellow subsidiary of Cairn Energy PLC
Directors and key management personnel	
Sir William Gammell	Director of Cairn India Limited
Hamish Grossart	Director of Cairn India Limited
Rahul Dhir	Director of Cairn India Limited
Norman Murray	Director of Cairn India Limited
Lawrence Smyth	Director of Cairn India Limited
Jann Brown	Director of Cairn India Limited

Amounts outstanding at period end	As at 12 October, 2006
Amounts receivable	
—Unsecured loans:	—
—Interest receivable:	—
—Others:	—
Total	**—**
Amounts payable	
—Unsecured loans:	—
—Interest payable:	—
—Others:	
Cairn Energy PLC	2.5
Total	**2.5**

Transactions during the period

	Period ended 12 October, 2006
Reimbursement of expenses paid on behalf of the Company by:	
Cairn Energy PLC	2.5

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

New Delhi
November 24, 2006

For and on behalf of the Board of Directors

Rahul Dhir
Director

New Delhi
November 24, 2006

FINANCIAL INFORMATION OF GROUP COMPANIES

Contents

	Name	Page
1	Translated restated summary consolidated statement of assets and liabilities of Cairn UK Holdings Limited (including its subsidiaries) as at 30 June, 2006	169
2	Translated restated summary statements of assets and liabilities and profits and losses, of Cairn India Holdings Limited, as at and for the period ended 12 October, 2006	176
3	Translated restated summary statements of assets and liabilities and profits and losses of Cairn Energy Hydrocarbons Limited as at 31 December, 2005, 2004, 2003, 2002, 2001, 30 June, 2006 and for the years ended 31 December, 2005, 2004, 2003, 2002, 2001 and the six months ended 30 June, 2006	180
4	Translated restated summary consolidated statements of assets and liabilities and profits and losses, of Cairn Energy Australia Pty Limited (including its subsidiaries) as at 31 December, 2005, 2004, 2003, 2002, 2001, 30 June, 2006 and for the years ended 31 December, 2005, 2004, 2003, 2002 and 2001 and the six months ended 30 June, 2006	201
5	Translated restated summary consolidated statements of assets and liabilities and profits and losses, of Cairn Energy India Holdings BV (including its subsidiaries) as at 31 December, 2005, 2004, 2003, 2002, 2001 and 30 June, 2006 and for the years ended 31 December, 2005, 2004, 2003, 2002 and 2001 and the six months ended 30 June, 2006	225
6	Translated restated summary statements of assets and liabilities and profits and losses of Cairn Energy Group Holdings BV as at 31 December, 2005, 2004, 2003, 2002, 2001 and 30 June, 2006 and for the years ended 31 December, 2005, 2004, 2003, 2002 and 2001 and the six months ended 30 June, 2006	247
7	Translated restated summary statements of assets and liabilities and profits and losses of Cairn Energy Netherlands Holdings BV as at 31 December, 2005, 2004, 2003, 2002, 2001, 30 June, 2006 and for the years ended 31 December, 2005, 2004, 2003, 2002 and 2001 and six months ended 30 June, 2006	253
8	Translated restated summary statements of assets and liabilities and profits and losses of Cairn Energy Holdings Limited as at 31 December, 2005, 2004, 2003, 2002, 2001, 30 June, 2006 and for the years ended 31 December, 2005, 2004, 2003, 2002 and 2001 and the six months ended 30 June, 2006	259
9	Translated restated summary statements of assets and liabilities and profits and losses of Cairn Petroleum India Limited as at 31 December, 2005, 2004, 2003, 30 June, 2006 and for the period from 7 October, 2002 to 31 December, 2003, years ended 31 December, 2004 and 2005 and the six months ended 30 June, 2006	265
10	Translated restated summary statements of assets and liabilities and profits and losses of Cairn Energy Discovery Limited as at 31 December, 2005, 2004, 2003, 30 June, 2006 and for the period from 20 August, 2002 to 31 December, 2003, years ended 31 December, 2004 and 2005 and the six months ended 30 June, 2006	270
11	Translated restated summary statements of assets and liabilities and profits and losses of Cairn Energy Gujarat Block 1 Limited as at 31 December, 2005, 2004, 30 June, 2006 and for the period from 4 September, 2003 to 31 December, 2004, year ended 31 December, 2005 and the six months ended 30 June, 2006	275
12	Translated restated summary statements of assets and liabilities and profits and losses of Cairn Energy Exploration (No. 2) Limited as at 31 December, 2005 and 30 June, 2006 and for the period from 11 May, 2005 to 31 December, 2005 and the six months ended 30 June, 2006	280
13	Translated restated summary statements of assets and liabilities and profits and losses of Cairn Energy Exploration (No. 4) Limited as at 31 December, 2005 and 30 June, 2006 and for the period from 11 May, 2005 to 31 December, 2005 and the six months ended 30 June, 2006	284

	Name	Page
14	Translated restated summary statements of assets and liabilities and profits and losses of Cairn Energy Exploration (No. 6) Limited as at 31 December, 2005 and 30 June, 2006 and for the period from 18 May, 2005 to 31 December, 2005 and the six months ended 30 June, 2006	288
15	Translated restated summary statements of assets and liabilities and profits and losses of Cairn Energy Exploration (No. 7) Limited as at 31 December, 2005 and 30 June, 2006 and for the period from 18 May, 2005 to 31 December, 2005 and the six months ended 30 June, 2006	292
16	Notes on principal GAAP differences	296

TRANSLATED RESTATED SUMMARY CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF CAIRN UK HOLDINGS LIMITED (INCLUDING ITS SUBSIDIARIES) AS AT JUNE 30, 2006

To The Board Of Directors
Cairn India Limited
Mumbai
India

Dear Sirs,

1. In connection with the proposed Initial Public Offer ('IPO') of Cairn India Limited (the 'Company') of its equity shares having a face value of Rs. 10 per equity share at an issue price to be arrived at by the 100% book building scheme and at your request, we have examined, as detailed in para 5 below, the translated restated consolidated summary statement of assets and liabilities ('Translated Restated Summary Consolidated Financial Information') of Cairn UK Holdings Limited (holding company of Cairn India Limited as on November 24, 2006 and hereinafter referred to as 'Cairn UK Holdings') which include its subsidiaries consisting of Cairn Energy Holdings Limited, Cairn Energy Hydrocarbons Limited, Cairn Petroleum India Limited, Cairn Energy Discovery Limited, Cairn Energy Gujarat Block 1 Limited, Cairn Exploration (No. 2) Limited, Cairn Exploration (No. 4) Limited, Cairn Exploration (No. 6) Limited and Cairn Exploration (No. 7) Limited as at June 30, 2006 annexed to this report and initialled by us for identification purposes.

2. The above financial information is the responsibility of the management of Cairn UK Holdings and has been prepared in accordance with the requirements of:

   a. paragraph B(1) of Part II of Schedule II to the Companies Act, 1956 (the 'Act');

   b. the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 (the 'Guidelines') issued by the Securities and Exchange Board of India ('SEBI') on January 19, 2000 as amended from time to time in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992.

3. The Translated Restated Summary Consolidated Financial Information of Cairn UK Holdings, being that of a group of body corporate, is not required to be and is not necessarily in conformity with the framework of general purpose financial statements in India. The Translated Restated Summary Consolidated Financial Information as at June 30, 2006 has been prepared in accordance with the framework of accounting policies of the Company.

4. The financial statements of Cairn UK Holdings, prepared under International Financial Reporting Standards as adopted by European Union ('EU IFRS') as detailed in paragraph 6 below and in the relevant reporting currency, have been translated to Indian Rupees by the management of Cairn UK Holdings on the basis of the period-end exchange rates applicable for the balance sheet related monetary items and the exchange rate at the date of the transaction for the non-monetary items. The translated financial information, thereafter, has been restated by the management of Cairn UK Holdings to comply with/be aligned to the accounting policies of the Company and the Guidelines. The Translated Restated Summary Consolidated Financial Information has been compiled by the management of Cairn UK Holdings from such translated restated financial information of Cairn UK Holdings.

5. Our examination was conducted in accordance with the applicable generally accepted auditing standards ('GAAS') framework in India, including inter alia, requirements mandated by the Institute of Chartered Accountants of India ('ICAI') in the Guidance Note on Reports in Company Prospectuses, Guidance Note on Audit Reports/Certificates on Financial Information in Offer Documents and Guidance Note on Audit Reports and Certificates for Special Purposes issued by the ICAI.

6. The Translated Restated Summary Consolidated Financial Information is based on the audited financial statements of Cairn UK Holdings. For reporting on the Translated Restated Summary Consolidated Financial Information of Cairn UK Holdings as at June 30, 2006, as prepared by Cairn UK Holdings (see Annexure I to this report), we have relied on the aforesaid audited financial statements of Cairn UK Holdings which have been reported upon by Ernst & Young LLP, UK and

have been prepared under EU IFRS. Adjustments have been made as described in paragraph 4 above to translate and restate, and realign the significant accounting policies under EU IFRS being followed by Cairn UK Holdings to those of the Company under Indian GAAP and these adjustments have been examined by us as at June 30, 2006. The notes to the Translated Restated Summary Consolidated Financial Information are attached in Annexure II to this report.

7. Based on our examination of the Translated Restated Summary Consolidated Financial Information, we confirm that:

   – there are no extraordinary items, which need to be disclosed separately in the Translated Restated Summary Consolidated Financial Information;

   – there are no qualifications in the auditors' report, which require any adjustments to the Translated Restated Summary Consolidated Financial Information;

   – nothing has come to our attention based on our examination that causes us to believe that the financial statements of Cairn UK Holdings, referred to in paragraph 4 above, have not been translated to Indian Rupees fairly in all material respects; and

   – nothing has come to our attention based on our examination that causes us to believe that the translated financial information of Cairn UK Holdings, referred to in paragraph 4 above, has not been restated to comply with/be aligned to the accounting policies of the Company fairly in all material respects.

8. In our view, the consolidated translated restated Summary Financial Information mentioned above has been prepared in accordance with Part II of Schedule II to the Act and the Guidelines.

9. This report should not be in any way be construed as a reissuance or redating of any of the previous audit report issued by us or by other independent auditors nor should this report be construed as a new opinion on any of the financial statements referred to herein.

10. This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed IPO of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No: 89218

Place: New Delhi
Date: November 24, 2006

ANNEXURE I: TRANSLATED RESTATED SUMMARY CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

Cairn UK Holdings Limited

(All amounts are in crores of Indian Rupees unless otherwise stated)

		As at 30 June, 2006
A	**Fixed assets**	
	Gross block	129.2
	Less: Accumulated depreciation	90.1
	Net block	39.1
	Producing properties (net of depletion)	435.0
	Exploratory & development wells in progress	1,191.7
		1,665.8
B	**Goodwill**	**958.0**
C	**Investments**	**0.4**
D	**Current assets, loans and advances**	
	Inventories	131.7
	Sundry debtors	243.4
	Cash and bank balances	136.8
	Loans and advances	230.5
	Other current assets	17.2
	Intercompany loans and receivables	2.4
		762.0
E	**Liabilities and provisions**	
	Secured loans	—
	Unsecured loans	
	—Intercompany	274.0
	—Others	115.7
	Intercompany payables	189.4
	Current liabilities and provisions	543.6
	Finance lease liabilities	21.4
	Deferred tax liabilities	356.4
		1,500.5
F	**Networth (A+B+C+D−E)**	**1,885.7**
	Represented by	
G	**Share capital**	1,885.7
H	**Reserves and surplus**	—
I	**Networth (G+H)**	**1,885.7**

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

New Delhi
November 24, 2006

For and on behalf of the Board of Directors

Mike Watts
Director

Edinburgh, Scotland
November 24, 2006

ANNEXURE II: NOTES ON TRANSLATED RESTATED SUMMARY CONSOLIDATED FINANCIAL INFORMATION

CAIRN UK HOLDINGS LIMITED

(a) Introduction

Cairn UK Holdings Limited is a company limited by shares that was incorporated on 26 June 2006 in the United Kingdom.

On 30 June 2006 Cairn UK Holdings Limited issued 69,003,178 £1 ordinary shares to Cairn Energy PLC in exchange for the entire issued share capital of the following companies:

- Cairn Petroleum India Limited
- Cairn Energy Discovery Limited
- Cairn Energy Gujarat Block 1 Limited
- Cairn Energy Hydrocarbons Limited
- Cairn Energy Holdings Limited
- Cairn Exploration (No. 7) Limited
- Cairn Exploration (No. 6) Limited
- Cairn Exploration (No. 4) Limited
- Cairn Exploration (No. 2) Limited

Cairn Energy Holdings Limited is the parent company of the following subsidiaries:

- Cairn Energy Netherlands Holdings BV
- Cairn Energy Group Holdings BV
- Cairn Energy Australia Pty Limited
- Cairn Energy India Holdings BV
- CEH Australia Limited
- CEH Australia Pty Limited
- Cairn Energy Asia Pty Limited
- Cairn Energy Investments Australia Pty Ltd
- Wessington Investments Pty Limited
- Sydney Oil Company Pty Ltd
- Command Petroleum Limited (PPL56) Ltd
- Cairn Energy India Pty Ltd
- Cairn Energy India West Holding BV
- Cairn Energy India West BV
- Cairn Energy Cambay Holding BV
- Cairn Energy Cambay BV
- Cairn Energy Gujarat Holding BV
- Cairn Energy Gujurat BV

This consolidated summary statement of assets and liabilities consolidates the assets and liabilities of Cairn UK Holdings Limited and the aforementioned subsidiary undertakings ("CUHL") as at 30 June 2006.

At 30 June 2006 CUHL prepared its financial statements under the International Financial Reporting Standards as adopted by the European Union ("EU IFRS").

On 2 August 2006 CUHL transferred all subsidiary undertakings to Cairn India Holdings Limited, a wholly owned subsidiary, in exchange for the entire issued share capital of Cairn India Holdings Limited (see note d).

(b) Indian Generally Accepted Accounting Principles ("IGAAP") translation and restatement

The consolidated financial statements of CUHL, prepared under the relevant Generally Accepted Accounting Principles ('GAAP') and in the relevant reporting currency as detailed in the paragraph above, have been translated to Indian Rupees on the basis of the average and year-end exchange rates applicable for the respective years/period for the profit and loss related items and balance sheet related monetary items, respectively. Non-monetary items which are carried in terms of historical cost have been translated to Indian currency using the exchange rate at the date of the transaction.

This translated restated summary consolidated financial information, thereafter, have been restated in accordance with the accounting policies adopted by Cairn India Limited.

Cairn India Limited has adopted the all enacted Indian GAAP Accounting Standards as at the Balance Sheet date and these accounting policies have been applied retrospectively throughout the periods covered by these translated restated summary consolidated financial information.

(c) Basis of consolidation

The translated restated summary consolidated financial information relating to CUHL has been prepared on the following basis:

– The translated restated financial information of CUHL has been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions. Any unrealised profits or losses resulting from the intra-group transactions have been eliminated as per Accounting Standard 21—"Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India ('ICAI').

– The excess of the cost to the parent company of its investment in the subsidiaries over its portion of equity on the acquisition date is recognised in the financial statements as goodwill. Cairn UK Holdings Limited's portion of the equity in the subsidiaries at the date of acquisition is determined after realigning the material accounting policies of Cairn UK Holdings Limited and the subsidiaries to that of Cairn India Limited and adjusting the charge/(reversal) on account of realignment to the accumulated reserves and surplus of the subsidiaries at the date of acquisition. The goodwill, if any, is subject to annual review for impairment.

(d) Subsequent Events

Incorporation of Cairn India Holdings Limited and transfer of subsidiary undertakings

On 2 August 2006 CUHL incorporated a subsidiary, Cairn India Holdings Limited (registered in Jersey). On 7 August 2006 CUHL transferred its entire shareholding in the following companies for 221,444,034 £1 ordinary shares in Cairn India Holdings Limited:

– Cairn Petroleum India Limited
– Cairn Energy Discovery Limited
– Cairn Energy Gujarat Block 1 Limited
– Cairn Energy Hydrocarbons Limited
– Cairn Energy Holdings Limited
– Cairn Exploration (No. 7) Limited
– Cairn Exploration (No. 6) Limited
– Cairn Exploration (No. 4) Limited
– Cairn Exploration (No. 2) Limited

Incorporation of Cairn India Limited

On 21 August 2006 CUHL incorporated Cairn India Limited (registered in India).

Increase in share capital and debt conversion

On 1 September 2006 CUHL increased its authorised share capital to 251,500,000 £1 ordinary shares. On 1 September 2006 CUHL issued 29,780,710 £1 ordinary shares at par to Cairn Energy PLC pursuant to a debt conversion agreement between Cairn Energy PLC, Cairn UK Holdings Limited, Cairn India Holdings Limited and Cairn Energy Hydrocarbons Limited (a subsidiary of Cairn India Holdings at this time).

In summary, this agreement provided that £29,780,710 due to Cairn Energy PLC from Cairn Energy Hydrocarbons Limited was assigned to Cairn UK Holdings in exchange for an issue of shares. Cairn UK Holdings then assigned the debt to Cairn India Holdings in exchange for 29,780,710 £1 ordinary shares in Cairn India Holdings.

Cairn India Limited

On 15 September, 2006 CUHL entered into the Subscription and Share Purchase Agreement with Cairn India Limited and Cairn India Holdings Limited (both subsidiaries of CUHL). The Subscription and Share Purchase Agreement provides for Cairn India Limited to acquire approximately 21.85% of the share capital of Cairn India Holdings Limited in two tranches.

Cairn India Limited intends to list on the Bombay Stock Exchange and National Stock Exchange of India in the coming months. In accordance with the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000, in a public issue by an unlisted company, the promoter (Cairn UK Holdings Limited) shall contribute not less than 20% of the post issue share capital. Accordingly, Cairn UK Holdings Limited and Cairn India Limited have agreed that if, following an initial subscription by Cairn, the price per share being offered at the time of public issue is more than the price paid by Cairn UK Holdings Limited, it shall make an additional contribution. The additional contribution will be equal to the difference between the public offer price and the price originally paid by the Cairn UK Holdings.

(e) Material amounts adjusted

No amounts have been adjusted in arriving at the Statement of Assets and Liabilities as at 30 June 2006 as reported in the translated restated summary consolidated financial information.

(f) Significant changes in activities

There have been no significant changes in activities as at the date of this translated restated summary consolidated financial information

(g) Other information

Sundry debtors

Sundry debtors include outstanding and overdue cash calls of 217.6 crores Indian Rupees receivable from the Rajasthan JV partner ONGC (Oil and Natural Gas Corporation Limited). Management is currently pursuing payment of the outstanding amount.

Ravva Arbitration and other matters

In 2002, two of the joint venture parties to the Ravva Production Sharing Contract ("PSC"), Cairn Energy India Pty Limited ("CEI") and Ravva Oil (Singapore) Pte. Limited (collectively the "Respondents") initiated arbitration proceedings against the Government of India ("GoI") in respect of a number of disputes relating to the recoverability of certain costs and the validity of those costs for the purposes of calculating the post-tax rate of return ("PTRR") for production sharing purposes. On 12 October, 2004, the international arbitral panel ruled in favour of the GoI on some of the issues in dispute and in favour of the Respondents on others.

The GoI has filed an appeal in the Malaysian courts, as Kuala Lumpur was the seat of the arbitration, in respect of one element of the award on which the international arbitral panel found in favour of the Respondents, namely the "ONGC Carry", which is the Respondents' proportionate share of the entire exploration, development, production and contract costs incurred by ONGC prior to the date of the Ravva PSC. The issue is whether the Respondents are entitled to include in their accounts for the purposes of calculating the PTRR certain costs paid by the Respondents in consideration for ONGC having paid 100% of costs prior to the signing of the Ravva PSC in October 1994. The Respondents are challenging the appeal on the ground that under Malaysian law, an international arbitral award can only be remitted or set aside on the grounds of misconduct or failure in law on the part of the arbitral panel. However, in the event that the GoI's appeal succeeds and the initial arbitration award is reversed on this issue in a way that is enforceable against CEI, then CEI would be liable to make an additional payment of approximately Rs. 295.9 crores (USD63.9 million).

In a separate dispute in respect of profit petroleum calculations under the Ravva PSC, CEI has received a claim from the DGH for Rs. 173.2 crores net to CEIL (USD37.4 million) of alleged underpayments of profit petroleum to the GoI, together with interest on that amount of Rs. 31.5 crores net to CEIL (USD 6.8 million). This claim relates to the GoI's allegation that the Ravva joint venture has recovered cost in excess of the Base Development Costs ("BDC") cap imposed in the Ravva PSC and that the Ravva joint venture has allowed these excess costs in the calculation of the PTTR calculation.

CEI, and the other parties to the Ravva PSC, have rejected this claim on the basis that, amongst others, the BDC cap only applies to the initial development of the Ravva field and not to subsequent development activities under the Ravva PSC. In addition the Ravva joint venture has also contested the basis of the calculation.

(h) The Translated Restated Summary Consolidated Financial Information of Cairn UK Holdings Limited dated September 26, 2006 together with 'Notes on Summary Financial Information' which were presented in Rs. millions and prepared for inclusion in the Draft Red Herring Prospectus of Cairn India Limited to be filed with Securities and Exchange Board of India ('SEBI'), were signed by a director, who was authorised by the Board of Directors at its meeting held on September 22, 2006. Subsequently, Cairn India Limited has been advised by SEBI that the respective figures need to be in Rs. crores instead of Rs. millions and therefore, the amounts in this Translated Restated Summary Consolidated Financial Information together with 'Notes on Summary Financial Information' have been presented in Rs. crores instead of Rs. millions as presented earlier and there is no other change in the revised financial information.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

New Delhi
November 24, 2006

For and on behalf of the Board of Directors

Mike Watts
Director

Edinburgh, Scotland
November 24, 2006

TRANSLATED RESTATED SUMMARY STATEMENTS OF ASSETS AND LIABILITIES AND PROFITS AND LOSSES, OF CAIRN INDIA HOLDINGS LIMITED AS AT OCTOBER 12, 2006 AND FOR THE PERIOD ENDED OCTOBER 12, 2006

To The Board of Directors
Cairn India Limited
Mumbai
India

Dear Sirs,

1. In connection with the proposed Initial Public Offer ('IPO') of Cairn India Limited (the 'Company') of its equity shares having a face value of Rs. 10 per equity share at an issue price, as may be decided by the Board of Directors, to be arrived at by the 100% book building scheme and at your request, we have examined, as detailed in paragraph 5 below, the Translated Restated Summary Financial Information (as defined in paragraph 6 below) of Cairn India Holdings Limited (a body corporate in which the Company proposes to hold 21.85% of the equity shares at the time of IPO—hereinafter referred to as 'Cairn India Holdings') as at October 12, 2006 and for the period from August 2, 2006 to October 12, 2006 (hereinafter referred to as the 'period under examination') annexed to this report and initialed by us for identification purposes.

2. The above financial information is the responsibility of the management of Cairn India Holdings and has been prepared in accordance with the requirements of:

   a. paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 (the 'Act');

   b. the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 (the 'Guidelines') issued by the Securities and Exchange Board of India ('SEBI') on January 19, 2000, as amended from time to time in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992.

3. The Translated Restated Summary Financial Information of Cairn India Holdings, being that of a body corporate, is not required to be and is not necessarily in conformity with the framework of general purpose financial statements in India. The Translated Restated Summary Financial Information for the periods under examination has been prepared in accordance with the framework of accounting policies of the Company.

4. The financial statements of Cairn India Holdings, prepared under International Financial Reporting Standards, as adopted by European Union ('EU IFRS') as detailed in paragraph 7 below and in the relevant reporting currency, have been translated to Indian Rupees by the management of Cairn India Holdings on the basis of the average and period-end exchange rates applicable for the profit and loss related items and balance sheet related monetary items, respectively, and the exchange rate at the date of the transaction for the non-monetary items. The translated financial information, thereafter, has been restated by the management of Cairn India Holdings to comply with/be aligned to the accounting policies of the Company and the Guidelines. The Translated Restated Summary Financial Information has been compiled by the management of Cairn India Holdings from such translated restated financial information of Cairn India Holdings.

5. Our examination was conducted in accordance with the applicable generally accepted auditing standards ('GAAS') framework in India, including inter alia, requirements mandated by the Institute of Chartered Accountants of India ('ICAI') in the Guidance Note on Reports in Company Prospectuses, Guidance Note on Audit Reports/Certificates on Financial Information in Offer Documents and Guidance Note on Audit Reports and Certificates for Special Purposes issued by the ICAI.

6. The Translated Restated Summary Financial Information is based on the audited financial statements of Cairn India Holdings. For reporting on the translated restated summary statements of assets and liabilities of Cairn India Holdings as at October 12, 2006 and the translated restated summary statements of profit and loss for the period under examination as prepared by Cairn India Holdings ('Translated Restated Summary Financial Information') (see Annexure I and II to this report), we have relied on the aforesaid audited financial statements of Cairn India Holdings which have been reported upon by Ernst & Young LLP, UK and have been prepared under EU IFRS. Adjustments

have been made as described in paragraph 4 above to translate and restate, and realign the significant accounting policies under EU IFRS being followed by Cairn India Holdings to those of the Company under Indian GAAP and these adjustments have been examined by us for the period under examination.

7. Based on our examination of the Translated Restated Summary Financial Information, we confirm that:

   - there are no extraordinary items which need to be disclosed separately in the Summary Statements;
   - there are no qualifications in the auditors' reports, which require any adjustments to the Translated Restated Summary Financial Information;
   - nothing has come to our attention based on our examination that causes us to believe that the financial statements of Cairn India Holdings, referred to in paragraph 4 above, have not been translated to Indian Rupees fairly in all material respects; and
   - nothing has come to our attention based on our examination that causes us to believe that the Translated Restated Summary Financial Information of Cairn India Holdings, referred to in paragraph 4 above, has not been restated to comply with/be aligned to the accounting policies of the Company fairly in all material respects.

8. In our view, the Translated Restated Summary Financial Information mentioned above has been prepared in accordance with Part II of Schedule II to the Act and the Guidelines.

9. This report should not be in any way construed as a reissuance or redating of any of the previous audit report issued by us or by other independent auditors nor should this report be construed as a new opinion on any of the financial statements referred to herein.

10. This report is intended solely for your information and for inclusion in the Offer Documents in connection with the proposed IPO of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No: 89218

Place: New Delhi
Date: November 24, 2006

ANNEXURE I: TRANSLATED RESTATED SUMMARY STATEMENT OF ASSETS AND LIABILITIES

Cairn India Holdings Limited

(All amounts are stated in crores of Indian Rupees, unless otherwise stated)

		As at 12 October 2006
A	**Fixed assets**	
	Gross block	—
	Less: Accumulated depreciation	—
	Net block	—
	Producing properties (net of depletion)	—
	Exploratory & development wells in progress	—
		—
B	**Goodwill**	**—**
C	**Investments**	**2,234.1**
D	**Deferred tax assets**	**—**
E	**Current assets, loans and advances**	
	Inventories	—
	Sundry debtors	—
	Cash and bank balances	—
	Loans and advances	—
	Other current assets	—
	Intercompany loans and receivables	—
	Total	**—**
F	**Liabilities and provisions**	**—**
	Secured loans	—
	Unsecured loans	—
	—Intercompany	—
	—Others	—
	Intercompany payables	—
	Current liabilities and provisions	—
	Deferred tax liabilities	—
		—
G	**Networth (A+B+C+D+E−F)**	**2,234.1**
	Represented by	
H	**Share capital**	**2,234.1**
I	**Reserves and surplus**	**—**
J	**Networth (H+I)**	**2,234.1**

Notes:

1) The company was incorporated on August 2, 2006 and its first accounting period was for the period from August 2, 2006 to 12 October, 2006.

2) The Translated Restated Summary Financial Information of Cairn India Holdings Limited dated October 12, 2006 which was presented in Rs. millions and prepared for inclusion in the Draft Red Herring Prospectus of Cairn India Limited to be filed with Securities and Exchange Board of India ('SEBI'), was signed by a director, who was authorised by the Board of Directors in its meeting held on October 12, 2006. Subsequently, Cairn India Limited has been advised by SEBI that the respective figures need to be in Rs. crores instead of Rs. millions and therefore, the amounts in this Translated Restated Summary Financial Information have been presented in Rs. crores instead of Rs. millions as presented earlier and there is no other change in the revised financial information.

As per our report of even date

For S.R. Batliboi & Associates Chartered Accountants	**For and on behalf of the Board of Directors**
per Raman Sobti Partner **Membership No. 89218**	**Rahul Dhir** Director
New Delhi **November 24, 2006**	**New Delhi** **November 24, 2006**

ANNEXURE II: TRANSLATED RESTATED SUMMARY STATEMENT OF PROFITS AND LOSSES

Cairn India Holdings Limited

(All amounts are stated in crores of Indian Rupees, unless otherwise stated)

	Period ended 12 October 2006
Income	
Sales	—
Profit on sales of interest	—
Foreign exchange gain	—
Other income	—
	—
Expenditure	
Production costs	—
Depletion, depreciation and amortisation	—
Unsuccessful exploration costs	—
Staff costs and administrative expenses	—
Foreign exchange loss	—
Financing expenses	—
	—
Net (loss)/profit before tax	—
Taxation	
—Current tax	—
—Deferred tax	—
	—
Net loss after tax	—

The company was incorporated on August 2, 2006 and its first accounting period was for the period from August 2, 2006 to 12 October, 2006

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

New Delhi
November 24, 2006

For and on behalf of the Board of Directors

Rahul Dhir
Director

New Delhi
November 24, 2006

TRANSLATED RESTATED SUMMARY STATEMENTS OF ASSETS AND LIABILITIES AND PROFITS AND LOSSES OF CAIRN ENERGY HYDROCARBONS LIMITED AS AT JUNE 30, 2006, DECEMBER 31, 2005, 2004, 2003, 2002 AND 2001 AND FOR THE SIX MONTHS ENDED JUNE 30, 2006 AND YEARS ENDED DECEMBER 31, 2005, 2004, 2003, 2002, 2001

To The Board of Directors
Cairn India Limited
Mumbai
India

Dear Sirs,

1. In connection with the proposed Initial Public Offer ('IPO') of Cairn India Limited (the 'Company') of its equity shares having a face value of Rs. 10 per equity share at an issue price to be arrived at by the 100% book building scheme and at your request, we have examined, as detailed in paragraph 5 below, the Translated Restated Summary Financial Information (as defined in paragraph 6 below) of Cairn Energy Hydrocarbons Limited (a subsidiary of Cairn India Holdings Limited in which the Company proposes to hold 21.85% of the equity shares at the time of IPO—hereinafter referred to as 'Cairn Energy Hydrocarbons') as at June 30, 2006, December 31, 2005, 2004, 2003, 2002 and 2001 and for the six months ended June 30, 2006 and years ended December 31, 2005, 2004, 2003, 2002 and 2001 (hereinafter referred to as the 'periods under examination') annexed to this report and initialed by us for identification purposes.

2. The above financial information is the responsibility of the management of Cairn Energy Hydrocarbons and has been prepared in accordance with the requirements of:

   a. paragraph B(1) of Part II of Schedule II to the Companies Act, 1956 (the 'Act');

   b. the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 (the 'Guidelines') issued by the Securities and Exchange Board of India ('SEBI') on January 19, 2000, as amended from time to time in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992.

3. The Translated Restated Summary Financial Information of Cairn Energy Hydrocarbons, being that of a body corporate, is not required to be and is not necessarily in conformity with the framework of general purpose financial statements in India. The Translated Restated Summary Financial Information for the periods under examination has been prepared in accordance with the framework of accounting policies of the Company as specified in Annexure IV to this report.

4. The financial statements of Cairn Energy Hydrocarbons, prepared under United Kingdom Generally Accepted Accounting Practice ('UK GAAP')/International Financial Reporting Standards as adopted by European Union ('EU IFRS') as detailed in paragraph 6 below and in the relevant reporting currency, have been translated to Indian Rupees by the management of Cairn Energy Hydrocarbons on the basis of the average and year/period-end exchange rates applicable for the respective years/ period for the profit and loss related items and balance sheet related monetary items, respectively, and the exchange rate at the date of the transaction for the non-monetary items. The translated financial information, thereafter, has been restated by the management of Cairn Energy Hydrocarbons to comply with/be aligned to the accounting policies of the Company and the Guidelines. The Translated Restated Summary Financial Information has been compiled by the management of Cairn Energy Hydrocarbons from such translated restated financial information of Cairn Energy Hydrocarbons.

5. Our examination was conducted in accordance with the applicable generally accepted auditing standards ('GAAS') framework in India, including inter alia, requirements mandated by the Institute of Chartered Accountants of India ('ICAI') in the Guidance Note on Reports in Company Prospectuses, Guidance Note on Audit Reports/Certificates on Financial Information in Offer Documents and Guidance Note on Audit Reports and Certificates for Special Purposes issued by the ICAI.

Translated Restated Summary Financial Information

6. We have examined the attached translated restated summary statements of assets and liabilities of Cairn Energy Hydrocarbons as at the end of the periods under examination and the attached

translated restated summary statements of profit and loss for the periods under examination as prepared by Cairn Energy Hydrocarbons ('Translated Restated Summary Financial Information') (see Annexure I and II to this report). The notes to the Translated Restated Summary Financial Information are attached in Annexure III to this report. The Translated Restated Summary Financial Information for the periods under examination is based on the financial statements of Cairn Energy Hydrocarbons for those years / period, which have been audited by other auditors as described below:

Year/period ended	Audited by	Reporting GAAP
December 31, 2001	Ernst & Young LLP, UK	UK GAAP
December 31, 2002	Ernst & Young LLP, UK	UK GAAP
December 31, 2003	Ernst & Young LLP, UK	UK GAAP
December 31, 2004	Ernst & Young LLP, UK	UK GAAP
December 31, 2005	Ernst & Young LLP, UK	EU IFRS
June 30, 2006	Ernst & Young LLP, UK	EU IFRS

For reporting on the Translated Restated Summary Financial Information, we have relied on the aforesaid audited financial statements of Cairn Energy Hydrocarbons which have been reported upon by Ernst & Young LLP, UK and have been prepared under UK GAAP and EU IFRS applicable to Cairn Energy Hydrocarbons as set forth in table above. Adjustments have been made as described in paragraph 4 above to translate and restate, and realign the significant accounting policies under UK GAAP/EU IFRS being followed by Cairn Energy Hydrocarbons to those of the Company under Indian GAAP and these adjustments have been examined by us for the periods under examination.

7. Based on our examination of this Translated Restated Summary Financial Information, we confirm that:

   – the impact of changes in accounting policies adopted by the Company have been adjusted with retrospective effect in the attached Translated Restated Summary Financial Information;

   – material amounts relating to the adjustments for previous years/period have been identified and adjusted in arriving at the profits/(losses) for the years/period to which they relate irrespective of the year/period in which the event triggering the profit or loss occurred;

   – there are no extraordinary items, which need to be disclosed separately in the Translated Restated Summary Financial Information;

   – there are no qualifications in the auditors' reports, which require any adjustments to the Translated Restated Summary Financial Information;

   – nothing has come to our attention based on our examination that causes us to believe that the financial statements of Cairn Energy Hydrocarbons, referred to in paragraph 4 above, have not been translated to Indian Rupees fairly in all material respects; and

   – nothing has come to our attention based on our examination that causes us to believe that the Translated Restated Summary Financial Information of Cairn Energy Hydrocarbons, referred to in paragraph 4 above, has not been restated to comply with/be aligned to the accounting policies of the Company fairly in all material respects.

Other Financial Information

8. At your request, we have also examined the following other financial information of Cairn Energy Hydrocarbons for each of the years/period presented, annexed to this report, which is proposed to be included in the Offer Document. This information is based on the financial statements for the respective years/period, which have been audited by the respective auditors as described in

paragraph 6 above and have been translated and restated, and realigned to the changes in accounting policies of the Company as referred to above. These adjustments have been examined by us.

Details of Other Financial Information Examined	**Annexure Reference**
Summary statement of cash flows	V
Details of other income	VI
Capitalisation statement as at June 30, 2006	VII
Details of secured and unsecured loans as at June 30, 2006, December 31, 2005, 2004, 2003, 2002 and 2001	VIII
Accounting ratios based on the profits relating to earnings per share, return on net worth, net asset value per share and debt/equity ratio	IX
Statement of tax shelters	X
Statement of related party transactions	XI

We have been informed that Cairn Energy Hydrocarbons has not declared any dividends on its equity shares for the periods under examination.

9. In our view, the 'Translated Restated Summary Financial Information' and 'other financial information' mentioned above has been prepared in accordance with Part II of Schedule II to the Act and the Guidelines.

10. This report should not be in any way be construed as a reissuance or redating of any of the previous audit reports issued by us or by other independent auditors nor should this report be construed as a new opinion on any of the financial statements referred to herein.

11. This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed IPO of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No: 89218

Place: New Delhi
Date: November 24, 2006

ANNEXURE I: TRANSLATED RESTATED SUMMARY STATEMENT OF ASSETS AND LIABILITIES

Cairn Energy Hydrocarbons Limited

(All amounts are stated in crores of Indian Rupees, unless otherwise stated)

		As at 30 June, 2006	As at 31 December, 2005	As at 31 December, 2004	As at 31 December, 2003	As at 31 December, 2002	As at 31 December, 2001
A	**Fixed assets**						
	Gross block	3.1	2.9	1.6	0.3	0.1	—
	Less: Accumulated depreciation	1.4	1.0	0.4	0.1	0.1	—
	Net block	1.7	1.9	1.2	0.2	—	—
	Producing properties (net of depletion)	—	—	—	35.1	48.1	55.1
	Exploratory & development wells in progress	611.8	490.2	262.7	109.0	52.5	2.2
		613.5	**492.1**	**263.9**	**144.3**	**100.6**	**57.3**
B	**Goodwill**	—	—	—	—	—	—
C	**Investments**	—	—	—	—	—	—
D	**Current assets, loans and advances**						
	Inventories	52.2	43.9	18.2	6.7	2.9	—
	Sundry debtors	—	—	0.1	3.6	4.1	7.5
	Cash and bank balances	30.4	1.2	0.7	3.3	4.1	—
	Loans and advances	84.6	77.3	8.5	3.4	4.7	—
	Other current assets	0.2	0.2	0.8	0.1	0.1	0.1
	Intercompany loans and receivables	0.1	—	—	3.0	0.6	—
	Total	**167.5**	**122.6**	**28.3**	**20.1**	**16.5**	**7.6**
E	**Liabilities and provisions**						
	Secured loans	—	—	—	—	—	—
	Unsecured loans						
	—Intercompany	967.2	756.3	313.4	98.1	—	—
	—Others	115.8	—	—	—	2.4	—
	Intercompany payables	30.2	29.9	19.7	2.5	—	56.2
	Current liabilities and provisions	124.2	121.2	95.0	41.3	21.6	10.0
	Deferred tax liabilities	—	—	—	3.9	2.3	3.5
		1,237.4	**907.4**	**428.1**	**145.8**	**26.3**	**69.7**
F	**Net worth (A+B+C+D−E)**	**(456.4)**	**(292.7)**	**(135.9)**	**18.6**	**90.8**	**(4.8)**
	Represented by						
G	**Share capital**	11.4	11.4	11.4	11.4	11.4	—
H	**Reserves and surplus**	(467.8)	(304.1)	(147.3)	7.2	79.4	(4.8)
I	**Net worth (G+H)**	**(456.4)**	**(292.7)**	**(135.9)**	**18.6**	**90.8**	**(4.8)**

The above summary statement is to be read with the notes on the translated restated summary financial information and significant accounting policies as appearing in Annexure III and IV, respectively.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

New Delhi
November 24, 2006

For and on behalf of the Board of Directors

Mike Watts
Director

Edinburgh, Scotland
November 24, 2006

ANNEXURE II: TRANSLATED RESTATED SUMMARY STATEMENT OF PROFITS AND LOSSES

Cairn Energy Hydrocarbons Limited

(All amounts are stated in crores of Indian Rupees, unless otherwise stated)

	Six months ended 30 June 2006	Year ended 31 December 2005	Year ended 31 December 2004	Year ended 31 December 2003	Year ended 31 December 2002	Year ended 31 December 2001
Income						
Sales	—	—	15.7	41.9	44.5	17.9
Profit on sales of interest	—	—	20.5	—	—	—
Foreign exchange gain	—	—	6.3	—	—	—
Other income	0.2	0.3	0.1	—	—	—
	0.2	**0.3**	**42.6**	**41.9**	**44.5**	**17.9**
Expenditure						
Production costs	—	—	4.3	13.1	16.7	6.0
Depletion, depreciation and amortisation	0.4	0.6	6.0	11.8	18.6	7.3
Unsuccessful exploration costs	100.9	138.9	173.8	65.5	7.4	—
Staff costs and administrative expenses	1.6	2.9	3.0	3.1	3.0	1.5
Foreign exchange loss	54.1	7.4	—	10.1	3.8	2.3
Financing expenses	6.9	7.1	5.1	0.7	0.1	—
	163.9	**156.9**	**192.2**	**104.3**	**49.6**	**17.1**
Net (loss)/profit before tax	**(163.7)**	**(156.6)**	**(149.6)**	**(62.4)**	**(5.1)**	**0.8**
Taxation						
—Current tax	—	—	8.8	8.4	1.6	2.3
—Deferred tax	—	—	(3.9)	1.3	(1.5)	3.3
	—	**—**	**4.9**	**9.7**	**0.1**	**5.6**
Net loss after tax	**(163.7)**	**(156.6)**	**(154.5)**	**(72.1)**	**(5.2)**	**(4.8)**

The above summary statement is to be read with the notes on the translated restated summary financial information and significant accounting policies as appearing in Annexure III and IV, respectively.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

New Delhi
November 24, 2006

For and on behalf of the Board of Directors

Mike Watts
Director

Edinburgh, Scotland
November 24, 2006

ANNEXURE III: NOTES ON TRANSLATED RESTATED SUMMARY FINANCIAL INFORMATION

Cairn Energy Hydrocarbons Limited

(a) Introduction

Cairn Energy Hydrocarbons Limited ("CEHL") is a company limited by shares that is incorporated in the United Kingdom and its main business is the exploration, development and production of petroleum and natural gas.

For the periods covered by this summary financial information CEHL, until 31 December 2004, prepared its financial statements under the Generally Accepted Accounting Practice of the United Kingdom ("UK GAAP"). For the period from 1 January 2005 until 30 June 2006 CEHL prepared its financial statements under the International Financial Reporting Standards as adopted by the European Union ("EU IFRS"). On adoption of EU IFRS CEHL also restated its financial statements for the year ended 31 December 2004. For the years to 31 December 2001, 2002, 2003 and 2004 the UK GAAP financial statements have been reported in United Kingdom Pounds. The EU IFRS financial statements were prepared and reported in United Kingdom Pounds.

(b) Indian Generally Accepted Accounting Principles ("IGAAP") translation and restatement

The financial statements of Cairn Energy Hydrocarbons Limited, prepared under the relevant Generally Accepted Accounting Principles ('GAAP') and in the relevant reporting currency as detailed in the paragraph above, have been translated to Indian Rupees on the basis of average and year-end exchange rates applicable for the respective years/period for the profit and loss related items and balance sheet related monetary items, respectively. Non-monetary items which are carried in terms of historical cost have been translated to Indian currency using the exchange rate at the date of the transaction.

This translated restated summary financial information, thereafter, has been restated in accordance with the accounting policies adopted by Cairn India Limited.

Cairn India Limited has adopted all enacted Indian GAAP Accounting Standards as at the Balance Sheet date and these accounting policies have been applied retrospectively throughout the periods covered by this translated restated summary financial information.

(c) Material amounts adjusted

No amounts have been adjusted in arriving at the profits for the year as reported in the summary financial information.

(d) Significant changes in activities

Significant changes in activities for the reported periods are set out below:

Profit on sale of interest

The profit on sale of interest for the year ended 31 December 2004 arose on the sale of CEHL's 10% non-operated interest in the Gryphon field in the UK North Sea. This interest had previously been acquired by CEHL from Cairn Energy PLC during 2001.

On completion of the disposal of the Gryphon field, a pre tax gain of 20.5 crores Indian Rupees has been recognised in the statement of profits and losses. Tax on the gain of 11.7 crores Indian Rupees has also been recognised in the statement of profits and losses.

(e) The Translated Restated Summary Financial Information of Cairn Energy Hydrocarbons Limited dated September 22, 2006 together with 'Notes on Translated Restated Summary Financial Information', 'significant accounting policies for Translated Restated Summary Financial Information', 'translated restated summary statement of cash flows', 'details of other income', 'capitalisation statement as at June 30, 2006', 'details of loans and principal terms and conditions of loans outstanding as at June 30, 2006', 'accounting ratios', 'statement of tax shelters' and 'details of related party transactions and outstanding balances', (collectively referred to as 'Other Annexures') which were presented in Rs. millions and prepared for inclusion in the Draft Red Herring Prospectus of Cairn India Limited to be filed with Securities and Exchange Board of India ('SEBI'), were signed by a director, who was authorised by the Board of Directors in its meeting held on September 22, 2006. Subsequently, Cairn India Limited has been advised by SEBI that the respective figures need to be in Rs. crores instead of Rs. millions and therefore, the amounts in this Translated Restated Summary Financial Information together with Other Annexures have been presented in Rs. crores instead of Rs. millions as presented earlier and there is no other change in the revised financial information

As per our report of even date

For S.R. Batliboi & Associates Chartered Accountants	**For and on behalf of the Board of Directors**
per Raman Sobti Partner **Membership No. 89218**	**Mike Watts** Director
New Delhi **November 24, 2006**	**Edinburgh, Scotland** **November 24, 2006**

ANNEXURE IV: SIGNIFICANT ACCOUNTING POLICIES FOR TRANSLATED RESTATED SUMMARY FINANCIAL INFORMATION

Cairn Energy Hydrocarbons Limited

(a) Basis of preparation

The financial information has been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India ('ICAI') and the relevant provisions of the Companies Act, 1956 under the historical cost convention and on an accrual basis to make the preparation of financial information consistent as that of Cairn India Limited.

(b) Oil and gas assets

Cairn Energy Hydrocarbons Limited ("CEHL") follows a successful efforts method for accounting for oil and gas assets as set out by the Guidance Note issued by the ICAI on "Accounting for Oil and Gas Producing Activities".

Expenditure incurred on the acquisition of a licence interest is initially capitalised on a licence by licence basis. Costs are held, undepleted, within exploratory & development wells in progress until the exploration phase relating to the licence area is complete or commercial oil and gas reserves have been discovered.

Exploration expenditure incurred in the process of determining exploration targets which cannot be directly related to individual exploration wells is expensed in the period in which it is incurred.

Exploration/appraisal drilling costs are initially capitalised within exploratory & development wells in progress on a well by well basis until the success or otherwise of the well has been established. The success or failure of each exploration/appraisal effort is judged on a well by well basis. Drilling costs are written off on completion of a well unless the results indicate that oil and gas reserves exist and there is a reasonable prospect that these reserves are commercial.

Where results of exploration drilling indicate the presence of oil and gas reserves which are ultimately not considered commercially viable, all related costs are written off to the profit and loss account. Following appraisal of successful exploration wells, when a well is ready for commencement of commercial production, the related exploratory & development wells in progress are transferred into a single field cost centre within producing properties, after testing for impairment.

Where costs are incurred after technical feasibility and commercial viability of producing oil and gas is demonstrated and it has been determined that the wells are ready for commencement of commercial production, they are capitalised within producing properties for each cost centre. Subsequent expenditure is capitalised when it enhances the economic benefits of the producing properties or replaces part of the existing producing properties. Any costs remaining associated with such part replaced are expensed in the financial statements.

Net proceeds from any disposal of an exploration asset within exploratory & development wells in progress are initially credited against the previously capitalised costs and any surplus proceeds are credited to the profit and loss account. Net proceeds from any disposal of producing properties are credited against the previously capitalised cost and any gain or loss on disposal of producing properties is recognised in the profit and loss account, to the extent that the net proceeds exceed or are less than the appropriate portion of the net capitalised costs of the asset.

(c) Depletion

CEHL depletes expenditure on producing properties within each cost centre.

Depletion is charged on a unit of production basis, based on proved reserves for acquisition costs and proved and developed reserves for other costs.

(d) Decommissioning

At the end of the producing life of a field, costs are incurred in removing and decommissioning production facilities. CEHL recognises the full cost of decommissioning as an asset and liability when the obligation to rectify environmental damage arises. The decommissioning asset is included within producing properties of the related asset. The amortisation of the asset, calculated on a unit of production basis based on proved and developed reserves, is included in the "depletion, decommissioning and amortisation" charge in the profit and loss account.

(e) Impairment

i. The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised where the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

ii. After impairment, depreciation/depletion is provided in subsequent periods on the revised carrying amount of the asset over its remaining useful life.

iii. Where there has been a charge for impairment in an earlier period, that charge will be reversed in a later period where there has been a change in circumstances to the extent that the discounted future net cash flows are higher than the net book value at the time. In reversing impairment losses, the carrying amount of the asset will be increased to the lower of its original carrying value or the carrying value that would have been determined (net of depletion) had no impairment loss been recognised in prior periods.

(f) Other Tangible Fixed Assets, depreciation and amortisation

Tangible assets, other than oil and gas assets, are stated at cost, less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which take a substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

Depreciation is provided using the Straight Line Method as per the useful lives of the assets estimated by the management, or at the rates prescribed under Schedule XIV of the Companies Act 1956, whichever is higher. Depreciation on tangible fixed assets used for corporate purposes is classified under administrative expenses. The expected useful economic lives are as follows:

Vehicles	2 to 4 years
Freehold buildings	10 years
Computers	2 to 4 years
Furniture and fixtures	2 to 4 years
Office equipments	2 to 4 years
Plant and Equipment	2 to 4 years

Leasehold improvements are amortised over the remaining period of the primary lease or useful life, whichever is shorter.

(g) Intangible fixed assets and amortisation

Intangible assets, other than oil and gas assets, have finite useful lives and are measured at cost and amortised over their expected useful economic lives as follows:

Computer software	2 to 4 years

Goodwill arising on acquisition is capitalised and is subject to annual review for impairment.

(h) Leases

Finance leases, which effectively transfer to CEHL substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

If there is no reasonable certainty that CEHL will obtain the ownership by the end of the lease term, capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss account on a straight-line basis over the lease term.

(i) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. Current investments are measured at cost or market value, whichever is lower. All other investments are classified as long-term investments. Long term investments are measured at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

(j) Inventory

Inventories of oil and condensate held at the balance sheet date are valued at net realisable value based on the estimated selling price. Inventory of stores and spares are stated at cost.

(k) Joint Ventures

CEHL participates in several Joint Ventures which involve the joint control of assets used in the oil and gas exploration, development and producing activities. It accounts for its share of the assets and liabilities of Joint Ventures in which it holds a participating interest.

Joint venture cash and cash equivalent balances are not freely available for use by CEHL and are, therefore, disclosed within Loans and Other Advances.

(l) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to CEHL and the revenue can be reliably measured.

Revenue from operating activities

Revenue represents CEHL's share of oil, gas and condensate production, recognised on a direct entitlement basis and tariff income received for third party use of operating facilities and pipelines in accordance with agreements.

Other income

Interest income is recognised on a time proportion basis and is recognised within "Other income" in the Profit and Loss account.

(m) Borrowing costs

Borrowing costs include interest and commitment charges on borrowings, amortisation of costs incurred in connection with the arrangement of borrowings and finance charges under leases. Costs incurred on borrowings directly attributable to development projects are capitalised within the development/producing asset for each cost-centre.

All other borrowing costs are recognised in the Profit and Loss account in the period in which they are incurred.

(n) Foreign currency transactions and translations

CEHL translates foreign currency transactions into Indian Rupees at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into Indian Rupees at the rate of exchange prevailing at the Balance Sheet date. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

Exchange differences arising on the settlement of monetary items or on reporting CEHL's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise except those arising from investments in non-integral operations. Exchange differences arising in respect of fixed assets acquired from outside India are capitalised as a part of fixed asset.

All transactions of integral foreign operations are translated as if the transactions of those foreign operations were the transactions of CEHL itself. In translating the financial statements of a non-integral foreign operation for incorporating in financial statements, CEHL translates the assets and liabilities at the rate of exchange prevailing at the balance sheet date. Income and expenses of non-integral subsidiaries are translated using rates at the date of transactions. Resulting exchange differences are disclosed under the foreign currency translation reserve until the disposal of the net investment.

On the disposal of a non-integral foreign operation, the cumulative amount of the exchange differences which have been deferred and which relate to that operation are recognised as income or as expenses in the same period in which the gain or loss on disposal is recognised.

When there is a change in the classification of a foreign operation, the translation procedures applicable to the revised classification are applied from the date of the change in the classification.

(o) Income taxes

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax are measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act.

Deferred income tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax assets and liabilities are measured, based on tax rates and laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets and deferred tax liabilities across various countries of operation are not set off against each other as CEHL does not have a legal right to do so. Current and deferred tax assets and liabilities are only offset where they arise within the same entity and tax jurisdiction.

Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If CEHL has carry forward of unabsorbed depreciation and tax losses, deferred tax assets are recognised only if there is virtual certainty that such deferred tax assets can be realised against future taxable profits. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

(p) Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period are adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares, if any.

(q) Provisions

A provision is recognised when CEHL has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

(r) Cash and Cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments.

(s) Employee Benefits

Retirement and Gratuity benefits

Retirement benefits in the form of Provident Fund, Superannuation/Pension Schemes, if any, are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due.

In case of a Gratuity plan for the benefit of employees, which is established based on certain eligibility criteria, the liability under the plan is provided based on actuarial valuation. The scheme is maintained and administered by an insurer to which the trustees make periodic contributions.

Provision for leave encashment is accrued and provided for to the extent applicable to the employer.

Share schemes

The cost of awards to employees under CEHL's ultimate parent entity's Long Term Incentive Plans ("the LTIP") and share option plans are recognised over the three year period to which the performance relates. The amount recognised is based on the fair value of the shares as measured at the date of the award. The awards under the LTIP are valued at the market price at grant date while the shares issued under share options are valued using a binomial model.

The costs of awards to employees, in the form of cash but based on share performance (phantom options) are recognised over the period to which the performance relates. The amount recognised is based on the fair value of the liability arising from the transaction.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

New Delhi
November 24, 2006

For and on behalf of the Board of Directors

Mike Watts
Director

Edinburgh, Scotland
November 24, 2006

ANNEXURE V: TRANSLATED RESTATED SUMMARY STATEMENT OF CASH FLOWS

Cairn Energy Hydrocarbons Limited

(All amounts are stated in crores of Indian Rupees, unless otherwise stated)

		Six months ended 30 June 2006	Year ended 31 December 2005	Year ended 31 December 2004	Year ended 31 December 2003	Year ended 31 December 2002	Year ended 31 December 2001
A	**Cash flow from operating activities**						
	Net (loss)/profit before tax	(163.7)	(156.6)	(149.6)	(62.4)	(5.1)	0.8
	Adjustment for:						
	—Recouped costs (represented by depreciation, depletion and amortisation)	0.4	0.6	6.0	11.7	18.6	7.3
	—Unsuccessful exploration costs	100.9	138.8	173.3	65.5	7.4	(0.2)
	—Gain on sale of oil and gas assets	—	—	(20.5)	—	—	—
	—Unrealised (gain)/loss on restatement of assets and liabilities	37.9	2.4	(6.8)	9.6	5.2	2.4
	—Interest on borrowings and other finance charges	6.9	7.1	5.1	0.7	0.1	—
	—Interest income	(0.2)	(0.3)	(0.1)	—	—	—
	Operating (loss)/profit before working capital changes	**(17.8)**	**(8.0)**	**7.4**	**25.1**	**26.2**	**10.3**
	Adjustments for changes in working capital:						
	—Oil inventories	—	—	—	—	—	—
	—Sundry debtors	—	0.1	3.5	0.2	3.6	(7.4)
	—Other current assets	(0.1)	0.6	(0.8)	—	(0.1)	(0.1)
	—Current liabilities and provisions	—	(0.6)	(0.1)	0.7	(60.8)	54.1
	—Intercompany payables and receivables	(3.4)	12.0	19.8	(0.8)	—	—
	Cash (used in)/generated from operations	**(21.3)**	**4.1**	**29.8**	**25.2**	**(31.1)**	**56.9**
	Direct tax paid	(6.3)	(1.7)	(10.0)	(2.2)	(2.7)	—
		—	—	—	—	—	—
	Net cash flow (used in)/from operating activities—A	**(27.6)**	**2.4**	**19.8**	**23.0**	**(33.8)**	**56.9**
B	**Cash flow from investing activities**						
	Expenditure on exploration assets	(220.2)	(402.0)	(276.3)	(101.1)	(54.1)	(2.0)
	Expenditure on development/ producing assets	—	—	—	(5.5)	(8.1)	(54.9)
	Purchase of support assets	(0.3)	(1.3)	(1.3)	(0.2)	(0.1)	—
	Movement of other inventories	(8.3)	(25.7)	(11.5)	(3.9)	(2.8)	—
	Proceeds on disposal of oil and gas assets	—	—	52.2	—	—	—
	Interest received	0.2	0.3	0.1	—	—	—
	Net cash flow (used in)/from investing activities—B	**(228.6)**	**(428.7)**	**(236.8)**	**(110.7)**	**(65.1)**	**(56.9)**

		Six months ended 30 June 2006	Year ended 31 December 2005	Year ended 31 December 2004	Year ended 31 December 2003	Year ended 31 December 2002	Year ended 31 December 2001
C	**Cash flow from financing activities**						
	Proceeds from fresh issue of share capital	—	—	—	—	100.7	—
	Receipt/(repayment) of long term loans	115.4	—	—	(2.3)	2.4	—
	Movement on inter-company loans net	176.8	433.8	219.5	89.8	—	—
	Interest and other finance charges paid	(6.8)	(7.0)	(5.1)	(0.6)	(0.1)	—
	Net cash flow from/(used in) financing activities—C	**285.4**	**426.8**	**214.4**	**86.9**	**103.0**	**—**
	Net increase/(decrease) in cash and cash equivalents (A+B+C)	**29.2**	**0.5**	**(2.6)**	**(0.8)**	**4.1**	**—**
	Increase/(decrease) in cash and cash equivalents during the year	29.2	0.5	(2.5)	(0.6)	4.1	—
	Foreign exchange fluctuation on cash and cash equivalents	—	—	(0.1)	(0.2)	—	—
	Total	**29.2**	**0.5**	**(2.6)**	**(0.8)**	**4.1**	**—**
	Opening cash and cash equivalents	1.2	0.7	3.3	4.1	—	—
	Increase/(decrease) in cash and cash equivalents	29.2	0.5	(2.6)	(0.8)	4.1	—
	Closing cash and cash equivalents	**30.4**	**1.2**	**0.7**	**3.3**	**4.1**	—
	Cash and cash equivalents comprise the following amounts:						
	Cash on hand and balances with banks	2.6	1.2	0.7	3.3	4.1	—
	Short-term investments	27.8	—	—	—	—	—
	Total	**30.4**	**1.2**	**0.7**	**3.3**	**4.1**	**—**

Notes:

1. The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in Accounting Standard-3 on "Cash flow statements" issued by the Institute of Chartered Accountants of India.
2. Brackets indicate a cash outflow or deduction.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

New Delhi
November 24, 2006

For and on behalf of the Board of Directors

Mike Watts
Director

Edinburgh, Scotland
November 24, 2006

ANNEXURE VI: DETAILS OF OTHER INCOME

Cairn Energy Hydrocarbons Limited

(All amounts are stated in crores of Indian Rupees, unless otherwise stated)

Sources and particulars of other income	Nature	Six months ended 30 June 2006	Year ended 31 December 2005	Year ended 31 December 2004	Year ended 31 December 2003	Year ended 31 December 2002	Year ended 31 December 2001
Interest from bank deposits	Recurring	0.2	0.2	—	—	—	—
Other	Non recurring	—	0.1	0.1	—	—	—
Other income as per statement of profits and losses, as restated		**0.2**	**0.3**	**0.1**	—	—	—

1. The figures above are based on the translated restated summary statement of profits and losses for the six months ended 30 June 2006 and years ended 31 December 2005, 2004, 2003, 2003 and 2001.

2. The classification of other income as recurring or non-recurring is based on the current operations and business activity of CEHL as determined by management.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

New Delhi
November 24, 2006

For and on behalf of the Board of Directors

Mike Watts
Director

Edinburgh, Scotland
November 24, 2006

ANNEXURE VII: CAPITALISATION STATEMENT AS AT JUNE 30, 2006

Cairn Energy Hydrocarbons Limited

(All amounts are stated in crores of Indian Rupees, unless otherwise stated)

	Pre-issue at 30 June 2006
Short term debt	—
Long term debt	1,083.0
Total debt	**1,083.0**
Shareholders' funds	
Equity share capital	11.4
Reserves and surplus	(467.8)
Total shareholders' funds	**(456.4)**
Long term debt/shareholders' funds	(2.37)
Total debt/shareholders' funds	(2.37)

1. The figures disclosed above are based on the translated restated summary statement of assets and liabilities as at 30 June 2006.

2. No issue of shares is made by CEHL as part of this offer. Consequently, there is no change in the capital structure pre and post issue as a result of this offer.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

New Delhi
November 24, 2006

For and on behalf of the Board of Directors

Mike Watts
Director

Edinburgh, Scotland
November 24, 2006

ANNEXURE VIII: DETAILS OF LOANS AND PRINCIPAL TERMS AND CONDITIONS OF LOANS OUTSTANDING AS AT JUNE 30, 2006

Cairn Energy Hydrocarbons Limited

(All amounts are stated in crores of Indian Rupees, unless otherwise stated)

Details of loans	At 30 June 2006	At 31 December 2005	At 31 December 2004	At 31 December 2003	At 31 December 2002	At 31 December 2001
Secured loans	—	—	—	—	—	—
Unsecured loans	1,083.0	756.3	313.4	98.1	2.4	—
	1,083.0	**756.3**	**313.4**	**98.1**	**2.4**	**—**

1. The figures above are based on the translated restated statement of assets and liabilities as at 30 June 2006 and at 31 December 2005, 2004, 2003, 2002 and 2001.

Details of principal terms and conditions of loans outstanding as at 30 June 2006

Name of Lender	Amount	Interest Rate	Repayment terms	Security
Secured loans	—			
Unsecured loans				
Syndicate of commercial banks	98.4	Floating rate linked to USD LIBOR	Revolving credit facility of USD 850 million, matures on 30 June 2011	Not applicable
International Finance Corporation	17.5	Floating rate linked to USD LIBOR	Revolving credit facility of USD 150 million, matures on 30 June 2015	Not applicable
Cairn Energy PLC	262.9	Non interest bearing	Repayable by 31 Dec 2008	Not applicable
Cairn Energy Netherlands Holdings BV	538.5	Floating rate linked to USD LIBOR	Repayable by 31 Dec 2012	Not applicable
Cairn Energy Group Holding BV	115.7	Floating rate linked to USD LIBOR	Repayable by 31 Dec 2008	Not applicable
Cairn Energy Gujarat BV	13.0	Floating rate linked to USD LIBOR	Repayable by 31 Dec 2010	Not applicable
Cairn Energy India West BV	22.2	Floating rate linked to USD LIBOR	Repayable by 31 Dec 2010	Not applicable
Cairn Energy Cambay BV	14.8	Floating rate linked to USD LIBOR	Repayable by 31 Dec 2010	Not applicable
Total	**1,083.0**			

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

New Delhi
November 24, 2006

For and on behalf of the Board of Directors

Mike Watts
Director

Edinburgh, Scotland
November 24, 2006

ANNEXURE IX: ACCOUNTING RATIOS

Cairn Energy Hydrocarbons Limited

	Six months ended 30 June 2006	Year ended 31 December 2005	Year ended 31 December 2004	Year ended 31 December 2003	Year ended 31 December 2002	Year ended 31 December 2001
Basic and diluted earnings/(loss) per share (Rs.)	(1,049)	(1,003)	(990)	(462)	(1,113)	(23,806,751)
Return on net worth (%)	*refer note-6*	*refer note-6*	*refer note-6*	(159%)	(12%)	*refer note-6*
Net asset value per equity share (Rs.)	(2,924)	(1,875)	(870)	119	19,438	(23,806,684)
Total debt/equity ratio	(2.37)	(2.58)	(2.31)	5.27	0.03	—
Weighted average number of equity shares during the period/year	1,561,002	1,561,002	1,561,002	1,561,002	46,712	2

Notes:

1. The accounting ratios disclosed above are based on the translated restated summary statement of assets and liabilities for the six months ended 30 June 2006 and years ended 31 December 2005, 2004, 2003, 2002, 2001.

2. The ratios have been computed as below:

Earnings/(loss) per share	Net profit/(loss) as restated, attributable to equity shareholders / Weighted average number of equity shares outstanding during the period/year
Return on net worth (%)	Net profit/(loss) after tax, as restated / Net worth as at the end of the period/year
Net asset value per equity share (Rs.)	Net worth as at the end of the period/year / Weighted average number of equity shares outstanding during the period/year
Total debt/equity ratio	Long term debt and short term debt as at the end of the period/year / Equity share capital and reserves and surplus as at the end of the period/year

3. Net worth is the equity share capital and reserves and surplus of CEHL.

4. Earnings per share are calculated in accordance with Accounting Standard-20 on "Earnings per share" issued by the Institute of Chartered Accountants of India.

5. Weighted average number of equity shares is the number of equity shares outstanding at the beginning of the year/period, adjusted by the number of equity shares issued during the year/period multiplied by the time-weight factor. The time-weight factor is the number of days for which the specific shares were outstanding as a proportion of the total number of days during the year/period.

6. Return on net worth has not been computed where there is a net loss and net worth is negative.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

New Delhi
November 24, 2006

For and on behalf of the Board of Directors

Mike Watts
Director

Edinburgh, Scotland
November 24, 2006

ANNEXURE X: STATEMENT OF TAX SHELTERS

Cairn Energy Hydrocarbons Limited

(All amounts are stated in crores of Indian Rupees, unless otherwise stated)

	Six months ended 30 June 2006	Year ended 31 December 2005	Year ended 31 December 2004	Year ended 31 December 2003	Year ended 31 December 2002	Year ended 31 December 2001
(Loss)/profit as per books (A)	**(163.7)**	**(156.6)**	**(149.6)**	**(62.4)**	**(5.1)**	**0.8**
Tax at applicable rate	41.82%	41.82%	41.62%	41.25%	43.5%	48%
Tax on actual rate on book profits	**—**	**—**	**—**	**—**	**—**	**0.4**
Adjustments						
Permanent differences						
UK profits not taxable in India	8.3	10.4	(18.0)	(13.2)	(5.1)	(0.8)
Total permanent differences (B)	**8.3**	**10.4**	**(18.0)**	**(13.2)**	**(5.1)**	**(0.8)**
Timing differences						
Difference between tax and accounts treatment for:						
—Foreign exchange	54.1	7.3	(6.3)	10.1	3.1	—
—Depreciation	(0.4)	(0.7)	(0.5)	(0.2)	—	—
—Exploration & development expenditure	(75.4)	(215.8)	(129.0)	(63.9)	(58.2)	—
Brought forward loss utilised in the year	—	—	—	—	—	—
Total timing differences (C)	**(21.7)**	**(209.2)**	**(135.8)**	**(54)**	**(55.1)**	**—**
Net adjustments (D)=(B+C)	**(13.4)**	**(198.8)**	**(153.8)**	**(67.2)**	**(60.2)**	**(0.8)**
Tax (saving)/outgoing thereon (E)	—	—	—	—	—	(0.4)
Taxable income (A+D)	**(177.1)**	**(355.4)**	**(303.4)**	**(129.6)**	**(65.3)**	**—**
Tax payable on the taxable income (F)	—	—	—	—	—	—
Minimum Alternate Tax under section 115JB (G)	—	—	—	—	—	—
Total current tax (F+G)	**—**	**—**	**—**	**—**	**—**	**—**
Carried forward loss to next year	1,030.8	853.7	498.3	194.9	65.3	—

Notes:

1. The taxable income disclosed above is based on the translated restated summary financial information for the six months ended 30 June 2006 and years ended 31 December 2005, 2004, 2003, 2002, 2001.
2. The tax year in India runs from April to March, however, the above tax shelter statement has been prepared on calendar year basis and so the profit/loss and any resultant tax liability have been adjusted accordingly.
3. As the translated restated summary financial information has been prepared on a calendar year basis, the applicable tax rate is the weighted average of the rates applicable for the periods January to March and April to December.
4. The above statement relates only to profits which are subject to taxation under Indian law.
5. Tax saving/outgoing is the difference between the tax on book profits and the tax payable as per the provisions of the Income Tax Act, 1961.

As per our report of even date

For S.R. Batliboi & Associates Chartered Accountants	**For and on behalf of the Board of Directors**
per Raman Sobti Partner **Membership No. 89218**	**Mike Watts** Director
New Delhi **November 24, 2006**	**Edinburgh, Scotland** **November 24, 2006**

ANNEXURE XI: DETAILS OF RELATED PARTY TRANSACTIONS AND OUTSTANDING BALANCES

Cairn Energy Hydrocarbons Limited

List of related parties and relationships

The related parties listed below are disclosed in accordance with Accounting Standard-18 on "Related party disclosures" issued by the Institute of Chartered Accountants of India.

Name of related party	Relationship
Companies	
Cairn Energy PLC	Ultimate holding company
Cairn UK Holdings Limited	Intermediate holding company
Cairn Energy Holdings Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Netherlands Holdings B.V.	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Group Holdings B.V.	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Australia Pty Ltd	Fellow subsidiary of Cairn Energy PLC
CEH Australia Ltd	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Asia Pty Ltd	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Investments Australia Pty Ltd	Fellow subsidiary of Cairn Energy PLC
Wessington Investments Pty Ltd	Fellow subsidiary of Cairn Energy PLC
Sydney Oil Company Pty Ltd	Fellow subsidiary of Cairn Energy PLC
Command Petroleum (PPL56) Ltd	Fellow subsidiary of Cairn Energy PLC
Cairn Energy India Pty Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Petroleum Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Discovery Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Gujarat Block 1. Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Exploration (No.2) Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Exploration (No.4) Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Exploration (No.6) Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Exploration (No.7) Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy India Holdings B.V.	Fellow subsidiary of Cairn Energy PLC
Cairn Energy India West Holding H.V.	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Cambay Holding B.V.	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Gujarat Holding B.V.	Fellow subsidiary of Cairn Energy PLC
Cairn Energy India West B.V.	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Cambay B.V.	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Gujarat B.V.	Fellow subsidiary of Cairn Energy PLC
Cairn Resources Limited	Fellow subsidiary of Cairn Energy PLC
Holland Sea Search Holding N.V.	Fellow subsidiary of Cairn Energy PLC
Holland Sea Search II B.V.	Fellow subsidiary of Cairn Energy PLC
Cairn Energy International Holdings B.V.	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Bangladesh Block 7 B.V.	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Exploration (Bangladesh) Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Sangu Field Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Bangladesh Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Resources Management Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Management Limited	Fellow subsidiary of Cairn Energy PLC
Energy Explorer Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Oil Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy North Sea Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Assets Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Nepal Holdings Limited	Fellow subsidiary of Cairn Energy PLC
Command Petroleum (Gulf) Ltd	Fellow subsidiary of Cairn Energy PLC
Cairn Exploration (No.1) Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Search Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Exploration and Production Company Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Dhangari Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Karnali Limited	Fellow subsidiary of Cairn Energy PLC

Name of related party	Relationship
Cairn Energy Lumbini Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Malangawa Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Birganj Limited	Fellow subsidiary of Cairn Energy PLC
Directors and key management personnel	
Bill Gammell	Director of Cairn Energy Hydrocarbons Limited
Kevin Hart	Director of Cairn Energy Hydrocarbons Limited
Mike Watts (appointed on 20 August 2002)	Director of Cairn Energy Hydrocarbons Limited
Joint ventures	
RJ-ON-90/1	Non-operated block (Operator: Cairn Energy India Pty Limited)

Amounts outstanding at period/year end

(All amounts are stated in crores of Indian Rupees, unless otherwise stated)

	Six months ended 30 June 2006	Year ended 31 December 2005	Year ended 31 December 2004	Year ended 31 December 2003	Year ended 31 December 2002	Year ended 31 December 2001
Amounts receivable						
—Unsecured loans:	—	—	—	—	—	—
—Interest receivable:	—	—	—	—	—	—
—Others:						
Cairn Energy India Pty Limited	0.1	—	—	—	—	—
Cairn Energy PLC	—	—	—	3.0	0.6	—
Total	**0.1**	**—**	**—**	**3.0**	**0.6**	**—**
Amounts payable						
—Unsecured loans:						
Cairn Energy PLC	262.9	438.2	189.1	—	—	—
Cairn Energy Netherlands Holdings BV	538.5	—	—	—	—	—
Cairn Energy Group Holdings BV	115.7	—	—	—	—	—
Cairn Energy Gujarat BV	13.0	—	—	—	—	—
Cairn Energy India West BV	22.2	—	—	—	—	—
Cairn Energy Cambay BV	14.8	—	—	—	—	—
Holland Sea Search Holdings NV	—	318.1	124.3	98.1	—	—
—Interest payable:						
Cairn Energy Netherlands Holdings BV	0.4	—	—	—	—	—
Holland Sea Search Holdings NV	0.7	10.4	3.9	—	—	—
Cairn Energy India West BV	0.1	—	—	—	—	—
—Others:						
Cairn Energy PLC	29.1	19.5	15.9	2.5	—	56.2
Total	**997.4**	**786.2**	**333.2**	**100.6**	**—**	**56.2**

(All amounts are stated in crores of Indian Rupees, unless otherwise stated)

Transactions during the period/year

	Six months ended 30 June 2006	Year ended 31 December 2005	Year ended 31 December 2004	Year ended 31 December 2003	Year ended 31 December 2002	Year ended 31 December 2001
Receipt of borrowings						
Holland Sea Search Holdings NV	—	199.4	26.2	155.1	—	—
Cairn Energy PLC	170.1	243.8	189.1	—	—	—
Cairn Energy Netherlands Holdings BV	538.5	—	—	—	—	—
Cairn Energy Group Holdings BV	115.7	—	—	—	—	—
Cairn Energy Gujarat BV	13.0	—	—	—	—	—
Cairn Energy India West BV	22.2	—	—	—	—	—
Cairn Energy Cambay BV	14.8	—	—	—	—	—
Cairn Energy India Pty Limited	40.4	—	—	—	—	—
Repayment of borrowings						
Holland Sea Search Holdings NV	318.1	—	—	65.3	—	—
Cairn Energy PLC	355.2	—	—	—	—	—
Cairn Energy India Pty Limited	41.7	—	—	—	—	—
Interest received (on accrual basis)	—	—	—	—	—	—
Interest paid (on accrual basis)						
Holland Sea Search Holdings NV	5.6	6.5	3.9	—	—	—
Cairn Energy Netherlands Holdings BV	0.4	—	—	—	—	—
Cairn Energy India West BV	0.1	—	—	—	—	—
Cairn Energy India Pty. Ltd.	0.2	—	—	—	—	—
Others—net debit/(credit)						
Cairn Energy PLC	(9.6)	(3.6)	(16.4)	(0.1)	56.8	(56.2)
Cairn Energy India Pty Limited	0.1	—	—	—	—	—

1. The remuneration of the directors and key management personnel was borne by CEHL's ultimate parent company, Cairn Energy PLC, throughout the periods under review.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

New Delhi
November 24, 2006

For and on behalf of the Board of Directors

Mike Watts
Director

Edinburgh, Scotland
November 24, 2006

TRANSLATED RESTATED SUMMARY CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES AND PROFITS AND LOSSES, OF CAIRN ENERGY AUSTRALIA PTY LIMITED, (INCLUDING ITS SUBSIDIARIES) AS AT JUNE 30, 2006, DECEMBER 31, 2005, 2004, 2003, 2002 AND 2001 AND FOR THE SIX MONTHS ENDED JUNE 30, 2006 AND YEARS ENDED DECEMBER 31, 2005, 2004, 2003, 2002 AND 2001

To The Board of Directors
Cairn India Limited
Mumbai
India

Dear Sirs,

1. In connection with the proposed Initial Public Offer ('IPO') of Cairn India Limited (the 'Company') of its equity shares having a face value of Rs. 10 per equity share at an issue price to be arrived at by the 100% book building scheme and at your request, we have examined, as detailed in paragraph 5 below, the Translated Restated Summary Consolidated Financial Information (as defined in paragraph 6 below) of Cairn Energy Australia Pty Limited (ultimate subsidiary of Cairn India Holdings Limited in which the Company proposes to hold 21.85% of the equity shares at the time of IPO—hereinafter referred to as 'Cairn Energy Australia') which includes its subsidiaries consisting of Cairn Energy Asia Pty Limited, CEH Australia Limited, CEH Australia Pty Limited, Cairn Energy Investments Australia Pty Limited, Wessington Investments Pty Limited, Sydney Oil Company Pty Limited, Command Petroleum (PPL56) Limited and Cairn Energy India Pty Limited as at June 30, 2006, December 31, 2005, 2004, 2003, 2002 and 2001 and for the six month period ended June 30, 2006 and years ended December 31, 2005, 2004, 2003, 2002 and 2001 (hereinafter referred to as the 'periods under examination') annexed to this report and initialled by us for identification purposes.

2. The above financial information is the responsibility of the management of Cairn Energy Australia and has been prepared in accordance with the requirements of:

   a. paragraph B(1) of Part II of Schedule II to the Companies Act, 1956 (the 'Act');

   b. the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 (the 'Guidelines') issued by the Securities and Exchange Board of India ('SEBI') on January 19, 2000, as amended from time to time in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992.

3. The Translated Restated Summary Consolidated Financial Information of Cairn Energy Australia, being that of a body corporate, is not required to be and is not necessarily in conformity with the framework of general purpose financial statements in India. The Translated Restated Summary Consolidated Financial Information for the periods under examination has been prepared in accordance with the framework of accounting policies of the Company as specified in Annexure IV to this report.

4. The financial statements of Cairn Energy Australia, prepared under the relevant Generally Accepted Accounting Principles ('GAAP') as detailed in paragraph 6 below and in the relevant reporting currency, have been translated to Indian Rupees by the management of Cairn Energy Australia on the basis of the average and year/period-end exchange rates applicable for the respective years/period for the profit and loss related items and balance sheet related monetary items, respectively, and the exchange rate at the date of the transaction for the non-monetary items. The translated financial information, thereafter, has been restated by the management of Cairn Energy Australia to comply with/be aligned to the accounting policies of the Company and the Guidelines. The Translated Restated Summary Consolidated Financial Information has been compiled by the management of Cairn Energy Australia from such translated restated financial information of Cairn Energy Australia.

5. Our examination was conducted in accordance with the applicable generally accepted auditing standards ('GAAS') framework in India, including inter alia, requirements mandated by the Institute of Chartered Accountants of India ('ICAI') in the Guidance Note on Reports in Company Prospectuses, Guidance Note on Audit Reports/Certificates on Financial Information in Offer Documents and Guidance Note on Audit Reports and Certificates for Special Purposes issued by the ICAI.

Translated Restated Summary Consolidated Financial Information

6. We have examined the attached translated restated summary consolidated statements of assets and liabilities of Cairn Energy Australia as at the end of the periods under examination and the attached translated restated summary consolidated statements of profit and loss for the periods under examination as prepared by Cairn Energy Australia ('Translated Restated Summary Consolidated Financial Information') (see Annexure I and II to this report). The notes to the Translated Restated Summary Consolidated Financial Information are attached in Annexure III to this report. The Translated Restated Summary Consolidated Financial Information for the periods under examination is based on the consolidated financial statements of Cairn Energy Australia for those years/period, which have been audited by other auditors as described below:

Year/period ended	Audited by	Reporting GAAP
December 31, 2001	Ernst & Young, Australia	Australian GAAP
December 31, 2002	Ernst & Young, Australia	Australian GAAP
December 31, 2003	Ernst & Young, Australia	Australian GAAP
December 31, 2004	Ernst & Young, Australia	Australian GAAP
December 31, 2005	Ernst & Young, Australia	Australian-equivalent International Financial Reporting Standards
June 30, 2006	Ernst & Young LLP, UK	Australian-equivalent International Financial Reporting Standards

For reporting on the Translated Restated Summary Consolidated Financial Information, we have relied on the aforesaid audited financial statements of Cairn Energy Australia which have been reported upon by the respective auditors as set forth in table above and have been prepared under the relevant Generally Accepted Accounting Principles ('GAAP') applicable to Cairn Energy Australia. Adjustments have been made as described in paragraph 4 above to translate and restate, and realign the significant accounting policies under the respective GAAP being followed by Cairn Energy Australia to those of the Company under Indian GAAP and these adjustments have been examined by us for the periods under examination.

7. Based on our examination of this Translated Restated Summary Consolidated Financial Information, we confirm that:

– the impact of changes in accounting policies adopted by the Company have been adjusted with retrospective effect in the attached Translated Restated Summary Consolidated Financial Information;

– material amounts relating to the adjustments for previous years/period have been identified and adjusted in arriving at the profits/(losses) for the years/period to which they relate irrespective of the year/period in which the event triggering the profit or loss occurred;

– there are no extraordinary items, which need to be disclosed separately in the Translated Restated Summary Consolidated Financial Information;

– there are no qualifications in the auditors' reports, which require any adjustments to the Translated Restated Summary Consolidated Financial Information;

– nothing has come to our attention based on our examination that causes us to believe that the financial statements of Cairn Energy Australia, referred to in paragraph 4 above, have not been translated to Indian Rupees fairly in all material respects; and

– nothing has come to our attention based on our examination that causes us to believe that the translated financial information of Cairn Energy Australia, referred to in paragraph 4 above, has not been restated to comply with/be aligned to the accounting policies of the Company fairly in all material respects.

Other Consolidated Financial Information

8. At your request, we have also examined the following other consolidated financial information of Cairn Energy Australia for each of the years/period presented, annexed to this report, which is proposed to be included in the Offer Document. This information is based on the financial statements for the respective years/period, which have been audited by the respective auditors as described in paragraph 6 above and which have been translated and restated, and realigned to the changes in accounting policies of the Company as referred to above. These adjustments have been examined by us.

DETAILS OF OTHER FINANCIAL INFORMATION EXAMINED	ANNEXURE REFERENCE
Summary statement of cash flows	V
Details of other income	VI
Capitalisation statement as at June 30, 2006	VII
Details of secured and unsecured loans as at June 30, 2006, December 31, 2005, 2004, 2003, 2002 and 2001	VIII
Accounting ratios based on the profits relating to earnings per share, return on net worth, net asset value per share and debt/equity ratio	IX
Statement of tax shelters	X
Statement of related party transactions	XI

We have been informed that Cairn Energy Australia has not declared any dividends on its equity shares for the periods under examination.

9. In our view, the 'Translated Restated Summary Consolidated Financial Information' and 'other consolidated financial information' mentioned above have been prepared in accordance with Part II of Schedule II to the Act and the Guidelines.

10. This report should not be in any way be construed as a reissuance or redating of any of the previous audit reports issued by us or by other independent auditors nor should this report be construed as a new opinion on any of the financial statements referred to herein.

11. This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed IPO of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No: 89218

Place: New Delhi
Date: November 24, 2006

ANNEXURE I: TRANSLATED RESTATED SUMMARY CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

Cairn Energy Australia Pty Limited

(All amounts are stated in crores of Indian Rupees, unless otherwise stated)

		As at 30 June, 2006	As at 31 December, 2005	As at 31 December, 2004	As at 31 December, 2003	As at 31 December, 2002	As at 31 December, 2001
A	**Fixed assets**						
	Gross block	123.4	102.3	78.7	64.3	36.7	32.0
	Less: Accumulated depreciation	86.5	75.8	59.9	48.2	22.8	15.9
	Net block	36.9	26.5	18.8	16.1	13.9	16.1
	Producing properties (net of depletion)	243.5	206.6	226.8	270.5	302.3	279.3
	Exploratory & development wells in progress	568.9	504.7	502.5	344.7	282.4	260.0
		849.3	**737.8**	**748.1**	**631.3**	**598.6**	**555.4**
B	**Goodwill**	**139.8**	**139.8**	**139.8**	**139.8**	**139.8**	**139.8**
C	**Investments**	**0.4**	**0.4**	**0.4**	**0.4**	**0.6**	**0.6**
D	**Current assets, loans and advances**						
	Inventories	72.7	70.6	40.5	39.4	29.1	25.2
	Sundry debtors	166.2	134.9	115.8	90.6	90.8	46.0
	Cash and bank balances	54.7	121.0	68.4	54.3	31.3	14.1
	Loans and advances	133.5	90.1	59.2	27.4	30.8	32.5
	Other current assets	17.0	19.2	16.9	17.0	23.7	19.5
	Intercompany loans and receivables	89.5	88.7	79.5	80.1	83.5	76.0
		533.6	**524.5**	**380.3**	**308.8**	**289.2**	**213.3**
E	**Liabilities and provisions**						
	Secured loans	—	—	—	—	—	—
	Unsecured loans						
	—Intercompany	0.3	2.0	28.0	—	—	155.5
	—Others	—	—	—	—	177.8	28.9
	Intercompany payables	107.2	102.2	66.7	26.4	26.9	26.6
	Current liabilities and provisions	310.5	271.5	445.3	342.7	202.1	275.0
	Finance lease liabilities	21.4	8.9	—	—	—	—
	Deferred tax liabilities	356.4	318.0	175.5	191.1	135.6	65.9
		795.8	**702.6**	**715.5**	**560.2**	**542.4**	**551.9**
F	**Networth (A+B+C+D−E)**	**727.3**	**699.9**	**553.1**	**520.1**	**485.8**	**357.2**
	Represented by						
G	**Share capital**	339.7	339.7	339.7	339.7	339.7	339.7
H	**Reserves and surplus**	387.6	360.2	213.4	180.4	146.1	17.5
I	**Networth (G+H)**	**727.3**	**699.9**	**553.1**	**520.1**	**485.8**	**357.2**

The above consolidated summary statement is to be read with the notes on the translated restated summary consolidated financial information and significant accounting policies as appearing in Annexure III and IV, respectively.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

New Delhi
November 24, 2006

For and on behalf of the Board of Directors

Malcolm Thoms
Director

Edinburgh, Scotland
November 24, 2006

ANNEXURE II: TRANSLATED RESTATED SUMMARY CONSOLIDATED STATEMENT OF PROFITS AND LOSSES

Cairn Energy Australia Pty Limited

(All amounts are stated in crores of Indian Rupees, unless otherwise stated)

	Six months ended 30 June 2006	Year ended 31 December 2005	Year ended 31 December 2004	Year ended 31 December 2003	Year ended 31 December 2002	Year ended 31 December 2001
Income						
Sales	353.2	546.1	462.7	437.9	450.3	384.2
Profit on sale of interest	—	160.1	—	—	—	—
Foreign exchange gain	—	9.6	10.1	4.6	—	1.4
Other income	4.7	10.2	3.5	2.5	1.8	14.2
(Decrease)/increase in inventories	(6.0)	11.9	(8.6)	7.7	0.9	(4.3)
	351.9	**737.9**	**467.7**	**452.7**	**453.0**	**395.5**
Expenditure						
Production costs	67.0	129.0	143.7	137.5	127.6	109.2
Depletion, depreciation and amortisation	35.4	65.4	67.2	62.3	44.9	30.9
Unsuccessful exploration costs	135.9	150.6	166.3	122.4	38.8	303.5
Staff costs and administrative expenses, net	25.1	53.3	42.4	31.1	26.8	19.5
Foreign exchange loss	7.1	—	—	—	0.9	—
Financing expenses	0.9	13.7	10.0	2.3	2.0	8.3
	271.4	**412.0**	**429.6**	**355.6**	**241.0**	**471.4**
Net profit/(loss) before tax	**80.5**	**325.9**	**38.1**	**97.1**	**212.0**	**(75.9)**
Taxation						
—Current tax	14.0	35.1	20.7	7.3	13.8	0.2
—Deferred tax	38.4	142.5	(15.6)	55.5	69.6	(43.7)
—Fringe benefit tax	0.7	1.5	—	—	—	—
	53.1	**179.1**	**5.1**	**62.8**	**83.4**	**(43.5)**
Net profit/(loss) after tax	**27.4**	**146.8**	**33.0**	**34.3**	**128.6**	**(32.4)**

The above consolidated summary statement is to be read with the notes on the translated restated summary consolidated financial information and significant accounting policies as appearing in Annexure III and IV, respectively.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

New Delhi
November 24, 2006

For and on behalf of the Board of Directors

Malcolm Thoms
Director

Edinburgh, Scotland
November 24, 2006

ANNEXURE III: NOTES ON TRANSLATED RESTATED SUMMARY CONSOLIDATED FINANCIAL INFORMATION

Cairn Energy Australia Pty Limited

(a) Introduction

Cairn Energy Australia Pty Ltd is a company limited by shares that is incorporated and domiciled in Australia and its main business is the exploration, development and production of petroleum and natural gas.

It is the parent entity of Cairn Energy India Pty Ltd, Sydney Oil Company Pty Limited, Command Petroleum (PPL56) Ltd, Cairn Investments Australia Pty Limited, Wessington Investments Pty Ltd, Cairn Energy Asia Pty Limited, CEH Australia Pty Limited, CEH Australia Pty Limited and CEH Australia Ltd.

This summary consolidated financial information include the results of Cairn Energy Australia Pty Limited and the aforementioned subsidiary undertakings ("CEA") to the Balance Sheet dates.

For the periods covered by this summary consolidated financial information CEA, until 31 December 2004, prepared its financial statements under the Australian Generally Accepted Accounting Principles ("Australian GAAP"). For the period from 1 January 2005 to 30 June 2006 CEA prepared its financial statements under the International Financial Reporting Standards as adopted by the Australian Accounting Standards Board ("Australian IFRS"). On adoption of Australian IFRS, CEA also restated its consolidated financial statements for the year ended 31 December 2004. For all periods the Australian GAAP or Australian IFRS consolidated financial statements have been reported in Australian Dollars.

(b) Indian Generally Accepted Accounting Principles ("IGAAP") translation and restatement

The consolidated financial statements of Cairn Energy Australia Pty Ltd, prepared under the relevant Generally Accepted Accounting Principles ('GAAP') and in the relevant reporting currency as detailed in the paragraph above, have been translated to Indian Rupees on the basis of average and year-end exchange rates applicable for the respective years/period for the profit and loss related items and balance sheet related monetary items, respectively. Non-monetary items which are carried in terms of historical cost have been translated to Indian currency using the exchange rate at the date of the transaction.

This translated restated summary consolidated financial information, thereafter, has been restated in accordance with the accounting policies adopted by Cairn India Limited.

Cairn India Limited has adopted all enacted Indian GAAP Accounting Standards as at the Balance Sheet date and these accounting policies have been applied retrospectively throughout the periods covered by this translated restated summary consolidated financial information.

(c) Material amounts adjusted

In accordance with the Securities and Exchange Board of India (Disclosure and Investment Protection) Guidelines 2000 the following matters have been adjusted in arriving at the profits for the year as reported in the summary consolidated financial information set out above.

PTRR Arbitration

During the year ended 31 December 2002, CEA made an initial provision in respect of the Ravva arbitration (see note (e)) of 33.6 crores Indian Rupees. This was further increased to 162.2 crores Indian Rupees during the year ended 31 December 2004. As this provision related to the years 2000 through to 2003, CEA results have been adjusted (net of foreign exchange fluctuation) for the respective periods to the tune of 107.2 crores Indian Rupees in 2003, 10.9 crores Indian Rupees in 2002, 31.4 crores Indian Rupees in 2001 and 15.4 crores Indian Rupees in 2000.

(d) Significant changes in activities

Significant changes in activities for the reported period are set out below:

Profit on sale of interest

The profit on sale of interest in the year ended 31 December 2005 arose on the sale of assets to the Oil and Natural Gas Corporation Limited ("ONGC").

In March 2005, CEA completed the transaction with ONGC whereby CEA farmed-out interests in KG-DWN-98/2 (90% exploration). On completion, CEA received gross proceeds of 371.2 crores Indian Rupees. A working capital adjustment of 9.5 crores Indian Rupees was received from ONGC in July 2005.

A pre-tax gain on sale of 160.1 crores Indian Rupees has been recognised in the statement of profits and losses in respect of the farm-out representing the excess of the net proceeds over the cost of the assets carried within exploration wells in progress.

(e) Other information

Sundry debtors

Included within sundry debtors as at 30 June 2006 are outstanding and overdue cash calls of 108.8 crores Indian Rupees receivable from the Rajasthan JV partner ONGC (Oil and Natural Gas Corporation Limited). Management is currently pursuing payment of the outstanding amount.

Ravva Arbitration and other matters

In 2002, two of the joint venture parties to the Ravva Production Sharing Contract ("PSC"), Cairn Energy India Limited ("CEI") and Ravva Oil (Singapore) Pte. Limited (collectively the "Respondents") initiated arbitration proceedings against the Government of India ("GoI") in respect of a number of disputes relating to the recoverability of certain costs and the validity of those costs for the purposes of calculating the post-tax rate of return ("PTRR") for production sharing purposes. On 12 October, 2004, the international arbitral panel ruled in favour of the GoI on some of the issues in dispute and in favour of the Respondents on others.

The GoI has filed an appeal in the Malaysian courts, as Kuala Lumpur was the seat of the arbitration, in respect of one element of the award on which the international arbitral panel found in favour of the Respondents, namely the "ONGC Carry", which is the Respondents' proportionate share of the entire exploration, development, production and contract costs incurred by ONGC prior to the date of the Ravva PSC. The issue is whether the Respondents are entitled to include in their accounts for the purposes of calculating the PTRR certain costs paid by the Respondents in consideration for ONGC having paid 100% of costs prior to the signing of the Ravva PSC in October 1994. The Respondents are challenging the appeal on the ground that under Malaysian law, an international arbitral award can only be remitted or set aside on the grounds of misconduct or failure in law on the part of the arbitral panel. However, in the event that the GoI's appeal succeeds and the initial arbitration award is reversed on this issue in a way that is enforceable against CEI, then CEI would be liable to make an additional payment of approximately Rs 295.9 crores (US $63.9 million).

In a separate dispute in respect of profit petroleum calculations under the Ravva PSC, CEI has received a claim from the DGH for Rs 173.2 crores net to CEI (US $37.4 million) of alleged underpayments of profit petroleum to the GoI, together with interest on that amount of Rs 31.5 crores net to CEI (US $6.8 million). This claim relates to the GoI's allegation that the Ravva joint venture has recovered cost in excess of the Base Development Costs ("BDC") cap imposed in the Ravva PSC and that the Ravva joint venture has allowed these excess costs in the calculation of the PTTR calculation.

CEI, and the other parties to the Ravva PSC, have rejected this claim on the basis that, amongst others, the BDC cap only applies to the initial development of the Ravva field and not to subsequent development activities under the Ravva PSC. In addition the Ravva joint venture has also contested the basis of the calculation.

(f) The Translated Restated Summary Consolidated Financial Information of Cairn Energy Australia Pty Limited dated September 22, 2006 together with 'Notes on Translated Restated Summary

Consolidated Financial Information', 'significant accounting policies for Translated Restated Summary Consolidated Financial Information', 'translated restated summary consolidated statement of cash flows', 'details of other income', 'capitalisation statement as at June 30, 2006', 'details of loans and principal terms and conditions of loans outstanding as at June 30, 2006', 'accounting ratios', 'statement of tax shelters' and 'details of related party transactions and outstanding balances', (collectively referred to as 'Other Annexures') which were presented in Rs. millions and prepared for inclusion in the Draft Red Herring Prospectus of Cairn India Limited to be filed with Securities and Exchange Board of India ('SEBI'), were signed by a director, who was authorised by the Board of Directors in its meeting held on September 19, 2006. Subsequently, Cairn India Limited has been advised by SEBI that the respective figures need to be in Rs. crores instead of Rs. millions and therefore, the amounts in this Translated Restated Summary Consolidated Financial Information together with Other Annexures have been presented in Rs. crores instead of Rs. millions as presented earlier and there is no other change in the revised financial information

As per our report of even date

For S.R. Batiboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

New Delhi
November 24, 2006

For and on behalf of the Board of Directors

Malcolm Thoms
Director

Edinburgh, Scotland
November 24, 2006

ANNEXURE IV: SIGNIFICANT ACCOUNTING POLICIES FOR TRANSLATED RESTATED SUMMARY CONSOLIDATED FINANCIAL INFORMATION

Cairn Energy Australia Pty Limited

(a) Basis of preparation

The financial information has been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India ("ICAI") and the relevant provisions of the Companies Act, 1956 under the historical cost convention and on an accrual basis to make the preparation of financial information consistent as that of Cairn India Limited.

The translated restated summary consolidated financial information relates to Cairn Energy Australia Pty Limited and its subsidiaries and has been prepared on the following basis:

- The translated restated financial information of the Cairn Energy Australia Pty Limited and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions. Any unrealised profits or losses resulting from the intra-group transactions have been eliminated as per Accounting Standard 21—"Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India ('ICAI').
- The excess of the cost to the parent company of its investment in the subsidiaries over its portion of equity on the acquisition date is recognised in the financial statements as goodwill. Cairn Energy Australia Pty Limited's portion of the equity in the subsidiaries at the date of acquisition is determined after realigning the material accounting policies of Cairn Energy Australia Pty Limited and the subsidiaries to that of Cairn India Limited and adjusting the charge/(reversal) on account of realignment to the accumulated reserves and surplus of the subsidiaries at the date of acquisition. The goodwill, if any, is subject to annual review for impairment.

(b) Oil and gas assets

Cairn Energy Australia Pty Limited and its subsidiary undertakings ("CEA") follow a successful efforts method for accounting for oil and gas assets as set out by the Guidance Note issued by the ICAI on "Accounting for Oil and Gas Producing Activities".

Expenditure incurred on the acquisition of a licence interest is initially capitalised on a licence by licence basis. Costs are held, undepleted, within exploratory & development wells in progress until the exploration phase relating to the licence area is complete or commercial oil and gas reserves have been discovered.

Exploration expenditure incurred in the process of determining exploration targets which cannot be directly related to individual exploration wells is expensed in the period in which it is incurred.

Exploration/appraisal drilling costs are initially capitalised within exploratory & development wells in progress on a well by well basis until the success or otherwise of the well has been established. The success or failure of each exploration/appraisal effort is judged on a well by well basis. Drilling costs are written off on completion of a well unless the results indicate that oil and gas reserves exist and there is a reasonable prospect that these reserves are commercial.

Where results of exploration drilling indicate the presence of oil and gas reserves which are ultimately not considered commercially viable, all related costs are written off to the profit and loss account. Following appraisal of successful exploration wells, when a well is ready for commencement of commercial production, the related exploratory & development wells in progress are transferred into a single field cost centre within producing properties, after testing for impairment.

Where costs are incurred after technical feasibility and commercial viability of producing oil and gas is demonstrated and it has been determined that the wells are ready for commencement of commercial production, they are capitalised within producing properties for each cost centre. Subsequent expenditure is capitalised when it enhances the economic benefits of the producing properties or replaces part of the existing producing properties. Any costs remaining associated with such part replaced are expensed in the financial statements.

Net proceeds from any disposal of an exploration asset within exploratory & development wells in progress are initially credited against the previously capitalised costs and any surplus proceeds are credited to the profit and loss account. Net proceeds from any disposal of producing properties are credited against the previously capitalised cost and any gain or loss on disposal of producing properties is recognised in the profit and loss account, to the extent that the net proceeds exceed or are less than the appropriate portion of the net capitalised costs of the asset.

(c) Depletion

CEA depletes expenditure on producing properties within each cost centre.

Depletion is charged on a unit of production basis, based on proved reserves for acquisition costs and proved and developed reserves for other costs.

(d) Decommissioning

At the end of the producing life of a field, costs are incurred in removing and decommissioning production facilities. CEA recognises the full cost of decommissioning as an asset and liability when the obligation to rectify environmental damage arises. The decommissioning asset is included within producing properties of the related asset. The amortisation of the asset, calculated on a unit of production basis based on proved and developed reserves, is included in the "depletion and decommissioning charge" in the profit and loss account.

(e) Impairment

i. The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised where the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

ii. After impairment, depreciation/depletion is provided in subsequent periods on the revised carrying amount of the asset over its remaining useful life.

iii. Where there has been a charge for impairment in an earlier period, that charge will be reversed in a later period where there has been a change in circumstances to the extent that the discounted future net cash flows are higher than the net book value at the time. In reversing impairment losses, the carrying amount of the asset will be increased to the lower of its original carrying value or the carrying value that would have been determined (net of depletion) had no impairment loss been recognised in prior periods.

(f) Other Tangible Fixed Assets, depreciation and amortisation

Tangible assets, other than oil and gas assets, are stated at cost, less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which take a substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

Depreciation is provided using the Straight Line Method as per the useful lives of the assets estimated by the management, or at the rates prescribed under Schedule XIV of the Companies Act 1956, whichever is higher. Depreciation on tangible fixed assets used for corporate purposes is classified under administrative expenses. The expected useful economic lives are as follows:

Vehicles	2 to 4 years
Freehold buildings	10 years
Computers	2 to 4 years
Furniture and fixtures	2 to 4 years
Office equipments	2 to 4 years
Plant and Equipment	2 to 4 years

Leasehold improvements are amortised over the remaining period of the primary lease or useful life, whichever is shorter.

(g) Intangible fixed assets and amortisation

Intangible assets, other than oil and gas assets, have finite useful lives and are measured at cost and amortised over their expected useful economic lives as follows:

Computer software	2 to 4 years

Goodwill arising on acquisition is capitalised and is subject to annual review for impairment.

(h) Leases

Finance leases, which effectively transfer to CEA substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

If there is no reasonable certainty that CEA will obtain the ownership by the end of the lease term, capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss account on a straight-line basis over the lease term.

(i) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. Current investments are measured at cost or market value, whichever is lower. All other investments are classified as long-term investments. Long term investments are measured at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

(j) Inventory

Inventories of oil and condensate held at the balance sheet date are valued at net realisable value based on the estimated selling price. Inventory of stores and spares are stated at cost.

(k) Joint Ventures

CEA participates in several joint ventures which involve the joint control of assets used in the oil and gas exploration, development and producing activities. It accounts for its share of the assets and liabilities of joint ventures in which it holds a participating interest.

Joint venture cash and cash equivalent balances are not freely available for use by CEA and are, therefore, disclosed within Loans and Advances.

(l) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to CEA and the revenue can be reliably measured.

Revenue from operating activities

Revenue represents CEA's share of oil, gas and condensate production, recognised on a direct entitlement basis and tariff income received for third party use of operating facilities and pipelines in accordance with agreements.

Other income

Interest income is recognised on a time proportion basis and is recognised within "Other income" in the Profit and Loss account.

(m) Staff costs and administrative expenses

Staff costs and administrative expenses are shown net of amounts recharged to joint ventures. Staff costs for the years ended 31 December 2001, 31 December 2002, 31 December 2003, 31 December 2004, 31 December 2005 and the six months ended 30 June 2006 were 75.5 crores Indian Rupees, 105.6 crores Indian Rupees, 120.4 crores Indian Rupees, 146.5 crores Indian Rupees, 176.6 crores Indian Rupees and 120.0 crores Indian Rupees respectively.

(n) Borrowing costs

Borrowing costs include interest and commitment charges on borrowings, amortisation of costs incurred in connection with the arrangement of borrowings and finance charges under leases. Costs incurred on borrowings directly attributable to development projects are capitalised within the development/producing asset for each cost-centre.

All other borrowing costs are recognised in the Profit and Loss account in the period in which they are incurred.

(o) Foreign currency transactions and translations

CEA translates foreign currency transactions into Indian Rupees at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into Indian Rupees at the rate of exchange prevailing at the Balance Sheet date. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

Exchange differences arising on the settlement of monetary items or on reporting CEA's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise except those arising from investments in non-integral operations. Exchange differences arising in respect of fixed assets acquired from outside India are capitalised as a part of fixed asset.

All transactions of integral foreign operations are translated as if the transactions of those foreign operations were the transactions of CEA itself. In translating the financial statements of a non-integral foreign operation for incorporating in financial statements, CEA translates the assets and liabilities at the rate of exchange prevailing at the balance sheet date. Income and expenses of non-integral subsidiaries are translated using rates at the date of transactions. Resulting exchange differences are disclosed under the foreign currency translation reserve until the disposal of the net investment.

On the disposal of a non-integral foreign operation, the cumulative amount of the exchange differences which have been deferred and which relate to that operation are recognised as income or as expenses in the same period in which the gain or loss on disposal is recognised.

When there is a change in the classification of a foreign operation, the translation procedures applicable to the revised classification are applied from the date of the change in the classification.

(p) Income taxes

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax are measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act.

Deferred income tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax assets and liabilities are measured, based on tax rates and laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets and deferred tax liabilities across various countries of operation are not set off against each other as CEA does not have a legal right to do so. Current and deferred tax assets and liabilities are only offset where they arise within the same entity and tax jurisdiction.

Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If CEA has carry forward of unabsorbed depreciation and tax losses, deferred tax assets are recognised only if there is virtual certainty that such deferred tax assets can be realised against future taxable profits. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

(q) Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period are adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares, if any.

(r) Provisions

A provision is recognised when CEA has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

(s) Cash and Cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments.

(t) Employee Benefits

Retirement and Gratuity benefits

Retirement benefits in the form of Provident Fund, Superannuation/Pension Schemes, if any, are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due.

In case of a Gratuity plan for the benefit of employees, which is established based on certain eligibility criteria, the liability under the plan is provided based on actuarial valuation. The scheme is maintained and administered by an insurer to which the trustees make periodic contributions.

Provision for leave encashment is accrued and provided for to the extent applicable to the employer.

Share schemes

The cost of awards to employees under CEA's ultimate parent entity's Long Term Incentive Plans ("the LTIP") and share option plans are recognised over the three year period to which the performance relates. The amount recognised is based on the fair value of the shares as measured at the date of the award. The awards under the LTIP are valued at the market price at grant date while the shares issued under share options are valued using a binomial model.

The costs of awards to employees, in the form of cash but based on share performance (phantom options) are recognised over the period to which the performance relates. The amount recognised is based on the fair value of the liability arising from the transaction.

As per our report of even date

For S.R. Batliboi & Associates Chartered Accountants	**For and on behalf of the Board of Directors**
per Raman Sobti Partner **Membership No. 89218**	**Malcolm Thoms** Director
New Delhi **November 24, 2006**	**Edinburgh, Scotland** **November 24, 2006**

ANNEXURE V: TRANSLATED RESTATED SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

Cairn Energy Australia Pty Limited

(All amounts are stated in crores of Indian Rupees, unless otherwise stated)

		Six months ended 30 June 2006	Year ended 31 December 2005	Year ended 31 December 2004	Year ended 31 December 2003	Year ended 31 December 2002	Year ended 31 December 2001
A	**Cash flow from operating activities**						
	Net profit/(loss) before tax	80.5	325.9	38.1	97.1	212.0	(75.9)
	Adjustment for:						
	—Recouped costs (represented by depreciation, depletion and amortisation)	44.4	77.8	77.2	69.1	49.5	36.6
	—Unsuccessful exploration costs	135.9	150.6	166.3	122.4	38.8	303.5
	—Gain on sale of oil and gas assets	—	(160.1)	—	—	—	—
	—Unrealised loss/(gain) on restatement of assets and liabilities	10.1	(4.7)	(11.5)	(5.6)	2.2	7.2
	—Interest on borrowings and other finance charges	0.9	13.7	10.0	2.3	2.0	8.3
	—Interest income	(4.7)	(10.2)	(3.4)	(2.5)	(1.8)	(14.2)
	Operating profit before working capital changes	**267.1**	**393.0**	**276.7**	**282.8**	**302.7**	**265.5**
	Adjustments for changes in working capital:						
	—Oil inventories	6.0	(11.9)	8.6	(7.7)	(0.9)	4.3
	—Sundry debtors	(27.4)	(15.0)	(29.7)	(4.9)	(45.2)	3.5
	—Loans and advances	(12.8)	15.8	(14.4)	(6.1)	(0.3)	3.4
	—Other current assets	0.9	—	1.9	5.6	(4.2)	(4.9)
	—Current liabilities and provisions	(6.4)	(190.8)	71.6	122.7	7.2	16.9
	—Intercompany payables and receivables	7.2	4.1	34.9	(0.1)	(30.3)	34.7
	Cash generated from operations	**234.6**	**195.2**	**349.6**	**392.3**	**229.0**	**323.4**
	Direct tax paid	(13.7)	(10.8)	(35.5)	(12.6)	(15.5)	(4.2)
	Net cash flow from operating activities—A	**220.9**	**184.4**	**314.1**	**379.7**	**213.5**	**319.2**
B	**Cash flow from investing activities**						
	Expenditure on exploration assets	(207.0)	(426.0)	(276.4)	(145.8)	(155.4)	(438.1)
	Expenditure on development/producing assets	(71.2)	(18.2)	(20.4)	(24.0)	(43.9)	(62.7)
	Proceeds on disposal of oil and gas assets	—	380.9	—	—	—	—
	Purchase of support assets	(21.1)	(23.6)	(16.4)	(9.9)	(9.3)	(17.4)
	Proceeds on sale of support assets	0.1	0.1	—	—	—	—
	Movement of other inventories	(8.1)	(24.4)	(9.7)	(2.7)	(2.9)	(2.5)
	Movement on intercompany loans	0.7	0.5	2.5	(1.9)	21.4	174.3
	Interest received	7.4	7.9	3.4	2.2	1.8	17.6
	Net cash flow (used in)/from investing activities—B	**(299.2)**	**(102.8)**	**(317.0)**	**(182.1)**	**(188.3)**	**(328.8)**
C	**Cash flow from financing activities**						
	Receipt/(repayment) of long term loans	12.3	9.2	—	(172.3)	150.8	28.4
	Movement on intercompany loans	0.6	(24.5)	27.0	—	(156.8)	(33.3)
	Interest and other finance charges paid	(0.9)	(13.7)	(10.0)	(2.3)	(2.0)	(8.3)
	Net cash flow from/(used in) financing activities—C	**12.0**	**(29.0)**	**17.0**	**(174.6)**	**(8.0)**	**(13.2)**

	Six months ended 30 June 2006	Year ended 31 December 2005	Year ended 31 December 2004	Year ended 31 December 2003	Year ended 31 December 2002	Year ended 31 December 2001
Net (decrease)/increase in cash and cash equivalents (A+B+C)	**(66.3)**	**52.6**	**14.1**	**23.0**	**17.2**	**(22.8)**
Increase/(decrease) in cash and cash equivalents during the year	(68.5)	50.4	17.0	25.0	17.5	(23.3)
Foreign exchange fluctuation on cash and cash equivalents	2.2	2.2	(2.9)	(2.0)	(0.3)	0.5
Total	**(66.3)**	**52.6**	**14.1**	**23.0**	**17.2**	**(22.8)**
Opening cash and cash equivalents	121.0	68.4	54.3	31.3	14.1	36.9
(Decrease)/increase in cash and cash equivalents	(66.3)	52.6	14.1	23.0	17.2	(22.8)
Closing cash and cash equivalents	**54.7**	**121.0**	**68.4**	**54.3**	**31.3**	**14.1**
Cash and cash equivalents comprise the following amounts:						
Cash on hand and balances with banks	22.3	27.4	31.9	3.5	8.9	6.4
Short-term investments	32.4	93.6	36.5	50.8	22.4	7.7
Total	**54.7**	**121.0**	**68.4**	**54.3**	**31.3**	**14.1**

1. The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in Accounting Standard-3 on "Cash flow statements" issued by the Institute of Chartered Accountants of India.

2. Brackets indicate a cash outflow or deduction

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

New Delhi
November 24, 2006

For and on behalf of the Board of Directors

Malcolm Thoms
Director

Edinburgh, Scotland
November 24, 2006

ANNEXURE VI: DETAILS OF OTHER INCOME

Cairn Energy Australia Pty Limited

(All amounts are stated in crores of Indian Rupees, unless otherwise stated)

Sources and particulars of other income	Nature	Six months ended 30 June 2006	Year ended 31 December 2005	Year ended 31 December 2004	Year ended 31 December 2003	Year ended 31 December 2002	Year ended 31 December 2001
Interest from bank deposits	Recurring	3.1	7.9	1.5	0.4	0.9	3.1
Interest on inter-company loans	Recurring	1.6	2.3	1.5	1.3	0.7	11.1
Other	Non recurring	—	—	0.5	0.8	0.2	—
Other income as per consolidated statement of profits and losses, as restated		**4.7**	**10.2**	**3.5**	**2.5**	**1.8**	**14.2**

1. The figures above are based on the translated restated summary consolidated statement of profits and losses for the six months ended 30 June 2006 and years ended 31 December 2005, 2004, 2003, 2002 and 2001.

2. The classification of other income as recurring or non-recurring is based on the current operations and business activity of CEA as determined by management.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

New Delhi
November 24, 2006

For and on behalf of the Board of Directors

Malcolm Thoms
Director

Edinburgh, Scotland
November 24, 2006

ANNEXURE VII: CAPITALISATION STATEMENT AS AT JUNE 30 2006

Cairn Energy Australia Pty Limited

(All amounts are stated in crores of Indian Rupees, unless otherwise stated)

	Pre-issue at 30 June 2006
Short term debt	—
Long term debt	0.3
Total debt	0.3
Shareholders' funds	
Equity share capital	339.7
Reserves and surplus	387.6
Total shareholders' funds	727.3
Long term debt/shareholders' funds	—
Total debt/shareholders' funds	—

1. The figures disclosed above are based on the translated restated summary consolidated statement of assets and liabilities as at 30 June 2006.
2. No issue of shares is made by CEA as part of this offer. Consequently, there is no change in the capital structure pre and post issue.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

New Delhi
November 24, 2006

For and on behalf of the Board of Directors

Malcolm Thoms
Director

Edinburgh, Scotland
November 24, 2006

ANNEXURE VIII: DETAILS OF LOANS AND PRINCIPAL TERMS AND CONDITIONS OF LOANS OUTSTANDING AS AT JUNE 30, 2006

Cairn Energy Australia Pty Limited

(All amounts are stated in crores of Indian Rupees, unless otherwise stated)

Details of loans

	At 30 June 2006	At 31 December 2005	At 31 December 2004	At 31 December 2003	At 31 December 2002	At 31 December 2001
Secured loans	—	—	—	—	—	—
Unsecured loans	0.3	2.0	28.0	—	177.8	184.4
	0.3	2.0	28.0	—	177.8	184.4

1. The figures above are based on the translated restated summary consolidated statement of assets and liabilities as at 30 June 2006, 31 December 2005, 2004, 2003, 2002 and 2001.

Details of principal terms and conditions of loans outstanding as at 30 June 2006

Name of Lender	Amount	Interest Rate	Repayment terms	Security
Secured loans	—	—	—	—
Unsecured loans				
Cairn Energy PLC	0.3	Floating rate linked to USD LIBOR	Repayable by 31 December 2010	Not applicable
Total	**0.3**			

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

New Delhi
November 24, 2006

For and on behalf of the Board of Directors

Malcolm Thoms
Director

Edinburgh, Scotland
November 24, 2006

ANNEXURE IX: ACCOUNTING RATIOS

Cairn Energy Australia Pty Limited

	Six months ended 30 June 2006	Year ended 31 December 2005	Year ended 31 December 2004	Year ended 31 December 2003	Year ended 31 December 2002	Year ended 31 December 2001
Basic and diluted earnings per share (Rs.)	2.34	12.57	2.82	2.94	11.01	(2.78)
Return on net worth (%)	4%	21%	6%	7%	26%	(9)%
Net asset value per equity share (Rs.)	62.27	59.93	47.36	44.53	41.60	30.59
Total debt/equity ratio	0.00	0.00	0.05	—	0.37	0.52
Weighted average number of equity shares during the period/year	116,789,079	116,789,079	116,789,079	116,789,079	116,789,079	116,789,079

Notes:

1. The accounting ratios disclosed above are based on the translated restated summary consolidated statement of assets and liabilities as at 30 June 2006, 31 December 2005, 2004, 2003, 2002, 2001.
2. The ratios have been computed as below:

Earnings per share	Net profit/(loss) as restated, attributable to equity shareholders / Weighted average number of equity shares outstanding during the period/year
Return on net worth (%)	Net profit/(loss) after tax, as restated / Net worth as at the end of the period/year
Net asset value per equity share (Rs.)	Net worth as at the end of the period/year / Weighted average number of equity shares outstanding during the period/year
Total debt/equity ratio	Long term debt and short term debt as at the end of the period/year / Equity share capital and reserves and surplus as at the end of the period/year

3. Net worth is the equity share capital and reserves and surplus of CEA.
4. Earnings per share are calculated in accordance with Accounting Standard-20 on "Earnings per share" issued by the Institute of Chartered Accountants of India.
5. Weighted average number of equity shares is the number of equity shares outstanding at the beginning of the year/period, adjusted by the number of equity shares issued during the year/period multiplied by the time-weight factor. The time-weight factor is the number of days for which the specific shares were outstanding as a proportion of the total number of days during the year/period.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

New Delhi
November 24, 2006

For and on behalf of the Board of Directors

Malcolm Thoms
Director

Edinburgh, Scotland
November 24, 2006

ANNEXURE X: STATEMENT OF TAX SHELTERS

Cairn Energy Australia Pty Limited

(All amounts are stated in crores of Indian Rupees, unless otherwise stated)

	Six months ended 30 June 2006	Year ended 31 December 2005	Year ended 31 December 2004	Year ended 31 December 2003	Year ended 31 December 2002	Year ended 31 December 2001
Profit/(loss) as per books (A)	**80.5**	**325.9**	**38.1**	**97.1**	**212.0**	**(75.9)**
Applicable tax rates	41.82%	41.82%	41.62%	41.25%	43.5%	48%
Tax on actual rate on book profits	**33.6**	**136.3**	**15.8**	**40.1**	**92.2**	**—**
Adjustments						
Permanent differences						
Australian profits not taxable in India	12.2	(4.8)	2.7	3.7	0.7	(8.4)
Gain on assignment of KG-DWN-98/2 block	—	(160.1)	—	—	—	—
Deduction under section 80IB	—	(7.7)	(18.5)	(50.0)	—	—
Deduction under section 80G	—	(1.1)	(0.1)	—	—	—
Deduction under section 35AC	—	—	—	—	—	—
Total permanent differences (B)	**12.2**	**(173.7)**	**(15.9)**	**(46.3)**	**0.7**	**(8.4)**
Timing differences						
Difference between tax and accounts treatment for:						
—Depreciation	(1.1)	(10.4)	(21.0)	(24.3)	(23.8)	(21.0)
—Production bonus	(7.1)	(16.4)	14.4	9.5	2.3	(11.5)
—Exploration & development expenditure	(81.5)	233.5	(101.0)	(4.4)	(313.4)	74.0
—Profit petroleum arbitration	—	(197.7)	46.7	107.2	10.9	31.4
—Foreign exchange	(10.6)	(0.5)	(26.2)	10.4	(7.2)	(2.4)
—Stock entitlement	4.1	(9.9)	9.1	(7.0)	(1.0)	4.3
—Cess entitlement	(0.8)	0.7	(0.7)	1.2	(0.5)	(0.1)
Brought forward loss from previous year	(21.5)	(105.2)	—	(129.6)	(9.6)	—
Total timing differences (C)	**(118.5)**	**(105.9)**	**(78.7)**	**(37.0)**	**(342.3)**	**74.7**
Net adjustments (D)=(B+C)	**(106.3)**	**(279.6)**	**(94.6)**	**(83.3)**	**(341.6)**	**66.3**
Tax (saving)/outgoing thereon (E)	(33.6)	(109.1)	3.3	(34.4)	(92.2)	—
Taxable income (A+D)	**(25.8)**	**46.3**	**(56.5)**	**13.8**	**(129.6)**	**(9.6)**
Tax payable on the business income (F)	—	27.2	19.2	5.7	—	—
Minimum Alternate Tax under section 115JB (G)	14.0	7.9	1.5	1.6	13.8	—
Total current tax (H)=(F+G)	**14.0**	**35.1**	**20.7**	**7.3**	**13.8**	**—**
Carried forward loss to next year	(25.8)	(21.5)	(105.2)	—	(129.6)	(9.6)

Notes:

1. The taxable income disclosed above is based on the translated restated summary consolidated financial information for the six months ended 30 June 2006 and years ended 31 December 2005, 2004, 2003, 2002, 2001.
2. The tax year in India runs from April to March, however, the above tax shelter statement has been prepared on calendar year basis and so the profit/loss and any resultant tax liability have been adjusted accordingly. Further, there is tax payable on the profits made during the quarter January to March 2004 despite an overall loss for the calendar year and accordingly, the carried forward loss is the loss incurred during the period April to December of that year.
3. As the translated restated summary consolidated financial information has been prepared on a calendar year basis, the applicable tax rate is the weighted average of the rates applicable for the periods January to March and April to December.
4. The above statement relates only to profits which are subject to taxation under Indian law.
5. Tax saving/outgoing is the difference between the tax on book profits and the tax payable as per the provisions of the Income Tax Act, 1961.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

New Delhi
November 24, 2006

For and on behalf of the Board of Directors

Malcolm Thoms
Director

Edinburgh, Scotland
November 24, 2006

ANNEXURE XI: DETAILS OF RELATED PARTY TRANSACTIONS AND OUTSTANDING BALANCES

Cairn Energy Australia Pty Limited

List of related parties and relationships

The related parties listed below are disclosed in accordance with Accounting Standard-18 on "Related party disclosures" issued by the Institute of Chartered Accountants of India.

Name of related party	Relationship
Companies	
Cairn Energy PLC	Ultimate holding company
Cairn UK Holdings Limited	Intermediate holding company
Cairn Energy Holdings Limited	Intermediate holding company
Cairn Energy Netherlands Holdings B.V.	Intermediate holding company
Cairn Energy Group Holdings B.V.	Intermediate holding company
Cairn Energy Hydrocarbons Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Petroleum India Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Discovery Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Gujarat Block 1. Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Exploration (No.2) Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Exploration (No.4) Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Exploration (No.6) Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Exploration (No.7) Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy India Holdings B.V.	Fellow subsidiary of Cairn Energy PLC
Cairn Energy India West Holding B.V.	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Cambay Holding B.V.	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Gujarat Holding B.V.	Fellow subsidiary of Cairn Energy PLC
Cairn Energy India West B.V.	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Cambay B.V.	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Gujarat B.V.	Fellow subsidiary of Cairn Energy PLC
Cairn Resources Limited	Fellow subsidiary of Cairn Energy PLC
Holland Sea Search Holding N.V.	Fellow subsidiary of Cairn Energy PLC
Holland Sea Search II B.V.	Fellow subsidiary of Cairn Energy PLC
Cairn Energy International Holdings B.V.	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Bangladesh Block 7 B.V.	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Exploration (Bangladesh) Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Sangu Field Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Bangladesh Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Resources Management Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Management Limited	Fellow subsidiary of Cairn Energy PLC
Energy Explorer Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Oil Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy North Sea Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Assets Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Nepal Holdings Limited	Fellow subsidiary of Cairn Energy PLC
Command Petroleum (Gulf) Ltd	Fellow subsidiary of Cairn Energy PLC
Cairn Exploration (No.1) Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Search Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Exploration and Production Company Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Dhangari Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Karnali Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Lumbini Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Malangawa Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Birganj Limited	Fellow subsidiary of Cairn Energy PLC

Name of related party	Relationship
Directors and key management personnel	
Malcolm Thoms	Director of Cairn Energy Australia Pty Limited
Alan Batley	Director of Cairn Energy Australia Pty Limited
Valerie Lehner (appointed on 30 June 2001)	Director of Cairn Energy Australia Pty Limited
Kay Wills (resigned on 30 June 2001)	Director of Cairn Energy Australia Pty Limited
Robert Geens (resigned on 31 December 2003)	Director of Cairn Energy Australia Pty Limited
Joint ventures	
RJ-ON-90/1	Operated block
PKGM-1 (Ravva)	Operated block
CB-OS/2	Operated block
GV-ON-2002/1	Operated block (PSC signed in February 2004)
GV-ON-2003/1	Operated block (PSC signed in September 2005)
KG-ON-2003/1	Operated block (PSC signed in September 2005)
VN-ON-2003/1	Operated block (PSC signed in September 2005)
KG-OS/6	Operated block (relinquished and PSC terminated effective 12 May 2004)
KG-DWN-98/2	Operated block (until 23 March 2005) Non-operated block (effective 23 March 2005)
GV-ONN-97/1	Non-operated block (effective 23 March 2005)
CB-ONN-2001/1	Non-operated block (effective 23 March 2005)

ANNEXURE XI: STATEMENT OF RELATED PARTY TRANSACTIONS (CONTINUED)

Cairn Energy Australia Pty Limited

(All amounts are stated in crores of Indian Rupees, unless otherwise stated)

Amounts outstanding at period/year end

	Six months ended 30 June 2006	Year ended 31 December 2005	Year ended 31 December 2004	Year ended 31 December 2003	Year ended 31 December 2002	Year ended 31 December 2001
Amounts receivable						
—Unsecured loans:						
Cairn Energy Group Holdings BV	53.6	54.8	53.0	55.6	58.6	75.6
—Interest receivable:						
Cairn Energy Group Holdings BV	31.9	29.6	26.2	26.2	26.2	2.0
Holland Sea Search Holdings NV	—	—	—	—	—	0.4
—Others:						
Cairn Energy Exploration and Production Co. Ltd.	1.1	1.3	—	—	—	—
Cairn Energy Discovery Ltd.	4.0	4.1	—	—	—	—
Cairn Energy Sangu Field Ltd.	0.1	0.1	1.4	—	—	—
Total	**90.7**	**89.9**	**80.6**	**81.8**	**84.8**	**78.0**
Amounts payable						
—Unsecured loans:						
Cairn Energy PLC	0.3	1.9	28.0	—	—	—
Holland Sea Search Holdings NV	—	—	—	—	—	155.5
—Interest payable:						
—Others:						
Cairn Energy PLC	38.2	37.6	56.1	15.7	15.8	12.1
Cairn Energy Holdings Ltd.	57.8	53.6	—	—	—	—
Cairn Energy Group Holdings BV	1.7	1.6	1.6	1.7	1.3	16.5
Holland Sea Search Holdings NV	10.7	10.5	10.1	10.6	11.2	—
Total	**108.7**	**105.2**	**95.8**	**28.0**	**28.3**	**184.1**

Note:

1. Related party transactions between entities that have been consolidated have not been disclosed.

(All amounts are stated in crores of Indian Rupees, unless otherwise stated)

Transactions during the period/year

	Six months ended 30 June 2006	Year ended 31 December 2005	Year ended 31 December 2004	Year ended 31 December 2003	Year ended 31 December 2002	Year ended 31 December 2001
Loans received						
Cairn Energy PLC	—	—	28.0	—	—	—
Holland Sea Search Holdings NV	—	—	—	—	—	193.2
Loans repaid						
Cairn Energy PLC	1.6	26.0	—	—	—	—
Cairn Energy Group Holdings BV	—	—	—	—	6.4	287.6
Holland Sea Search Holdings NV	—	—	—	—	144.3	—
Loans made						
Cairn Energy Hydrocarbons Ltd	40.4	—	—	—	—	—
Loans received back						
Cairn Energy PLC	—	—	—	—	—	210.4
Cairn Energy Group Holdings BV	2.5	0.3	—	—	23.4	23.7
Cairn Energy Hydrocarbons Ltd	41.7	—	—	—	—	—
Interest received (on accrual basis)						
Cairn Energy PLC	—	—	—	—	—	4.8
Cairn Energy Group Holdings BV	1.5	2.3	1.3	1.3	1.2	2.2
Cairn Energy Hydrocarbons Ltd	0.2	—	—	—	—	—
Interest paid (on accrual basis)						
Cairn Energy PLC	—	0.1	0.2	—	—	—
Cairn Energy Group Holdings BV	—	—	—	—	—	8.3
Holland Sea Search Holdings NV	—	—	—	—	0.5	—
Others—net debit/(credit)						
Cairn Energy Group Holdings BV	(0.1)	0.1	—	(0.4)	15.2	(11.6)
Cairn Energy PLC	(0.5)	18.5	(40.4)	—	(3.7)	(3.8)
Cairn Energy Holdings Ltd.	(4.2)	(53.6)	—	—	—	—
Cairn Energy Exploration and Production Co. Ltd.	(0.2)	1.3	—	—	—	—
Cairn Energy Discovery Ltd.	(0.1)	4.1	—	—	—	—
Cairn Energy Sangu Field Ltd.	0.1	(1.4)	1.4	—	—	—
Directors and key management personnel remuneration	0.2	0.4	13.5	7.3	10.1	4.5

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

New Delhi
November 24, 2006

For and on behalf of the Board of Directors

Malcolm Thoms
Director

Edinburgh, Scotland
November 24, 2006

TRANSLATED RESTATED SUMMARY CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES AND PROFITS AND LOSSES, OF CAIRN ENERGY INDIA HOLDINGS BV, (INCLUDING ITS SUBSIDIARIES) AS AT JUNE 30, 2006, DECEMBER 31, 2005, 2004, 2003, 2002 AND 2001 AND FOR THE SIX MONTHS ENDED JUNE 30, 2006 AND YEARS ENDED DECEMBER 31, 2005, 2004, 2003, 2002 AND 2001

To The Board of Directors
Cairn India Limited
Mumbai
India

Dear Sirs,

1. In connection with the proposed Initial Public Offer ('IPO') of Cairn India Limited (the 'Company') of its equity shares having a face value of Rs. 10 per equity share at an issue price to be arrived at by the 100% book building scheme and at your request, we have examined, as detailed in paragraph 5 below, the Translated Restated Summary Consolidated Financial Information (as defined in paragraph 6 below) of Cairn Energy India Holdings BV (ultimate subsidiary of Cairn India Holdings Limited in which the Company proposes to hold 21.85% of the equity shares at the time of IPO— hereinafter referred to as 'Cairn Energy India') which includes its subsidiaries consisting of Cairn Energy India West Holdings BV, Cairn Energy India West BV, Cairn Energy Cambay Holdings BV, Cairn Energy Cambay BV, Cairn Energy Gujarat Holdings BV and Cairn Energy Gujarat BV as at June 30, 2006, December 31, 2005, 2004, 2003, 2002 and 2001 and for the six month period ended June 30, 2006 and years ended December 31, 2005, 2004, 2003, 2002 and 2001 (hereinafter referred to as the 'periods under examination') annexed to this report and initialled by us for identification purposes.

2. The above financial information is the responsibility of the management of Cairn Energy India and has been prepared in accordance with the requirements of:

   a. paragraph B(1) of Part II of Schedule II to the Companies Act, 1956 (the 'Act');

   b. the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 ('the Guidelines') issued by the Securities and Exchange Board of India ('SEBI') on January 19, 2000, as amended from time to time in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992.

3. The Translated Restated Summary Consolidated Financial Information of Cairn Energy India, being that of a group of body corporate, is not required to be and is not necessarily in conformity with the framework of general purpose financial statements in India. The Translated Restated Summary Consolidated Financial Information for the periods under examination has been prepared in accordance with the framework of accounting policies of the Company as specified in Annexure IV to this report.

4. The financial statements of Cairn Energy India, prepared under the relevant Generally Accepted Accounting Principles ('GAAP') as detailed in paragraph 7 below and in the relevant reporting currency, have been translated to Indian Rupees by the management of Cairn Energy India on the basis of the average and year/period -end exchange rates applicable for the respective years/periods for the profit and loss related items and balance sheet related monetary items, respectively, and the exchange rate at the date of the transaction for the non-monetary items. The translated financial information, thereafter, has been restated by the management of Cairn Energy India to comply with/ be aligned to the accounting policies of the Company and the Guidelines. The Translated Restated Summary Consolidated Financial Information has been compiled by the management of Cairn Energy India from such translated restated financial information of Cairn Energy India.

5. Our examination was conducted in accordance with the applicable generally accepted auditing standards ('GAAS') framework in India, including inter alia, requirements mandated by the Institute of Chartered Accountants of India ('ICAI') in the Guidance Note on Reports in Company Prospectuses, Guidance Note on Audit Reports/Certificates on Financial Information in Offer Documents and Guidance Note on Audit Reports and Certificates for Special Purposes issued by the ICAI.

Translated Restated Summary Consolidated Financial Information

6. We have examined the attached translated restated summary consolidated statements of assets and liabilities of Cairn Energy India as at the end of the periods under examination and the attached translated restated summary consolidated statements of profit and loss for the periods under examination as prepared by Cairn Energy India ('Translated Restated Summary Consolidated Financial Information') (see Annexure I and II to this report). The notes to the Translated Restated Summary Consolidated Financial Information are attached in Annexure III to this report. The Translated Restated Summary Consolidated Financial Information for the periods under examination is based on the consolidated financial statements of Cairn Energy India for those years/period, which have been audited by other auditors as described below:

Year/period ended	Audited by	Reporting GAAP
December 31, 2001	Ernst & Young Accountants, The Netherlands	Dutch GAAP
December 31, 2002	Ernst & Young Accountants, The Netherlands	Dutch GAAP
December 31, 2003	Ernst & Young Accountants, The Netherlands	Dutch GAAP
December 31, 2004	Ernst & Young Accountants, The Netherlands	Dutch GAAP
December 31, 2005	Ernst & Young Accountants, The Netherlands	International Financial Reporting Standards as adopted by European Union
June 30, 2006	Ernst & Young LLP, UK	International Financial Reporting Standards as adopted by European Union

For reporting on the Translated Restated Summary Consolidated Financial Information, we have relied on the aforesaid audited financial statements of Cairn Energy India which have been reported upon by the respective auditors as set forth in the above and have been prepared under the relevant Generally Accepted Accounting Principles ('GAAP') applicable to Cairn Energy India. Adjustments have been made as described in paragraph 4 above to translate and restate, and realign the significant accounting policies under the respective GAAP being followed by Cairn Energy India to those of the Company under Indian GAAP and these adjustments have been examined by us for the periods under examination.

7. Based on our examination of this Translated Restated Summary Consolidated Financial Information, we confirm that:

– the impact of changes in accounting policies adopted by the Company have been adjusted with retrospective effect in the attached Translated Restated Summary Consolidated Financial Information;

– material amounts relating to the adjustments for previous years/period have been identified and adjusted in arriving at the profits/(losses) for the years/periods to which they relate irrespective of the year/period in which the event triggering the profit or loss occurred;

– there are no extraordinary items, which need to be disclosed separately in the Translated Restated Summary Consolidated Financial Information;

– there are no qualifications in the auditors' reports, which require any adjustments to the Translated Restated Summary Consolidated Financial Information;

– nothing has come to our attention based on our examination that causes us to believe that the financial statements of Cairn Energy India, referred to in paragraph 4 above, have not been translated to Indian Rupees fairly in all material respects; and

– nothing has come to our attention based on our examination that causes us to believe that the translated financial information of the Cairn Energy India, referred to in paragraph 4 above, has not been restated to comply with/be aligned to the accounting policies of the Company fairly in all material respects.

Other Consolidated Financial Information

8. At your request, we have also examined the following other consolidated financial information of Cairn Energy India for each of the years/period presented, annexed to this report, which is proposed to be included in the Offer Document. This information is based on the financial statements for the respective years/period, which have been audited by the respective auditors as described in paragraph 6 above and which have been translated and restated, and realigned to the changes in accounting policies of the Company as referred to above. These adjustments have been examined by us.

DETAILS OF OTHER FINANCIAL INFORMATION EXAMINED	ANNEXURE REFERENCE
Summary statement of cash flows	V
Details of other income	VI
Capitalisation statement as at June 30, 2006	VII
Details of secured and unsecured loans as at June 30, 2006, December 31, 2005, 2004, 2003, 2002 and 2001	VIII
Accounting ratios based on the profits relating to earnings per share, return on net worth, net asset value per share and debt/equity ratio	IX
Statement of tax shelters	X
Statement of related party transactions	XI

We have been informed that Cairn Energy India has not declared any dividends on its equity shares for the periods under examination.

9. In our view, the 'Translated Restated Summary Consolidated Financial Information' and 'other consolidated financial information' mentioned above has been prepared in accordance with Part II of Schedule II to the Act and the Guidelines.

10. This report should not be in any way be construed as a reissuance or redating of any of the previous audit reports issued by us or by other independent auditors nor should this report be construed as a new opinion on any of the financial statements referred to herein.

11. This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed IPO of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No: 89218

Place: New Delhi
Date: November 24, 2006

ANNEXURE I: TRANSLATED RESTATED SUMMARY CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

Cairn Energy India Holdings BV

(All amounts are stated in crores of Indian Rupees, unless otherwise stated)

		As at 30 June 2006	As at 31 December 2005	As at 31 December 2004	As at 31 December 2003	As at 31 December 2002	As at 31 December 2001
A	**Fixed assets**						
	Gross block	2.7	3.3	3.8	3.5	2.2	0.5
	Less: Accumulated depreciation	2.2	1.9	2.2	1.3	0.5	0.1
	Net block	0.5	1.4	1.6	2.2	1.7	0.4
	Producing properties (net of depletion)	191.5	270.1	444.7	463.7	446.9	—
	Exploratory & development wells in progress	10.6	10.5	60.2	48.4	12.4	279.5
		202.6	**282.0**	**506.5**	**514.3**	**461.0**	**279.9**
B	**Goodwill**	—	—	—	—	—	—
C	**Investments**	—	—	—	—	—	—
D	**Current assets, loans and advances**						
	Inventories	6.8	10.8	17.1	12.6	12.4	21.5
	Sundry debtors	77.2	36.3	26.7	57.9	31.0	24.0
	Cash and bank balances	49.2	130.2	28.5	17.4	10.6	—
	Loans and advances	12.5	13.0	18.2	19.3	19.2	15.6
	Other current assets	—	—	—	—	—	—
	Intercompany loans and receivables	50.2	—	—	—	—	0.2
		195.9	**190.3**	**90.5**	**107.2**	**73.2**	**61.3**
E	**Liabilities and provisions**						
	Secured loans	—	—	—	—	—	—
	Unsecured loans						
	—Intercompany	42.8	207.4	390.5	483.6	536.1	—
	—Others	—	—	—	—	9.6	—
	Intercompany payables	12.1	7.1	—	—	—	312.3
	Current liabilities and provisions	84.4	82.3	133.4	101.7	74.3	118.6
	Finance lease liabilities	—	—	—	—	—	—
	Deferred tax liabilities	—	—	—	—	—	—
		139.3	296.8	523.9	585.3	620.0	430.9
F	**Networth (A+B+C+D−E)**	**259.2**	**175.5**	**73.1**	**36.2**	**(85.8)**	**(89.7)**
	Represented by						
G	**Share capital**	0.1	0.1	0.1	0.1	0.1	0.1
H	**Reserves and surplus**	259.1	175.4	73.0	36.1	(85.9)	(89.8)
I	**Networth (G+H)**	**259.2**	**175.5**	**73.1**	**36.2**	**(85.8)**	**(89.7)**

The above summary consolidated statement is to be read with the notes on the translated restated summary consolidated financial information and significant accounting policies as appearing in Annexure III and IV, respectively.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

New Delhi
November 24, 2006

For and on behalf of the Board of Directors

Lawrence Smyth
Director

New Delhi
November 24, 2006

ANNEXURE II: TRANSLATED RESTATED SUMMARY CONSOLIDATED STATEMENT OF PROFITS AND LOSSES

Cairn Energy India Holdings BV

(All amounts are stated in crores of Indian Rupees, unless otherwise stated)

	Six months ended 30 June 2006	Year ended 31 December 2005	Year ended 31 December 2004	Year ended 31 December 2003	Year ended 31 December 2002	Year ended 31 December 2001
Income						
Sales	191.0	218.0	213.5	339.3	38.0	—
Profit on sale of interest	—	70.0	—	—	—	—
Foreign exchange gain	1.3	—	22.0	27.1	3.6	—
Other income	2.0	1.5	0.2	—	0.2	0.5
(Decrease)/increase in inventories	(2.7)	3.5	0.7	0.8	—	—
	191.6	**293.0**	**236.4**	**367.2**	**41.8**	**0.5**
Expenditure						
Production costs	16.1	22.0	26.1	18.3	9.8	—
Depletion, depreciation and amortisation	81.1	148.2	148.5	131.1	13.0	0.1
Unsuccessful exploration costs	—	1.9	13.4	85.4	9.7	46.0
Staff costs and administrative expenses, net	4.1	7.4	7.5	0.1	—	—
Foreign exchange loss	—	6.7	—	—	—	9.0
Financing expenses	—	0.1	1.7	0.1	3.2	—
	101.3	**186.3**	**197.2**	**235.0**	**35.7**	**55.1**
Net profit/(loss) before tax	**90.3**	**106.7**	**39.2**	**132.2**	**6.1**	**(54.6)**
Taxation						
—Current tax	6.6	4.2	2.4	10.2	2.2	—
—Deferred tax	—	—	—	—	—	—
—Fringe benefit tax	—	—	—	—	—	—
	6.6	4.2	2.4	10.2	2.2	—
Net profit/(loss) after tax	**83.7**	**102.5**	**36.8**	**122.0**	**3.9**	**(54.6)**

The above summary consolidated statement is to be read with the notes on the translated restated summary consolidated financial information and significant accounting policies as appearing in Annexure III and IV, respectively.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

New Delhi
November 24, 2006

For and on behalf of the Board of Directors

Lawrence Smyth
Director

New Delhi
November 24, 2006

ANNEXURE III: NOTES ON TRANSLATED RESTATED SUMMARY CONSOLIDATED FINANCIAL INFORMATION

Cairn Energy India Holdings BV

(a) Introduction

Cairn Energy India Holdings BV is a company limited by shares that is incorporated in the Netherlands and its main business is the exploration, development and production of petroleum and natural gas.

It is the parent entity of Cairn Energy India West Holding BV, Cairn Energy India West BV, Cairn Energy Cambay Holding BV, Cairn Energy Cambay BV, Cairn Energy Gujarat Holding BV, Cairn Energy Gujarat BV.

This summary consolidated financial information includes the results of Cairn Energy India Holdings BV and the aforementioned subsidiary undertakings ("CEIH") to the Balance Sheet dates.

For the periods covered by this summary consolidated financial information CEIH, until 31 December 2004, prepared its financial statements under the Generally Accepted Accounting Principles of the Netherlands ("Dutch GAAP"). For the periods from 1 January 2005 until 30 June 2006 CEIH prepared its financial statements under the International Financial Reporting Standards as adopted by the European Union ("EU IFRS"). On adoption of EU IFRS, CEIH also restated its consolidated financial statements for the year ended 31 December 2004. For the years ended 31 December 2001 and 31 December 2002 the financial statements were prepared in Dutch Guilders. For the years ended 31 December 2003, 2004, 2005 and six months ended 30 June 2006 they were prepared in Euros.

(b) Indian Generally Accepted Accounting Principles ("IGAAP") translation and restatement

The consolidated financial statements of Cairn Energy India Holdings BV, prepared under the relevant Generally Accepted Accounting Principles ('GAAP') and in the relevant reporting currency as detailed in the paragraph above, have been translated to Indian Rupees on the basis of average and year-end exchange rates applicable for the respective years/period for the profit and loss related items and balance sheet related monetary items, respectively. Non-monetary items which are carried in terms of historical cost have been translated to Indian currency using the exchange rate at the date of the transaction.

This translated restated summary consolidated financial information, thereafter, have been restated in accordance with the accounting policies adopted by Cairn India Limited.

Cairn India Limited has adopted all enacted Indian GAAP Accounting Standards as at the Balance Sheet date and these accounting policies have been applied retrospectively throughout the periods covered by this translated restated summary consolidated financial information.

(c) Material amounts adjusted

No amounts have been adjusted in arriving at the profits for the year as reported in the summary consolidated financial information.

(d) Significant changes in activities

Significant changes in activities for the reported period are set out below:

Profit on sale of interest

The profit on sale of interest in the year ended 31 December 2005 arose on the sale of assets to the Oil and Natural Gas Corporation Limited ("ONGC").

In March 2005, CEIH completed the transaction with ONGC whereby CEIH farmed-out interests in CB/OS-2 (15% exploration interest and 10% interest in the Lakshmi and Gauri Development Areas). On completion, CEIH received gross proceeds of Rs. 218.3 crores. A working capital adjustment of Rs. 31.9 crores was paid to ONGC in July 2005 and professional costs of Rs. 10.4 crores were incurred in the completion of the deal.

A pre-tax gain on sale of Rs. 70.0 crores has been recognised in the statement of profits and losses in respect of the farm-out representing the excess of the net proceeds over the cost of the assets carried within producing properties. Further, proceeds of Rs. 20.7 crores have been credited against exploratory & development wells in progress reflecting the element of proceeds relating to such assets.

The operating profits from the farmed-out interests in the CB/OS-2 producing interest have been recognised in the statement of profits and losses upto the date of completion.

(e) The Translated Restated Summary Consolidated Financial Information of Cairn Energy India Holdings B.V dated September 22, 2006 together with 'Notes on Translated Restated Summary Consolidated Financial Information', 'significant accounting policies for Translated Restated Summary Consolidated Financial Information', 'translated restated summary consolidated statement of cash flows', 'details of other income', 'capitalisation statement as at June 30, 2006', 'details of loans and principal terms and conditions of loans outstanding as at June 30, 2006', 'accounting ratios', 'statement of tax shelters' and 'details of related party transactions and outstanding balances', (collectively referred to as 'Other Annexures') which were presented in Rs. millions and prepared for inclusion in the Draft Red Herring Prospectus of Cairn India Limited to be filed with Securities and Exchange Board of India ('SEBI'), were signed by a director, who was authorised by the Board of Directors in its meeting held on September 22, 2006. Subsequently, the Company has been advised by SEBI that the respective figures need to be in Rs. crores instead of Rs. millions and therefore, the amounts in this Translated Restated Summary Consolidated Financial Information together with Other Annexures have been presented in Rs. crores instead of Rs. millions as presented earlier and there is no other change in the revised financial information

As per our report of even date

For S.R. Batliboi & Associates Chartered Accountants	**For and on behalf of the Board of Directors**
per Raman Sobti Partner **Membership No. 89218**	**Lawrence Smyth** Director
New Delhi **November 24, 2006**	**New Delhi** **November 24, 2006**

ANNEXURE IV: SIGNIFICANT ACCOUNTING POLICIES FOR TRANSLATED RESTATED SUMMARY CONSOLIDATED FINANCIAL INFORMATION

Cairn Energy India Holdings BV

(a) Basis of preparation

The financial information has been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India ('ICAI') and the relevant provisions of the Companies Act, 1956 under the historical cost convention and on an accrual basis to make the preparation of financial information consistent as that of Cairn India Limited.

The translated restated summary consolidated financial information relates to Cairn Energy India Holdings BV and its subsidiaries and has been prepared on the following basis:

- The translated restated financial information of the Cairn Energy India Holdings BV and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra group balances and intra group transactions. Any unrealised profits or losses resulting from the intra group transactions have been eliminated as per Accounting Standard 21—Consolidated Financial Statements issued by the Institute of Chartered Accountants of India ('ICAI').
- The excess of the cost to the parent company of its investment in the subsidiaries over its portion of equity on the acquisition date is recognised in the financial statements as goodwill. Cairn Energy India Holdings BV's portion of the equity in the subsidiaries at the date of acquisition is determined after realigning the material accounting policies of Cairn Energy India Holdings BV and the subsidiaries to that of Cairn India Limited and adjusting the charge/(reversal) on account of realignment to the accumulated reserves and surplus of the subsidiaries at the date of acquisition. The goodwill, if any, is subject to annual review for impairment.

(b) Oil and gas assets

Cairn Energy India Holdings BV and its subsidiary undertakings ("CEIH") follow a successful efforts method for accounting for oil and gas assets as set out by the Guidance Note issued by the ICAI on "Accounting for Oil and Gas Producing Activities".

Expenditure incurred on the acquisition of a licence interest is initially capitalised on a licence by licence basis. Costs are held, undepleted, within exploratory & development wells in progress until the exploration phase relating to the licence area is complete or commercial oil and gas reserves have been discovered.

Exploration expenditure incurred in the process of determining exploration targets which cannot be directly related to individual exploration wells is expensed in the period in which it is incurred.

Exploration/appraisal drilling costs are initially capitalised within exploratory & development wells in progress on a well by well basis until the success or otherwise of the well has been established. The success or failure of each exploration/appraisal effort is judged on a well by well basis. Drilling costs are written off on completion of a well unless the results indicate that oil and gas reserves exist and there is a reasonable prospect that these reserves are commercial.

Where results of exploration drilling indicate the presence of oil and gas reserves which are ultimately not considered commercially viable, all related costs are written off to the profit and loss account. Following appraisal of successful exploration wells, when a well is ready for commencement of commercial production, the related exploratory & development wells in progress are transferred into a single field cost centre within producing properties, after testing for impairment.

Where costs are incurred after technical feasibility and commercial viability of producing oil and gas is demonstrated and it has been determined that the wells are ready for commencement of commercial production, they are capitalised within producing properties for each cost centre. Subsequent expenditure is capitalised when it enhances the economic benefits of the producing properties or replaces part of the existing producing properties. Any costs remaining associated with such part replaced are expensed in the financial statements.

Net proceeds from any disposal of an exploration asset within exploratory & development wells in progress are initially credited against the previously capitalised costs and any surplus proceeds are credited to the profit and loss account. Net proceeds from any disposal of producing properties are credited against the previously capitalised cost and any gain or loss on disposal of producing properties is recognised in the profit and loss account, to the extent that the net proceeds exceed or are less than the appropriate portion of the net capitalised costs of the asset.

(c) Depletion

CEIH depletes expenditure on producing properties within each cost centre.

Depletion is charged on a unit of production basis, based on proved reserves for acquisition costs and proved and developed reserves for other costs.

(d) Decommissioning

At the end of the producing life of a field, costs are incurred in removing and decommissioning production facilities. CEIH recognises the full cost of decommissioning as an asset and liability when the obligation to rectify environmental damage arises. The decommissioning asset is included within producing properties of the related asset. The amortisation of the asset, calculated on a unit of production basis based on proved and developed reserves, is included in the "depletion and decommissioning charge" in the profit and loss account.

(e) Impairment

i. The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised where the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

ii. After impairment, depreciation/depletion is provided in subsequent periods on the revised carrying amount of the asset over its remaining useful life.

iii. Where there has been a charge for impairment in an earlier period, that charge will be reversed in a later period where there has been a change in circumstances to the extent that the discounted future net cash flows are higher than the net book value at the time. In reversing impairment losses, the carrying amount of the asset will be increased to the lower of its original carrying value or the carrying value that would have been determined (net of depletion) had no impairment loss been recognised in prior periods.

(f) Other tangible fixed assets, depreciation and amortisation

Tangible assets, other than oil and gas assets, are stated at cost, less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which take a substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

Depreciation is provided using the Straight Line Method as per the useful lives of the assets estimated by the management, or at the rates prescribed under Schedule XIV of the Companies Act 1956, whichever is higher. Depreciation on tangible fixed assets used for corporate purposes is classified under administrative expenses. The expected useful economic lives are as follows:

Vehicles	2 to 4 years
Freehold buildings	10 years
Computers	2 to 4 years
Furniture and fixtures	2 to 4 years
Office equipments	2 to 4 years
Plant and Equipment	2 to 4 years

Leasehold improvements are amortised over the remaining period of the primary lease or useful life, whichever is shorter.

(g) Intangible fixed assets and amortisation

Intangible assets, other than oil and gas assets, have finite useful lives and are measured at cost and amortised over their expected useful economic lives as follows:

Computer software	2 to 4 years

Goodwill arising on acquisition is capitalised and is subject to annual review for impairment.

(h) Leases

Finance leases, which effectively transfer to CEIH substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

If there is no reasonable certainty that CEIH will obtain the ownership by the end of the lease term, capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss account on a straight-line basis over the lease term.

(i) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. Current investments are measured at cost or market value, whichever is lower. All other investments are classified as long-term investments. Long term investments are measured at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

(j) Inventory

Inventories of oil and condensate held at the balance sheet date are valued at net realisable value based on the estimated selling price. Inventory of stores and spares are stated at cost.

(k) Joint Ventures

CEIH participates in several Joint Ventures which involve the joint control of assets used in the oil and gas exploration, development and producing activities. It accounts for its share of the assets and liabilities of Joint Ventures in which it holds a participating interest.

Joint venture cash and cash equivalent balances are not freely available for use by CEIH and are, therefore, disclosed within Loans and Other Advances.

(l) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to CEIH and the revenue can be reliably measured.

Revenue from operating activities

Revenue represents CEIH's share of oil, gas and condensate production, recognised on a direct entitlement basis and tariff income received for third party use of operating facilities and pipelines in accordance with agreements.

Other income

Interest income is recognised on a time proportion basis and is recognised within "Other income" in the Profit and Loss account.

(m) Borrowing costs

Borrowing costs include interest and commitment charges on borrowings, amortisation of costs incurred in connection with the arrangement of borrowings and finance charges under leases. Costs incurred on borrowings directly attributable to development projects are capitalised within the development/producing asset for each cost-centre.

All other borrowing costs are recognised in the Profit and Loss account in the period in which they are incurred.

(n) Foreign currency transactions and translations

CEIH translates foreign currency transactions into Indian Rupees at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into Indian Rupees at the rate of exchange prevailing at the Balance Sheet date. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

Exchange differences arising on the settlement of monetary items or on reporting CEIH's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise except those arising from investments in non-integral operations. Exchange differences arising in respect of fixed assets acquired from outside India are capitalised as a part of fixed assets.

All transactions of integral foreign operations are translated as if the transactions of those foreign operations were the transactions of CEIH itself. In translating the financial statements of a non-integral foreign operation for incorporating in financial statements, CEIH translates the assets and liabilities at the rate of exchange prevailing at the balance sheet date. Income and expenses of non-integral subsidiaries are translated using rates at the date of transactions. Resulting exchange differences are disclosed under the foreign currency translation reserve until the disposal of the net investment.

On the disposal of a non-integral foreign operation, the cumulative amount of the exchange differences which have been deferred and which relate to that operation are recognised as income or as expenses in the same period in which the gain or loss on disposal is recognised.

When there is a change in the classification of a foreign operation, the translation procedures applicable to the revised classification are applied from the date of the change in the classification.

(o) Income taxes

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax are measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act.

Deferred income tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax assets and liabilities are measured, based on tax rates and laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets and deferred tax liabilities across various countries of operation are not set off against each other as CEIH does not have a legal right to do so. Current and deferred tax assets and liabilities are only offset where they arise within the same entity and tax jurisdiction.

Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If CEIH has carry forward of unabsorbed depreciation and tax losses, deferred tax assets are recognised only if there is virtual certainty that such deferred tax assets can be realised against future taxable profits. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

(p) Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares, if any.

(q) Provisions

A provision is recognised when CEIH has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

(r) Cash and Cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments.

(s) Employee Benefits

Retirement and Gratuity benefits

Retirement benefits in the form of Provident Fund, Superannuation/Pension Schemes, if any, are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due.

In case of a Gratuity plan for the benefit of employees, which is established based on certain eligibility criteria, the liability under the plan is provided based on actuarial valuation. The scheme is maintained and administered by an insurer to which the trustees make periodic contributions.

Provision for leave encashment is accrued and provided for to the extent applicable to the employer.

Share schemes

The cost of awards to employees under CEIH's ultimate parent entity's Long Term Incentive Plans ("the LTIP") and share option plans are recognised over the three year period to which the performance relates. The amount recognised is based on the fair value of the shares as measured at the date of the award. The awards under the LTIP are valued at the market price at grant date while the shares issued under share options are valued using a binomial model.

The costs of awards to employees, in the form of cash but based on share performance (phantom options) are recognised over the period to which the performance relates. The amount recognised is based on the fair value of the liability arising from the transaction.

As per our report of even date

For S.R. Batliboi & Associates Chartered Accountants	**For and on behalf of the Board of Directors**
per Raman Sobti Partner **Membership No. 89218**	**Lawrence Smyth** Director
New Delhi **November 24, 2006**	**New Delhi** **November 24, 2006**

ANNEXURE V: TRANSLATED RESTATED SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

Cairn Energy India Holdings BV

(All amounts are stated in crores of Indian Rupees, unless otherwise stated)

		Six months ended 30 June 2006	Year ended 31 December 2005	Year ended 31 December 2004	Year ended 31 December 2003	Year ended 31 December 2002	Year ended 31 December 2001
A	**Cash flow from operating activities**						
	Net profit/(loss) before tax	90.3	106.7	39.2	132.2	6.1	(54.6)
	Adjustment for:						
	—Recouped costs (represented by depreciation, depletion and amortisation)	81.1	148.2	148.5	131.1	13.0	0.1
	—Unsuccessful exploration costs	—	1.9	13.4	85.4	9.7	46.0
	—Gain on sale of oil and gas assets	—	(70.0)	—	—	—	—
	—Unrealised (gain)/loss on restatement of assets and liabilities	(2.1)	10.3	(23.4)	(27.6)	(3.7)	9.0
	—Interest on borrowings and other finance charges	—	—	1.7	0.1	3.2	—
	—Interest income	(2.1)	(1.5)	(0.2)	—	(0.2)	(0.5)
	Operating profit before working capital changes	**167.2**	**195.6**	**179.2**	**321.2**	**28.1**	**—**
	Adjustments for changes in working capital:						
	—Oil inventories	2.7	(3.5)	(0.7)	(0.8)	—	—
	—Sundry debtors	(38.6)	(8.4)	29.7	(29.1)	(7.2)	(23.6)
	—Current liabilities and provisions	—	10.4	—	—	(1.8)	1.8
	—Intercompany payables and receivables	4.0	7.3	—	—	(314.9)	210.4
	Cash generated from/(used in) operations	**135.3**	**201.4**	**208.2**	**291.3**	**(295.8)**	**188.6**
	Direct tax paid	(5.4)	(8.4)	(6.0)	(11.5)	(2.2)	—
	Net cash flow from/(used in) operating activities—A	**129.9**	**193.0**	**202.2**	**279.8**	**(298.0)**	**188.6**
B	**Cash flow from investing activities**						
	Expenditure on exploration assets	—	(1.5)	(25.2)	(121.4)	(22.1)	(173.1)
	Expenditure on development/producing assets	(2.5)	(85.4)	(87.8)	(114.8)	(226.6)	—
	Purchase of support assets	—	(0.4)	(0.2)	(1.4)	(1.5)	(0.5)
	Movement of other inventories	1.3	9.8	(3.8)	0.5	9.2	(15.5)
	Proceeds on disposal of oil and gas assets	—	176.1	—	—	—	—
	Proceeds on disposal of support assets	0.6	0.4	—	—	—	—
	Movement on intercompany loans . . .	(49.5)	—	—	—	—	—
	Interest received	2.1	1.5	0.2	—	0.2	0.5
	Net cash flow (used in)/ from investing activities—B	**(48.0)**	**100.5**	**(116.8)**	**(237.1)**	**(240.8)**	**(188.6)**

		Six months ended 30 June 2006	Year ended 31 December 2005	Year ended 31 December 2004	Year ended 31 December 2003	Year ended 31 December 2002	Year ended 31 December 2001
C	**Cash flow from financing activities**						
	Repayment/(receipt) of long term loans	—	—	(72.6)	(9.3)	9.7	—
	Movement on intercompany loans	(162.9)	(191.8)	(1.7)	(26.5)	542.9	—
	Interest and other finance charges paid	—	—	(0.1)	(0.1)	(3.2)	—
	Net cash flow (used in)/ from financing activities—C	**(162.9)**	**(191.8)**	**(74.3)**	**(35.9)**	**549.4**	**—**
	Net (decrease)/increase in cash and cash equivalents (A+B+C)	**(81.0)**	**101.7**	**11.1**	**6.8**	**10.6**	**—**
	(Decrease)/increase in cash and cash equivalents during the year	(81.6)	101.1	12.4	7.5	10.7	—
	Foreign exchange fluctuation on cash and cash equivalents	0.6	0.6	(1.3)	(0.7)	(0.1)	—
	Total	**(81.0)**	**101.7**	**11.1**	**6.8**	**10.6**	**—**
	Opening cash and cash equivalents	130.2	28.5	17.4	10.6	—	—
	(Decrease)/increase in cash and cash equivalents	(81.0)	101.7	11.1	6.8	10.6	—
	Closing cash and cash equivalents	**49.2**	**130.2**	**28.5**	**17.4**	**10.6**	**—**
	Cash and cash equivalents comprise the following amounts:						
	Cash on hand and balances with banks	36.2	13.6	15.5	1.4	10.6	—
	Short-term investments	13.0	116.6	13.0	16.0	—	—
	Total	**49.2**	**130.2**	**28.5**	**17.4**	**10.6**	**—**

Notes:

1. The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in Accounting Standard-3 on "Cash flow statements" issued by the Institute of Chartered Accountants of India.
2. Brackets indicate a cash outflow or deduction.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

New Delhi
November 24, 2006

For and on behalf of the Board of Directors

Lawrence Smyth
Director

New Delhi
November 24, 2006

ANNEXURE VI: DETAILS OF OTHER INCOME

Cairn Energy India Holdings BV

(All amounts are stated in crores of Indian Rupees, unless otherwise stated)

Sources and particulars of other income	Nature	Six months ended 30 June 2006	Year ended 31 December 2005	Year ended 31 December 2004	Year ended 31 December 2003	Year ended 31 December 2002	Year ended 31 December 2001
Interest from bank deposits	Recurring	1.7	1.5	0.2	—	0.2	0.5
Interest on inter-company loans	Recurring	0.1	—	—	—	—	—
Other	Non-recurring	0.2	—	—	—	—	—
Other income as per consolidated statement of profits and losses, as restated		**2.0**	**1.5**	**0.2**	—	**0.2**	**0.5**

1. The figures above are based on the translated restated summary consolidated statement of profits and losses for the six months ended 30 June 2006 and years ended 31 December 2005, 2004, 2003, 2002 and 2001.

2. The classification of other income as recurring or non-recurring is based on the current operations and business activity of CEIH as determined by management.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

New Delhi
November 24, 2006

For and on behalf of the Board of Directors

Lawrence Smyth
Director

New Delhi
November 24, 2006

ANNEXURE VII: CAPITALISATION STATEMENT AS AT 30 JUNE 2006

Cairn Energy India Holdings BV

(All amounts are stated in crores of Indian Rupees, unless otherwise stated)

	Pre-issue at 30 June 2006
Short term debt	—
Long term debt	42.8
Total debt	42.8
Shareholders' funds	
Equity share capital	0.1
Reserves and surplus	259.1
Total shareholders' funds	259.2
Long term debt/shareholders' funds	0.17
Total debt/shareholders' funds	0.17

Notes:

1. The figures disclosed above are based on the translated restated summary consolidated statement of assets and liabilities as at 30 June 2006.
2. No issue of shares is made by CEIH as part of this offer. Consequently, there is no change in the capital structure pre and post issue.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

New Delhi
November 24, 2006

For and on behalf of the Board of Directors

Lawrence Smyth
Director

New Delhi
November 24, 2006

ANNEXURE VIII: DETAILS OF LOANS AND PRINCIPAL TERMS AND CONDITIONS OF LOANS OUTSTANDING AS AT 30 JUNE 2006

Cairn Energy India Holdings BV

(All amounts are stated in crores of Indian Rupees, unless otherwise stated)

Details of loans

	As at 30 June 2006	As at 31 December 2005	As at 31 December 2004	As at 31 December 2003	As at 31 December 2002	As at 31 December 2001
Secured loans	—	—	—	—	—	—
Unsecured loans	42.8	207.4	390.5	483.6	545.7	—
	42.8	**207.4**	**390.5**	**483.6**	**545.7**	**—**

1. The figures above are based on the translated restated summary consolidated statement of assets and liabilities as at 30 June 2006 and as at 31 December 2005, 2004, 2003, 2002 and 2001.

Details of principal terms and conditions of loans outstanding as at 30 June 2006

Name of Lender	Amount	Interest Rate	Repayment terms	Security
Secured loans	—	—	—	—
Unsecured loans				
Cairn Energy Group Holdings BV	42.8	Non-interest bearing	Repayable by 31 Dec 2012	Not applicable
Total	**42.8**			

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

New Delhi
November 24, 2006

For and on behalf of the Board of Directors

Lawrence Smyth
Director

New Delhi
November 24, 2006

ANNEXURE IX: ACCOUNTING RATIOS

Cairn Energy India Holdings BV

	Six months ended 30 June 2006	Year ended 31 December 2005	Year ended 31 December 2004	Year ended 31 December 2003	Year ended 31 December 2002	Year ended 31 December 2001
Basic and diluted earnings/(loss) per share (Rs.)	20,923,729	25,617,443	9,203,637	30,500,759	976,186	(13,646,997)
Return on net worth (%)	32%	58%	50%	337%	*refer note-6*	*refer note-6*
Net asset value per equity share (Rs.)	64,801,063	43,877,343	18,259,900	9,056,263	(21,444,496)	(22,420,682)
Total debt/equity ratio	0.17	1.18	5.34	13.36	(6.36)	—
Weighted average number of equity shares during the period/year	40	40	40	40	40	40

Notes:

1. The accounting ratios disclosed above are based on the translated restated summary consolidated statement of assets and liabilities as at 30 June 2006, 31 December 2005, 2004, 2003, 2002, 2001.
2. The ratios have been computed as below:

Earnings/(loss) per share	Net profit/(loss) as restated, attributable to equity shareholders / Weighted average number of equity shares outstanding during the period/year
Return on net worth (%)	Net profit/(loss) after tax, as restated / Net worth as at the end of the period/year
Net asset value per equity share (Rs.)	Net worth as at the end of the period/year / Weighted average number of equity shares outstanding during the period/year
Total debt/equity ratio	Long term debt and short term debt as at the end of the period/year / Equity share capital and reserves and surplus as at the end of the period/year

3. Net worth is the equity share capital and reserves and surplus of CEIH
4. Earnings per share are calculated in accordance with Accounting Standard-20 on "Earnings per share" issued by the Institute of Chartered Accountants of India.
5. Weighted average number of equity shares is the number of equity shares outstanding at the beginning of the year/period, adjusted by the number of equity shares issued during the year/period multiplied by the time-weight factor. The time-weight factor is the number of days for which the specific shares were outstanding as a proportion of the total number of days during the year/period.
6. Return on net worth has not been computed where there is a net loss and net worth is negative.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

New Delhi
November 24, 2006

For and on behalf of the Board of Directors

Lawrence Smyth
Director

New Delhi
November 24, 2006

ANNEXURE X: STATEMENT OF TAX SHELTERS

Cairn Energy India Holdings BV

(All amounts are stated in crores of Indian Rupees, unless otherwise stated)

	Six months ended 30 June 2006	Year ended 31 December 2005	Year ended 31 December 2004	Year ended 31 December 2003	Year ended 31 December 2002	Year ended 31 December 2001
Profit/(loss) as per books (A)	**90.3**	**106.7**	**39.2**	**132.2**	**6.1**	**(54.6)**
Applicable effective tax rates	41.82%	41.82%	41.62%	41.25%	43.5%	48%
Tax on actual rate on book profits	37.8	44.6	16.3	54.5	2. 7	—
Adjustments						
Permanent differences						
Dutch profits not taxable in India	1.7	5.0	8.2	2.2	3.4	—
Gain on assignment to ONGC	—	(70.0)	—	—	—	—
Deduction under section 80IB	(118.6)	(147.2)	(4.3)	—	—	—
Total permanent differences (B)	**(116.9)**	**(212.2)**	**3.9**	**2.2**	**3.4**	**—**
Timing differences						
Difference between tax and accounts treatment for:						
—Depreciation	(10.5)	(24.2)	(36.0)	(38.6)	(18.8)	(0.2)
—Exploration & development expenditure	80.3	136.7	154.4	97.6	(85.0)	(82.0)
—Foreign exchange	(43.2)	33.3	(8.7)	(75.9)	37.2	8.1
Brought forward loss utilised in the year	—	(40.3)	(152.8)	(117.5)	—	—
Total timing differences (C)	**26.6**	**105.5**	**(43.1)**	**(134.4)**	**(66.6)**	**(74.1)**
Net adjustment D=(B+C)	**(90.3)**	**(106.7)**	**(39.2)**	**(132.2)**	**(63.2)**	**(74.1)**
Tax (saving)/outgoing thereon (E)	(37.8)	(44.6)	(16.3)	(54.5)	(2.7)	—
Taxable income (A+D)	**—**	**—**	**—**	**—**	**(57.1)**	**(128.7)**
Tax payable on the business income (F)	—	—	—	—	—	—
Minimum Alternate Tax under section 115JB (G)	6.6	4.2	2.4	10.2	2.2	—
Total current tax (F+G)	**6.6**	**4.2**	**2.4**	**10.2**	**2.2**	**—**
Carried forward loss to next year	—	—	40.3	193.2	310.7	253.7

Notes:

1. The taxable income disclosed above is based on the translated restated summary consolidated financial information for the six months ended 30 June 2006 and years ended 31 December 2005, 2004, 2003, 2002, 2001.
2. The tax year in India runs from April to March, however, the above tax shelter statement has been prepared on calendar year basis and so the profit/loss and any resultant tax liability have been adjusted accordingly.
3. As the translated restated summary consolidated financial information has been prepared on a calendar year basis, the applicable tax rate is the weighted average of the rates applicable for the periods January to March and April to December.
4. The above statement relates only to profits which are subject to taxation under Indian law.
5. Tax saving/outgoing is the difference between the tax on book profits and the tax payable as per the provisions of the Income Tax Act, 1961.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

New Delhi
November 24, 2006

For and on behalf of the Board of Directors

Lawrence Smyth
Director

New Delhi
November 24, 2006

ANNEXURE XI: DETAILS OF RELATED PARTY TRANSACTIONS AND OUTSTANDING BALANCES

Cairn Energy India Holdings BV

List of related parties and relationships

The related parties listed below are disclosed in accordance with Accounting Standard-18 on "Related party disclosures" issued by the Institute of Chartered Accountants of India.

Name of related party	Relationship
Companies	
Cairn Energy PLC	Ultimate holding company
Cairn UK Holdings Limited	Intermediate holding company
Cairn Energy Holdings Limited	Intermediate holding company
Cairn Energy Netherlands Holdings B.V.	Intermediate holding company
Cairn Energy Group Holdings B.V.	Intermediate holding company
Cairn Energy Hydrocarbons Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Australia Pty Limited	Fellow subsidiary of Cairn Energy PLC
CEH Australia Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Asia Pty Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Investments Australia Pty Limited	Fellow subsidiary of Cairn Energy PLC
Wessington Investments Pty Limited	Fellow subsidiary of Cairn Energy PLC
Sydney Oil Company Pty Limited	Fellow subsidiary of Cairn Energy PLC
Command Petroleum (PPL56) Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy India Pty Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Petroleum India Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Discovery Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Gujarat Block 1. Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Exploration (No.2) Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Exploration (No.4) Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Exploration (No.6) Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Exploration (No.7) Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Resources Limited	Fellow subsidiary of Cairn Energy PLC
Holland Sea Search Holding N.V.	Fellow subsidiary of Cairn Energy PLC
Holland Sea Search II B.V.	Fellow subsidiary of Cairn Energy PLC
Cairn Energy International Holdings B.V.	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Bangladesh Block 7 B.V.	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Exploration (Bangladesh) Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Sangu Field Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Bangladesh Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Resources Management Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Management Limited	Fellow subsidiary of Cairn Energy PLC
Energy Explorer Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Oil Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy North Sea Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Assets Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Nepal Holdings Limited	Fellow subsidiary of Cairn Energy PLC
Command Petroleum (Gulf) Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Exploration (No.1) Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Search Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Exploration and Production Company Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Dhangari Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Karnali Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Lumbini Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Malangawa Limited	Fellow subsidiary of Cairn Energy PLC
Cairn Energy Birganj Limited	Fellow subsidiary of Cairn Energy PLC
Directors	
Cairn Energy Group Holdings B.V. (appointed on 28 March 2001)	Sole Director of Cairn Energy India Holdings BV
Holland Sea Search Holding N.V. (resigned on 28 March 2001)	Sole Director of Cairn Energy India Holdings BV
Joint ventures	
CB-OS/2	Non-operated block (Operator: Cairn Energy India Pty Limited)

ANNEXURE XI: STATEMENT OF RELATED PARTY TRANSACTIONS (CONTINUED)

Cairn Energy India Holdings BV

(All amounts are stated in crores of Indian Rupees, unless otherwise stated)

Amounts outstanding at period/year end

	Six months ended 30 June 2006	Year ended 31 December 2005	Year ended 31 December 2004	Year ended 31 December 2003	Year ended 31 December 2002	Year ended 31 December 2001
Amounts receivable						
—Unsecured loans:						
Cairn Energy Hydrocarbons Ltd	50.0	—	—	—	—	—
—Interest receivable:						
Cairn Energy Hydrocarbons Ltd	0.1	—	—	—	—	—
—Others:						
Holland Sea Search Holdings NV	—	—	—	—	—	0.2
Cairn Resources Ltd	0.1	—	—	—	—	—
Total	**50.2**	**—**	**—**	**—**	**—**	**0.2**
Amounts payable						
—Unsecured loans:						
Cairn Energy Group Holdings BV	42.8	207.4	268.6	281.9	296.9	—
Holland Sea Search Holdings NV	—	—	121.9	201.7	239.2	—
—Interest payable:	—	—	—	—	—	—
—Others:						
Cairn Energy PLC	12.0	7.1	—	—	—	—
Cairn Energy Group Holdings BV	—	—	—	—	—	312.3
Cairn Resources Ltd	0.1	—	—	—	—	—
Total	**54.9**	**214.5**	**390.5**	**483.6**	**536.1**	**312.3**

Note:

1. Related party transactions between the entities that have been consolidated have not been disclosed.

ANNEXURE XI: STATEMENT OF RELATED PARTY TRANSACTIONS (CONTINUED)

Cairn Energy India Holdings BV

(All amounts are stated in crores of Indian Rupees, unless otherwise stated)

Transactions during the period/year

	Six months ended 30 June 2006	Year ended 31 December 2005	Year ended 31 December 2004	Year ended 31 December 2003	Year ended 31 December 2002	Year ended 31 December 2001
Loans received						
Holland Sea Search Holdings NV	—	—	22.5	—	239.2	—
Cairn Energy Group Holdings BV	—	131.3	—	—	296.9	—
Loans repaid						
Cairn Energy Group Holdings BV	164.5	200.7	—	—	—	—
Holland Sea Search Holdings NV	—	121.9	95.1	26.5	—	—
Loans made						
Cairn Energy Hydrocarbons Ltd	50.0	—	—	—	—	—
Interest received (on accrual basis)						
Cairn Energy Hydrocarbons Ltd	0.1	—	—	—	—	—
Others—net debit/(credit)						
Cairn Energy Group Holdings BV	(0.1)	—	—	—	312.3	(312.3)
Cairn Energy PLC	(4.9)	(7.1)	—	—	—	—
Holland Sea Search Holdings NV	—	—	—	—	(0.2)	94.9
Cairn Resources Ltd	0.1	—	—	—	—	—

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

New Delhi
November 24, 2006

For and on behalf of the Board of Directors

Lawrence Smyth
Director

New Delhi
November 24, 2006

TRANSLATED RESTATED SUMMARY STATEMENTS OF ASSETS AND LIABILITIES AND PROFITS AND LOSSES OF CAIRN ENERGY GROUP HOLDINGS BV AS AT JUNE 30, 2006, DECEMBER 31, 2005, 2004, 2003, 2002 AND 2001 AND FOR THE SIX MONTHS ENDED JUNE 30, 2006 AND YEARS ENDED DECEMBER 31, 2005, 2004, 2003, 2002, 2001

To The Board of Directors
Cairn India Limited
Mumbai
India

Dear Sirs,

1. In connection with the proposed Initial Public Offer ('IPO') of Cairn India Limited (the 'Company') of its equity shares having a face value of Rs. 10 per equity share at an issue price to be arrived at by the 100% book building scheme and at your request, we have examined, as detailed in paragraph 5 below, The Translated Restated Summary Financial Information (as defined in paragraph 6 below) of Cairn Energy Group Holdings BV (a subsidiary of Cairn India Holdings Limited in which the Company holds 21.85% of the equity shares—hereinafter referred to as 'Cairn Energy Group') as at June 30, 2006, December 31, 2005, 2004, 2003, 2002 and 2001 and for the six months ended June 30, 2006 and years ended December 31, 2005, 2004, 2003, 2002 and 2001 (hereinafter referred to as the 'periods under examination') annexed to this report and initialled by us for identification purposes.

2. The above financial information is the responsibility of the management of Cairn Energy Group and has been prepared in accordance with the requirements of:

   a. paragraph B(1) of Part II of Schedule II to the Companies Act, 1956 (the 'Act');

   b. the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 (the 'Guidelines') issued by the Securities and Exchange Board of India ('SEBI') on January 19, 2000, as amended from time to time in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992.

3. The Translated Restated Summary Financial Information of Cairn Energy Group, being a body corporate, is not required to be and is not necessarily in conformity with the framework of general purpose financial statements in India. The Translated Restated Summary Financial Information for the periods under examination has been prepared in accordance with the framework of accounting policies of the Company.

4. The financial statements of Cairn Energy Group, prepared under the relevant Generally Accepted Accounting Principles ('GAAP') as detailed in paragraph 6 below and in the relevant reporting currency, have been translated to Indian Rupees by the management of Cairn Energy Group on the basis of the average and year/period-end exchange rates applicable for the respective years/period for the profit and loss related items and balance sheet related monetary items, respectively, and the exchange rate at the date of the transaction for the non-monetary items. The translated financial information, thereafter, has been restated by the management of Cairn Energy Group to comply with/ be aligned to the accounting policies of the Company and the Guidelines. The Translated Restated Summary Financial Information has been compiled by the management of Cairn Energy Group from such translated restated financial information of Cairn Energy Group.

5. Our examination was conducted in accordance with the applicable generally accepted auditing standards ('GAAS') framework in India, including inter alia, requirements mandated by the Institute of Chartered Accountants of India ('ICAI') in the Guidance Note on Reports in Company Prospectuses, Guidance Note on Audit Reports/Certificates on Financial Information in Offer Documents and Guidance Note on Audit Reports and Certificates for Special Purposes issued by the ICAI.

Translated Restated Summary Financial Information

6. We have examined the attached translated restated summary statements of assets and liabilities of Cairn Energy Group as at the end of the periods under examination and the attached translated restated summary statements of profit and loss for the periods under examination as prepared by Cairn Energy Group ('Translated Restated Summary Financial Information') (see Annexure I and II to this report). The notes to the Translated Restated Summary Financial Information are attached in Annexure III to this report. The Translated Restated Summary Financial Information for the periods under examination is based on the financial statements of Cairn Energy Group for those years/period, which have been audited by other auditors as described below:

Year/period ended	Audited by	Reporting GAAP
December 31, 2001	Ernst & Young Accountants, The Netherlands	Dutch GAAP
December 31, 2002	Ernst & Young Accountants, The Netherlands	Dutch GAAP
December 31, 2003	Ernst & Young Accountants, The Netherlands	Dutch GAAP
December 31, 2004	Ernst & Young Accountants, The Netherlands	Dutch GAAP
December 31, 2005	Ernst & Young Accountants, The Netherlands	International Financial Reporting Standards as adopted by European Union
June 30, 2006	Ernst & Young LLP, UK	International Financial Reporting Standards as adopted by European Union

For reporting on the Translated Restated Summary Financial Information, we have relied on the aforesaid audited financial statements of Cairn Energy Group which have been reported upon by the respective auditors as set forth in table above and have been prepared under the relevant Generally Accepted Accounting Principles ('GAAP') applicable to Cairn Energy Group. Adjustments have been made as described in paragraph 4 above to translate and restate, and realign the significant accounting policies under the respective GAAP being followed by Cairn Energy Group to those of the Company under Indian GAAP and these adjustments have been examined by us for the periods under examination.

7. Based on our examination of this Translated Restated Summary Financial Information, we confirm that:

   – the impact of changes in accounting policies adopted by the Company have been adjusted with retrospective effect in the attached Translated Restated Summary Financial Information;

   – material amounts relating to the adjustments for previous years/period have been identified and adjusted in arriving at the profits/(losses) for the years/period to which they relate irrespective of the year/period in which the event triggering the profit or loss occurred;

   – there are no extraordinary items, which need to be disclosed separately in the Translated Restated Summary Financial Information;

   – there are no qualifications in the auditors' reports, which require any adjustments to the Translated Restated Summary Financial Information;

   – nothing has come to our attention based on our examination that causes us to believe that the financial statements of Cairn Energy Group, referred to in paragraph 4 above, have not been translated to Indian Rupees fairly in all material respects; and

   – nothing has come to our attention based on our examination that causes us to believe that the Translated Restated Summary Financial Information of Cairn Energy Group, referred to in paragraph 4 above, has not been restated to comply with/be aligned to the accounting policies of the Company fairly in all material respects.

8. In our view, the Translated Restated Summary Financial Information mentioned above has been prepared in accordance with Part II of Schedule II to the Act and the Guidelines.

9. This report should not be in any way be construed as a reissuance or redating of any of the previous audit reports issued by us or by other independent auditors nor should this report be construed as a new opinion on any of the financial statements referred to herein.

10. This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed IPO of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No: 89218

Place: New Delhi
Date: November 24, 2006

ANNEXURE I: TRANSLATED RESTATED SUMMARY STATEMENT OF ASSETS AND LIABILITIES

Cairn Energy Group Holdings BV

(All amounts are stated in crores of Indian Rupees, unless otherwise stated)

		As at 30 June 2006	As at 31 December 2005	As at 31 December 2004	As at 31 December 2003	As at 31 December 2002	As at 31 December 2001
A	**Fixed assets**						
	Gross block	—	—	—	—	—	—
	Less: Accumulated depreciation	—	—	—	—	—	—
	Net block	—	—	—	—	—	—
	Producing properties (net of depletion)	—	—	—	—	—	—
	Exploratory & development wells in progress	—	—	—	—	—	—
		—	—	—	—	—	—
B	**Goodwill**	—	—	—	—	—	—
C	**Investments**	**614.4**	**614.4**	**614.4**	**614.4**	**614.4**	**614.4**
D	**Current assets, loans and advances**						
	Inventories	—	—	—	—	—	—
	Sundry debtors	—	—	—	—	—	—
	Cash and bank balances	2.2	2.1	2.2	4.1	3.8	2.4
	Loans and advances	—	—	—	—	—	—
	Intercompany loans and receivables	161.4	209.7	395.4	414.9	436.2	374.5
		163.6	**211.8**	**397.6**	**419.0**	**440.0**	**376.9**
E	**Liabilities and provisions**						
	Secured loans	—	—	—	—	—	—
	Unsecured loans						
	—Intercompany	53.9	104.0	300.4	313.1	320.1	233.9
	—Others	—	—	—	—	—	—
	Intercompany payables	64.8	61.1	57.6	58.5	57.9	70.7
	Current liabilities and provisions	1.3	1.0	1.2	1.1	1.0	0.9
		120.0	**166.1**	**359.2**	**372.7**	**379.0**	**305.5**
F	**Networth (A+B+C+D−E)**	**658.0**	**660.1**	**652.8**	**660.7**	**675.4**	**685.8**
	Represented by						
G	**Share capital**	0.4	0.4	0.4	0.4	0.4	0.4
H	**Reserves and surplus**	657.6	659.7	652.4	660.3	675.0	685.4
I	**Networth (G+H)**	**658.0**	**660.1**	**652.8**	**660.7**	**675.4**	**685.8**

Note:

The Translated Restated Summary Financial Information of Cairn Energy Group Holdings B.V. dated September 22, 2006 which was presented in Rs. millions and prepared for inclusion in the Draft Red Herring Prospectus of Cairn India Limited to be filed with Securities and Exchange Board of India ('SEBI'), was signed by a director, who was authorised by the Board of Directors in its meeting held on

September 22, 2006. Subsequently, the Company has been advised by SEBI that the respective figures need to be in Rs. crores instead of Rs. millions and therefore, the amounts in this Translated Restated Summary Financial Information have been presented in Rs. crores instead of Rs. millions as presented earlier and there is no other change in the revised financial information.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

New Delhi
November 24, 2006

For and on behalf of the Board of Directors

Lawrence Smyth
Director

New Delhi
November 24, 2006

ANNEXURE II: TRANSLATED RESTATED SUMMARY STATEMENT OF PROFITS AND LOSSES

Cairn Energy Group Holdings BV

(All amounts are stated in crores of Indian Rupees, unless otherwise stated)

	Six months ended 30 June 2006	Year ended 31 December 2005	Year ended 31 December 2004	Year ended 31 December 2003	Year ended 31 December 2002	Year ended 31 December 2001
Income						
Sales	—	—	—	—	—	—
Foreign exchange gain	—	9.6	—	—	—	2.0
Other income	—	—	—	—	0.1	11.9
Movement of inventories	—	—	—	—	—	—
	—	**9.6**	**—**	**—**	**0.1**	**13.9**
Expenditure						
Production costs	—	—	—	—	—	—
Depletion, depreciation and amortisation	—	—	—	—	—	—
Unsuccessful exploration costs	—	—	—	—	—	—
Staff costs and administrative expenses	0.2	—	—	0.7	0.8	1.2
Loss on sale of interest	—	—	—	—	—	23.0
Foreign exchange loss	0.4	—	6.5	12.7	7.7	—
Financing expenses	1.5	2.3	1.4	1.3	2.0	5.4
	2.1	**2.3**	**7.9**	**14.7**	**10.5**	**29.6**
Net profit/(loss) before tax	**(2.1)**	**7.3**	**(7.9)**	**(14.7)**	**(10.4)**	**(15.7)**
Taxation						
Current tax	—	—	—	—	—	1.6
Deferred tax	—	—	—	—	—	—
	—	—	—	—	—	1.6
Net profit after tax	**(2.1)**	**7.3**	**(7.9)**	**(14.7)**	**(10.4)**	**(17.3)**

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accounts

per Raman Sobti
Partner
Membership No. 89218

New Delhi
November 24, 2006

For and on behalf of the Board of Directors

Lawrence Smyth
Director

New Delhi
November 24, 2006

TRANSLATED RESTATED SUMMARY STATEMENTS OF ASSETS AND LIABILITIES AND PROFITS AND LOSSES OF CAIRN ENERGY NETHERLANDS HOLDINGS BV AS AT JUNE 30, 2006, DECEMBER 31, 2005, 2004, 2003, 2002 AND 2001 AND FOR THE SIX MONTHS ENDED JUNE 30, 2006 AND YEARS ENDED DECEMBER 31, 2005, 2004, 2003, 2002, 2001

To The Board of Directors
Cairn India Limited
Mumbai
India

Dear Sirs,

1. In connection with the proposed Initial Public Offer ('IPO') of Cairn India Limited (the 'Company') of its equity shares having a face value of Rs. 10 per equity share at an issue price to be arrived at by the 100% book building scheme and at your request, we have examined, as detailed in paragraph 5 below, the Translated Restated Summary Financial Information (as defined in paragraph 6 below) of Cairn Energy Netherlands Holdings BV (a subsidiary of Cairn India Holdings Limited in which the Company holds 21.85% of the equity shares—hereinafter referred to as 'Cairn Energy Netherlands') as at June 30, 2006, December 31, 2005, 2004, 2003, 2002 and 2001 and for the six months ended June 30, 2006 and years ended December 31, 2005, 2004, 2003, 2002 and 2001 (hereinafter referred to as the 'periods under examination') annexed to this report and initialled by us for identification purposes.
2. The above financial information is the responsibility of the management of Cairn Energy Netherlands and has been prepared in accordance with the requirements of:
   a. paragraph B(1) of Part II of Schedule II to the Companies Act, 1956 (the 'Act');
   b. the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 (the 'Guidelines') issued by the Securities and Exchange Board of India ('SEBI') on January 19, 2000, as amended from time to time in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992.
3. The Translated Restated Summary Financial Information of Cairn Energy Netherlands, being that of a body corporate, is not required to be and is not necessarily in conformity with the framework of general purpose financial statements in India. The Translated Restated Summary Financial Information for the periods under examination has been prepared in accordance with the framework of accounting policies of the Company.
4. The financial statements of Cairn Energy Netherlands, prepared under the relevant Generally Accepted Accounting Principles ('GAAP') as detailed in paragraph 6 below and in the relevant reporting currency, have been translated to Indian Rupees by the management of Cairn Energy Netherlands on the basis of the average and year/period-end exchange rates applicable for the respective years/period for the profit and loss related items and balance sheet related monetary items, respectively, and the exchange rate at the date of the transaction for the non-monetary items. The translated financial information, thereafter, has been restated by the management of Cairn Energy Netherlands to comply with/be aligned to the accounting policies of the Company and the Guidelines. The Translated Restated Summary Financial Information has been compiled by the management of Cairn Energy Netherlands from such translated restated financial information of Cairn Energy Netherlands.
5. Our examination was conducted in accordance with the applicable generally accepted auditing standards ('GAAS') framework in India, including inter alia, requirements mandated by the Institute of Chartered Accountants of India ('ICAI') in the Guidance Note on Reports in Company Prospectuses, Guidance Note on Audit Reports/Certificates on Financial Information in Offer Documents and Guidance Note on Audit Reports and Certificates for Special Purposes issued by the ICAI.

Translated Restated Summary Financial Information

6. We have examined the attached translated restated summary statements of assets and liabilities of Cairn Energy Netherlands as at the end of the periods under examination and the attached translated restated summary statements of profit and loss for the periods under examination as prepared by Cairn Energy Netherlands ('Translated Restated Summary Financial Information') (see Annexure I and II to this report). The Translated Restated Summary Financial Information for the periods under examination is based on the financial statements of Cairn Energy Netherlands for those years/period, which have been audited by other auditors as described below:

Year/period ended	Audited by	Reporting GAAP
December 31, 2001	Ernst & Young Accountants, The Netherlands	Dutch GAAP
December 31, 2002	Ernst & Young Accountants, The Netherlands	Dutch GAAP
December 31, 2003	Ernst & Young Accountants, The Netherlands	Dutch GAAP
December 31, 2004	Ernst & Young Accountants, The Netherlands	Dutch GAAP
December 31, 2005	Ernst & Young Accountants, The Netherlands	International Financial Reporting Standards as adopted by European Union
June 30, 2006	Ernst & Young LLP, UK	International Financial Reporting Standards as adopted by European Union

For reporting on the Translated Restated Summary Financial Information, we have relied on the aforesaid audited financial statements of Cairn Energy Netherlands which have been reported upon by the respective auditors as set forth in table above and have been prepared under the relevant Generally Accepted Accounting Principles ('GAAP') applicable to Cairn Energy Netherlands. Adjustments have been made as described in paragraph 4 above to translate and restate, and realign the significant accounting policies under the respective GAAP being followed by Cairn Energy Netherlands to those of the Company under Indian GAAP and these adjustments have been examined by us for the periods under examination.

7. Based on our examination of this Translated Restated Summary Financial Information, we confirm that:

– the impact of changes in accounting policies adopted by the Company have been adjusted with retrospective effect in the attached Translated Restated Summary Financial Information;

– material amounts relating to the adjustments for previous years/period have been identified and adjusted in arriving at the profits/(losses) for the years / period to which they relate irrespective of the year/period in which the event triggering the profit or loss occurred;

– there are no extraordinary items, which need to be disclosed separately in the Translated Restated Summary Financial Information;

– there are no qualifications in the auditors' reports, which require any adjustments to the Translated Restated Summary Financial Information;

– nothing has come to our attention based on our examination that causes us to believe that the financial statements of Cairn Energy Netherlands, referred to in paragraph 4 above, have not been translated to Indian Rupees fairly in all material respects; and

– nothing has come to our attention based on our examination that causes us to believe that the Translated Restated Summary Financial Information of Cairn Energy Netherlands, referred to in paragraph 4 above, has not been restated to comply with/be aligned to the accounting policies of the Company fairly in all material respects.

8. In our view, the 'Translated Restated Summary Financial Information' mentioned above has been prepared in accordance with Part II of Schedule II to the Act and the Guidelines.

9. This report should not be in any way be construed as a reissuance or redating of any of the previous audit reports issued by us or by other independent auditors nor should this report be construed as a new opinion on any of the financial statements referred to herein.

10. This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed IPO of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No: 89218

Place: New Delhi
Date: November 24, 2006

ANNEXURE I: TRANSLATED RESTATED SUMMARY STATEMENT OF ASSETS AND LIABILITIES

Cairn Energy Netherlands Holdings BV

(All amounts are stated in crores of Indian Rupees, unless otherwise stated)

	As at 30 June 2006	As at 31 December 2005	As at 31 December 2004	As at 31 December 2003	As at 31 December 2002	As at 31 December 2001
A Fixed assets	—	—	—	—	—	—
Gross block	—	—	—	—	—	—
Less: Accumulated depreciation	—	—	—	—	—	—
Net block	—	—	—	—	—	—
Producing properties (net of depletion)	—	—	—	—	—	—
Exploratory & development wells in progress	—	—	—	—	—	—
	—	—	—	—	—	—
B Goodwill	**—**	**—**	**—**	**—**	**—**	**—**
C Investments	**771.2**	**1,129.5**	**1,129.5**	**1,129.5**	**1,129.5**	**1,129.5**
D Current assets, loans and advances						
Inventories	—	—	—	—	—	—
Sundry debtors	—	—	—	0.3	—	—
Cash and bank balances	—	—	—	—	—	—
Loans and advances	—	—	—	—	—	—
Intercompany loans and receivables	538.7	0.2	—	—	—	—
	538.7	**0.2**	**—**	**0.3**	**—**	**—**
E Liabilities and provisions						
Secured loans	—	—	—	—	—	—
Unsecured loans	—	—	—	—	—	—
Intercompany payables	10.8	9.5	9.9	7.4	2.0	—
Current liabilities and provisions	3.5	3.0	3.3	3.1	—	—
	14.3	**12.5**	**13.2**	**10.5**	**2.0**	**—**
F Net worth (A+B+C+D−E)	**1,295.6**	**1,117.2**	**1,116.3**	**1,119.3**	**1,127.5**	**1,129.5**
Represented by						
G Share capital	0.1	0.1	0.1	0.1	0.1	0.1
H Reserves and surplus	1,295.5	1,117.1	1,116.2	1,119.2	1,127.4	1,129.4
I Networth (G+H)	**1,295.6**	**1,117.2**	**1,116.3**	**1,119.3**	**1,127.5**	**1,129.5**

Note:

The Translated Restated Summary Financial Information of Cairn Energy Netherland Holdings B.V. dated September 22, 2006 which was presented in Rs. millions and prepared for inclusion in the Draft Red Herring Prospectus of Cairn India Limited to be filed with Securities and Exchange Board of India ('SEBI'), was signed by a director, who was authorised by the Board of Directors in its meeting held on September 22, 2006. Subsequently, Cairn India Limited has been advised by SEBI that the respective figures need to be in Rs. crores instead of Rs. millions and therefore, the amounts in this Translated Restated Summary Financial Information have been presented in Rs. crores instead of Rs. millions as presented earlier and there is no other change in the revised financial information.

As per our report of even date

For S.R. Batliboi & Associates Chartered Accountants	**For and on behalf of the Board of Directors**
per Raman Sobti Partner **Membership No. 89218**	**Lawrence Smyth** Director
New Delhi **November 24, 2006**	**New Delhi** **November 24, 2006**

ANNEXURE II: TRANSLATED RESTATED SUMMARY STATEMENT OF PROFITS AND LOSSES, AS RESTATED

Cairn Energy Netherlands Holdings BV

(All amounts are stated in crores of Indian Rupees, unless otherwise stated)

	Six months ended 30 June 2006	Year ended 31 December 2005	Year ended 31 December 2004	Year ended 31 December 2003	Year ended 31 December 2002	Year ended 31 December 2001
Income						
Sales	—	—	—	—	—	—
Profit on sale of interest	180.2	—	—	—	—	—
Foreign exchange gain	—	0.9	—	—	—	—
Other income	—	—	—	—	—	—
Movement of inventories	—	—	—	—	—	—
	180.2	**0.9**	**—**	**—**	**—**	**—**
Expenditure						
Production costs	—	—	—	1.1	—	—
Depletion, depreciation and amortisation	—	—	—	—	—	—
Unsuccessful exploration costs	—	—	—	—	—	—
Staff costs and administrative expenses	0.5	—	2.8	3.4	1.2	—
Foreign exchange loss	1.3	—	0.2	0.7	0.1	—
Financing expenses	—	—	—	0.1	0.7	—
	1.8	**—**	**3.0**	**5.3**	**2.0**	**—**
Net profit/(loss) before tax	**178.4**	**0.9**	**(3.0)**	**(5.3)**	**(2.0)**	**—**
Taxation						
Current tax	—	—	—	2.9	—	—
Deferred tax	—	—	—	—	—	—
	—	**—**	**—**	**2.9**	**—**	**—**
Net profit after tax	**178.4**	**0.9**	**(3.0)**	**(8.2)**	**(2.0)**	**—**

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

New Delhi
November 24, 2006

For and on behalf of the Board of Directors

Lawrence Smyth
Director

New Delhi
November 24, 2006

TRANSLATED RESTATED SUMMARY STATEMENTS OF ASSETS AND LIABILITIES AND PROFITS AND LOSSES OF CAIRN ENERGY HOLDINGS LIMITED AS AT JUNE 30, 2006, DECEMBER 31, 2005, 2004, 2003, 2002 AND 2001 AND FOR THE SIX MONTHS ENDED JUNE 30, 2006 AND YEARS ENDED DECEMBER 31, 2005, 2004, 2003, 2002, 2001

To The Board of Directors
Cairn India Limited
Mumbai
India

Dear Sirs,

1. In connection with the proposed Initial Public Offer ('IPO') of Cairn India Limited (the 'Company') of its equity shares having a face value of Rs. 10 per equity share at an issue price to be arrived at by the 100% book building scheme and at your request, we have examined, as detailed in paragraph 5 below, the Translated Restated Summary Financial Information (as defined in paragraph 6 below) of Cairn Energy Holdings Limited (a subsidiary of Cairn India Holdings Limited in which the Company holds 21.85% of the equity shares—hereinafter referred to as 'Cairn Energy Holdings') as at June 30, 2006, December 31, 2005, 2004, 2003, 2002 and 2001 and for the six months ended June 30, 2006 and years ended December 31, 2005, 2004, 2003, 2002 and 2001 (hereinafter referred to as the 'periods under examination') annexed to this report and initialled by us for identification purposes.

2. The above financial information is the responsibility of the management of Cairn Energy Holdings and has been prepared in accordance with the requirements of:

   a. paragraph B(1) of Part II of Schedule II to the Companies Act, 1956 (the 'Act');

   b. the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 ('the Guidelines') issued by the Securities and Exchange Board of India ('SEBI') on January 19, 2000, as amended from time to time in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992.

3. The Translated Restated Summary Financial Information of Cairn Energy Holdings, being that of a body corporate, is not required to be and is not necessarily in conformity with the framework of general purpose financial statements in India. The Translated Restated Summary Financial Information for the periods under examination has been prepared in accordance with the framework of accounting policies of the Company.

4. The financial statements of Cairn Energy Holdings, prepared under United Kingdom Generally Accepted Accounting Practice ('UK GAAP')/International Financial Reporting Standards as adopted by European Union ('EU IFRS') as detailed in paragraph 6 below and in the relevant reporting currency, have been translated to Indian Rupees by the management of Cairn Energy Holdings on the basis of the average and year/period-end exchange rates applicable for the respective years/period for the profit and loss related items and balance sheet related monetary items, respectively, and the exchange rate at the date of the transaction for the non-monetary items. The translated financial information, thereafter, has been restated by the management of Cairn Energy Holdings to comply with/be aligned to the accounting policies of the Company and the Guidelines. The Translated Restated Summary Financial Information has been compiled by the management of Cairn Energy Holdings from such translated restated financial information of Cairn Energy Holdings.

5. Our examination was conducted in accordance with the applicable generally accepted auditing standards ('GAAS') framework in India, including inter alia, requirements mandated by the Institute of Chartered Accountants of India ('ICAI') in the Guidance Note on Reports in Company Prospectuses, Guidance Note on Audit Reports/Certificates on Financial Information in Offer Documents and Guidance Note on Audit Reports and Certificates for Special Purposes issued by the ICAI.

Translated Restated Summary Financial Information

6. We have examined the attached translated restated summary statements of assets and liabilities of Cairn Energy Holdings as at the end of the periods under examination and the attached translated

restated summary statements of profit and loss for the periods under examination as prepared by Cairn Energy Holdings ('Translated Restated Summary Financial Information') (see Annexure I and II to this report). The Translated Restated Summary Financial Information for the periods under examination is based on the financial statements of Cairn Energy Holdings for those years/period, which have been audited by other auditors as described below:

Year/period ended	Audited by	Reporting GAAP
December 31, 2001	Ernst & Young LLP, UK	UK GAAP
December 31, 2002	Ernst & Young LLP, UK	UK GAAP
December 31, 2003	Ernst & Young LLP, UK	UK GAAP
December 31, 2004	Ernst & Young LLP, UK	UK GAAP
December 31, 2005	Ernst & Young LLP, UK	EU IFRS
June 30, 2006	Ernst & Young LLP, UK	EU IFRS

For reporting on the Translated Restated Summary Financial Information, we have relied on the aforesaid audited financial statements of Cairn Energy Holdings which have been reported upon by Ernst & Young LLP, UK and have been prepared under UK GAAP and EU IFRS applicable to Cairn Energy Holdings as set forth in table above. Adjustments have been made as described in paragraph 4 above to translate and restate, and realign the significant accounting policies under UK GAAP/EU IFRS being followed by Cairn Energy Cairn Energy Holdings to those of the Company under Indian GAAP and these adjustments have been examined by us for the periods under examination.

7. Based on our examination of this Translated Restated Summary Financial Information, we confirm that:

   – the impact of changes in accounting policies adopted by the Company have been adjusted with retrospective effect in the attached Translated Restated Summary Financial Information;

   – material amounts relating to the adjustments for previous years/period have been identified and adjusted in arriving at the profits/(losses) for the years/period to which they relate irrespective of the year/period in which the event triggering the profit or loss occurred;

   – there are no extraordinary items, which need to be disclosed separately in the Translated Restated Summary Financial Information;

   – there are no qualifications in the auditors' reports, which require any adjustments to the Translated Restated Summary Financial Information;

   – nothing has come to our attention based on our examination that causes us to believe that the financial statements of Cairn Energy Holdings, referred to in paragraph 4 above, have not been translated to Indian Rupees fairly in all material respects; and

   – nothing has come to our attention based on our examination that causes us to believe that the translated financial information of Cairn Energy Holdings, referred to in paragraph 4 above, has not been restated to comply with/be aligned to the accounting policies of the Company fairly in all material respects.

8. In our view, the 'Translated Restated Summary Financial Information' mentioned above has been prepared in accordance with Part II of Schedule II to the Act and the Guidelines.

9. This report should not be in any way be construed as a reissuance or redating of any of the previous audit reports issued by us or by other independent auditors nor should this report be construed as a new opinion on any of the financial statements referred to herein.

10. This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed IPO of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No: 89218

Place: New Delhi
Date: November 24, 2006

ANNEXURE I: TRANSLATED RESTATED SUMMARY STATEMENT OF ASSETS AND LIABILITIES

Cairn Energy Holdings Ltd

(All amounts are stated in crores of Indian Rupees, unless otherwise stated)

		As at 30 June 2006	As at 31 December 2005	As at 31 December 2004	As at 31 December 2003	As at 31 December 2002	As at 31 December 2001
A	**Fixed assets**	—	—	—	—	—	—
	Gross block	—	—	—	—	—	—
	Less: Accumulated depreciation	—	—	—	—	—	—
	Net block	—	—	—	—	—	—
	Producing properties (net of depletion)	—	—	—	—	—	—
	Exploratory & development wells in progress	—	—	—	—	—	—
		—	—	—	—	—	—
B	**Goodwill**	—	—	—	—	—	—
C	**Investments**	**1,129.5**	**1,129.5**	**1,129.5**	**1,129.5**	**1,129.5**	**1,129.5**
D	**Current assets, loans and advances**						
	Inventories	—	—	—	—	—	—
	Sundry debtors	—	—	—	—	—	—
	Cash and bank balances	0.4	—	—	—	—	—
	Loans and advances	—	—	—	—	—	—
	Intercompany loans and receivables	57.8	53.6	—	—	—	34.2
		58.2	**53.6**	**—**	**—**	**—**	**34.2**
E	**Liabilities and provisions**						
	Secured loans	—	—	—	—	—	—
	Unsecured loans						
	—Intercompany	—	—	—	—	—	—
	—Others	—	—	—	—	—	34.2
	Intercompany payables	57.8	53.6	—	—	—	—
	Current liabilities and provisions	15.4	13.9	14.8	14.5	13.7	12.5
	Total	**73.2**	**67.5**	**14.8**	**14.5**	**13.7**	**46.7**
F	**Networth (A+B+C+D−E)**	**1,114.5**	**1,115.6**	**1,114.7**	**1,115.0**	**1,115.8**	**1,117.0**
G	**Represented by**						
	Share capital	405.4	404.0	404.0	404.0	404.0	404.0
H	**Reserves and surplus**	709.1	711.6	710.7	711.0	711.8	713.0
I	**Networth (G+H)**	**1,114.5**	**1,115.6**	**1,114.7**	**1,115.0**	**1,115.8**	**1,117.0**

Note:

The Translated Restated Summary Financial Information of Cairn Energy Holdings Limited dated September 22, 2006 which was presented in Rs. millions and prepared for inclusion in the Draft Red Herring Prospectus of Cairn India Limited to be filed with Securities and Exchange Board of India (‘SEBI’), was signed by a director, who was authorised by the Board of Directors in its meeting held on September 22, 2006. Subsequently, Cairn India Limited has been advised by SEBI that the respective figures need to be in Rs. crores instead of Rs. millions and therefore, the amounts in this Translated Restated Summary Financial Information have been presented in Rs. crores instead of Rs. millions as presented earlier and there is no other change in the revised financial information.

As per our report of even date

For S.R. Batliboi & Associates Chartered Accountants	**For and on behalf of the Board of Directors**
Raman Sobti Partner **Membership No. 89218**	**Mike Watts** Director
New Delhi **November 24, 2006**	**Edinburgh, Scotland** **November 24, 2006**

ANNEXURE II: TRANSLATED RESTATED SUMMARY STATEMENT OF PROFITS AND LOSSES

Cairn Energy Holdings Ltd

(All amounts are stated in crores of Indian Rupees, unless otherwise stated)

	Six months ended 30 June 2006	Year ended 31 December 2005	Year ended 31 December 2004	Year ended 31 December 2003	Year ended 31 December 2002	Year ended 31 December 2001
Income						
Sales	—	—	—	—	—	—
Foreign exchange gain	—	0.9	—	—	—	—
Other income	—	—	—	—	0.9	0.1
Movement of inventories	—	—	—	—	—	—
	—	**0.9**	**—**	**—**	**0.9**	**0.1**
Expenditure						
Production costs	—	—	—	—	—	—
Depletion, depreciation and amortisation	—	—	—	—	—	—
Unsuccessful exploration costs	—	—	—	—	—	—
Staff costs and administrative expenses	—	—	—	—	—	—
Foreign exchange loss	1.5	—	0.3	0.8	1.2	0.4
Financing expenses	—	—	—	—	0.9	0.1
	1.5	**—**	**0.3**	**0.8**	**2.1**	**0.5**
Net profit/(loss) before tax	**(1.5)**	**0.9**	**(0.3)**	**(0.8)**	**(1.2)**	**(0.4)**
Taxation						
Current tax	1.0	—	—	—	—	12.1
Deferred tax	—	—	—	—	—	—
	1.0	**—**	**—**	**—**	**—**	**12.1**
Net profit after tax	**(2.5)**	**0.9**	**(0.3)**	**(0.8)**	**(1.2)**	**(12.5)**

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

Raman Sobti
Partner
Membership No. 89218

New Delhi
November 24, 2006

For and on behalf of the Board of Directors

Mike Watts
Director

Edinburgh, Scotland
November 24, 2006

TRANSLATED RESTATED SUMMARY STATEMENTS OF ASSETS AND LIABILITIES AND PROFITS AND LOSSES OF CAIRN PETROLEUM INDIA LIMITED AS AT 30 JUNE, 2006, 31 DECEMBER, 2005, 2004 AND 2003 AND FOR THE SIX MONTHS ENDED 30 JUNE, 2006, YEARS ENDED 31 DECEMBER, 2004 AND 2005 AND PERIOD FROM 7 AUGUST, 2002 TO 31 DECEMBER, 2003

To The Board of Directors
Cairn India Limited
Mumbai
India

Dear Sirs,

1. In connection with the proposed Initial Public Offer ('IPO') of Cairn India Limited (the ''Company') of its equity shares having a face value of Rs. 10 per equity share at an issue price to be arrived at by the 100% book building scheme and at your request, we have examined, as detailed in paragraph 5 below, the Translated Restated Summary Financial Information (as defined in paragraph 6 below) of Cairn Petroleum India Limited (a subsidiary of Cairn India Holdings Limited in which the Company proposes to hold 21.85% of the equity shares at the time of IPO—hereinafter referred to as 'Cairn Petroleum India') as at 30 June, 2006, 31 December, 2005, 2004 and 2003 and for the six month period ended 30 June, 2006, years ended 31 December, 2005 and 2004 and the period from 7 August, 2002 to 31 December, 2003 (hereinafter referred to as the 'periods under examination') annexed to this report and initialled by us for identification purposes.

2. The above financial information is the responsibility of the management of Cairn Petroleum India and has been prepared in accordance with the requirements of:

   a. paragraph B(1) of Part II of Schedule II to the Companies Act, 1956 (the 'Act');

   b. the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 (the 'Guidelines') issued by the Securities and Exchange Board of India ('SEBI') on 19 January, 2000, as amended from time to time in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992.

3. The Translated Restated Summary Financial Information of Cairn Petroleum India, being that of a body corporate, is not required to be and is not necessarily in conformity with the framework of general purpose financial statements in India. The Translated Restated Summary Financial Information for the periods under examination has been prepared in accordance with the framework of accounting policies of the Company.

4. The financial statements of Cairn Petroleum India, prepared under United Kingdom Generally Accepted Accounting Practice ('U.K. GAAP')/International Financial Reporting Standards as adopted by European Union ('EU IFRS') as detailed in paragraph 6 below and in the relevant reporting currency, have been translated to Indian Rupees by the management of Cairn Petroleum India on the basis of the average and year/period-end exchange rates applicable for the respective years/period for the profit and loss related items and balance sheet related monetary items, respectively and the exchange rate at the date of the transaction for the non-monetary items. The translated financial information, thereafter, has been restated by the management of Cairn Petroleum India to comply with/be aligned to the accounting policies of the Company and the Guidelines. The Translated Restated Summary Financial Information has been compiled by the management of Cairn Petroleum India from such translated restated financial information of Cairn Petroleum India.

5. Our examination was conducted in accordance with the applicable generally accepted auditing standards ('GAAS') framework in India, including inter alia, requirements mandated by the Institute of Chartered Accountants of India ('ICAI') in the Guidance Note on Reports in Company Prospectuses, Guidance Note on Audit Reports/Certificates on Financial Information in Offer Documents and Guidance Note on Audit Reports and Certificates for Special Purposes issued by the ICAI.

Translated Restated Summary Financial Information

6. We have examined the attached translated restated summary statements of assets and liabilities of Cairn Petroleum India as at the end of the periods under examination and the attached translated restated summary statements of profit and loss for the periods under examination as prepared by Cairn Petroleum India ('Translated Restated Summary Financial Information') (see Annexure I and II to this report). The Translated Restated Summary Financial Information for the periods under examination is based on the financial statements of Cairn Petroleum India for those years/periods, which have been audited by other auditors as described below:

Year/period ended	Audited by	Reporting GAAP
31 December, 2003	Ernst & Young LLP, UK	U.K. GAAP
31 December, 2004	Ernst & Young LLP, UK	U.K. GAAP
31 December, 2005	Ernst & Young LLP, UK	EU IFRS
30 June, 2006	Ernst & Young LLP, UK	EU IFRS

For reporting on the Translated Restated Summary Financial Information, we have relied on the aforesaid audited financial statements of Cairn Petroleum India which have been reported upon by Ernst & Young LLP, UK and have been prepared under U.K. GAAP and EU IFRS applicable to Cairn Petroleum India as set forth in table above. Adjustments have been made as described in paragraph 4 above to translate and restate, and realign the significant accounting policies under U.K. GAAP/EU IFRS being followed by Cairn Petroleum India to those of the Company under Indian GAAP and these adjustments have been examined by us for the periods under examination.

7. Based on our examination of this Translated Restated Summary Financial Information, we confirm that:

– the impact of changes in accounting policies adopted by the Company have been adjusted with retrospective effect in the attached Translated Restated Summary Financial Information;

– material amounts relating to the adjustments for previous years/periods have been identified and adjusted in arriving at the profits/(losses) for the years/periods to which they relate irrespective of the year/period in which the event triggering the profit or loss occurred;

– there are no extraordinary items, which need to be disclosed separately in the Translated Restated Summary Financial Information;

– there are no qualifications in the auditors' reports, which require any adjustments to the Translated Restated Summary Financial Information;

– nothing has come to our attention based on our examination that causes us to believe that the financial statements of Cairn Petroleum India, referred to in paragraph 4 above, have not been translated to Indian Rupees fairly in all material respects; and

– nothing has come to our attention based on our examination that causes us to believe that the translated financial information of Cairn Petroleum India, referred to in paragraph 4 above, has not been restated to comply with/be aligned to the accounting policies of the Company fairly in all material respects.

8. In our view, the 'Translated Restated Summary Financial Information' mentioned above have been prepared in accordance with Part II of Schedule II to the Act and the Guidelines.

9. This report should not be in any way be construed as a reissuance or redating of any of the previous audit reports issued by us or by other independent auditors nor should this report be construed as a new opinion on any of the financial statements referred to herein.

10. This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed IPO of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No: 89218

Place: Edinburgh, Scotland
Date: 22 September, 2006

ANNEXURE I: TRANSLATED RESTATED SUMMARY STATEMENT OF ASSETS AND LIABILITIES

Cairn Petroleum India Limited

(All amounts are in Indian Rupees, unless otherwise stated)

		As at 30 June, 2006	As at 31 December, 2005	As at 31 December, 2004	As at 31 December, 2003
A	**Fixed assets**	—	—	—	—
	Gross block	—	—	—	—
	Less: Accumulated depreciation	—	—	—	—
	Net block	—	—	—	—
	Producing properties (net of depletion)	—	—	—	—
	Exploratory & development wells in progress	—	—	—	—
	Total	—	—	—	—
B	**Goodwill**	—	—	—	—
C	**Investments**	—	—	—	—
D	**Current assets, loans and advances**				
	Inventories	—	—	—	—
	Sundry debtors	—	—	—	—
	Cash and bank balances	—	—	—	—
	Intercompany loans and receivables	87	87	87	87
		87	**87**	**87**	**87**
E	**Liabilities and provisions**				
	Secured loans	—	—	—	—
	Unsecured loans	—	—	—	—
	Intercompany payables	—	—	—	—
	Current liabilities and provisions	—	—	—	—
		—	**—**	**—**	**—**
F	**Networth (A+B+C+D-E)**	**87**	**87**	**87**	**87**
	Represented by				
G	**Share capital**	**87**	**87**	**87**	**87**
H	**Reserves and surplus**	—	—	—	—
I	**Networth (G+H)**	**87**	**87**	**87**	**87**

The Company was incorporated on 7 August, 2002 and its first accounting period was for the period from 7 August, 2002 to 31 December, 2003.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

Raman Sobti
Partner
Membership No. 89218

Edinburgh, Scotland
22 September, 2006

For and on behalf of the Board of Directors

Kevin Hart
Director

Edinburgh, Scotland
22 September, 2006

ANNEXURE II: TRANSLATED RESTATED SUMMARY STATEMENT OF PROFITS AND LOSSES

Cairn Petroleum India Limited

(All amounts are in Indian Rupees, unless otherwise stated)

	Six months ended 30 June, 2006	Year ended 31 December, 2005	Year ended 31 December, 2004	Period ended 31 December, 2003
Income	—	—	—	—
Sales	—	—	—	—
Other income	—	—	—	—
Movement of inventories	—	—	—	—
	—	—	—	—
Expenditure				
Production costs	—	—	—	—
Depletion, depreciation and amortisation	—	—	—	—
Unsuccessful exploration costs	—	—	—	—
Staff costs and administrative expenses	—	—	—	—
Foreign exchange (gain)/loss	—	—	—	—
Financing expenses	—	—	—	—
	—	—	—	—
Net profit/(loss) before tax	**—**	**—**	**—**	**—**
Taxation				
Current tax	—	—	—	—
Deferred tax	—	—	—	—
	—	—	—	—
Net profit after tax	—	—	—	—

The Company was incorporated on 7 August, 2002 and its first accounting period was for the period from 7 August, 2002 to 31 December, 2003.

As per our report

For S.R. Batliboi & Associates Chartered Accountants	**For and on behalf of the Board of Directors**
Raman Sobti Partner **Membership No. 89218**	**Kevin Hart** Director
Edinburgh, Scotland **22 September, 2006**	**Edinburgh, Scotland** **22 September, 2006**

TRANSLATED RESTATED SUMMARY STATEMENTS OF ASSETS AND LIABILITIES AND PROFITS AND LOSSES OF CAIRN ENERGY DISCOVERY LIMITED AS AT 30 JUNE, 2006, 31 DECEMBER, 2005, 2004 AND 2003 AND FOR THE SIX MONTHS ENDED 30 JUNE, 2006, YEARS ENDED 31 DECEMBER, 2005 AND 2004 AND PERIOD FROM 20 AUGUST, 2002 TO 31 DECEMBER, 2003

To The Board of Directors
Cairn India Limited
Mumbai
India

Dear Sirs,

1. In connection with the proposed Initial Public Offer ('IPO') of Cairn India Limited (the 'Company') of its equity shares having a face value of Rs. 10 per equity share at an issue price to be arrived at by the 100% book building scheme and at your request, we have examined, as detailed in paragraph 5 below, the Translated Restated Summary Financial Information (as defined in paragraph 6 below) of Cairn Energy Discovery Limited (a subsidiary of Cairn India Holdings Limited in which the Company proposes to hold 21.85% of the equity shares at the time of IPO—hereinafter referred to as 'Cairn Energy Discovery') as at 30 June, 2006, 31 December, 2005, 2004 and 2003 and for the six month period ended 30 June, 2006, years ended 31 December, 2005 and 2004 and the period from 20 August, 2002 to 31 December, 2003 (hereinafter referred to as the 'periods under examination') annexed to this report and initialled by us for identification purposes..

2. The above financial information is the responsibility of the management of Cairn Energy Discovery and has been prepared in accordance with the requirements of:

   a. paragraph B(1) of Part II of Schedule II to the Companies Act, 1956 (the 'Act');

   b. the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 (the 'Guidelines') issued by the Securities and Exchange Board of India ('SEBI') on 19 January, 2000, as amended from time to time in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992.

3. The Translated Restated Summary Financial Information of Cairn Energy Discovery is not required to be and is not necessarily in conformity with the framework of general purpose financial statements in India. The Translated Restated Summary Financial Information for the periods under examination has been prepared in accordance with the framework of accounting policies of the Company.

4. The financial statements of Cairn Energy Discovery, prepared under United Kingdom Generally Accepted Accounting Practice ('U.K. GAAP')/International Financial Reporting Standards as adopted by European Union ('EU IFRS') as detailed in paragraph 6 below and in the relevant reporting currency, have been translated to Indian Rupees by the management of Cairn Energy Discovery on the basis of the average and year/period-end exchange rates applicable for the respective years/period for the profit and loss related items and balance sheet related monetary items, respectively and the exchange rate at the date of the transaction for the non-monetary items. The translated financial information, thereafter, has been restated by the management of Cairn Energy Discovery to comply with/be aligned to the accounting policies of the Company and the Guidelines. The Translated Restated Summary Financial Information has been compiled by the management of Cairn Energy Discovery from such translated restated financial information of Cairn Energy Discovery.

5. Our examination was conducted in accordance with the applicable generally accepted auditing standards ('GAAS') framework in India, including inter alia, requirements mandated by the Institute of Chartered Accountants of India ('ICAI') in the Guidance Note on Reports in Company Prospectuses, Guidance Note on Audit Reports/Certificates on Financial Information in Offer Documents and Guidance Note on Audit Reports and Certificates for Special Purposes issued by the ICAI.

Translated Restated Summary Financial Information

6. We have examined the attached translated restated summary statements of assets and liabilities of Cairn Energy Discovery as at the end of the periods under examination and the attached translated restated summary statements of profit and loss for the periods under examination as prepared by Cairn Energy Discovery ('Translated Restated Summary Financial Information') (see Annexure I and II to this report). The Translated Restated Summary Financial Information for the periods under examination is based on the financial statements of Cairn Energy Discovery for those years/periods, which have been audited by other auditors as described below:

Year/period ended	Audited by	Reporting GAAP
31 December, 2003	Ernst & Young LLP, UK	U.K. GAAP
31 December, 2004	Ernst & Young LLP, UK	U.K. GAAP
31 December, 2005	Ernst & Young LLP, UK	EU IFRS
30 June, 2006	Ernst & Young LLP, UK	EU IFRS

For reporting on the Translated Restated Summary Financial Information, we have relied on the aforesaid audited financial statements of Cairn Energy Discovery which have been reported upon by Ernst & Young LLP, UK and have been prepared under U.K. GAAP and EU IFRS applicable to Cairn Energy Discovery as set forth in table above. Adjustments have been made as described in paragraph 4 above to translate and restate, and realign the significant accounting policies under U.K. GAAP/EU IFRS being followed by Cairn Energy Discovery to those of the Company under Indian GAAP and these adjustments have been examined by us for the periods under examination.

7. Based on our examination of this Translated Restated Summary Financial Information, we confirm that:

   – the impact of changes in accounting policies adopted by the Company have been adjusted with retrospective effect in the attached Translated Restated Summary Financial Information;

   – material amounts relating to the adjustments for previous years/periods have been identified and adjusted in arriving at the profits/(losses) for the years/periods to which they relate irrespective of the year/period in which the event triggering the profit or loss occurred;

   – there are no extraordinary items, which need to be disclosed separately in the Translated Restated Summary Financial Information;

   – there are no qualifications in the auditors' reports, which require any adjustments to the Translated Restated Summary Financial Information;

   – nothing has come to our attention based on our examination that causes us to believe that the financial statements of Cairn Energy Discovery, referred to in paragraph 4 above, have not been translated to Indian Rupees fairly and in all material respects; and

   – nothing has come to our attention based on our examination that causes us to believe that the translated financial information of Cairn Energy Discovery, referred to in paragraph 4 above, has not been restated to comply with/be aligned to the accounting policies of the Company fairly in all material respects.

8. In our view, the 'Translated Restated Summary Financial Information' mentioned above has been prepared in accordance with Part II of Schedule II to the Act and the Guidelines.

9. This report should not be in any way be construed as a reissuance or redating of any of the previous audit reports issued by us or by other independent auditors nor should this report be construed as a new opinion on any of the financial statements referred to herein.

10. This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed IPO of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No: 89218

Place: Edinburgh, Scotland
Date: 22 September, 2006

ANNEXURE I: TRANSLATED RESTATED SUMMARY STATEMENT OF ASSETS AND LIABILITIES

Cairn Energy Discovery Limited

(All amounts are in Indian Rupees, unless otherwise stated)

		As at 30 June, 2006	As at 31 December, 2005	As at 31 December, 2004	As at 31 December, 2003
A	**Fixed assets**	—	—	—	—
	Gross block	—	—	—	—
	Less: Accumulated depreciation	—	—	—	—
	Net block	—	—	—	—
	Producing properties (net of depletion)	—	—	—	—
	Exploratory & development wells in progress	1,801,181	1,801,181	—	—
		1,801,181	**1,801,181**	**—**	**—**
B	**Goodwill**	**—**	**—**	**—**	**—**
C	**Investments**	**—**	**—**	**—**	**—**
D	**Current assets, loans and advances**				
	Inventories	—	—	—	—
	Sundry debtors	—	—	—	—
	Cash and bank balances	36,647	—	—	—
	Loans and advances	—	2,471,313	—	—
	Other current assets	—	—	—	—
	Intercompany loans and receivables	—	73	73	73
		36,647	**2,471,386**	**73**	**73**
E	**Liabilities and provisions**				
	Secured loans	—	—	—	—
	Unsecured loans	—	—	—	—
	Intercompany payables	54,326,058	48,598,297	—	—
	Current liabilities and provisions	4,593,851	6,662,026	—	—
		58,919,909	**55,260,323**	**—**	**—**
F	**Networth (A+B+C+D-E)**	**(57,082,081)**	**(50,987,756)**	**73**	**73**
	Represented by				
G	**Share capital**	1,956,262	73	73	73
H	**Reserves and surplus**	(59,038,343)	(50,987,829)	—	—
I	**Networth (G+H)**	**(57,082,081)**	**(50,987,756)**	**73**	**73**

The company was incorporated on 20 August, 2002 and its first accounting period was for the period from 20 August, 2002 to 31 December, 2003.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

Raman Sobti
Partner
Membership No. 89218

Edinburgh, Scotland
22 September, 2006

For and on behalf of the Board of Directors

Kevin Hart
Director

Edinburgh, Scotland
22 September, 2006

ANNEXURE II: TRANSLATED RESTATED SUMMARY STATEMENT OF PROFITS AND LOSSES

Cairn Energy Discovery Limited

(All amounts are in Indian Rupees, unless otherwise stated)

	Six months ended 30 June, 2006	Year ended 31 December, 2005	Year ended 31 December, 2004	Period ended 31 December, 2003
Income	—	—	—	—
Sales	—	—	—	—
Other income	267	—	—	—
Movement of inventories	—	—	—	—
	267	**—**	**—**	**—**
Expenditure	—	—	—	—
Production costs	—	—	—	—
Depletion, depreciation and amortisation	—	—	—	—
Unsuccessful exploration costs	6,751,468	49,392,814	—	—
Staff costs and administrative expenses	(44,949)	—	—	—
Foreign exchange loss	1,334,534	1,591,921	—	—
Financing expenses	9,728	3,094	—	—
	8,050,781	**50,987,829**	**—**	**—**
Net profit/(loss) before tax	**(8,050,514)**	**(50,987,829)**	**—**	**—**
Taxation				
Current tax	—	—	—	—
Deferred tax	—	—	—	—
Net profit/(loss) after tax	**(8,050,514)**	**(50,987,829)**	**—**	**—**

The company was incorporated on 20 August, 2002 and its first accounting period was for the period from 20 August, 2002 to 31 December, 2003.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accounts

Raman Sobti
Partner
Membership No. 89218

Edinburgh, Scotland
22 September, 2006

For and on behalf of the Board of Directors

Kevin Hart
Director

Edinburgh, Scotland
22 September, 2006

TRANSLATED RESTATED SUMMARY STATEMENTS OF ASSETS AND LIABILITIES AND PROFITS AND LOSSES OF CAIRN ENERGY GUJARAT BLOCK 1 LIMITED AS AT 30 JUNE, 2006, 31 DECEMBER, 2005 AND 2004 AND FOR THE SIX MONTHS ENDED 30 JUNE, 2006, YEAR ENDED 31 DECEMBER, 2005 AND PERIOD FROM 4 SEPTEMBER, 2003 TO 31 DECEMBER, 2004

To The Board of Directors
Cairn India Limited
Mumbai
India

Dear Sirs,

1. In connection with the proposed Initial Public Offer ('IPO') of Cairn India Limited (the 'Company') of its equity shares having a face value of Rs. 10 per equity share at an issue price to be arrived at by the 100% book building scheme and at your request, we have examined, as detailed in paragraph 5 below, the Translated Restated Summary Financial Information (as defined in paragraph 6 below) of Cairn Energy Gujarat Block 1 Limited (a subsidiary of Cairn India Holdings Limited in which the Company proposes to hold 21.85% of the equity shares at the time of IPO—hereinafter referred to as 'Cairn Energy Gujarat') as at 30 June, 2006, 31 December, 2005 and 2004 and for the six months period ended 30 June, 2006, year ended 31 December, 2005 and the period from 4 September, 2003 to 31 December, 2004 (hereinafter referred to as the 'periods under examination') annexed to this report and initialled by us for identification purposes.

2. The above financial information is the responsibility of the management of Cairn Energy Gujarat and has been prepared in accordance with the requirements of:

   a. paragraph B(1) of Part II of Schedule II to the Companies Act, 1956 (the 'Act');

   b. the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 (the 'Guidelines') issued by the Securities and Exchange Board of India ('SEBI') on 19 January, 2000, as amended from time to time in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992.

3. The Translated Restated Summary Financial Information of Cairn Energy Gujarat, being that of a body corporate, is not required to be and is not necessarily in conformity with the framework of general purpose financial statements in India. The Translated Restated Summary Financial Information for the periods under examination has been prepared in accordance with the framework of accounting policies of the Company.

4. The financial statements of Cairn Energy Gujarat, prepared under United Kingdom Generally Accepted Accounting Practice ('U.K. GAAP')/International Financial Reporting Standards as adopted by European Union ('EU IFRS') as detailed in paragraph 6 below and in the relevant reporting currency, have been translated to Indian Rupees by the management of Cairn Energy Gujarat on the basis of the average and year/period-end exchange rates applicable for the respective years/period for the profit and loss related items and balance sheet related monetary items, respectively and the exchange rate at the date of the transaction for the non-monetary items. The translated financial information, thereafter, has been restated by the management of Cairn Energy Gujarat to comply with/be aligned to the accounting policies of the Company and the Guidelines. The Translated Restated Summary Financial Information has been compiled by the management of Cairn Energy Gujarat from such translated restated financial information of Cairn Energy Gujarat.

5. Our examination was conducted in accordance with the applicable generally accepted auditing standards ('GAAS') framework in India, including inter alia, requirements mandated by the Institute of Chartered Accountants of India ('ICAI') in the Guidance Note on Reports in Company Prospectuses, Guidance Note on Audit Reports/Certificates on Financial Information in Offer Documents and Guidance Note on Audit Reports and Certificates for Special Purposes issued by the ICAI.

Translated Restated Summary Financial Information

6. We have examined the attached translated restated summary statements of assets and liabilities of Cairn Energy Gujarat as at the end of the periods under examination and the attached translated restated summary statements of profit and loss for the periods under examination as prepared by Cairn Energy Gujarat ('Translated Restated Summary Financial Information') (see Annexure I and II to this report). The Translated Restated Summary Financial Information for the periods under examination is based on the financial statements of Cairn Energy Gujarat for those year/periods, which have been audited by other auditors as described below:

Year/period ended	Audited by	Reporting GAAP
31 December, 2004	Ernst & Young LLP, UK	U.K. GAAP
31 December, 2005	Ernst & Young LLP, UK	EU IFRS
30 June, 2006	Ernst & Young LLP, UK	EU IFRS

For reporting on the Translated Restated Summary Financial Information, we have relied on the aforesaid audited financial statements of Cairn Energy Gujarat which have been reported upon by Ernst & Young LLP, UK and have been prepared under U.K. GAAP and EU IFRS applicable to Cairn Energy Gujarat as set forth in table above. Adjustments have been made as described in paragraph 4 above to translate and restate, and realign the significant accounting policies under U.K. GAAP/EU IFRS being followed by Cairn Energy Gujarat to those of the Company under Indian GAAP and these adjustments have been examined by us for the periods under examination.

7. Based on our examination of this Translated Restated Summary Financial Information, we confirm that:

   – the impact of changes in accounting policies adopted by the Company have been adjusted with retrospective effect in the attached Translated Restated Summary Financial Information;

   – material amounts relating to the adjustments for previous year/periods have been identified and adjusted in arriving at the profits/(losses) for the year/periods to which they relate irrespective of the year/period in which the event triggering the profit or loss occurred;

   – there are no extraordinary items, which need to be disclosed separately in the Translated Restated Summary Financial Information;

   – there are no qualifications in the auditors' reports, which require any adjustments to the Translated Restated Summary Financial Information;

   – nothing has come to our attention based on our examination that causes us to believe that the financial statements of Cairn Energy Gujarat, referred to in paragraph 4 above, have not been translated to Indian Rupees fairly in all material respects; and

   – nothing has come to our attention based on our examination that causes us to believe that the translated financial information of Cairn Energy Gujarat, referred to in paragraph 4 above, has not been restated to comply with/be aligned to the accounting policies of the Company fairly in all material respects.

8. In our view, the 'Translated Restated Summary Financial Information' mentioned above have been prepared in accordance with Part II of Schedule II to the Act and the Guidelines.

9. This report should not be in any way be construed as a reissuance or redating of any of the previous audit reports issued by us or by other independent auditors nor should this report be construed as a new opinion on any of the financial statements referred to herein.

10. This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed IPO of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No: 89218

Place: Edinburgh, Scotland
Date: 22 September, 2006

ANNEXURE I: TRANSLATED RESTATED SUMMARY STATEMENT OF ASSETS AND LIABILITIES

Cairn Energy Gujarat Block 1 Limited

(All amounts are in Indian Rupees, unless otherwise stated)

		As at 30 June, 2006	As at 31 December, 2005	As at 31 December, 2004
A	**Fixed assets**	—	—	—
	Gross block	—	—	—
	Less: Accumulated depreciation	—	—	—
	Net block	—	—	—
	Producing properties (net of depletion)	—	—	—
	Exploratory & development wells in progress	1,801,181	1,801,181	—
		1,801,181	**1,801,181**	**—**
B	**Goodwill**	**—**	**—**	**—**
C	**Investments**	**—**	**—**	**—**
D	**Current assets, loans and advances**			
	Inventories	—	—	—
	Sundry debtors	—	—	—
	Cash and bank balances	32,134	—	—
	Other current assets	—	—	—
	Intercompany loans and receivables	—	78	83
	Total	**32,134**	**78**	**83**
E	**Liabilities and provisions**			
	Secured loans	—	—	—
	Unsecured loans	—	—	—
	Intercompany payables	60,178,998	48,349,926	—
	Current liabilities and provisions	24,875,246	8,710,217	—
		85,054,244	**57,060,143**	**—**
F	**Networth (A+B+C+D-E)**	**(83,220,929)**	**(55,258,884)**	**83**
	Represented by			
G	**Share capital**	46,376	76	76
H	**Reserves and surplus**	(83,267,305)	(55,258,960)	7
I	**Networth (G+H)**	**(83,220,929)**	**(55,258,884)**	**83**

The Company was incorporated on 4 September, 2003 and its first accounting period was for the period from 4 September, 2003 to 31 December, 2004.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

Edinburgh, Scotland
22 September, 2006

For and on behalf of the Board of Directors

Kevin Hart
Director

Edinburgh, Scotland
22 September, 2006

ANNEXURE II: TRANSLATED RESTATED SUMMARY STATEMENT OF PROFITS AND LOSSES

Cairn Energy Gujarat Block 1 Limited

(All amounts are Indian Rupees, unless otherwise stated)

	Six months ended 30 June, 2006	Year ended 31 December, 2005	Period ended 31 December, 2004
Income	—	—	—
Sales	—	—	—
Foreign exchange gain	—	—	7
Other income	138	—	—
Movement of inventories	—	—	—
	138	—	7
Expenditure			
Production costs	—	—	—
Depletion, depreciation and amortisation	—	—	—
Unsuccessful exploration costs	25,595,463	53,819,465	—
Staff costs and administrative expenses	(267,660)	—	—
Foreign exchange loss	2,666,858	1,439,502	—
Financing expenses	13,822	—	—
	28,008,483	**55,258,967**	**—**
Net profit/(loss) before tax	**(28,008,345)**	**(55,258,967)**	**7**
Taxation			
Current tax	—	—	—
Deferred tax	—	—	—
	—	—	—
Net profit/(loss) after tax	**(28,008,345)**	**(55,258,967)**	**7**

The Company was incorporated on 4 September, 2003 and its first accounting period was for the period from 4 September, 2003 to 31 December, 2004.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

Edinburgh, Scotland
22 September, 2006

For and on behalf of the Board of Directors

Kevin Hart
Director

Edinburgh, Scotland
22 September, 2006

TRANSLATED RESTATED SUMMARY STATEMENTS OF ASSETS AND LIABILITIES AND PROFITS AND LOSSES OF CAIRN ENERGY EXPLORATION (NO. 2) LIMITED AS AT 30 JUNE, 2006 AND 31 DECEMBER, 2005 AND FOR THE SIX MONTHS ENDED 30 JUNE, 2006 AND PERIOD FROM 11 MAY, 2005 TO 31 DECEMBER, 2005

To The Board of Directors
Cairn India Limited
Mumbai
India

Dear Sirs,

1. In connection with the proposed Initial Public Offer ('IPO') of Cairn India Limited (the 'Company') of its equity shares having a face value of Rs. 10 per equity share at an issue price to be arrived at by the 100% book building scheme and at your request, we have examined, as detailed in paragraph 5 below, the Translated Restated Summary Financial Information (as defined in paragraph 6 below) of Cairn Energy Exploration (No. 2) Limited (a subsidiary of Cairn India Holdings Limited in which the Company proposes to hold 21.85% of the equity shares at the time of IPO—hereinafter referred to as 'Cairn Energy Exploration 2') as at 30 June, 2006 and 31 December, 2005 and for the six months period ended 30 June, 2006 and period from 11 May, 2005 to 31 December, 2005 (hereinafter referred to as the 'periods under examination') annexed to this report and initialled by us for identification purposes.

2. The above financial information is the responsibility of the management of Cairn Energy Exploration 2 and has been prepared in accordance with the requirements of:

    a. paragraph B(1) of Part II of Schedule II to the Companies Act, 1956 (the 'Act');

    b. the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 (the 'Guidelines') issued by the Securities and Exchange Board of India ('SEBI') on 19 January, 2000, as amended from time to time in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992.

3. The Translated Restated Summary Financial Information of Cairn Energy Exploration 2, being that of a body corporate, is not required to be and is not necessarily in conformity with the framework of general purpose financial statements in India. The Translated Restated Summary Financial Information for the periods under examination has been prepared in accordance with the framework of accounting policies of the Company.

4. The financial statements of Cairn Energy Exploration 2, prepared under International Financial Reporting Standards as adopted by European Union ('EU IFRS') as detailed in paragraph 6 below and in the relevant reporting currency, have been translated to Indian Rupees by the management of Cairn Energy Exploration 2 on the basis of the average and period-end exchange rates applicable for the respective period for the profit and loss related items and balance sheet related monetary items, respectively and the exchange rate at the date of the transaction for the non-monetary items. The translated financial information, thereafter, has been restated by the management of Cairn Energy Exploration 2 to comply with/be aligned to the accounting policies of the Company and the Guidelines. The Translated Restated Summary Financial Information has been compiled by the management of Cairn Energy Exploration 2 from such translated restated financial information of Cairn Energy Exploration 2.

5. Our examination was conducted in accordance with the applicable generally accepted auditing standards ('GAAS') framework in India, including inter alia, requirements mandated by the Institute of Chartered Accountants of India ('ICAI') in the Guidance Note on Reports in Company Prospectuses, Guidance Note on Audit Reports/Certificates on Financial Information in Offer Documents and Guidance Note on Audit Reports and Certificates for Special Purposes issued by the ICAI.

Translated Restated Summary Financial Information

6. We have examined the attached translated restated summary statements of assets and liabilities of Cairn Energy Exploration 2 as at the end of the periods under examination and the attached translated restated summary statements of profit and loss for the periods under examination as prepared by Cairn Energy Exploration 2 ('Translated Restated Summary Financial Information') (see Annexure I and II to this report). The Translated Restated Summary Financial Information for the periods under examination is based on the financial statements of Cairn Energy Exploration 2 for those periods, which have been audited by Ernst & Young LLP, UK.

   For reporting on the Translated Restated Summary Financial Information, we have relied on the aforesaid audited financial statements of Cairn Energy Exploration 2 which have been reported upon by Ernst & Young LLP, UK and have been prepared under EU IFRS applicable to Cairn Energy Exploration 2. Adjustments have been made as described in paragraph 4 above to translate and restate, and realign the significant accounting policies under EU IFRS being followed by Cairn Energy Exploration 2 to those of the Company under Indian GAAP and these adjustments have been examined by us for the periods under examination.

7. Based on our examination of this Translated Restated Summary Financial Information, we confirm that:

   – the impact of changes in accounting policies adopted by the Company have been adjusted with retrospective effect in the attached Translated Restated Summary Financial Information;

   – material amounts relating to the adjustments for previous period have been identified and adjusted in arriving at the profits/(losses) for the period to which they relate irrespective of the period in which the event triggering the profit or loss occurred;

   – there are no extraordinary items, which need to be disclosed separately in the Translated Restated Summary Financial Information;

   – there are no qualifications in the auditors' reports, which require any adjustments to the Translated Restated Summary Financial Information;

   – nothing has come to our attention based on our examination that causes us to believe that the financial statements of Cairn Energy Exploration 2, referred to in paragraph 4 above, have not been translated to Indian Rupees fairly in all material respects; and

   – nothing has come to our attention based on our examination that causes us to believe that the translated financial information of Cairn Energy Exploration 2, referred to in paragraph 4 above, has not been restated to comply with/be aligned to the accounting policies of the Company fairly in all material respects.

8. In our view, the 'Translated Restated Summary Financial Information' mentioned above have been prepared in accordance with Part II of Schedule II to the Act and the Guidelines.

9. This report should not be in any way be construed as a reissuance or redating of any of the previous audit reports issued by us or by other independent auditors nor should this report be construed as a new opinion on any of the financial statements referred to herein.

10. This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed IPO of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No: 89218

Place: Edinburgh, Scotland
Date: 22 September, 2006

ANNEXURE I: TRANSLATED RESTATED SUMMARY STATEMENT OF ASSETS AND LIABILITIES

Cairn Energy Exploration (No.2) Limited

(All amounts are in Indian Rupees, unless otherwise stated)

		As at 30 June, 2006	As at 31 December, 2005
A	**Fixed assets**	—	—
	Gross block	—	—
	Less: Accumulated depreciation	—	—
	Net block	—	—
	Producing properties (net of depletion)	—	—
	Exploratory & development wells in progress	—	—
		—	—
B	**Goodwill**	—	—
C	**Investments**	—	—
D	**Current assets, loans and advances**		
	Inventories	—	—
	Sundry debtors	—	—
	Cash and bank balances	—	—
	Intercompany loans and receivables	—	87
		—	**87**
E	**Liabilities and provisions**		
	Secured loans	—	—
	Unsecured loans	—	—
	Intercompany payables	2,176,923	—
	Current liabilities and provisions	11,700,519	—
		13,877,442	**—**
F	**Networth (A+B+C+D−E)**	**13,877,442**	**87**
	Represented by		
G	**Share capital**	87	87
H	**Reserves and surplus**	(13,877,529)	—
I	**Networth (G+H)**	**(13,877,442)**	**87**

The Company was incorporated on 11 May, 2005 and its first accounting period was for the period from 11 May, 2005 to 31 December, 2005.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

Raman Sobti
Partner
Membership No. 89218

Edinburgh, Scotland
22 September, 2006

For and on behalf of the Board of Directors

Kevin Hart
Director

Edinburgh, Scotland
22 September, 2006

ANNEXURE II: TRANSLATED RESTATED SUMMARY STATEMENT OF PROFITS AND LOSSES

Cairn Energy Exploration (No.2) Limited

(All amounts are in Indian Rupees, unless otherwise stated)

	Six months ended 30 June, 2006	Period ended 31 December, 2005
Income	—	—
Sales	—	—
Other income	—	—
Movement of inventories	—	—
Total	—	—
Expenditure		
Production costs	—	—
Depletion, depreciation and amortisation	—	—
Unsuccessful exploration costs	13,612,540	—
Staff costs and administrative expenses	—	—
Foreign exchange loss	264,989	—
Financing expenses	—	—
Total	**(13,877,529)**	**—**
Net profit/(loss) before tax	**(13,877,529)**	**—**
Taxation		
Current tax	—	—
Deferred tax	—	—
Total	—	—
Net profit/(loss) after tax	**(13,877,529)**	**—**

The Company was incorporated on 11 May, 2005 and its first accounting period was for the period from 11 May, 2005 to 31 December, 2005.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

Raman Sobti
Partner
Membership No. 89218

Edinburgh, Scotland
22 September, 2006

For and on behalf of the Board of Directors

Kevin Hart
Director

Edinburgh, Scotland
22 September, 2006

TRANSLATED RESTATED SUMMARY STATEMENTS OF ASSETS AND LIABILITIES AND PROFITS AND LOSSES OF CAIRN ENERGY EXPLORATION (NO. 4) LIMITED AS AT 30 JUNE, 2006 AND 31 DECEMBER, 2005 AND FOR THE SIX MONTHS ENDED 30 JUNE, 2006 AND PERIOD FROM 11 MAY, 2005 TO 31 DECEMBER, 2005

To The Board of Directors
Cairn India Limited
Mumbai
India

Dear Sirs,

1. In connection with the proposed Initial Public Offer ('IPO') of Cairn India Limited (the 'Company') of its equity shares having a face value of Rs. 10 per equity share at an issue price to be arrived at by the 100% book building scheme and at your request, we have examined, as detailed in paragraph 5 below, the Translated Restated Summary Financial Information (as defined in paragraph 6 below) of Cairn Energy Exploration (No. 4) Limited (a subsidiary of Cairn India Holdings Limited in which the Company proposes to hold 21.85% of the equity shares at the time of IPO—hereinafter referred to as 'Cairn Energy Exploration 4') as at 30 June, 2006 and 31 December, 2005 and for the six months period ended 30 June, 2006 and period from 11 May, 2005 to 31 December, 2005 (hereinafter referred to as the 'periods under examination') annexed to this report and initialled by us for identification purposes.

2. The above financial information is the responsibility of the management of Cairn Energy Exploration 4 and has been prepared in accordance with the requirements of:

   a. paragraph B(1) of Part II of Schedule II to the Companies Act, 1956 (the 'Act');

   b. the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 (the 'Guidelines') issued by the Securities and Exchange Board of India ('SEBI') on 19 January, 2000, as amended from time to time in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992.

3. The Translated Restated Summary Financial Information of Cairn Energy Exploration 4, being that of a body corporate, is not required to be and is not necessarily in conformity with the framework of general purpose financial statements in India. The Translated Restated Summary Financial Information for the periods under examination has been prepared in accordance with the framework of accounting policies of the Company.

4. The financial statements of Cairn Energy Exploration 4, prepared under International Financial Reporting Standards as adopted by European Union ('EU IFRS') as detailed in paragraph 6 below and in the relevant reporting currency, have been translated to Indian Rupees by the management of Cairn Energy Exploration 4 on the basis of the average and period-end exchange rates applicable for the respective period for the profit and loss related items and balance sheet related monetary items, respectively, and the exchange rate at the date of the transaction for the non-monetary items. The translated financial information, thereafter, has been restated by the management of Cairn Energy Exploration 4 to comply with/be aligned to the accounting policies of the Company and the Guidelines. The Translated Restated Summary Financial Information has been compiled by the management of Cairn Energy Exploration 4 from such translated restated financial information of Cairn Energy Exploration 4.

5. Our examination was conducted in accordance with the applicable generally accepted auditing standards ('GAAS') framework in India, including inter alia, requirements mandated by the Institute of Chartered Accountants of India ('ICAI') in the Guidance Note on Reports in Company Prospectuses, Guidance Note on Audit Reports/Certificates on Financial Information in Offer Documents and Guidance Note on Audit Reports and Certificates for Special Purposes issued by the ICAI.

Translated Restated Summary Financial Information

6. We have examined the attached translated restated summary statements of assets and liabilities of Cairn Energy Exploration 4 as at the end of the periods under examination and the attached translated restated summary statements of profit and loss for the periods under examination as prepared by Cairn Energy Exploration 4 ('Translated Restated Summary Financial Information') (see Annexure I and II to this report). The Translated Restated Summary Financial Information for the periods under examination is based on the financial statements of Cairn Energy Exploration 4 for those periods, which have been audited by Ernst & Young LLP, UK.

   For reporting on the Translated Restated Summary Financial Information, we have relied on the aforesaid audited financial statements of Cairn Energy Exploration 4 which have been reported upon by Ernst & Young LLP, UK and have been prepared under EU IFRS applicable to Cairn Energy Exploration 4. Adjustments have been made as described in paragraph 4 above to translate and restate, and realign the significant accounting policies under EU IFRS being followed by Cairn Energy Exploration 4 to those of the Company under Indian GAAP and these adjustments have been examined by us for the periods under examination.

7. Based on our examination of this Translated Restated Summary Financial Information, we confirm that:

   – the impact of changes in accounting policies adopted by the Company have been adjusted with retrospective effect in the attached Translated Restated Summary Financial Information;

   – material amounts relating to the adjustments for previous period have been identified and adjusted in arriving at the profits/(losses) for the period to which they relate irrespective of the period in which the event triggering the profit or loss occurred;

   – there are no extraordinary items, which need to be disclosed separately in the Translated Restated Summary Financial Information;

   – there are no qualifications in the auditors' reports, which require any adjustments to the Translated Restated Summary Financial Information;

   – nothing has come to our attention based on our examination that causes us to believe that the financial statements of Cairn Energy Exploration 4, referred to in paragraph 4 above, have not been translated to Indian Rupees fairly in all material respects; and

   – nothing has come to our attention based on our examination that causes us to believe that the translated financial information of Cairn Energy Exploration 4, referred to in paragraph 4 above, has not been restated to comply with/be aligned to the accounting policies of the Company fairly in all material respects.

8. In our view, the 'Translated Restated Summary Financial Information' mentioned above have been prepared in accordance with Part II of Schedule II to the Act and the Guidelines.

9. This report should not be in any way be construed as a reissuance or redating of any of the previous audit reports issued by us or by other auditors nor should this report be construed as a new opinion on any of the financial statements referred to herein.

10. This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed IPO of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No: 89218

Place: Edinburgh, Scotland
Date: 22 September, 2006

ANNEXURE I: TRANSLATED RESTATED SUMMARY STATEMENT OF ASSETS AND LIABILITIES

Cairn Energy Exploration (No.4) Limited

(All amounts are stated in Indian Rupees, unless otherwise stated)

		As at 30 June, 2006	As at 31 December, 2005
A	**Fixed assets**	—	—
	Gross block	—	—
	Less: Accumulated depreciation	—	—
	Net block	—	—
	Producing properties (net of depletion)	—	—
	Exploratory & development wells in progress	—	—
		—	**—**
B	**Goodwill**	**—**	**—**
C	**Investments**	**—**	**—**
D	**Current assets, loans and advances**		
	Inventories	—	—
	Sundry debtors	—	—
	Cash and bank balances	—	—
	Loans and advances	—	—
	Other current assets	—	—
	Intercompany loans and receivables	87	87
		87	**87**
E	**Liabilities and provisions**		
	Secured loans	—	—
	Unsecured loans	—	—
	Intercompany payables	—	—
	Current liabilities and provisions	—	—
F	**Networth (A+B+C+D-E)**	**87**	**87**
	Represented by		
G	**Share capital**	87	87
H	**Reserves and surplus**	—	—
I	**Networth (G+H)**	**87**	**87**

The company was incorporated on 11 May, 2005 and its first accounting period was for the period from 11 May, 2005 to 31 December, 2005.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

Edinburgh, Scotland
22 September, 2006

For and on behalf of the Board of Directors

Kevin Hart
Director

Edinburgh, Scotland
22 September, 2006

ANNEXURE II: TRANSLATED RESTATED SUMMARY STATEMENT OF PROFITS AND LOSSES

Cairn Energy Exploration (No.4) Limited

(All amounts are in Indian Rupees, unless otherwise stated)

	Six months ended 30 June, 2006	Period ended 31 December, 2005
Income	—	—
Sales	—	—
Other income	—	—
Movement of inventories	—	—
	—	—
Expenditure	—	—
Production costs	—	—
Depletion, depreciation and amortisation	—	—
Unsuccessful exploration costs	—	—
Staff costs and administrative expenses	—	—
Financing expenses	—	—
	—	—
Net profit/(loss) before tax	—	—
Taxation		
Current tax	—	—
Deferred tax	—	—
	—	—
Net profit after tax	—	—

The company was incorporated on 11 May, 2005 and its first accounting period was for the period from 11 May, 2005 to 31 December, 2005.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

Edinburgh, Scotland
22 September, 2006

For and on behalf of the Board of Directors

Kevin Hart
Director

Edinburgh, Scotland
22 September, 2006

TRANSLATED RESTATED SUMMARY STATEMENTS OF ASSETS AND LIABILITIES AND PROFITS AND LOSSES OF CAIRN ENERGY EXPLORATION (NO. 6) LIMITED AS AT 30 JUNE, 2006 AND 31 DECEMBER, 2005 AND FOR THE SIX MONTHS ENDED 30 JUNE, 2006 AND PERIOD FROM 18 MAY, 2005 TO 31 DECEMBER, 2005

To The Board of Directors
Cairn India Limited
Mumbai
India

Dear Sirs,

1. In connection with the proposed Initial Public Offer ('IPO') of Cairn India Limited (the 'Company') of its equity shares having a face value of Rs. 10 per equity share at an issue price to be arrived at by the 100% book building scheme and at your request, we have examined, as detailed in paragraph 5 below, the Translated Restated Summary Financial Information (as defined in paragraph 6 below) of Cairn Energy Exploration (No. 6) Limited (a subsidiary of Cairn India Holdings Limited in which the Company proposes to hold 21.85% of the equity shares at the time of IPO—hereinafter referred to as 'Cairn Energy Exploration 6') as at 30 June, 2006 and 31 December, 2005 and for the six months period ended 30 June, 2006 and period from 18 May, 2005 to 31 December, 2005 (hereinafter referred to as the 'periods under examination') annexed to this report and initialled by us for identification purposes.

2. The above financial information is the responsibility of the management of Cairn Energy Exploration 6 and has been prepared in accordance with the requirements of:

   a. paragraph B(1) of Part II of Schedule II to the Companies Act, 1956 (the 'Act');

   b. the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 (the 'Guidelines') issued by the Securities and Exchange Board of India ('SEBI') on 19 January, 2000, as amended from time to time in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992.

3. The Translated Restated Summary Financial Information of Cairn Energy Exploration 6 is not required to be and is not necessarily in conformity with the framework of general purpose financial statements in India. The Translated Restated Summary Financial Information for the periods under examination has been prepared in accordance with the framework of accounting policies of the Company.

4. The financial statements of Cairn Energy Exploration 6, prepared under International Financial Reporting Standards as adopted by European Union ('EU IFRS') as detailed in paragraph 6 below and in the relevant reporting currency, have been translated to Indian Rupees by the management of Cairn Energy Exploration 6 on the basis of the average and period-end exchange rates applicable for the respective period for the profit and loss related items and balance sheet related monetary items, respectively, and the exchange rate at the date of the transaction for the non-monetary items. The translated financial information, thereafter, has been restated by the management of Cairn Energy Exploration 6 to comply with/be aligned to the accounting policies of the Company and the Guidelines. The Translated Restated Summary Financial Information has been compiled by the management of Cairn Energy Exploration 6 from such translated restated financial information of Cairn Energy Exploration 6.

5. Our examination was conducted in accordance with the applicable generally accepted auditing standards ('GAAS') framework in India, including inter alia, requirements mandated by the Institute of Chartered Accountants of India ('ICAI') in the Guidance Note on Reports in Company Prospectuses, Guidance Note on Audit Reports/Certificates on Financial Information in Offer Documents and Guidance Note on Audit Reports and Certificates for Special Purposes issued by the ICAI.

Translated Restated Summary Financial Information

6. We have examined the attached translated restated summary statements of assets and liabilities of Cairn Energy Exploration 6 as at the end of the periods under examination and the attached translated restated summary statements of profit and loss for the periods under examination as prepared by Cairn Energy Exploration 6 ('Translated Restated Summary Financial Information') (see Annexure I and II to this report). The Translated Restated Summary Financial Information for the periods under examination is based on the financial statements of Cairn Energy Exploration 6 for those periods, which have been audited by Ernst & Young LLP, UK.

   For reporting on the Translated Restated Summary Financial Information, we have relied on the aforesaid audited financial statements of Cairn Energy Exploration 6 which have been reported upon by Ernst & Young LLP, UK and have been prepared under EU IFRS applicable to Cairn Energy Exploration 6. Adjustments have been made as described in paragraph 4 above to translate and restate, and realign the significant accounting policies under EU IFRS being followed by Cairn Energy Exploration 6 to those of the Company under Indian GAAP and these adjustments have been examined by us for the periods under examination.

7. Based on our examination of this Translated Restated Summary Financial Information, we confirm that:

   – the impact of changes in accounting policies adopted by the Company have been adjusted with retrospective effect in the attached Translated Restated Summary Financial Information;

   – material amounts relating to the adjustments for previous period have been identified and adjusted in arriving at the profits/(losses) for the period to which they relate irrespective of the period in which the event triggering the profit or loss occurred;

   – there are no extraordinary items, which need to be disclosed separately in the Translated Restated Summary Financial Information;

   – there are no qualifications in the auditors' reports, which require any adjustments to the Translated Restated Summary Financial Information;

   – nothing has come to our attention based on our examination that causes us to believe that the financial statements of Cairn Energy Exploration 6, referred to in paragraph 4 above, have not been translated to Indian Rupees fairly in all material respects; and

   – nothing has come to our attention based on our examination that causes us to believe that the translated financial information of Cairn Energy Exploration 6, referred to in paragraph 4 above, has not been restated to comply with/be aligned to the accounting policies of the Company fairly in all material respects.

8. In our view, the 'Translated Restated Summary Financial Information' mentioned above have been prepared in accordance with Part II of Schedule II to the Act and the Guidelines.

9. This report should not be in any way be construed as a reissuance or redating of any of the previous audit reports issued by us or by other independent auditors nor should this report be construed as a new opinion on any of the financial statements referred to herein.

10. This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed IPO of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No: 89218

Place: Edinburgh, Scotland
Date: 22 September, 2006

ANNEXURE I: TRANSLATED RESTATED SUMMARY STATEMENT OF ASSETS AND LIABILITIES

Cairn Energy Exploration (No.6) Limited

(All amounts are in Indian Rupees, unless otherwise stated)

		As at 30 June, 2006	As at 31 December, 2005
A	**Fixed assets**	—	—
	Gross block	—	—
	Less: Accumulated depreciation	—	—
	Net block	—	—
	Producing properties (net of depletion)	—	—
	Exploratory & development wells in progress	—	—
B	**Goodwill**	**—**	**—**
C	**Investments**	**—**	**—**
D	**Current assets, loans and advances**		
	Inventories	—	—
	Sundry debtors	—	—
	Cash and bank balances	—	—
	Loans and advances	—	—
	Other current assets	—	—
	Intercompany loans and receivables	87	87
		87	**87**
E	**Liabilities and provisions**		
	Secured loans	—	—
	Unsecured loans	—	—
	Intercompany payables	—	—
	Current liabilities and provisions	573,159	—
		573,159	**—**
F	**Networth (A+B+C+D-E)**	**(573,072)**	**87**
	Represented by		
G	**Share capital**	87	87
H	**Reserves and surplus**	(573,159)	—
I	**Networth (G+H)**	**(573,072)**	**87**

The company was incorporated on 18 May, 2005 and its first accounting period was for the period from 18 May, 2005 to 31 December, 2005.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

Edinburgh, Scotland
22 September, 2006

For and on behalf of the Board of Directors

Kevin Hart
Director

Edinburgh, Scotland
22 September, 2006

ANNEXURE II: TRANSLATED RESTATED SUMMARY STATEMENT OF PROFITS AND LOSSES

Cairn Energy Exploration (No.6) Limited

(All amounts are in Indian Rupees, unless otherwise stated)

	Six months ended 30 June, 2006	Period ended 31 December, 2005
Income	—	—
Sales	—	—
Other income	—	—
Movement of inventories	—	—
	—	—
Expenditure	—	—
Production costs	—	—
Depletion, depreciation and amortisation	—	—
Unsuccessful exploration costs	558,914	—
Staff costs and administrative expenses	—	—
Foreign exchange loss	14,245	—
Financing expenses	—	—
	573,159	**—**
Net profit/(loss) before tax	**(573,159)**	**—**
Taxation		
Current tax	—	—
Deferred tax	—	—
Total	—	—
Net profit/(loss) after tax	**(573,159)**	**—**

The company was incorporated on 18 May, 2005 and its first accounting period was for the period from 18 May, 2005 to 31 December, 2005.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

Edinburgh, Scotland
22 September, 2006

For and on behalf of the Board of Directors

Kevin Hart
Director

Edinburgh, Scotland
22 September, 2006

TRANSLATED RESTATED SUMMARY STATEMENTS OF ASSETS AND LIABILITIES AND PROFITS AND LOSSES OF CAIRN ENERGY EXPLORATION (NO. 7) LIMITED AS AT 30 JUNE, 2006 AND 31 DECEMBER, 2005 AND FOR THE SIX MONTHS ENDED 30 JUNE, 2006 AND PERIOD FROM 18 MAY, 2005 TO 31 DECEMBER, 2005

To The Board of Directors
Cairn India Limited
Mumbai
India

Dear Sirs,

1. In connection with the proposed Initial Public Offer ('IPO') of Cairn India Limited (the 'Company') of its equity shares having a face value of Rs. 10 per equity share at an issue price to be arrived at by the 100% book building scheme and at your request, we have examined, as detailed in paragraph 5 below, the Translated Restated Summary Financial Information (as defined in paragraph 6 below) of Cairn Energy Exploration (No. 7) Limited (a subsidiary of Cairn India Holdings Limited in which the Company proposes to hold 21.85% of the equity shares at the time of IPO—hereinafter referred to as 'Cairn Energy Exploration 7') as at 30 June, 2006 and 31 December, 2005 and for the six months period ended 30 June, 2006 and period from 18 May, 2005 to 31 December, 2005 (hereinafter referred to as the 'periods under examination') annexed to this report and initialled by us for identification purposes.

2. The above financial information is the responsibility of the management of Cairn Energy Exploration 7 and has been prepared in accordance with the requirements of:

   a. paragraph B(1) of Part II of Schedule II to the Companies Act, 1956 (the 'Act');

   b. the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 (the 'Guidelines') issued by the Securities and Exchange Board of India ('SEBI') on 19 January, 2000, as amended from time to time in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992.

3. The Translated Restated Summary Financial Information of Cairn Energy Exploration 7 is not required to be and is not necessarily in conformity with the framework of general purpose financial statements in India. The Translated Restated Summary Financial Information for the periods under examination has been prepared in accordance with the framework of accounting policies of the Company.

4. The financial statements of Cairn Energy Exploration 7, prepared under International Financial Reporting Standards as adopted by European Union ('EU IFRS') as detailed in paragraph 6 below and in the relevant reporting currency, have been translated to Indian Rupees by the management of Cairn Energy Exploration 7 on the basis of the average and period-end exchange rates applicable for the respective period for the profit and loss related items and balance sheet related monetary items, respectively and the exchange rate at the date of the transaction for the non-monetary items. The translated financial information, thereafter, has been restated by the management of Cairn Energy Exploration 7 to comply with / be aligned to the accounting policies of the Company and the Guidelines. The Translated Restated Summary Financial Information has been compiled by the management of Cairn Energy Exploration 7 from such translated restated financial information of Cairn Energy Exploration 7.

5. Our examination was conducted in accordance with the applicable generally accepted auditing standards ('GAAS') framework in India, including inter alia, requirements mandated by the Institute of Chartered Accountants of India ('ICAI') in the Guidance Note on Reports in Company Prospectuses, Guidance Note on Audit Reports/ Certificates on Financial Information in Offer Documents and Guidance Note on Audit Reports and Certificates for Special Purposes issued by the ICAI.

Translated Restated Summary Financial Information

6. We have examined the attached translated restated summary statements of assets and liabilities of Cairn Energy Exploration 7 as at the end of the periods under examination and the attached translated restated summary statements of profit and loss for the periods under examination as prepared by Cairn Energy Exploration 7 ('Translated Restated Summary Financial Information') (see Annexure I and II to this report). The Translated Restated Summary Financial Information for the periods under examination is based on the financial statements of Cairn Energy Exploration 7 for those periods, which have been audited by Ernst & Young LLP, UK.

   For reporting on the Translated Restated Summary Financial Information, we have relied on the aforesaid audited financial statements of Cairn Energy Exploration 7 which have been reported upon by Ernst & Young LLP, UK and have been prepared under EU IFRS applicable to Cairn Energy Exploration 7. Adjustments have been made as described in paragraph 4 above to translate and restate, and realign the significant accounting policies under EU IFRS being followed by Cairn Energy Exploration 7 to those of the Company under Indian GAAP and these adjustments have been examined by us for the periods under examination.

7. Based on our examination of this Translated Restated Summary Financial Information, we confirm that:

   – the impact of changes in accounting policies adopted by the Company have been adjusted with retrospective effect in the attached Translated Restated Summary Financial Information;

   – material amounts relating to the adjustments for previous period have been identified and adjusted in arriving at the profits/(losses) for the period to which they relate irrespective of the period in which the event triggering the profit or loss occurred;

   – there are no extraordinary items, which need to be disclosed separately in the Translated Restated Summary Financial Information;

   – there are no qualifications in the auditors' reports, which require any adjustments to the Translated Restated Summary Financial Information;

   – nothing has come to our attention based on our examination that causes us to believe that the financial statements of Cairn Energy Exploration 7, referred to in paragraph 4 above, have not been translated to Indian Rupees fairly in all material respects; and

   – nothing has come to our attention based on our examination that causes us to believe that the translated financial information of Cairn Energy Exploration 7, referred to in paragraph 4 above, has not been restated to comply with/be aligned to the accounting policies of the Company fairly in all material respects.

8. In our view, the 'Translated Restated Summary Financial Information' mentioned above have been prepared in accordance with Part II of Schedule II to the Act and the Guidelines.

9. This report should not be in any way be construed as a reissuance or redating of any of the previous audit reports issued by us or by other independent auditors nor should this report be construed as a new opinion on any of the financial statements referred to herein.

10. This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed IPO of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No: 89218

Place: Edinburgh, Scotland
Date: 22 September, 2006

ANNEXURE I: TRANSLATED RESTATED SUMMARY STATEMENT OF ASSETS AND LIABILITIES

Cairn Energy Exploration (No.7) Limited

(All amounts are in Indian Rupees, unless otherwise stated)

		As at 30 June, 2006	As at 31 December, 2005
A	**Fixed assets**	—	—
	Gross block	—	—
	Less: Accumulated depreciation	—	—
	Net block	—	—
	Producing properties (net of depletion)	—	—
	Exploratory & development wells in progress	—	—
B	**Goodwill**	**—**	**—**
C	**Investments**	**—**	**—**
D	**Current assets, loans and advances**		
	Inventories	—	—
	Sundry debtors	—	—
	Cash and bank balances	—	—
	Loans and advances	89,081	—
	Intercompany loans and receivables	87	87
		89,168	**87**
E	**Liabilities and provisions**		
	Secured loans	—	—
	Unsecured loans	—	—
	Intercompany payables	—	—
	Current liabilities and provisions	1,105,953	—
		1,105,953	**—**
F	**Networth (A+B+C+D−E)**	**(1,016,785)**	**87**
	Represented by		
G	**Share capital**	87	87
H	**Reserves and surplus**	(1,016,872)	—
I	**Networth (G+H)**	**(1,016,785)**	**87**

The company was incorporated on 18 May, 2005 and its first accounting period was for the period from 18 May, 2005 to 31 December, 2005.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

Edinburgh, Scotland
22 September, 2006

For and on behalf of the Board of Directors

Kevin Hart
Director

Edinburgh, Scotland
22 September, 2006

ANNEXURE II: TRANSLATED RESTATED SUMMARY STATEMENT OF PROFITS AND LOSSES

Cairn Energy Exploration (No.7) Limited

(All amounts are in Indian Rupees, unless otherwise stated)

	Six months ended 30 June, 2006	Period ended 31 December, 2005
Income	—	—
Sales	—	—
Other income	—	—
Movement of inventories	—	—
Total	—	—
Expenditure	—	—
Production costs	—	—
Depletion, depreciation and amortisation	—	—
Unsuccessful exploration costs	1,010,290	—
Staff costs and administrative expenses	—	—
Foreign exchange loss	6,582	—
Financing expenses	—	—
Total	**1,016,872**	**—**
Net profit/(loss) before tax	**(1,016,872)**	**—**
Taxation		
Current tax	—	—
Deferred tax	—	—
Total	**—**	**—**
Net profit/(loss) after tax	**(1,016,872)**	**—**

The company was incorporated on 18 May, 2005 and its first accounting period was for the period from 18 May, 2005 to 31 December, 2005.

As per our report of even date

For S.R. Batliboi & Associates
Chartered Accountants

per Raman Sobti
Partner
Membership No. 89218

Edinburgh, Scotland
22 September, 2006

For and on behalf of the Board of Directors

Kevin Hart
Director

Edinburgh, Scotland
22 September, 2006

NOTES ON GAAP DIFFERENCES

1 Cairn Energy Australia Pty Ltd

Principal GAAP differences

This section highlights the key differences between GAAP adopted in the underlying audited consolidated financial statements of Cairn Energy Australia Pty Limited and IGAAP.

Australian IFRS

Accounting Issue	Australian IFRS treatment	IGAAP treatment
Foreign currency translation on consolidation	Concept of functional and presentational currencies. Results of all subsidiaries prepared in functional currency. Where presentational currency differs, the balance sheet (including non-monetary items) is retranslated at closing rate and translated to presentational currency.	Concept of integral and non-integral subsidiaries. Integral subsidiaries consolidated at transaction level as if transactions were those of the parent itself. Non integral subsidiaries translated by converting closing balance sheet at closing rate.
Exploration and development assets—disclosure	Disclosed as intangible exploration/ appraisal assets.	Disclosed as exploratory and development wells in progress.
Exploration assets—general exploration costs (G&G, seismic, studies etc.)	General exploration costs are held within exploration assets and allocated to drilling activities. Those allocated to successful drilling costs remain capitalised; those to unsuccessful drilling are expensed.	General exploration costs expensed through the profit and loss account in the period incurred.
Producing assets—disclosure	Disclosed separately as Tangible Development/producing assets.	Disclosed within producing properties.
Producing assets—carrying value of assets on first time adoption of AIFRS	On first time adoption of AIFRS, fair value may be used as deemed cost for certain assets held within tangible development/producing assets.	Producing properties are held at historic cost book values.
Producing assets—depletion	Depletion on unit of production ("UOP") basis on entitlement interest share of proved and probable reserves. Costs to complete included.	Depletion on UOP basis on working interest share of proved developed reserves. No costs to complete included.
Producing assets—decommissioning asset	Entities recognise discounted cost estimate of decommissioning as an asset and liability when the obligation to rectify environmental damage arises.	Entities recognise the full (undiscounted) cost of decommissioning net of salvage value as an asset and liability when the obligation to rectify environmental damage arises.
Joint ventures	Where the entity is operator, joint venture prepayments and accruals are grossed up to represent share of joint venture liabilities to be settled by partners.	Where the entity is operator, no gross up of joint venture prepayments and accruals to represent share of joint venture liabilities to be settled by partners.
Cash and bank balances	Only deposits with settlement less than three months included within cash and bank balances.	All deposits are included within cash and bank balances.
Provisions—decommissioning	Provisions are discounted.	No discounting of provisions.

Accounting Issue	Australian IFRS treatment	IGAAP treatment
Provisions—deferred taxation	Deferred tax provisions based on temporary differences. Deferred tax assets in case of unabsorbed losses/ depreciation only recognised where reasonably certain that future profits available.	Deferred tax provisions based on timing differences. Deferred tax assets in case of unabsorbed losses/depreciation only recognised where virtually certain that future profits available.
Goodwill on Acquisition of subsidiary undertakings	On acquisition of a subsidiary undertaking, the assets of the subsidiary are first set to fair value with any excess of consideration over fair value recognised as goodwill and carried in the Balance Sheet. Goodwill arising is tested for impairment at each reporting date.	On consolidation of a subsidiary undertaking, the excess of the cost of the investment over the book values of the subsidiary is recognised as goodwill. Goodwill is held in the balance sheet and tested for impairment.

Australian GAAP

Accounting Issue	Australian GAAP treatment	IGAAP treatment
Exploration assets—disclosure	Disclosed as deferred exploration and development expenditure on face of Balance Sheet. Deferred expenditure in respect of: Petroleum interests in the exploration and evaluation stages separately disclosed in note to accounts.	Disclosed as exploratory and development wells in progress.
Exploration assets—general exploration costs (G&G, seismic, studies etc.)	General exploration costs are held within exploration assets and allocated to drilling activities on an Area of Interest basis. Successful of exploration activities determined on Area of interest.	General exploration costs expensed through the profit and loss account in the period incurred.
Producing assets—disclosure	Disclosed as deferred exploration and development expenditure on face of Balance Sheet. Petroleum development and production interests separately disclosed in note to accounts.	Disclosed within producing properties.
Producing assets—costs	Costs of development/producing assets are held on an area of interest basis.	Cost in development/producing assets held on a field by field basis. Fields are combined only under certain circumstances.
Producing assets—depletion	Depletion on unit of production (“UOP”) basis on entitlement interest share of proved and probable reserves on an Area of Interest basis. Costs to complete included.	Depletion on UOP basis on working interest share of proved developed reserves. No costs to complete included.
Producing assets—decommissioning asset	As AIFRS.	Entities recognise the full (undiscounted) cost of decommissioning as an asset and liability when the obligation to rectify environmental damage arises.
Joint ventures	As AIFRS	Where the entity is operator, no gross up of joint venture prepayments and accruals to represent share of joint venture liabilities to be settled by partners.
Provisions—decommissioning	As AIFRS	No discounting of provisions.

Accounting Issue	Australian GAAP treatment	IGAAP treatment
Provisions—deferred taxation	Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is regarded as virtually certain.	Deferred tax provisions based on timing differences. Deferred tax assets in case of unabsorbed losses and depreciation only recognised where virtually certain that future profits available.
Goodwill on Acquisition of subsidiary undertakings	On acquisition of a subsidiary undertaking, the assets of the subsidiary are first set to fair value with any excess of consideration over fair value recognised as goodwill and carried in the Balance Sheet. Goodwill arising amortised over its useful life, deemed to be no longer than 20 years.	On consolidation of a subsidiary undertaking, the excess of the cost of the investment over the book values of the subsidiary is recognised as goodwill. Goodwill is held in the balance sheet and tested for impairment.

2 Cairn Energy India Holdings BV

Principal GAAP differences

This section highlights the key differences between GAAP adopted in the underlying audited consolidated financial statements of Cairn Energy India Holdings BV and IGAAP.

IFRS

Accounting Issue	EU IFRS treatment	IGAAP treatment
Foreign Currency translation on consolidation	Concept of functional and presentational currencies. Results of all subsidiaries prepared in functional currency. Where presentational currency differs, the balance sheet (including non-monetary items) is retranslated at closing rate and translated to presentational currency.	Concept of integral and non-integral subsidiaries. Integral subsidiaries consolidated at transaction level as if transactions were those of the parent itself. Non integral subsidiaries translated by converting closing balance sheet at closing rate.
Exploration assets—Disclosure	Disclosed as intangible exploration/ appraisal assets.	Disclosed as exploratory and development wells in progress.
Exploration assets—General exploration costs (G&G, Seismic, studies etc.)	General exploration costs are held within exploration assets and allocated to drilling activities. Those allocated to successful drilling costs remain capitalised; those to unsuccessful drilling are expensed.	General exploration costs expensed through the profit and loss account in the period incurred.
Producing assets—Disclosure	Disclosed separately as tangible development/producing assets.	Disclosed within producing properties.
Producing assets—Depletion	Depletion on unit of production ("UOP") basis on entitlement interest share of proved and probable reserves. Costs to complete included. Costs for depletion based on functional currency historic cost.	Depletion on UOP basis on working interest share of proved developed reserves. No costs to complete included.

Accounting Issue	EU IFRS treatment	IGAAP treatment
Producing assets—Decommissioning asset	Entities recognise discounted cost estimate of decommissioning as an asset and liability when the obligation to rectify environmental damage arises. Future changes to the estimate of decommissioning are reflected by adjusting the value of the asset which flows through the income statement charge on UOP basis.	Entities recognise the full (undiscounted) cost of decommissioning as an asset and liability when the obligation to rectify environmental damage arises. Future changes to the estimate of decommissioning are charged through DD&A in full in the year of change.
Joint Ventures	Where the entity is operator, joint venture prepayments and accruals are grossed up to represent share of joint venture liabilities to be settled by partners.	Where the entity is operator, no gross up of joint venture prepayments and accruals to represent share of joint venture liabilities to be settled by partners.
Cash and Bank balances	Only deposits with settlement less than three months included within cash and bank balances. The entity's share of cash balances of joint ventures are not included but are instead included within other debtors.	All deposits are included within cash and bank balances. The entity's share of cash balances of Joint Ventures are also included with disclosure that they are not freely available for use by the group.
Provisions—decommissioning	Provisions are discounted.	No discounting of provisions.
Provisions—deferred taxation	Deferred tax provisions based on temporary differences. Deferred tax assets only recognised where reasonably certain that future profits available.	Deferred tax provisions based on timing differences. Deferred tax assets in case of unabsorbed losses/depreciation only recognised where virtually certain that future profits available.
Cash and Bank balances	Only deposits with settlement less than three months included within cash and bank balances. The entity's share of cash balances of joint ventures are not included but are instead included within other debtors.	All deposits are included within cash and bank balances. The entity's share of cash balances of Joint Ventures are also included with disclosure that they are not freely available for use by the group.

Dutch GAAP

Accounting Issue	Dutch GAAP treatment	IGAAP treatment
Foreign Currency translation on consolidation	The profit and loss account and balance sheet of foreign subsidiaries are translated at the average or year-end exchange rate respectively. Dutch subsidiaries are consolidated by transaction.	Concept of integral and non-integral subsidiaries. Integral subsidiaries consolidated at transaction level as if transactions were those of the parent itself. Non integral subsidiaries translated by converting closing balance sheet at closing rate.
Exploration assets—Disclosure	Disclosed as intangible (exploration) assets.	Disclosed as exploratory and development wells in progress.
Exploration assets—General exploration costs (G&G, Seismic, studies etc.)	Under Full Cost accounting General exploration costs are under geographic cost pools within exploration assets	General exploration costs expensed through the profit and loss account in the period incurred.
Producing assets—Disclosure	Disclosed separately as tangible (development) assets.	Disclosed within producing properties.

Accounting Issue	Dutch GAAP treatment	IGAAP treatment
Producing assets—Depletion	Depletion on unit of production ("UOP") basis on entitlement interest share of proved and probable reserves. Costs to complete included. Costs for depletion based on functional currency historic cost.	Depletion on UOP basis on working interest share of proved developed reserves. No costs to complete included. Costs for depletion based on historic Rupee cost.
Producing assets—Decommissioning asset	As EU IFRS.	Entities recognise the full (undiscounted) cost of decommissioning as an asset and liability when the obligation to rectify environmental damage arises. Future changes to the estimate of decommissioning are charged through DD&A in full in the year of change.
Joint Ventures	As EU IFRS.	Where the entity is operator, no gross up of joint venture prepayments and accruals to represent share of joint venture liabilities to be settled by partners.
Provisions—decommissioning	Provisions are discounted.	No discounting of provisions.
Provisions—deferred taxation	Deferred taxation is provided on all timing differences to the extent that they are expected to reverse in the future, calculated at the rate at which it is anticipated that the timing differences will reverse.	Deferred tax provisions based on timing differences. Deferred tax assets in the case of unabsorbed losses/depreciation only recognised where virtually certain that future profits available.

3 Cairn Energy Hydrocarbons Limited

Principal GAAP differences

Key differences between GAAP adopted in the underlying audited financial statements of Cairn Energy Hydrocarbons Limited and IGAAP are summarised below.

EU IFRS

Accounting matter	EU IFRS treatment	IGAAP treatment
Foreign currency translation	Concept of functional and presentational currencies. Results of all subsidiaries prepared in functional currency. Where presentational currency differs, the balance sheet (including non-monetary items) is retranslated at closing rate and translated to presentational currency.	Concept of integral and non-integral subsidiaries. Integral subsidiaries consolidated at transaction level as if transactions were those of the parent itself. Non integral subsidiaries translated by converting closing balance sheet at closing rate.
Exploration and development assets—disclosure	Disclosed as intangible exploration/appraisal assets.	Disclosed as exploratory and development wells in progress.
Exploration assets—general exploration costs (G&G, seismic, studies etc.)	General exploration costs are held within exploration assets and allocated to drilling activities. Those allocated to successful drilling costs remain capitalised; those to unsuccessful drilling are expensed.	General exploration costs expensed through the profit and loss account in the period incurred.
Producing assets—disclosure	Disclosed separately as tangible Development/producing assets.	Disclosed within producing properties.

Accounting matter	EU IFRS treatment	IGAAP treatment
Producing assets—carrying value of assets on first time adoption of IFRS	On first time adoption of IFRS, fair value may be used as deemed cost for certain assets held within tangible development/producing assets.	Producing properties are held at historic cost book values.
Producing assets—depletion	Depletion on unit of production (UOP) basis on entitlement interest share of proved and probable reserves. Costs to complete included. Costs for depletion based on functional currency historic cost.	Depletion on UOP basis on working interest share of proved developed reserves. Costs to complete not included. Cost for depletion based on historic Indian rupee equivalent.
Producing assets—decommissioning asset	Entities recognise discounted cost estimate of decommissioning as an asset and liability when the obligation to rectify environmental damage arises.	Entities recognise the full (undiscounted) cost of decommissioning net of salvage value as an asset and liability when the obligation to rectify environmental damage arises.
Joint ventures	Where the entity is operator, joint venture prepayments and accruals are grossed up to represent share of joint venture liabilities to be settled by partners.	Where the entity is operator, no gross up of joint venture prepayments and accruals to represent share of joint venture liabilities to be settled by partners.
Cash and bank balances	Only deposits with settlement less than three months included within cash and bank balances.	All deposits are included within cash and bank balances.
Provisions—decommissioning	Provisions are discounted.	No discounting of provisions.
Provisions—deferred taxation	Deferred tax provisions based on temporary differences and. Deferred tax assets only recognised where it is reasonably certain that future profits available.	Deferred tax provisions based on timing differences. Deferred tax assets in the case of unabsorbed losses/depreciation only recognised where virtually certain that future profits available.

U.K. GAAP

Accounting matter	U.K. GAAP treatment	IGAAP treatment
Exploration and development assets—disclosure	Disclosed as exploration assets.	Disclosed as exploratory and development wells in progress.
Exploration assets—general exploration costs (G&G, seismic, studies etc.)	Under full cost accounting, all exploration costs capitalised within geographic cost pools. Success or failure of exploration determined on cost pool basis. Successful exploration costs transferred into development cost pool; unsuccessful costs also transferred into development cost pool, unless not specific to a geographic region in which case expensed to profit and loss account.	Under successful efforts accounting, general exploration costs expensed through the profit and loss account in the period incurred.
Producing assets—disclosure	Disclosed separately as development/producing assets.	Disclosed within producing properties.
Producing assets—depletion	Depletion on UOP basis on entitlement interest share of proved and probable reserves. Costs to complete included. Cost for depletion based on historic £ base with branch accounting his adjustment.	Depletion on UOP basis on working interest share of proved developed reserves. Costs to complete not included. Cost for depletion based on toric Indian rupee equivalent.

Accounting matter	U.K. GAAP treatment	IGAAP treatment
Producing assets—decommissioning asset	Same treatment as EU IFRS.	Entities recognise the full (undiscounted) cost of decommissioning net of salvage value as an asset and liability when the obligation to rectify environmental damage arises.
Joint ventures	Same treatment as EU IFRS.	Where the entity is operator, no gross up of joint venture prepayments and accruals to represent share of joint venture liabilities to be settled by partners.
Provisions—decommissioning	Same treatment as EU IFRS.	No discounting of provisions.
Provisions—deferred taxation	Deferred tax provisions based on timing differences. Deferred tax assets only recognised where they are expected to be recoverable in the foreseeable future.	Deferred tax provisions based on timing differences. Deferred tax assets in the case of unabsorbed losses/depreciation only recognised where virtually certain that future profits available.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of financial condition and results of operations together with the consolidated summary financial information of Cairn Energy Australia PTY Limited ("CEA"), the consolidated summary financial information of Cairn Energy India Holdings B.V. ("CEIH") and the summary unconsolidated financial information of Cairn Energy Hydrocarbons Limited ("CEHL") including the notes thereto and the reports thereon, and the other information included elsewhere in this Red Herring Prospectus. CEA, CEIH and CEHL collectively constitute a substantial portion of the business of Cairn India and its summary of financial information has been prepared in accordance with Indian GAAP and the SEBI Guidelines. Some of the information contained in the following discussion, including information with respect to our plans and strategies for Cairn India and expected sources of financing, contain forward-looking statements that involve risk and uncertainties. Investors should read "Forward-Looking Statements", at page xiii of this Red Herring Prospectus, for a discussion of the risks and uncertainties related to those statements and should also read "Risk Factors" at page xiv of this Red Herring Prospectus, for a discussion of certain factors that may affect our business, results of operations or financial condition.

Overview and Basis of Presentation

Cairn India has no history as an independent entity and the business comprising Cairn India will be acquired through our acquisition of Cairn India Holdings Limited, an intermediate holding company which is a subsidiary of Cairn Energy PLC. Cairn India Holdings Limited will own 27 subsidiaries through which the business of Cairn India is conducted. As at 30 June, 2006, approximately 98.9% of the gross assets of the Subsidiaries were held directly or indirectly by CEA, CEIH and CEHL. These also contributed 100% of the production of Cairn India for the six month period ended 30 June, 2006. In the absence of pro forma financial statements or combined financial statements based on historical common control under Indian GAAP, we have presented below a discussion of the results of operations of the three subsidiaries.

The financial information presented and discussed herein does not necessarily reflect the actual results of operations and financial position that CEA, CEIH and CEHL would have reported had they been part of a separate publicly traded company during the periods presented. In particular, CEA, CEIH and CEHL were not capitalised independently and for the periods under review, they have borrowed from Cairn Energy PLC and its other subsidiaries to finance these activities. This inter-company lending has affected their results of operations, in particular with regard to the finance expense, interest income and taxation line items. As a result of these and other distortions, we believe that the historical results of operations of CEA, CEIH and CEHL are not indicative of the future results of operations of Cairn India.

We also present operating and financial information on an asset-by-asset basis for the major fields in which CEA, CEIH and CEHL operate, including the Ravva, Lakshmi and Gauri fields as well as the Rajasthan Block. CEA, through its wholly owned subsidiary CEIL, holds an interest in all blocks in which Cairn India holds an interest. CEIH, through three wholly owned subsidiaries (Cairn Energy India West B.V., Cairn Energy Cambay B.V. and Cairn Energy Gujarat B.V.), also holds an interest in Block RJ-ON-90/1. CEHL holds a direct interest in the Rajasthan Block. In all cases where Cairn India has an operating interest, CEIL acts as the operator where applicable.

We have prepared a consolidated balance sheet of Cairn UK Holdings Limited as of 30 June, 2006, which is presented in the section entitled "Financial Information", at page 150 of this Red Herring Prospectus. At 30 June, 2006, Cairn UK Holdings Limited held the entire issued share capital of the Subsidiaries that form Cairn India. On 7 August, 2006, Cairn UK Holdings Limited transferred these shares to Cairn India Holdings Limited in a share for share exchange. Consequently, the consolidated balance sheet of Cairn UK Holdings Limited at 30 June, 2006, represents the consolidated balance sheet of Cairn India Holdings Limited at 30 June, 2006 if it had owned the subsidiaries at that date, and is not indicative of their future performance.

Factors Affecting Our Financial Condition and Results of Operations

General

For the periods under review, the results of operations of Cairn India have been primarily influenced by revenues from crude oil and natural gas production and costs associated with Cairn India's production, exploration, appraisal and development activities. In addition to those factors that currently affect Cairn India, such as oil and gas prices, production volumes, cost recovery and profit allocation under Cairn

India's production sharing contracts, gas sales contract terms, exchange rates and special Indian taxation regimes applicable to oil and gas activities, as we develop the Northern Fields, our results of operations, cash flows and financial position will be affected primarily by the cost components of that development, including the schedule to first commercial production from the Mangala field, cost inflation and interest rates.

International Prices for Crude Oil, Contract Prices for Natural Gas

Our profitability is primarily determined by the difference between prices received for the crude oil and natural gas we produce and our costs of finding, developing and producing these hydrocarbons. Prices for crude oil have been volatile and unpredictable for several years, and we expect this volatility to continue. Historically, prices for crude oil have fluctuated widely. According to the International Energy Agency, the price of Dated Brent, an international benchmark oil blend, as of 31 December, 2003, 2004 and 2005 was Rs. 1,386 (U.S. $30.11), Rs. 1,863 (U.S. $40.47) and Rs. 2,680 (U.S. $58.21) per barrel, respectively. As of 29 September, 2006 the price of Dated Brent was Rs. 2,732 (U.S. $59.33) per barrel.

Critically, even before first oil production from the Mangala field, crude oil prices may have a material impact on our financial position and ability to develop the Northern Fields in that oil price assumptions are likely to be a critical component of the calculation that determines our ability to borrow under the Facility and it is likely that this will have to be redetermined semi-annually. See the section entitled "Liquidity and Capital Resources—Cash Flows from Financing Activities" at page 323 of this Red Herring Prospectus below.

Changing Gas/Oil Mix of Production as Mangala Production Commences

Most of the natural gas we produce is sold at prices agreed under long-term gas sales contracts which, until production of crude oil from the Mangala field commences during 2009, will limit our exposure to market prices for hydrocarbons. After the Mangala field comes on-stream, we will be predominantly a crude oil producer and our revenues will be subject to the volatility of world oil prices.

More generally, while higher international trading prices of crude oil will increase our revenues, lower prices of crude oil may reduce the amount of crude oil that we can produce economically or reduce the economic viability of projects planned or in development. In addition, lower oil prices may result in the impairment of higher cost reserves and other assets, which may result in decreased earnings or losses.

Schedule of Rajasthan Block Development

We anticipate first commercial production from the Northern Fields during 2009. Until such time, our revenues will come primarily from our current producing fields in the Cambay Basin and the KG Basin. To the extent that development of a means of evacuation of crude oil from the Rajasthan Block or Mangala production is significantly delayed it may have a material adverse effect on our ability to borrow under the Facility to complete development of the Northern Fields and will have a material adverse impact on our cash flows and financial position. Currently, the principal risk to the schedule for first oil from Mangala is resolution of the optimal transportation solution. We have become involved recently in an examination of the midstream opportunities to mitigate that scheduling risk but there can be no assurance that we will be successful.

Changes in Estimates of Proved and Proved plus Probable Reserves

Our estimates of reserves affect our depletion charge under Indian GAAP and, critically, affect the availability of borrowing under the Facility. Indian GAAP measures depletion of tangible fixed producing assets on a unit of production basis such that downwards revisions of proved estimates will result in an increase in our depletion charge. More importantly, the calculation of the net present value of Mangala and certain other fields in the Rajasthan Block is likely to determine our ability to borrow under the Facility. If the proved plus probable reserves for those fields were downgraded materially, it would be likely to have a material adverse impact on the amount available for borrowing under our proposed bank facilities.

Production Cost

Production costs consist of expenditure incurred towards the production of crude oil and natural gas including statutory levies, such as cess, royalties and production payments payable pursuant to the PSCs as well as operational expenditures such as costs relating to repairs on, and maintenance of, facilities, power generation and fuel for such facilities, water injection, insurance, and storage, transportation and freight of crude oil and natural gas, among others.

Cost Inflation

The capital expenditure estimates for our Rajasthan development involve certain assumptions concerning cost inflation for the life of the development project. While we believe those cost assumptions to be reasonable, costs for oil and gas development projects have been escalating rapidly in recent years and, if we experience adverse cost escalation, it will adversely affect our capitalised asset base, eventual return on capital employed and, depending on its severity, it may affect our ability to borrow under the Facility.

Exchange Rate Fluctuations

Our cash resources are subject to exchange rate risk in that we will receive the cash proceeds from the Issue in Rupees but our expenditure requirements are largely denominated in U.S. Dollars. The foreign exchange market for Rupee:U.S. Dollar transactions is relatively illiquid and it would be inefficient for us to attempt to convert the cash proceeds into U.S. Dollars immediately. Furthermore, the market's illiquidity means that there are no efficient hedging instruments available. As a result, a material decline in the value of the Rupee relative to the U.S. Dollar will materially and adversely affect the value of our cash resources relative to our cash requirements.

As a cash flow matter, we do not expect to be significantly exposed to Indian Rupee:U.S. Dollar exchange rate fluctuations. This is because we sell and will continue to sell our production at prices denominated in U.S. Dollars or, if denominated in Rupees, pursuant to arrangements whereby we can quickly and readily convert the Rupees into U.S. Dollars. Accordingly, the currency of our cash inflows is closely matched to the underlying currency of our tangible fixed assets subject to depletion, to our debt service costs and to most of our other costs (with the exception of certain general and administration costs in India).

As a financial statement translation matter, while most of our assets are non-monetary assets translated from U.S. Dollars to Rupees based on historic exchange rates, we will have substantial monetary assets following the IPO which, if held in U.S. Dollars as we currently expect, will require to be revalued in Rupees for balance sheet purposes as exchange rates move with differences upon translation affecting our Profit and Loss account.

Interest Rate Fluctuations

We intend to fund the Rajasthan fields using the Facility, which is a floating rate credit facility, in addition to the proceeds of the Issue. See the section entitled "—Liquidity and Capital Resources—Dedicated Bank Facility" at page 323 of this Red Herring Prospectus. As a result, changes in prevailing interest rates could materially affect our financial position. To the extent that market interest rates rise significantly over the period in which we are developing the Northern Fields, this will increase the capitalised interest component of our tangible asset base and adversely affect returns on capital employed, reduce the amount available for borrowing under the Facility and increase our ultimate debt service costs.

Terms of Production Sharing Contracts

When we take an interest in a production sharing contract we have what is called a working interest in the field which, simply put, is an interest in a certain percentage of the resources in the field. However, production sharing contracts do not share field production volumes among the contracting parties but, instead, share the cash flows from those produced volumes according to formulae whereby first our costs are generally recovered in full and then we share cash flows with the Government. The percentage of the cash flow remaining after all our costs are recovered, or profit oil, that is allocated to each party varies such that as our cumulative rate of return on investment increases, the Government's profit share increases and our profit share decreases. As our percentage interest in the cash flows, or our entitlement interest, decreases, so does our rate of return on further investment in the field that may be required or desirable.

Unsuccessful Exploration Efforts

Although we are primarily focused on the timely development of the Northern Fields, we also have various attractive appraisal opportunities in Rajasthan and in our more mature areas that we wish to pursue as well as exploration expenditure obligations under recent NELP licensing rounds. To the extent these appraisal and exploration efforts do not yield discoveries that we judge to be capable of commercial exploitation, we are required to expense the related appraisal and exploration costs which will have adverse impact upon our results of operations and financial position.

Goodwill

Goodwill arising on acquisition is capitalised and subject to annual review for impairment.

The carrying value of goodwill is a matter of judgement. On the acquisition of Cairn India Holdings Limited by the Company the carrying value of goodwill that will arise on consolidation will need to be assessed annually in view of the forecast performance of the underlying assets to which it relates. Consequently, earnings in any one year may be adversely affected if it is concluded that any part of the value of goodwill can no longer be supported.

Taxes, Royalties and Cess

In common with most jurisdictions, India imposes certain special taxes and levies on the production of hydrocarbons while also granting certain tax advantages to encourage exploration and development. We expect that our results of operations will be positively affected by the seven-year income tax holiday that will apply to our production from each eligible unit in the Rajasthan Block. See the section entitled "Risk Factors—We may be liable to pay cess under the Indian Oil Industry (Development) Act, 1974 ("OIDA cess") in relation to the production of crude oil from the Rajasthan Block" at page xx of this Red Herring Prospectus and the section entitled "Risk Factors—Cairn India Limited is a holding company and, following the Reorganisation, substantially all of its oil and gas assets will be held in subsidiaries" at page xxvii of this Red Herring Prospectus.

Critical Accounting Estimates

The preparation of financial statements and financial information in accordance with Indian GAAP and the provisions of the Companies Act require management to exercise its judgment in applying our accounting policies by making estimates and assumptions. Those areas involving a higher degree of judgment or complexity are discussed below.

Oil and Gas Accounting

Accounting for crude oil and natural gas exploratory activity is subject to special accounting rules which are unique to our industry.

The Company follows a successful efforts method for accounting for oil and gas assets as set out by the guidance note issued by the Institute of Chartered Accountants of India on "Accounting for Oil and Gas Producing Activities".

Expenditure incurred on the acquisition of a PSC interest is initially capitalised on a PSC by PSC basis. Costs are held, undepleted, within Exploratory and Development Wells in Progress until such a time as the exploration phase on the PSC area is complete or commercial reserves have been discovered.

Exploration expenditure incurred in the process of determining exploration targets but which cannot be directly related to individual exploration wells is expensed in the period in which it is incurred.

Exploration/appraisal drilling costs are initially capitalised within Exploratory and Development Wells in Progress on a well by well basis until the success or otherwise of the well has been established. The success or failure of each exploration/appraisal effort is judged on a well by well basis. Drilling costs are written off on completion of a well unless the results indicate that hydrocarbon reserves exist and there is a reasonable prospect that these reserves are commercial.

Following appraisal of successful exploration wells, when a well is ready for commencement of commercial production, the related Exploratory and Development Wells in Progress costs are transferred into a single field cost centre within Producing Properties after testing for impairment. Where results of exploration drilling indicate the presence of oil and gas reserves which are ultimately not considered commercially viable, all related costs are written off to the Profit and Loss account.

Where costs are incurred after technical feasibility and commercial viability of producing oil and gas is demonstrated and it has been determined that the wells are ready for commencement of commercial production, they are capitalised within Producing Properties for each cost centre. Subsequent expenditure is capitalised when it enhances the economic benefits of the Producing Properties or replaces part of the existing Producing Properties. Any costs remaining associated with the part replaced are expensed in the financial statements.

Net proceeds from any disposal of an exploration asset within Exploratory and Development Wells in Progress are initially credited against the previously capitalised costs and any surplus proceeds are credited to the Profit and Loss account. Net proceeds from any disposal of Producing Properties are credited against the previously capitalised cost and any gain or loss on disposal of Producing Properties is recognised in the Profit and Loss account, to the extent that the net proceeds exceed or are less than the appropriate portion of the net capitalised costs of the asset.

Depletion The Company depletes expenditure on Producing Properties within each cost centre. Depletion is charged on a unit of production basis, based on proved reserves for acquisition costs and proved and developed reserves for other costs. Accordingly, our estimates regarding proved reserves, which are highly judgmental, have a significant impact on our depletion charge with respect to our producing developed assets. See the section entitled "Risk Factors—Crude oil and natural gas initially in place, reserves and resources data are only estimates and are inherently uncertain, and the actual size of deposits may differ materially from these estimates" at page xxii of this Red Herring Prospectus.

Decommissioning At the end of the producing life of a field, costs are incurred in removing and decommissioning production facilities. The Company recognises the full cost of decommissioning as an asset and liability when the obligation to rectify environmental damage arises. The decommissioning asset is included within Producing Properties costs of the related asset. The amortisation of the asset, calculated on a unit of production basis based on proved and developed reserves, is included in the "Depletion and decommissioning charge" in the Profit and Loss account.

Borrowing Costs. Borrowing costs include interest and commitment charges on borrowings, amortisation of costs incurred with the arrangement of borrowings and finance charges under leases. Borrowing costs incurred on borrowings directly attributable to development projects are capitalised within the development/producing asset for each cost centre.

All other borrowing costs are recognised in the Profit and Loss account in the period in which they are incurred.

Impairment. The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised where the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

After impairment, depreciation/depletion is provided in subsequent periods on the revised carrying amount of the assets over their remaining useful life.

Where there has been a charge for impairment in an earlier period that charge will be reversed in a later period where there has been a change in circumstances to the extent that the discounted future net cash flows are higher than the net book value at the time. In reversing impairment losses, the carrying amount of the asset will be increased to the lower of its original carrying value or the carrying value that would have been determined (net of depletion) had no impairment loss been recognised in prior periods.

Identifying and measuring impairment is a highly subjective process and requires Management to make critical judgments and assumptions regarding, among other things, oil and gas prices, development and operational cost escalation, reserves estimates, the timing of cash flows related to production and significant costs such as constructions and decommissioning and the appropriate discount rate with which to measure any impairment charge.

Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Revenue represents the Company's share of oil, gas and condensate production, recognised on a direct entitlement basis and tariff income received for third party use of operating facilities and pipelines in accordance with the applicable agreements.

Income received as the operator from joint ventures is recognised on an accruals basis in accordance with the applicable joint venture agreements and is included as a deduction from administrative expenses. Interest income is recognised on a time proportion basis and is recognised within "other income" in the Profit and Loss account.

Foreign Exchange

The Company translates foreign currency transactions into Indian Rupees at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into Indian Rupees at the rate of exchange prevailing at the Balance Sheet date. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates at the date when the value was determined.

Exchange differences arising on the settlement of monetary items or on reporting the Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise except those arising from investments in non-integral operations. Exchange differences arising in respect of fixed assets acquired from outside India are capitalised as a part of "fixed asset".

All transactions of integral foreign operations are translated as if the transactions of those foreign operations were the transactions of the Company itself. In translating the financial statements of a non-integral foreign operation for incorporation into the financial statements, the Company translates the assets and liabilities at the rate of exchange prevailing at the Balance Sheet date. Income and expenses of non-integral subsidiaries are translated using rates at the date of transactions. Resulting exchange differences are disclosed under the Foreign Currency translation reserve until the disposal of the net investment.

On the disposal of a non-integral foreign operation, the cumulative amount of the exchange differences which have been deferred and which relate to that operation are recognised as income or as expenses in the same period in which the gain or loss on disposal is recognised.

When there is a change in the classification of a foreign operation, the translation procedures applicable to the revised classification are applied from the date of the change in the classification.

During the periods under discussion, the entities discussed herein did not enter into any forward exchange contracts and, given the underlying U.S. Dollar based nature of our cash flows, assets and liabilities, we do not expect to enter into significant forward exchange contracts of any meaningful duration in the foreseeable future.

Presentation of Results of Operations

To facilitate an understanding of the key drivers of our historic results of operations, we have presented below certain tables to indicate the percentage net working interests that each of CEA, CEIH and CEHL held in our principal exploration, development and production assets. This information, combined with the tables that follow which present certain operational and financial data for those exploration, development and production assets, should be used to understand the underlying reasons for changes in the results of operations of each of CEA, CEIH and CEHL over the periods presented.

Cairn Energy Australia PTY Limited ("CEA")

Set out in the table below are CEA's indirectly held working interests at the dates indicated relating to the Blocks in which it held interests for the six months ended 30 June, 2006, and the years ended 31 December, 2005, 2004, 2003, 2002 and 2001:

	Working Interests					
	As at 30 June,	As at 31 December,				
Block	2006	2005	2004	2003	2002	2001
PKGM-1 (Ravva)	22.5%	22.5%	22.5%	22.5%	22.5%	22.5%
CB/OS-2 (Development Areas)(1)	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%
CB/OS-2 (Exploration Area)	—	—	10%	10%	10%	10%
RJ-ON-90/1 (Development Area)(2)	35%	35%	50%	—	—	—
RJ-ON-90/1 (Appraisal Areas)	50%	50%	50%	50%	50%	50%
KG-DWN-98/2	10%	10%	100%	100%	100%	100%
KG-OS/6(3)	—	—	—	50%	50%	50%
GV-ONN-97/1	15%	15%	—	—	—	—
CB-ONN-2001/1	15%	15%	—			
KG-ONN-2003/1	24%	24%	—	—	—	—
GV-ONN-2003/1	24%	24%	—	—	—	—
VN-ONN-2003/1	24%	24%	—	—	—	—
GV-ONN-2002/1	50%	50%	—	—	—	—

(1) Includes the Lakshmi field in 2001 and the Lakshmi, Gauri, CB-X and Ambe fields in succeeding years.

(2) Includes Mangala, Aishwariya, Raageshwari and Saraswati fields after the 30% "back-in" by the GoI, acting through ONGC, on such fields in January 2005.

(3) The interest in KG-OS/6 was relinquished in May 2004.

In March 2005, Cairn India completed the ONGC Asset Transaction, whereby it farmed out interests in certain fields in exchange for cash and interests in other fields. As part of the ONGC Asset Transaction, CEA farmed-out to ONGC a 90% working interest in Block KG-DWN-98/2 and farmed-in from ONGC 15% working interests in each of Block GV-ONN-97/1 and Block CB-ONN-2001/1.

Cairn Energy India Holdings B.V. ("CEIH")

Set out in the table below are CEIH's working interests at the dates indicated relating to the Blocks in which it held interests for the six months ended 30 June, 2006, and the years ended 31 December, 2005, 2004, 2003, 2002 and 2001:

	Working Interests					
	As at 30 June,	As at 31 December,				
Block	2006	2005	2004	2003	2002	2001
CB/OS-2 (Development Areas)	33.3%	33.3%	43.3%	43.3%	43.3%	43.3%
CB/OS-2 (Exploration Area)	—	—	65%	65%	65%	65%

CEIH currently holds a 33.3% working interest in the development areas of Block CB/OS-2, which includes the Lakshmi, Gauri, Ambe and CB-X fields. As part of the ONGC Asset Transaction, CEIH farmed-out to ONGC a 10% working interest in the Block CB/OS-2 development areas and a 15% working interest in exploration in the Block. Prior to March 2005, CEIH held a working interest of 43.3% in Block CB/OS-2 development areas (and 65% in the areas of Block CB/OS-2 previously known as the Exploration Area) for the periods under review.

For the periods under review until 29 June, 2005, CEIH also held a 50% working interest in exploration in non-relinquished portions of Block CB/OS-2.

Cairn Energy Hydrocarbons Limited ("CEHL")

Set out in the table below are CEHL's working interests at the dates indicated relating to the Blocks in which it held interests for the six months ended 30 June, 2006, and the years ended 31 December, 2005, 2004, 2003, 2002 and 2001:

	Working Interests					
	As at 30 June,	As at 31 December,				
Block	2006	2005	2004	2003	2002	2001
RJ-ON-90/1 (Development Area)	35%	35%	50%	—	—	—
RJ-ON-90/1 (Appraisal Area)	50%	50%	50%	50%	50%	—
9/18b&c (Gryphon)	—	—	—	10%	10%	10%

Like CEA, CEHL currently holds directly a 35% working interest in the Development Area (which includes the Mangala, Aishwariya, Raageshwari and Saraswati fields) and a 50% working interest in the appraisal area of the Rajasthan Block (where the GoI has not exercised its 30% "back-in" right pursuant to the Rajasthan Block PSC).

For the periods under review until its disposal in May 2004, CEHL also held a 10% working interest in the Gryphon field in Block 9/18b&c, located in the North Sea.

Other Assets Held by Cairn India

CEA, CEIH and CEHL together represent 100% of the total production of Cairn India for the period ended 30 June, 2006 and together these three entities accounted for approximately 92% of the gross assets of Cairn India as at 30 June, 2006. Cairn India also includes the following interests held in other wholly-owned subsidiaries: a 15% working interest in Block CB-ONN-2001/1; a 30% working interest in Block CB-ONN-2002/1; a 30% working interest in Block RJ-ONN-2003/1; a 25% working interest in Block KG-ONN-2003/1; a 25% working interest in Block VN-ONN-2003/1; and a 49% working interest in Block GS-OSN-2003/1.

Set out in the table below are the working interests relating to various Blocks held by Cairn India at the dates indicated which were not directly or indirectly held by CEA, CEIH or CEHL for the six months ended 30 June, 2006, and the years ended 31 December, 2005, 2004, 2003, 2002 and 2001:

	Working Interests					
	As at 30 June,	As at 31 December,				
Block	2006	2005	2004	2003	2002	2001
CB-ONN 2001/1	15%	15%	—	—	—	—
CB-ONN-2002/1	30%	30%	30%	30%	—	—
KG-ONN-2003/1(1)	25%	25%	—	—	—	—
RJ-ONN-2003/1(1)	30%	30%	—	—	—	—
VN-ONN-2003/1(1)	25%	25%	—	—	—	—
GS-OSN-2003/1(1)	49%	49%	—	—	—	—

(1) These exploration blocks were awarded in NELP V. The PSCs were signed in September 2005.

Key Statistics by Asset for Results of Operations

Block PKGM-1—KG Basin—Ravva Field

Set out in the table below are certain key statistics with regard to activities from the Ravva field for the six months ended 30 June, 2006, and the years ended 31 December, 2005, 2004, 2003, 2002 and 2001:

	INDIAN GAAP					
	Six Months Ended 30 June,	Year Ended 31 December,				
	2006	2005	2004	2003	2002	2001
Production(1)(2)						
Oil & condensate (mboe)	930	1,925	2,167	3,132	3,219	3,319
Natural gas (mmcf)	1,407	3,235	3,506	4,336	4,288	2,397
Total (mboe)	1,164	2,464	2,751	3,855	3,934	3,719
Average price per unit(2)(3)($)						
Oil & condensate (per boe)	69.43	53.93	38.04	28.73	24.75	24.10
Natural gas (per mcf)	3.66	3.13	3.26	3.14	3.11	3.17
Total (per boe)	59.87	46.24	34.11	26.87	23.65	23.55
Production costs(3) (per boe ($))	11.81	11.39	11.09	7.40	6.58	6.20
Depletion, depreciation & amortisation (per boe $)	3.63	3.63	3.58	2.39	2.24	1.75
Production costs (thousands Rs.)	(617,046)	(1,236,614)	(1,382,163)	(1,329,052)	(1,259,685)	(1,091,588)
Depletion, depreciation & amortisation (thousands Rs.)	(189,576)	(393,750)	(445,609)	(428,483)	(429,169)	(308,208)
Unsuccessful exploration costs written off during the year/period (thousands Rs.)	(42,629)	(2,773)	(5,178)	(18,492)	(135,643)	(17,891)
Capital exploration and development expenditure in progress during the year/period (thousands Rs.)(4)	44,629	2,773	5,178	18,492	135,643	17,891
Capital producing properties expenditure during the year/period (thousands Rs.)(5)	27,113	76,255	44,418	54,991	210,811	609,517
Average exchange rates (Rs. per $)(6)	44.9	44.1	45.3	46.6	48.7	47.3

(1) Provided on an entitlement interest basis. Our entitlement to production is calculated to reflect the cost recovery plus profit hydrocarbons that are recoverable under the terms of the PSC. Working interest reflects our equity share before adjustment for such production sharing arrangements.

Cairn India entitlement interest for crude oil and natural gas produced from the Ravva field for the six months ended 30 June, 2006 was 10.3% and for the years ended 31 December, 2005, 2004, 2003, 2002 and 2001 was 10.5%, 11.1%, 16.1%, 17.1%, and 19.1%, respectively.

(2) Production volumes and average price per unit are shown before adjustment for the post tax rate of return ("PTRR") arbitration (see the section entitled "Results of Operations of Cairn Energy Australia Pty Limited" at page 315 of this Red Herring Prospectus below).

(3) Average price per unit and production costs per unit have been calculated using entitlement production volumes. Production costs consist of expenditure incurred towards the production of the crude oil and natural gas including statutory levies, such as cess, royalties and production payments payable pursuant to the PSCs as well as operational expenditures such as costs relating to repairs on, and maintenance of, facilities, power generation and fuel for such facilities, water injection, insurance, and storage, transportation and freight of crude oil and natural gas, among others.

(4) Includes successful expenditure and expenditure pending determination which directly relates to an exploration drilling target, including rig mobilisation costs, drilling costs and well testing costs.

(5) Includes all costs incurred after the technical feasibility and commercial viability of producing hydrocarbons has been demonstrated. Such costs include costs of development and producing wells (including the costs of dry delineation and other dry development wells), the costs of production facilities and processing plants and the costs of any pipelines required to transport hydrocarbons.

(6) Represents average of the daily noon buying rates in New York City for cable transfers in Indian Rupees as certified for customs purposes by the U.S. Federal Reserve Bank of New York expressed in Indian Rupees per U.S. Dollar.

Block CB/OS-2—Cambay Basin—Lakshmi and Gauri Fields

Set out in the table below are certain key statistics with regard to activities from Block CB/OS-2 for the six months ended 30 June, 2006, and the years ended 31 December, 2005, 2004, 2003, 2002 and 2001:

	INDIAN GAAP					
	Six Months Ended 30 June,	Year Ended 31 December,				
	2006	2005	2004	2003	2002	2001
Production(1)						
Oil & condensate (mboe)	293	99	9	12	—	—
Natural gas (mmcf)	9,708	16,251	16,141	23,582	3,144	—
Total (mboe)	1,911	2,808	2,699	3,943	524	—
Average price per unit(2) ($)						
Oil & condensate (per boe)	59.33	45.44	31.38	33.90	—	—
Natural gas (per mcf)	3.50	3.36	3.39	3.62	2.96	—
Total (per boe)	26.86	21.05	20.39	21.78	17.75	—
Production costs(2) (per boe ($))	2.53	2.21	2.56	1.25	4.50	—
Depletion, depreciation & amortisation (per boe $)	11.33	14.03	13.98	8.19	5.86	—
Production costs (thousands Rs.)	(217,049)	(273,551)	(312,971)	(229,499)	(114,717)	(365)
Depletion, depreciation & amortisation (thousands Rs.)	(971,673)	(1,736,248)	(1,708,751)	(1,504,345)	(149,464)	(1,022)
Unsuccessful exploration costs written off (thousands Rs.)	(2,406)	(22,229)	(152,517)	(988,488)	(116,020)	(557,979)
Capital exploration and development expenditure in progress during the year/period (thousands Rs.)(3)	(2,258)	(743,213)	140,318	550,508	162,401	(245,908)
Capital producing properties expenditure during the year/period (thousands Rs.)(4)	21,994	849,324	1,763,984	1,484,382	2,101,504	2,604,521
Average exchange rates (Rs. per $)(5)	44.9	44.1	45.3	46.6	48.7	47.3

(1) Provided on an entitlement interest basis. Cairn India entitlement interest from the Lakshmi and Gauri fields were as follows:

- For natural gas and condensate produced from the Lakshmi field for the six months ended 30 June, 2006 was 43.7% and for the years ended 31 December, 2005, 2004, 2003 and 2002 was 48.4%, 60.4%, 59.0% and 58.8%, respectively.
- For natural gas and condensate produced from the Gauri field for the six months ended 30 June, 2006 was 40.4% and for the years ended 31 December, 2005 and 2004 was 43.0% and 50.0%, respectively.
- For crude oil and condensate produced from the Gauri field for the six months ended 30 June, 2006 was 40.4% and for the year ended 31 December, 2005 was 40.6%.

(2) Average price per unit and production costs per unit have been calculated using entitlement production volumes. Production costs consist of expenditure incurred towards the production of the crude oil and natural gas including statutory levies, such as cess, royalties and production payments payable pursuant to the PSCs as well as operational expenditures such as costs relating to repairs on, and maintenance of, facilities, power generation and fuel for such facilities, water injection, insurance, and storage, transportation and freight of crude oil and natural gas, among others.

(3) Includes successful expenditure and expenditure pending determination of commercial viability, which directly relates to an exploration drilling target, including mobilisation costs, drilling costs and well testing costs.

(4) Includes all costs incurred after the technical feasibility and commercial viability of producing hydrocarbons has been demonstrated. Such costs include costs of development and producing wells (including the costs of dry delineation and other dry development wells), the costs of production facilities and processing plants and the costs of any pipelines required to transport hydrocarbons.

(5) Represents average of the daily noon buying rates in New York City for cable transfers in Indian Rupees as certified for customs purposes by the U.S. Federal Reserve Bank of New York expressed in Indian Rupees per U.S. Dollar.

***Gryphon Block*(1)**

	Six Months Ended 30 June, 2006	Year Ended 31 December, 2005	2004	2003	2002	2001
Production(2)						
Oil & condensate (mboe)	—	—	112	300	360	627
Average price per unit ($)						
Oil & condensate (per boe)	—	—	29.36	28.15	24.57	6.02
Production costs (per boe ($))	—	—	11.46	8.64	9.55	2.06
Depletion, depreciation & amortisation (per boe $)	—	—	11.31	8.37	10.61	2.46
Average exchange rates (Rs. per $)(3)	44.9	44.1	45.3	46.6	48.7	47.3

(1) Our 10% working interest in the Gryphon Block in the North Sea was sold in 2004.

(2) Provided on a entitlement interest basis.

(3) Represents average of the daily noon buying rates in New York City for cable transfers in Indian Rupees as certified for customs purposes by the U.S. Federal Reserve Bank of New York expressed in Indian Rupees per U.S. Dollar.

Rajasthan Block

Set out in the table below are certain key statistics with regard to activities from the Rajasthan Block for the six months ended 30 June, 2006, and the years ended 31 December, 2005, 2004, 2003, 2002 and 2001:

	Six Months Ended 30 June, 2006	Year Ended 31 December, 2005	2004	2003	2002	2001
	(Rs. thousands)					
Unsuccessful exploration costs written off(1)	2,016,884	2,786,070	3,477,356	1,304,760	80,693	102,529
Capital exploration expenditure during the year/period(2)	4,426,132	6,880,687	6,619,888	2,439,640	734,836	258,119

(1) Presented on a working interest basis. As production and, therefore, cost recovery and profit allocation under the Rajasthan Block PSC has not commenced, entitlement interest is not relevant.

(2) Includes successful expenditure and expenditure pending determination of commercial viability, which directly relates to an exploration drilling target, including mobilisation costs, drilling costs and well testing costs.

In accordance with Cairn India accounting policy all field development expenditure is classified as expenditure on exploration and development wells in progress until the commencement of production.

Recent Developments

As noted above, we intend to finance a significant component of our capital expenditure in the Rajasthan Block with borrowings under the Facility which was executed on 22 November, 2006. See the section entitled "—Liquidity and Capital Resources—Dedicated Bank Facility" at page 323 of this Red Herring Prospectus. As of 30 September, 2006, Cairn India had gross long-term indebtedness of U.S $65 million.

The following is a discussion of the activities and financial performance of CEA, CEIH and CEHL for the three months ended 30 September, 2006. There was no change in CEA, CEIH, or CEHL's working interests in the respective Blocks during the three months ended 30 September, 2006, from the working interests held during the first six months of 2006.

Cairn Energy Australia Pty Limited

CEA's sales, which relate to production from the Ravva, Lakshmi and Gauri fields, for the three months ended 30 September, 2006, were adversely impacted by a short delay in a shipment of crude oil from the Ravva field in September, 2006, due to adverse weather conditions resulting in increased levels of inventory for the period. The crude oil was instead shipped in early October, 2006. The Ravva field continued on plateau for the three months ended 30 September, 2006.

In addition, sales were adversely affected by a decline in natural gas production from the Lakshmi and Gauri fields due to natural depletion and flooding in the state of Gujarat in August. Production levels have since recovered from the flooding in August to anticipated levels. The net fall in production during the period led to a corresponding decline in CEA's depletion, decommissioning and amortisation charges.

CEA's expenditure for the three months ended 30 September, 2006 principally reflected an overall decrease during the period in exploration activities due to a scaling down of the exploration program in the Rajasthan Block. Exploration and appraisal drilling included two exploration wells in Block KG-DWN-98/2, one in Block GV-ONN-97/1 and an appraisal well in the Rajasthan Block. Unsuccessful exploration cost expensed for the three months ended 30 September, 2006 included costs associated with two wells, one in Block KG-DWN-98/2 and the other in the Rajasthan Block.

Cairn Energy India Holdings B.V.

As its interests in Block CB/OS-2 represent CEIH's only interests in exploration, development and production assets, CEIH's results for the three months ended 30 September, 2006, were principally impacted by the decline in natural gas production from the Lakshmi and Gauri fields due to natural depletion and flooding in the state of Gujarat in August. Consequently, revenues, production costs and depletion, decommissioning and amortisation charges were all lower for the three months ended 30 September, 2006 compared with recent periods.

Cairn Energy Hydrocarbons Limited

For the three months ended 30 September, 2006, CEHL's exploration and appraisal activities included one appraisal well drilled in the Rajasthan Block. This activity represented a reduction in exploration and appraisal drilling compared with recent periods and there was a related reduction in the level of unsuccessful exploration costs expensed for the three months ended 30 September, 2006, as costs relating to only one well were expensed.

Results of Operations of Cairn Energy Australia Pty Limited

Set out in the table below are the results of operations for CEA for the six months ended 30 June, 2006, and the years ended 31 December, 2005, 2004, 2003, 2002 and 2001:

	INDIAN GAAP					
	Six Months Ended 30 June,	Year Ended 31 December,				
	2006	2005	2004	2003	2002	2001
		(Rs. crores)				
Income:						
Sales	353.2	546.1	462.7	437.9	450.3	384.2
Other income	4.7	10.2	3.5	2.5	1.8	14.2
Increase (Decrease) in Inventories	(6.0)	11.9	(8.6)	7.7	0.9	(4.3)
Total	351.9	568.2	457.6	448.1	453.0	394.1
Expenditure:						
Production cost	67.0	129.0	143.7	137.5	127.6	109.2
Depletion, depreciation and amortisation	35.4	65.4	67.2	62.3	44.9	30.9
Unsuccessful exploration costs written off	135.9	150.6	166.3	122.4	38.8	303.5
Staff costs and administration expenses	25.1	53.3	42.4	31.1	26.8	19.5
Profit on sale of interest(1)	—	(160.1)	—	—	—	—
Foreign exchange (gain)/loss (realised)	7.1	(9.6)	(10.1)	(4.6)	0.9	(1.4)
Financing expenses	0.9	13.7	10.0	2.3	2.0	8.3
Total	271.4	242.3	419.5	351.0	241.0	470
Net profit/(loss) before tax and extraordinary items	80.5	325.9	38.1	97.1	212.0	(75.9)
Taxation						
Current	14.0	35.1	20.7	7.3	13.8	0.2
Deferred	38.4	142.5	(15.6)	55.5	69.6	(43.7)
Fringe benefit tax	0.7	1.5	—	—	—	—
Net profit after tax	27.4	146.8	33.0	34.3	128.6	(32.4)

(1) The profit on sale of interest in 2005 relates to the ONGC Asset Transaction.

Income

Sales. Sales for CEA, which relate to production from the Ravva, Lakshmi and Gauri fields, generally increased during the periods under review on an annual basis. This increase was largely due to the commencement of production in the Ravva satellite field (natural gas) in September 2001 and in Block CB/OS-2 where the Lakshmi field commenced production in November 2002 (natural gas) and the Gauri field commenced production in April 2004 (natural gas) and in October 2005 (crude oil). In addition, the increase in sales was attributable to the overall rise in the crude oil prices achieved during the periods.

These factors offset a decline in CEA's entitlement interest in production from the Ravva field due to an increase in the GoI's profit petroleum share pursuant to the terms of the Ravva PSC and, to a lesser extent, a decline in CEA's entitlement interest from Block CB/OS-2 due to a reduction in CEA's share of cost petroleum.

In respect of the Ravva field the GoI's profit share reached its maximum level of 60% in 2004. The calculation of the GoI share of petroleum, however, was a matter of disagreement and arbitration for some years. The arbitration panel provided its arbitral award in 2004, resulting in a higher payment of profit petroleum to the GoI for certain years. In accordance with the SEBI Guidelines the effect of this PTRR award has been retrospectively adjusted in the financial information of CEA presented in this document. See the section entitled "Our Business—Block PKGM-1—KG Basin—Ravva Field" at page 61 of this Red Herring Prospectus.

While crude oil prices rose significantly over the periods under review, the average prices per boe achieved were below prevailing market prices. This was principally due to CEA's natural gas representing approximately 33.6% and 34.3% of CEA's total production in terms of boe for the year ended 31 December, 2005 and the six months ended 30 June, 2006, respectively. Price caps in GSCs relating to the sale of natural gas limit the price which can be achieved for the natural gas produced; however, we are currently renegotiating the pricing arrangements in the GSCs. Our exposure to world crude oil prices is expected to increase significantly when production commences from Rajasthan.

CEA holds an indirect 22.5% working interest in the Ravva field, which commenced production of crude oil and natural gas in 1993. The decline in CEA's entitlement interest in production from the field more than offset a substantial rise in the price per barrel of crude oil produced from the field over the periods related to the general rise in crude oil prices worldwide experienced during the periods under review.

Production of natural gas from the Ravva field represented approximately 20% of the total production from the field in terms of boe for the six months ended 30 June, 2006. The increase in the GoI's share of profit petroleum more than offset an increase in gross production of natural gas since 2004 due to higher nominations from the GAIL. It also offset an increase in price per mcf achieved from the Ravva field due to an increase in the ceiling price for natural gas sold from the Ravva field set in the GSCs with GAIL, effective from July 2005.

The commencement of production from the Lakshmi and Gauri fields, in which CEA holds indirectly a 6.7% working interest, helped to mitigate the effect of the decline in CEA's entitlement interest in Ravva production. However, production rates from the Lakshmi field were adversely affected in 2004 due to problems with a number of Lakshmi wells, which resulted in these wells being shut-in and a decrease in sales in that period. In addition, production from the Lakshmi field has been in natural decline since July 2006 which has led, in part, to sales of natural gas pursuant to the Lakshmi GSCs having suffered intermittent price discounts of up to 30% (20% on account of this shortfall of natural gas and an additional 10% on account of failure to meet natural gas quality specification) in recent years, though for the six months ended 30 June, 2006, there was no shortfall on GSCs as natural gas from the Gauri field was used to supplement natural gas production from the Lakshmi field. See the section entitled "Our Business—Block CB/OS-2—Cambay Basin—Lakshmi, Gauri, CB-X and Ambe Fields—Production from the Lakshmi and Gauri Fields—Natural Gas Production" at page 65 of this Red Herring Prospectus.

Exchange rate fluctuations between the U.S. Dollar and the Indian Rupee have also affected reported sales over the periods.

Other Income. Other income consists primarily of interest receivable from cash balances and on intercompany loans. The significant rise in 2005 compared with 2004 was primarily the result of interest on the funds received in connection with the ONGC Asset Transaction.

Increase/(Decrease) in Inventories. Inventory comprises CEA's entitlement interest in crude oil and condensate produced from the Ravva field and Block CB/OS-2 which was in storage as at the date of the balance sheet for each period. This inventory is valued at net realisable value on the basis of prevailing crude oil prices on such date.

Expenditure

Production Cost. A significant portion of CEA's production costs are affected by trends in production volumes from the producing fields resulting in production costs being higher when production volumes are higher. This is particularly true with respect to production costs from statutory levies, such as cess, as well as royalties and production payments payable pursuant to the PSCs. Cess, royalties and production payments accounted for a total of approximately 73.0% of CEA's total production costs for the six months ended 30 June, 2006.

In addition to these primarily volume-driven production costs, CEA incurred operational expenditures related to production of crude oil and natural gas from the Ravva, Lakshmi and Gauri fields. In the periods under review, production costs relating to operational expenditure has been principally impacted by cost inflation between the periods as well as the commencement of production from the various fields.

Production costs associated with the Lakshmi and Gauri fields rose over the periods as production commenced. Production costs are mitigated by the fact that the Company's entitlement to production from these fields is not subject to cess or state royalty. Costs for the six months ended 30 June, 2006, included certain non-routine production costs incurred from the Lakshmi and Gauri fields relating to pipeline scouring and work over for sand removal.

Production costs throughout the period to December 2004 included expenses incurred in connection with the PTRR Arbitration such as legal and professional fees.

Exchange rate fluctuations between the U.S. Dollar and the Indian Rupee have also affected production costs reported over the periods.

Depletion, Depreciation and Amortisation. Depletion, depreciation and amortisation ("DD&A") costs include the depletion of producing properties, depreciation of oil and gas related support assets and amortisation of any decommissioning asset.

Producing properties are depleted and any decommissioning asset is amortised on a unit of production basis based on the Company's working interest in a field's proved developed reserves. Support assets are depleted over their expected useful life.

The DD&A charge has generally increased over time as the Company's share of production (on a working interest basis) from the Ravva field has increased over the period.

Unsuccessful Exploration Costs Written-Off. CEA's unsuccessful exploration costs which have been written-off in recent years have related primarily to exploration in the Rajasthan Block. While CEA indirectly already held a 50% working interest in the Rajasthan Block, CEHL acquired the remaining 50% beneficial interest in assets and liabilities as of May 2002 and a multi-well drilling campaign was commenced that year. Operations started with one drilling rig and a further two rigs were added during 2003. A fourth rig commenced operations in 2004 and both exploration and appraisal activity continued into 2005. Exploration in the six months to 30 June, 2006 has been focused primarily on the acreage outside the Development Area.

In 2003 costs associated with discoveries in the Ambe field in Block CB/OS-2 made in 2001 were expensed in accordance with Cairn India's successful efforts accounting policy. In 2002, costs attributable to an unsuccessful exploration well in the Ravva field were also expensed.

Unsuccessful exploration cost write-offs also include write-offs from exploration activities in Block KG-OS/6. Exploration in this Block ceased in 2003 and the licence was relinquished in May 2004. All KG/OS-6 exploration costs have been expensed as incurred. The receipt of insurance proceeds in 2004 relating to previously written-off costs incurred in drilling a well in Block KG-OS/6 resulted in a credit to this line item in 2004.

Costs associated with a drilling campaign in, and subsurface evaluation of, Block KG-DWN-98/2 were expensed in 2001 and 2002. Following the completion of the ONGC Asset Transaction in March 2005 in which CEA, through its wholly owned subsidiary CEIL, farmed out a 90% interest to ONGC, ONGC commenced a multi-well drilling campaign of the KG-DWN-98/2 Block. Consequently, the six month period to 30 June, 2006 has also seen an increase in unsuccessful expenditure. Costs associated with an exploration well in Ravva were also expensed during the period.

Administration Expenses. Administrative expenses, which are shown net of amounts recharged to joint venture partners under PSCs, consist of corporate expenses such as office and occupancy costs, infrastructure costs as well as staff costs, including salaries and benefits, and depreciation of non-crude oil and natural gas fixed assets. Administrative expenses have increased in recent years as a result of the growth in Cairn India following the discoveries in the Rajasthan Block. In addition, administrative expenses in 2005 increased due to the relocation of our headquarters to Gurgaon. We expect administration expenses to rise as development of the Rajasthan Block proceeds and as we become an autonomous operation and need to bear the costs associated with the reporting and regulatory requirements of a listed company.

At present, Cairn India's ultimate parent company (Cairn Energy PLC) receives income in the form of Parent Company Overhead ("PCO") in respect of Blocks for which it is the operator. Following our acquisition of Cairn India, Cairn India Limited is expected to be entitled to this income.

Profit on Sale of Interest. Profit on sale of interest in 2005 related to the receipt of cash in exchange for the transfer of a 90% working interest in Block KG-DWN-98/2 in the ONGC Asset Transaction.

Foreign Exchange Gain/(Loss). We translate foreign currency transactions into Indian Rupees at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into Indian Rupees at the rate of exchange prevailing at the date of the Balance Sheet. All exchange differences arising are taken to the Profit and Loss account in this line item.

The foreign exchange fluctuations in the Profit and Loss account primarily arise from the retranslation of non-Indian Rupee-denominated (primarily USD) cash balances, debtors, creditors and stock at each period end and reflect the movement in exchange rates.

Financing Expenses. Financing expenses consist primarily of intercompany loan interest, bank charges and facility fees.

Results of Operations of Cairn Energy India Holdings B.V.

Set out in the table below are the results of operations for CEIH for the six months ended 30 June, 2006, and the years ended 31 December, 2005, 2004, 2003, 2002 and 2001:

	INDIAN GAAP					
	Six Months Ended 30 June,	Year Ended 31 December,				
	2006	2005	2004	2003	2002	2001
	(Rs. crores)					
Income:						
Sales	191.0	218.0	213.5	339.3	38.0	—
Other income	2.0	1.5	0.2	—	0.2	0.5
Increase (Decrease) in Inventories	(2.7)	3.5	0.7	0.8	—	—
Total	190.3	223.0	214.4	340.1	38.2	0.5
Expenditure:						
Production cost	16.1	22.0	26.1	18.3	9.8	—
Depletion, depreciation and amortisation	81.1	148.2	148.5	131.1	13.0	0.1
Unsuccessful exploration costs written off	—	1.9	13.4	85.4	9.7	46.0
Staff costs and administration expenses	4.1	7.4	7.5	0.1	—	—
Profit on sale of interest	—	(70.0)	—	—	—	—
Foreign exchange (gain)/loss (realised)	(1.3)	6.7	(22.0)	(27.1)	(3.6)	9.0
Financing expenses	—	0.1	1.7	0.1	3.2	—
Total	100	116.3	175.2	207.9	32.1	55.1
Net profit/(loss) before tax and extraordinary items	90.3	106.7	39.2	132.2	6.1	(54.6)
Taxation						
Current	6.6	4.2	2.4	10.2	2.2	—
Deferred	—	—	—	—	—	—
Net profit after tax	83.7	102.5	36.8	122.0	3.9	(54.6)

Income

CEIH currently holds indirectly a 33.3% working interest in the Block CB/OS-2 development areas which includes the Lakshmi and Gauri producing fields. As its interests in Block CB/OS-2 represent CEIH's only interests in exploration, development and production assets, CEIH's income over the period was largely driven by sales relating to production from the Lakshmi and Gauri fields in Block CB/OS-2 to which it was entitled. As discussed above with respect to the impact of production from Block CB/OS-2 on CEA's results, the Lakshmi field commenced production in November 2002 (natural gas) and the Gauri field commenced production in April 2004 (natural gas) and in October 2005 (crude oil) as well as, to a lesser extent, a rise in the crude oil prices achieved during the periods more than offset a decline in CEIH's entitlement interest.

The decline in CEIH's entitlement interest was, in part, due to a reduction in CEIH's share of cost petroleum. In addition, CEIH's entitlement interest in production from the Lakshmi and Gauri fields was affected since 2005 by changes in its working interest including the sale of a 10% working interest in the Lakshmi and Gauri fields as part of the ONGC Asset Transaction in 2005.

Production of natural gas represented approximately 84.7% of CEIH's total production in terms of boe for the six months ended 30 June, 2006. As discussed with regard to CEA's results, this heavily natural gas bias in terms of production contributed over the periods to average prices per boe achieved being lower than prevailing market prices, which resulted, with respect to Block CB/OS-2, from the price ceilings in the Lakshmi GSCs as well as price discounts on natural gas from the Lakshmi and Gauri fields as discussed with respect to CEA's results above.

Inventories for CEIH represents its entitlement interest in crude oil and condensate produced from Block CB/OS-2 which was in storage as at the date of the balance sheet for each period. This inventory is valued at net realisable value on the basis of prevailing crude oil price on such date.

Exchange rate fluctuations between the U.S. Dollar and the Indian Rupee have also affected income reported over the periods. For more discussion of the impact of activities in Block CB/OS-2 on income, see the section entitled "—Results of Operations of Cairn Energy Australia Pty Ltd—Income" at page 315 of this Red Herring Prospectus above.

Expenditure

As discussed above with respect to CEA's results, production costs associated with the Lakshmi and Gauri fields rose over the periods as production commenced, though the transfer of a 10% working interest in the Lakshmi and Gauri fields in connection with the ONGC Asset Transaction resulted in a drop in production costs from these fields in 2005. Exchange rate fluctuations between the U.S. Dollar and the Indian Rupee have also affected production costs reported over the periods.

The DD&A charge has generally increased over time as Cairn India's share of production (measured on a working interest basis) has increased in line with increases in gross production. Despite the decline in production experienced in 2004, the depletion charge remained consistent with the previous year due to a downwards revision to the estimate of proved reserves.

CEIH expensed in 2003 costs associated with discoveries in the Ambe field in Block CB/OS-2 made in 2001, pending determination of development options. In addition, unsuccessful exploration costs were written-off in 2001 which were incurred in connection with a drilling campaign in Block CB/OS-2.

Profit on sale of interest was received in return for the transfer of the working interests in Block CB/OS-2 in connection with the ONGC Asset Transaction in 2005. For more discussion of the impact of activities in Block CB/OS-2 to expenditure, see the section entitled "—Results of Operations of Cairn Energy Australia Pty Limited—Income" at page 315 of this Red Herring Prospectus above.

Results of Operations for Cairn Energy Hydrocarbons Limited

Set out in the table below are the results of operations for CEHL for the six months ended 30 June, 2006, and the years ended 31 December, 2005, 2004, 2003, 2002 and 2001:

	INDIAN GAAP					
	Six Months Ended 30 June,	Year Ended 31 December,				
	2006	2005	2004	2003	2002	2001
			(Rs. crores)			
Income:						
Sales	—	—	15.7	41.9	44.5	17.9
Other income	0.2	0.3	0.1	—	—	—
Increase (Decrease) in Inventories	—	—	—	—	—	—
Total	0.2	0.3	15.8	41.9	44.5	17.9
Expenditure:						
Production cost	—	—	4.3	13.1	16.7	6.0
Depletion, depreciation and amortisation	0.4	0.6	6.0	11.8	18.6	7.3
Unsuccessful exploration costs written off	100.9	138.9	173.8	65.5	7.4	—
Staff costs and administration expenses	1.6	2.9	3.0	3.1	3.0	1.5
Profit on sale of interest	—	—	(20.5)	—	—	—
Foreign exchange (gain)/loss (realised)	54.1	7.4	(6.3)	10.1	3.8	2.3
Financing expenses	6.9	7.1	5.1	0.7	0.1	—
Total	163.9	156.9	165.4	104.3	49.6	17.1
Net profit/(loss) before tax and extraordinary items	(163.7)	(156.6)	(149.6)	(62.4)	(5.1)	0.8
Taxation						
Current	—	—	8.8	8.4	1.6	2.3
Deferred	—	—	(3.9)	1.3	(1.5)	3.3
Net profit after tax	(163.7)	(156.6)	(154.5)	(72.1)	(5.2)	(4.8)

Income

Income for CEHL for the years ended 31 December, 2001 to 31 December, 2004 related entirely to production from CEHL's Gryphon field, in which CEHL had a 10% working interest. This was disposed of in May 2004.

Expenditure

CEHL's unsuccessful exploration costs which have been written-off in recent years have related primarily to exploration in the Rajasthan Block. A 50% beneficial interest in the assets and liabilities was acquired by CEHL in May 2002 and a multi-well drilling campaign was commenced that year. Operations started with one drilling rig and a further two rigs were added during 2003. A fourth rig commenced operations in 2004 and both exploration and appraisal activity continued into 2005. Appraisal in the six months to 30 June, 2006 has been focused primarily on the acreage outside the Development Area.

Other expenditure in the periods under review relates to the Gryphon field prior to the disposal of CEHL's working interest in 2004.

Liquidity and Capital Resources

General

Prior to the separation from Cairn Energy PLC and the Issue, we have not operated as an independent entity and, consequently, have not been capitalised or financed as such. Cairn Energy PLC has managed its cash resources centrally and cash generated or unused by Cairn India was returned to Cairn Energy PLC either as distributions, transfers of profits, repayments of indebtedness or transfers of cash to Cairn Energy PLC's cash pools or down streamed, together with cash advances from other subsidiaries of Cairn Energy PLC, to the operating companies of Cairn India through inter-company loans or contributions of capital. Cairn India historical cash flows in respect of distributions to and indebtedness owed to Cairn Energy PLC are therefore not indicative of the cash flows to be expected from an independent entity.

Since the commencement of significant investment in the exploration and appraisal of the Rajasthan Block and, going forward, due to the development of the Mangala field and other Rajasthan fields, Cairn India is expected to be cash flow negative. As a result, the principal source of liquidity of Cairn India is expected to be cash made available through its credit facilities, plus anticipated proceeds from the Issue and, to a much smaller extent, cash generated from proposed operations, mainly its crude oil and natural gas sales.

In addition, although we anticipate significant revenues from crude oil sales following commencement of commercial oil production at Mangala, which we currently anticipate to occur during 2009, we do not expect to become cash flow positive before financing activities for some time as we continue significant Rajasthan Block developments while Mangala production ramps up to its estimated gross plateau production rate of approximately 150,000 bopd.

Going forward, we will apply any cash generated from our existing production operations to our operational, exploration and development capital expenditure. While net cash from operations will be an extremely modest component of our cash sources, a shortfall compared with our projections may have a material adverse impact on our ability to meet our cash requirements if such shortfall coincides with other adverse developments in our assumptions regarding sources and use of cash.

For example, any of the following developments may, in isolation or in combination with others, materially impair our ability to fund our exploration and development plans and obligations:

- a material decline in world crude oil prices;
- a material overrun in production schedule and failure to commence production from Mangala in 2009;
- a significant escalation in costs producing a material overrun in our development budget;
- any material and adverse change to development project specifications to address technical challenges that we do not or cannot foresee;
- any material decrease in our reserves estimates for the Northern Fields;
- any material and adverse change in the taxation regime applicable to our activities; and
- any significant increase in market interest rates.

Finally, we are investigating the possibility of becoming directly involved in midstream development planning and construction to ensure the proper integration of the upstream development and production of crude oil at Mangala with the most optimal transportation options. However, if and to the extent we decide or are required to be an equity owner of the midstream infrastructure or to fund any part of its development, we will have additional capital expenditure requirements that are not covered by the Facility and may not be adequately financed by our operating cash flow and proceeds from the Issue. While we will seek to participate in owning or financing midstream development on a basis that secures or enhances the overall value of the Northern Fields development to us, there can be no assurance that we will be able to attract sufficient funding on satisfactory terms to finance our participation. A failure to attract financing for any midstream development participation on satisfactory terms or at all may result in a severe delay to the commencement of production from the Mangala field and may materially and adversely affect the overall return on our Northern Fields investments or our financial condition generally.

Cash Flows from Operating Activities

In the period under review CEA generated positive operating cash flow reflecting net profits from sales of Ravva, Lakshmi and Gauri production as well as non-cash charges for unsuccessful exploration costs (reflecting principally exploration in Rajasthan) and depletion. CEIH generated positive operating cash flow in the period from 1 January, 2003 to 30 June, 2006 period reflecting net profits from Lakshmi and Gauri production as well as non-cash charges for depletion of those fields, and to a lesser extent, unsuccessful exploration costs. Finally, CEHL's operating cash flows were positive in the 2001-2004 period reflecting cash outflows from Gryphon production but, following the sale of Gryphon and cash flows associated with exploration in Rajasthan, operating cash flow has been negative.

Cash Flows from Investing Activities

Capital expenditure is the primary investing activity of Cairn India and the Rajasthan Block development project will dominate Cairn India's capital expenditure plans for at least the next three years. Historically, capital expenditure has related primarily to the exploration and, to a lesser extent, development activities of Cairn India. In 2003, 2004, 2005 and the first six months of 2006, CEA, CEIH and CEHL experienced aggregate cash outflows of Rs. 576 crore, Rs. 431 crore, Rs. 671 crore and Rs. 530 crore, respectively, reflecting increasing exploration expenditure (particularly in Rajasthan) offset in 2004 by the Gryphon sale proceeds, and in 2005 and 2006 by a reduction in development expenditure as a result of such sale. With the implementation of the Rajasthan Block development, particularly the development of the Mangala field, this capital expenditure profile has changed and will change significantly, both in nature and in quantum.

Our Rajasthan Block project is principally focused on developing the Mangala field to first production during 2009 but it also includes specific capital expenditure for the Bhagyam, Aishwariya, Raageshwari oil, Raageshwari Deep gas, Saraswati and Shakti fields. This capital expenditure estimate for the Rajasthan Block project does not include anticipated expenditure for our EOR programmes nor does it include any amount attributable to participation in mid-stream development.

We estimate the capital expenditure required to reach first commercial oil production at the Mangala field to be approximately Rs. 3,959 crore (U.S. $860 million) gross in mid-2005 real money terms, of which Rs. 2,762 crore (U.S. $600 million) is net to Cairn India. We believe that significant additional capital expenditure will be required thereafter to maximise the full potential of the Mangala field with total capital expenditure to end of field life in 2041 estimated at approximately Rs. 6,906 crore (U.S. $1.5 billion), of which Rs. 4,604 crore (U.S. $1 billion) is net to Cairn India. Of the total capital expenditure estimated to be required to end of field life, Rs. 235 crore (U.S. $51 million), of which Rs. 175 crore (U.S. $38 million) was net to Cairn India, was incurred before 1 July, 2006.

Most of the estimated project capital expenditure to reach first commercial crude oil production at the Mangala field is expected to be incurred after 31 December, 2006 with roughly equal amounts being incurred in each of 2007, 2008 and 2009. However, as large scale energy projects are susceptible to delays in phases of their execution schedule and to compression of activity in other phases, there can be no assurance that the capital expenditure will be evenly distributed and materially more or less may be required than planned in any one period.

In addition, we estimate that the capital expenditure required to end of field life: to develop the Bhagyam field to be approximately Rs. 1,289 crore (U.S. $280 million) gross in mid-2005 real money terms, of which Rs. 921 crore (U.S. $200 million) is net to Cairn India; to develop the Aishwariya field to be approximately Rs. 1,059 crore (U.S. $230 million) gross in mid-2005 real money terms, of which Rs. 737 crore (U.S. $160 million) is net to Cairn India; and to develop the Raageshwari oil/Saraswati fields to be approximately Rs. 207 crore (U.S. $45 million) gross in mid-2005 real money terms, of which Rs. 138 crore (U.S. $30 million) is net to Cairn India. Of the total capital expenditure required for the development of these fields, Rs. 69.1 crore (U.S. $15 million) gross, of which Rs. 46 crore (U.S. $10 million) is net to Cairn India, was incurred before 1 July, 2006.

The capital expenditure estimates provided above are in mid-2005 real money terms. As the increasing price of crude oil and natural gas has led to increased oil and gas development activities worldwide, prices for those raw materials and services required for such activities continue to increase. We have undertaken an assessment of the cost escalation likely to apply to the capital expenditure associated with the Mangala and Raageshwari development. Following this assessment, we have applied a cost escalation factor of 7% per year in estimating our capital expenditure requirements during the key development phase of the Rajasthan Block. There can be no assurance that actual cost escalation over the next several years will not be materially higher and that our capital expenditure estimates will not prove to be materially inaccurate.

Investors should be aware that the estimates of capital expenditure set out above have been prepared based upon various assumptions. These assumptions reflect expenditures for materials, equipment, labour and services that in most cases have yet to be contracted and, with respect to the Bhagyam and Shakti fields, we have yet to submit an FDP to the GoI. As a result, the final amount of capital expenditure required could be higher or lower than that set out above. If the capital expenditure requirements are more than anticipated, our use of our cash resources may also be higher than anticipated and we may require additional sources of financing.

In addition to the Rajasthan project capital expenditure we intend to invest approximately Rs. 322 crore (U.S. $70 million) gross in mid-2005 real money terms in other development projects. This principally relates to an infill drilling programme to maintain plateau at Ravva in 2007 and the drilling of two additional wells to grow production in the Cambay Basin, one in Lakshmi and one in Gauri, during 2007 to access untapped accumulations of natural gas and to appraise further crude oil potential.

In addition to capital expenditure on our development projects, we intend to continue to invest in the sustainable growth of our business and estimate we will incur approximately Rs. 691 crore (U.S. $150 million) gross in exploration expenditure in the period 1 July, 2006 to 31 December, 2009. In the earlier part of the period this comprises largely ongoing exploration and appraisal activity in the Rajasthan Block while exploration expenditure commitments associated with our NELP V licences comprise most of our exploration expenditure from late 2007. We also assume certain exploration expenditure commitments in 2008 and 2009 associated with NELP VI licences which have yet to be awarded.

Cash Flows from Financing Activities

Historically, Cairn India has been financed with advances from Cairn Energy PLC and its other subsidiary companies. As of 30 September, 2006, Cairn India had gross long-term indebtedness of U.S. $65 million. This and any other qualifying indebtedness which we incur prior to the Issue will be refinanced with proceeds from the Issue and borrowings under the Facility that we are in the process of negotiating to fund development of the Mangala, Aishwariya, Raageshwari and Saraswati fields discussed below. Immediately following the Issue we expect to have a significant net cash balance as a result of the approximately U.S. $600 million we expect to receive from the proceeds to us from the Issue before expenses and debt outstanding at the date of the Issue. This net cash balance will decline and as we borrow under our bank facilities according to our planned capital expenditure schedule we will enter a net debt position in the first half of 2008 and build a significant net debt position by the end of 2009. However, depending upon developments in our anticipated cash inflows and outflows as discussed above under "—*General*" at page 320 of this Red Herring Prospectus, we may be required to incur a significantly larger net debt balance for a significantly longer period than we expect.

As a result of the borrowing limits in Cairn Energy PLC's Articles of Association, it has been necessary to include a borrowing limit in our Articles of Association. This limit applies until the earlier of 30 September, 2009 or upon us ceasing to be a subsidiary undertaking for purposes of borrowing limits of the Cairn Energy Group and is the lesser of (i) Rs. 5,625 crore (approximately U.S. $1.2 billion) and (ii) the aggregate of our paid-up capital and reserves. See the section entitled "Management—Borrowing Powers of the Board of Directors" at page 131 of this Red Herring Prospectus. In addition, Cairn Energy PLC has agreed to use its reasonable efforts to amend its own borrowing limit so that it can vote in favour of the removal of this restriction from our Articles of Association. We believe that this limit will not materially impact our development or other plans.

Dedicated Bank Facility

General. As noted above, we intend to finance a significant component of our capital expenditures in the Rajasthan Block through the Facility, which is a U.S. $850 million syndicated revolving credit facility for the development of assets in the Rajasthan Block. The Facility was executed on 22 November, 2006, and is an amendment to a U.S. $1 billion multicurrency revolving credit facility entered into by Cairn Energy PLC and certain of its subsidiaries on 27 June, 2006 (the "PLC Facility"). The Facility will become effective upon satisfaction of certain conditions precedent including the admission of the Equity Shares to trading on the BSE and the utilisation of the Net Proceeds for part repayment of debt borrowed under the PLC Facility and outstanding at the date of Issue. We expect to satisfy these conditions as soon as practicable following the admission of the Equity Shares to trading on the BSE. Until such time as the Facility becomes effective, certain of the Subsidiaries within Cairn India, including CEHL and CEIL, may borrow under the PLC Facility.

Under the Facility, the final maturity date for the sums of up to U.S. $700 million lent by RBS and the other commercial banks is 31 December, 2011 whereas for the sums of up to U.S. $150 million lent by IFC the final maturity date is 31 December, 2015.

Use of funds and availability. The Facility includes conditions to our ability to borrow which limit the maximum amount available under the Facility to U.S. $75 million until such times as certain milestones relating to the development of a pipeline or other means to evacuate crude oil from the Rajasthan Block are achieved. Achievement of these milestones, which include satisfactory progress in respect of contractual and regulatory requirements relating to the evacuation of crude oil from the Rajasthan Block, permit the maximum amount available under the Facility to be increased in stages to U.S. $150 million and U.S. $250 million. In addition, the Facility requires that all drawings in excess of U.S. $75 million up to, and including, U.S. $250 million be matched by equity contributions from us on a dollar for dollar basis to be utilised for the same purpose to which the Facility borrowing is to be applied (such equity contributions may be reimbursed following full availability of the Facility). Further, our ability to borrow amounts in excess of U.S. $250 million up to the full U.S. $850 million is subject to finalisation of the contractual arrangements for the construction of a pipeline for the evacuation of crude oil from the Rajasthan Block and, if there are any financial or economic implications arising therefrom for us, evidence that a projection reflecting all such financial or economic implications has been adopted and an updated cashflow forecast has been prepared and delivered to the Global Agent (as defined in the Facility, currently RBS). Finally, the full U.S. $850 million will become available at anytime upon confirmation from a two-thirds majority of the lenders by amounts and commitments outstanding under the Facility (the "Majority Senior Lenders") that the lenders have received from us a plan for the evacuation of crude oil from the Rajasthan Block with which they are satisfied.

The Facility's borrowing availability mechanic applies a financial model in order to derive a net present value ("NPV") from the expected future cash flows associated with the fields in Rajasthan that comprise the borrowing base. Initially, the borrowing base assets that can be used to determine the net present value and thus the maximum available amount for borrowing under the Facility are the Mangala field as well as the Aishwariya, Saraswati and Raageshwari fields (although funds can still be used for expenditure on other fields in the Rajasthan Block). The principal condition is that the resulting NPV of the enlarged borrowing base of assets remains sufficient to cover adequately debt outstanding under the Facility. The Facility can be used prior to "completion" to fund, in respect of the Rajasthan Block, appraisal, development and operating costs and interest costs on existing borrowings. Post "completion", the Facility can be used for general corporate purposes. "Completion" is defined as the time when the project facilities associated with the Mangala field have demonstrated their ability to operate at rates of production, processing, transportation and availability for sale of at least 75,000 bopd for a continuous period of 30 days. However, provided certain conditions are met, additional fields such as Bhagyam can be added to the borrowing base assets, thus increasing the amount that can be borrowed under the Facility.

The maximum amount available under the Facility requires that we maintain a borrowing base cover ratio ("BBCR") such that the amount outstanding under the Facility must not exceed the lesser of (i) half the NPV and (ii) $850 million (as such amount may be reduced by an amortisation schedule). The NPV is calculated using our proved and probable reserve estimates and related assumed production profile. At a minimum, we are required to provide these projections bi-annually, recalculated on each 30 June and 31 December, and to update the NPV. Post-Completion, such projections are to be provided, at a minimum on an annual basis. There are provisions providing when the obligors under the Facility or the Global Agent (currently RBS, acting on the instructions of the Majority Senior Lenders) can request that additional projections be prepared. Accordingly, adverse changes in the inputs to the financial model including hydrocarbon prices, interest rates, taxes, cost inflation, general costs, reserves estimates, production profile and the discount rate to be used may have a material adverse effect on our ability to borrow under the Facility.

Principally, the NPV calculation model under the Facility assumes that Dated Brent crude oil prices will range from $37 to $30 in 2005 money terms and that Mangala crude oil will be priced at a discount to Dated Brent crude oil. Cost escalation is assumed to be 3% on a quarterly basis and assumes equal inflation in costs and oil price. The discount rate to be used at the time of each calculation of NPV is subject to variation depending on variations in the yield on benchmark U.S. government securities and the level of BBCR at the time of calculation.

Finally, in addition to the NPV calculation test, the availability of loans from IFC is subject to our compliance with their requirements regarding environmental, community and social responsibility.

Amortisation. The Facility amortises according to the following schedules:

Commitments of RBS and the other commercial banks:

	Facility Amount U.S. $ million
On and from the effective date of the Facility up to and including 29 June, 2010	700
On and from 30 June, 2010 up to and including 30 December, 2010	550
On and from 31 December, 2010 up to and including 29 June, 2011	350
On and from 30 June, 2011 up to and including 30 December, 2011	150

Commitments of IFC:

	Facility Amount U.S. $ million
On and from the effective date of the Facility up to and including 29 June, 2014	150
On and from 30 June, 2014 up to and including 30 December, 2014	112.5
On and from 31 December, 2014 up to and including 29 June, 2015	75
On and from 30 June, 2015 up to and including 30 December, 2015	37.5

Under the Facility, if at any time any semi-annual recalculation of the NPV determines that the NPV is less than twice the outstanding loans under the Facility, then we are obliged to repay a portion of the outstanding loans to restore a greater than 2:1 BBCR. In addition, if the Majority Senior Lenders believe that there has been a reduction of at least 10% in the NPV (an "Adverse Projection"), or that we will be unlikely to either repay all loans under the Facility as and when they fall due or to meet our remaining development commitment costs from undrawn facility amounts and revenues included in the NPV calculation then there must be a redetermination of the NPV and we may become obliged to repay debt under the Facility ahead of schedule.

Reserve Reports. As noted above, under the Facility, our proved plus probable reserve estimates, production profile and technical assumptions are the basis for the NPV calculation unless the Majority Senior Lenders demonstrate that the use of the proved plus probable reserves estimates to be prepared annually for the lenders by DeGolyer and MacNaughton would result in an Adverse Projection and, acting reasonably, the Majority Senior Lenders require the NPV calculations to be re-run using the DeGolyer and MacNaughton figures.

Finance costs. In addition to commitment fees, upfront fees and amendments fees, the facility lenders under the Facility will receive interest on loans outstanding based on LIBOR plus a margin dependent upon the level of BBCR from time to time.

Events of Default. In addition to normal and customary events of default for facilities of this nature, it is an event of default under the Facility requiring us to repay all amounts outstanding if either:

(i) we fail to achieve "completion" by 1 October, 2009 unless we can demonstrate to the Majority Senior Lenders that we are able to repay all our liabilities as they fall due prior to the Facility's final maturity, or

(ii) the BBCR is less than 1.40:1.00 at any time.

Change of Control. Under the Facility, lenders may, upon 30 days notice, cancel all of their commitments and declare all outstanding loans made by them, together with accrued interest, immediately due and payable upon the following occurrences: (a) any person or group of persons acting in concert gains control of Cairn Energy PLC while it retains control of the Company; (b) any person or group of persons acting in concert (other than Cairn Energy PLC) gains control of the Company or (c) Cairn Energy PLC ceases to hold (i) at least 65% of the entire issued share capital of the Company at any time within one year of the Issue or (ii) at least 20% of the entire share issued capital of the Company at any time within three years of the Issue. In the event that IFC ceases to be either a lender under the Facility or a shareholder in the Company, each bank may, within 20 days of being notified of such an event, require that all loans made by that bank be repaid and its commitments cancelled within a period of six months.

Security. The Facility provides for a negative pledge over all of our assets and for restrictive covenants on incurrence of other debt, acquisitions and disposals subject to certain limited carve outs. As a result, our ability to secure additional or different debt facilities will be materially restricted. In addition, under the Facility we are required to seek consent from the GoI to the granting of a share pledge over 100% of the share capital of Cairn Energy Hydrocarbons Limited, although there is no recourse if the GoI does not grant such consent. Furthermore, if the GoI will only grant consent subject to conditions which it is commercially inadvisable for Cairn Energy PLC and its subsidiaries to implement, then the facility banks will not require the share pledge to be granted.

In addition, the intention is to put in place U.S. Dollar and Rupee overdraft facilities with selected cash pool banks amounting up to an aggregate equivalent of U.S. $10 million (approximately Rs. 96 crore) and bond issuance facilities of U.S. $45 million (approximately Rs. 207 crore) provided by various banks principally for issuing guarantees for minimum work programme commitments.

Other than the borrowings to be incurred under the Facility, bond issuance facilities and overdraft facilities, Cairn India has no significant financial indebtedness.

Contractual Obligations

The following table shows in Indian Rupees the contractual obligations of Cairn India at 30 June, 2006.

	Payment due by period				
	Total	**Less than 1 year**	**1–3 years**	**3–5 years**	**More than 5 years**
			(Rs. crores)		
Capital commitments(1)					
Exploration	477.5	230.6	246.9	—	—
Development	451.5	451.5	—	—	—
Operating lease obligations	60.1	38.5	4	8.5	9.1
Finance lease obligations	21.4	5.1	12.7	3.6	—
Debt	115.9	—	—	98.4	17.5
Total					

(1) These amounts represent Cairn India's share of obligations under existing PSCs and JOAs.

Risk Management

General

The upstream oil and gas industry, by its nature, exposes Cairn India to operational, market, counterparty and contractual risks, as well as to other risks including environmental, health and safety risks, information technology and security risks and general political and regulatory risks. The main risks that are expected to affect our financial position and profitability are: commodity price risk, liquidity risk, project development risk, interest rate risk, exchange rate risk and operational risk.

Cairn India has in place a Risk Management Policy which establishes the principles by which risks will be managed across Cairn India. This is supported by Business Risk Management Guidelines ("BRMG") which define the necessary procedural controls and provide guidance on what procedures need to be applied in order to meet the requirements of the policy. The Cairn India risk management process detailed in the BRMG comprises the steps of risk identification, assessment, prioritisation, identification of mitigating controls and the allocation of risk action plans. The outcome from this process is included in a Cairn India Risk Register and Risk Matrix which are updated and reviewed on a regular basis. The BRMG also includes instructions on the assessed risks escalation procedure to asset and country management.

Cairn India has established a risk management organisational structure, which will be overseen by a Cairn India Risk Management Committee ("RMC") that reports to the Audit Committee. The chair of the RMC will rotate between the Chief Operating Officer and the Chief Financial Officer. Risks are also reviewed at asset/project and site levels and the outcome is considered during the preparation of the consolidated Cairn India Risk Register. The RMC will meet regularly to review the Cairn India Risk Register for its completeness and to ensure a robust and effective risk management process is being implemented throughout the business.

Our treasury function is responsible for managing investment and funding requirements including banking and cash flow monitoring. It must also recognise and manage interest and foreign exchange exposure whilst ensuring that we have adequate liquidity at all times to meet our immediate cash requirements. Our insurance for operational risk is managed by our legal function in conjunction with our insurance brokers, Agnew Higgins Pickering and Company Limited.

The risk management reporting is managed through the RMC, which reports the consolidated risk exposure of Cairn India, through the Audit Committee, to the Board of Directors. The Audit Committee reviews and agrees policies for managing each of the risks discussed below.

We may, from time to time, opt to use derivative financial instruments to minimise our exposure to fluctuations in interest rates, foreign exchange rates and movements in crude oil prices. It is our policy not to trade in derivative financial instruments.

Commodity Price Risk

We encounter numerous risks associated with volatility in the international prices for crude oil and natural gas. Pricing for crude oil and natural gas has been volatile and unpredictable for several years, and we expect this volatility to continue. Continuous changes in prices create uncertainty and can have a significant impact on the profitability of our assets. Historically, prices for crude oil have fluctuated widely for many reasons, including:

- Global and regional supply and demand, and expectations regarding future supply and demand, for crude oil and petroleum products;
- Geopolitical uncertainty, in particular, due to political, economic and military developments in oil producing regions, such as the Middle East;
- Weather conditions and natural disasters;
- Access to pipelines, railways and other means of transporting crude oil, gas and petroleum products;
- Prices and availability of alternative fuels;
- The ability of the members of OPEC, and other crude oil producing nations, to set and maintain specified levels of production and prices; and
- Indian governmental regulations and actions, including export restrictions, pricing requirements and taxes.

Pursuant to the Rajasthan Block PSC, sales of crude oil and condensate produced from the Rajasthan Block are to be valued at a weighted average FOB selling price per barrel of a basket of international crude oils quoted on Platts. Although the parties are obliged to select a mixture and weighting of crude oils which would produce a quality similar to the crude oil and condensate produced in the Rajasthan fields, average selling prices of such crude oils can differ from quoted market prices due to the effects of uneven volume distributions during the period, different delivery terms compared to quoted benchmarks, different conditions in local markets and other factors. In addition, market prices for sales of crude oil may be affected by volatile trading patterns in the commodity futures market.

There are implicit product price hedges in place through the pricing mechanisms applicable to the Lakshmi and Ravva GSCs. The requirement for hedging instruments to unwind these pricing mechanisms is reviewed on an ongoing basis. Ravva oil sales are required to be made to approved GoI nominated buyers at floating prices.

The business was not a party to any outstanding commodity price hedge contracts as of the date of this Red Herring Prospectus and does not expect to become a party to any significant commodity price hedge contracts for the foreseeable future.

Liquidity Risk

We will be critically dependent upon our ability to borrow under the Facility in order to develop the Mangala field and other Northern Fields until the point of first commercial production. Our ability to borrow under the Facility is subject to a variety of conditions and factors, many of which are outside our control. In addition, to the extent we participate in funding development of midstream options to minimise execution risk associated with commercial production at Mangala, the incremental financing requirement associated with our participation will increase our exposure to liquidity risks.

Project Development Risk

Development of the Northern Fields is a large and complex project, and we manage the associated risk through a gated system of project control, which monitors and verifies project progress through each of the pre-development, development and post-development phases.

Foreign Exchange Risk

The pricing currency of the crude oil markets, including the raw materials and services for upstream developments, is the U.S. dollar. As we will report in Rupees, this factor, among others, will expose us to accounting translation risks with respect principally to revenues and costs and monetary asset and liability balances, compared with companies with the same asset base and business risk, but for whom the U.S. Dollar is their reporting currency. See the section entitled "—Factors Affecting Our Financial Condition and Results of Operations—Exchange Rate Fluctuations" at page 305 of this Red Herring Prospectus above.

Given we have no significant cash flow foreign exchange exposure or long-term fixed asset exposure, we have no hedging or derivative programme to cover the foreign exchange risk. Cairn India was not a party to any outstanding forward foreign exchange contracts as of the date of this Red Herring Prospectus.

Interest Rate Risk

The total interest rate position of Cairn India, including all financial investments and debt, will be managed by the Chief Financial Officer, when appointed. Our interest rate exposure will mainly be initially related to interest bearing net cash balances and, as we develop the Northern Fields, to interest bearing net debt balances. The objective of the Company's interest rate risk management is to reduce the volatility of interest expense in the income statement, provide cash flow certainty and control the market value of our net debt position in line with defined risk limits.

Operational Risk

Operational risk is the risk of loss or adverse consequences resulting from inadequate or failed internal processes, people or systems, or from external events. We are exposed to operating risks, including reservoir risk, risk of loss of crude oil and natural gas and natural calamities risk in respect of all our installations and facilities. Although we carry insurance against such events and would expect that the majority of any replacement costs would be covered by such insurance, we are not insured against loss of profits.

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

As of the date of this Red Herring Prospectus, there are no outstanding litigations, suits or criminal or civil prosecutions, proceedings or tax liabilities against our Company or our Directors that could have an adverse effect on our business. Further, there are no defaults, non-payment of or overdue statutory dues, institutional bank dues or dues payable, defaults to holders of any debentures, bonds or fixed deposits that would have an adverse effect on our business other than unclaimed liabilities against our Company and our Directors.

As of the date of this Red Herring Prospectus, except as described below, there are no outstanding litigations, suits or criminal or civil prosecutions, proceedings or tax liabilities against our Subsidiaries, our Promoters, or our Promoter Group companies that would have an adverse effect on our business as of the date of this Red Herring Prospectus. Further, except as described below, there are no defaults, non-payments or overdue statutory dues, institutional bank dues or dues payable, defaults to holders of any debentures, bonds or fixed deposits, that would have an adverse effect on our business other than unclaimed liabilities against our Subsidiaries, our Promoters, or our Promoter Group companies.

None of the companies or persons referred to in the paragraph above are on the list of wilful defaulters of the RBI.

Outstanding Litigation involving our Subsidiaries

CEIL

Arbitration Proceedings under the Ravva PSC

(a) On 28 October, 1994 the GoI entered into a production sharing contract with CEIL, Ravva Oil (Singapore) Pte Limited, Videocon Petroleum Limited (now Videocon Industries Limited and formerly Petrocon India Limited) and ONGC with respect to the Ravva oil and gas field (the "Ravva PSC"). In 1998, CEIL and certain of its joint venture partners, Petrocon India Limited (now Videocon Industries Limited) and Ravva Oil (Singapore) Pte Limited (collectively, the "Claimants") initiated arbitration proceedings against the GoI in Kuala Lumpur, which was the seat of arbitration under the terms of the Ravva PSC, in relation to a dispute over amounts due from the GoI in favour of the Claimants in relation to Ravva crude oil between 1995 and 1998. In December 2001, the arbitral tribunal passed an award in favour of the Claimants. In response, the GoI filed an application before the High Court of Malaysia challenging the award pursuant to which the award was set aside by an order dated 31 October, 2002 (the "Order").

    The Claimants have lodged an appeal before the Court of Appeal in Kuala Lumpur against the Order. Judgement on this appeal is pending.

(b) In 2002, two of the joint venture parties to the Ravva PSC, CEIL and Ravva Oil (Singapore) Pte. Limited (collectively the "Respondents") initiated arbitration proceedings against the GoI in respect of a number of disputes relating to the recoverability of certain costs and the validity of those costs for the purposes of calculating the PTRR for production sharing purposes. On 12 October, 2004 the international arbitral panel ruled in favour of the GoI on some of the issues in dispute and in favour of the Respondents on others. Following this award, CEIL has paid to the GoI an aggregate amount of approximately Rs. 211 crore (U.S. $45.9 million). CEIL has also made payment of any interest due on these amounts.

    The GoI has filed an appeal in the Malaysian courts, as Kuala Lumpur was the seat of the arbitration, in respect of one element of the award on which the international arbitral panel found in favour of the Respondents, namely the "ONGC Carry". The issue is whether the Respondents are entitled to include in their accounts for the purposes of calculating the PTRR certain costs paid by the Respondents in consideration for ONGC having paid 100% of costs prior to the signing of the Ravva PSC in October 1994. The Respondents are challenging the appeal on the ground, that under Malaysian law, an international arbitral award can only be remitted or set aside on the grounds of misconduct or failure in law on the part of the arbitral panel. However, in the event that the GoI's appeal succeeds and the initial arbitration award is reversed on this issue in a way that is enforceable against CEIL, then CEIL would be liable to make an additional payment of approximately Rs. 294 crore (U.S. $63.9 million) plus interest.

Excise Cases

(a) CEIL has filed an appeal (Appeal No. E/1630/2006 Ex./2006) before the Customs, Excise and Service Tax Appellate Tribunal, New Delhi, against an order of the Commissioner of Central Excise, Jaipur, dated 28 February, 2006. The Commissioner had upheld a demand of Rs. 3.126 crore made against CEIL in respect of cess payable on pit oil produced from the Rajasthan Block pursuant to the Oil Industry (Development) Act, 1974 and towards the NCCD. The total demand sum of Rs. 3.126 crore is split between a demand for loss of Rs. 30.42 million and a demand for NCCD of Rs. 0.084 crore. The total demand sum was remitted by CEIL under protest in November 2004. CEIL has also remitted Rs. 0.015 crore (representing interest) and Rs. 0.021 crore (representing a penalty) in relation to the non-payment of NCCD, as stated in the order of the Commissioner of Central Excise. In this matter, CEIL has filed another appeal before the Commissioner of Central Excise, Jaipur (Appeal No. JD/217/V/06) which is directed against an order of the Deputy Commissioner of Central Excise, Jodhpur, dated 23 March, 2006, disallowing a refund of the same sum of Rs. 3.126 crore paid under protest. The appeals filed by CEIL are pending adjudication.

(b) CEIL, as the operator under the Ravva PSC, has filed two appeals before the Commissioner of Customs and Central Excise (Appeals), Visakhapatnam against two separate orders issued by the Joint Commissioner of Central Excise, Visakhapatnam. These orders imposed a cumulative cess of Rs. 0.35 crore on production from the Ravva field during 2004 and 2005. CEIL disputed liability under each of these orders on the ground that it was entitled to set-off payments payable by it against excess amounts already paid by it. Both appeals are pending adjudication.

(c) CEIL has filed a writ petition against the Central Board of Excise and Customs and others in the High Court of Andhra Pradesh (Writ Petition No. 1257 of 2005) under which it has claimed a refund of approximately Rs. 1.250 crore representing excess amounts paid as cess. CEIL has also raised certain issues pertaining to the administration of cess under the Oil Industry (Development) Act, 1974, and the levy of interest and penalties on the payment of cess in respect of crude oil produced from the Ravva field. On 7 February, 2005, the High Court of Andhra Pradesh granted a stay in relation to the recovery of interest on the crude oil. The matter is pending adjudication.

(d) CEIL received an order (No. V(27) 30/32/2006-13836) dated 2 November, 2006 from the Deputy Commissioner of Central Excise, Jodhpur imposing a penalty of Rs. 1,000 pursuant to a show cause notice dated 3 April, 2006 issued to CEIL in respect of non-filing of monthly returns in relation to the production of pit oil from the Rajasthan Block. CEIL is in the process of filing an appeal against this order.

Income Tax Cases

There are disputes relating to income tax assessments of CEIL for the assessment years 1996-1997 to 2003-2004 which are pending before the relevant adjudicating authorities. These disputes have arisen on account of the following issue:

Provision of site restoration costs

An oil and gas company is required to restore the site of any operations once those operations have ceased. The issue of whether provision in CEIL's accounts for site restoration is an allowable expenditure is being contested by CEIL and the revenue department with respect to income tax assessment of CEIL from the assessment years 1996-1997 to 2003-2004. A positive order for CEIL in respect of the assessment year 1996-1997 was overturned on appeal by the Income Tax Appellate Tribunal ("ITAT") in favour of the revenue department and the provision for site restoration is deemed not an allowable expenditure. The amount of loss that may be carried forward by CEIL would get reduced on account of the disallowance. CEIL intends to challenge the order of the ITAT by way of a miscellaneous application before the ITAT.

With respect to the assessment years 1997-1998 to 2001-2002, the appeal of the revenue department on this issue is still pending before the ITAT. In the event the appeal is upheld, there would be an additional tax demand to CEIL of Rs. 7 crore. With respect to the assessment year 2002-2003, the appeal on this issue is pending before the Commissioner of Income Tax (Appeals) but no further tax is due in respect of this year.

In relation to the aforementioned issue, there are also pending disputes relating to the computation of profit for minimum alternate tax purposes from the assessment years 1998-1999 to 2003-2004. CEIL intends to challenge the order of the ITAT by way of a miscellaneous application before the ITAT. In the event the miscellaneous application is rejected by the ITAT, CEIL would be liable to make additional payments but this cannot exceed the amount due under the regular tax calculation as stated above.

For assessment years 1999-2000 to 2003-2004 appeals are pending before the Commissioner of Income Tax (Appeals) and the ITAT in relation to this issue.

Labour Cases

Mr. V. Ananda Kumar has filed a claim before the Industrial Tribunal Cum Labour Court, Vishakhapatnam against CEIL and others (Industrial Dispute No. 82/2004). CEIL engaged a contractor for the provision of security guards. The petitioner was employed by this contractor. The petitioner's employment was terminated in 2002 pursuant to which he is claiming reinstatement with back wages amounting to Rs. 77,000 and interest on this amount at 18% per annum. The matter is pending adjudication.

Other Civil Cases

(a) In respect of profit petroleum calculations under the Ravva PSC, the parties to the Ravva JV have received a claim from the DGH for Rs. 766 crore (U.S. $166.4 million) (Rs. 172 crore (U.S. $37.4 million) net to Cairn India) of alleged underpayments of profit petroleum to the GoI, together with interest on that amount up to June 2006 of Rs. 141 crore (U.S. $30.6 million) (Rs. 31.3 crore (U.S. $6.8 million) net to Cairn India). This claim relates to the GoI's allegation that the Ravva JV has recovered costs in excess of the Base Development Costs ("BDC") cap imposed in the Ravva PSC and that the Ravva JV has allowed these excess costs in the calculation of the PTTR calculation.

    The Ravva JV has rejected this claim on the basis that, amongst others, the BDC cap only applies to the initial development of the Ravva field and not to subsequent development activities under the Ravva PSC. In addition, the Ravva JV has also contested the basis of the calculation.

(b) The Land Acquisition Officer has filed appeals (Appeals No. 236, 237, 238 and 239 of 2006) against certain orders issued by the Senior Civil Judge, Amalapuram, in relation to land acquisition proceedings for the Ravva field. Land measuring 4.53 acres was acquired for Rs. 69,000 per acre under the Land Acquisition Act, 1894 by Andhra Pradesh Industrial Infrastructure Corporation Limited for the benefit of the Ravva JV parties. As a result, certain land owners had appealed to the Senior Civil Judge, Amalapuram, claiming that they had received inadequate compensation for the land acquired. The Senior Civil Judge ordered that the acquisition cost per acre is Rs. 150,000. The appeals filed by the Land Acquisition Officer are pending adjudication.

(c) The Bank of India has filed an application before the Debt Recovery Tribunal, Chennai against Balaji Industrial Corporation Limited ("BIL"), CEIL and others (Original Application No. 995 of 2000) for the recovery of Rs. 12.22 crore together with current and future interest at the rate of 18% per annum from BIL and for attaching the property at Wellington Plaza, Chennai. Kalyani Constructions, which owns the Wellington Plaza premises occupied by CEIL at Chennai, had guaranteed the loans taken by BIL from the Bank of India. CEIL has been brought into proceedings as a garnishee party to this litigation to secure the remittance of the rental income due by CEIL to Kalyani Constructions. Kalyani Constructions has obtained status quo orders from the Debt Recovery Tribunal, Chennai which also directs the Bank of India not to disturb peaceful possession of the tenants against such attachment. The matter is pending final adjudication.

(d) Bridge & Roof Company India Limited ("BRC") has filed a civil suit against Hyundai Heavy Industries Company Limited ("HHI") and CEIL (formerly Command Petroleum (India) Pty Limited) in the High Court of Mumbai (Civil Suit No. 3877/1995). CEIL had awarded HHI a contract for carrying out the engineering, procurement, installation and commissioning works for the facilities at the Ravva field between 1995 and 1996. BRC has filed this suit for an alleged breach of a memorandum of understanding dated 16 March, 1995 between HHI and BRC for sub-contracting a part of its obligations to BRC under the contract with CEIL. BRC has claimed damages amounting to Rs. 19.37 crore along with interest at the rate of 18.75% per annum from HHI. No financial claim has been made against CEIL. The suit is pending adjudication.

(e) Mr. Muthukumar has filed a claim before the Motor Accidents Claim Tribunal, Chennai, dated 26 June, 2002 against CEIL and New India Assurance Company Limited, claiming Rs. 700,000 compensation for injuries allegedly caused in an accident involving a vehicle owned by CEIL. The matter is pending adjudication.

(f) In September, 2006 various Andhra Pradesh state authorities, including the Commissioner, Transport Department Hyderabad, the Commissioner of Police, Hyderabad city, the Director General of Police in Andhra Pradesh and the Inspector General Police (Traffic) Hyderabad, filed a petition in the High Court in Andhra Pradesh naming CEIL, ONGC, Gujarat State Petroleum Corporation Limited, Gas Authority of India Limited and Bhagyanagar Gas Limited as respondents (WPMP No. 23890/2006 in WP 15592/2006). The petition requested the High Court to implead the five respondents as additional respondents to an existing writ petition in which the state authorities, together with two other parties, are named as respondents. On 18 September, 2006 the High Court ordered that the five respondents, including CEIL, be added as respondents to the original writ petition. The aim of the writ petition is to secure CNG for the transportation needs of Hyderabad City, as in the case of New Delhi, in order to contain pollution. CEIL believes that the Ravva JV, being confined to upstream activity, is not in a position to address this issue, and in November 2006 filed a written submission to the High Court accordingly. This matter is pending adjudication.

Cases Filed by CEIL

In addition to the arbitration proceedings initiated by CEIL and others with respect to the Ravva PSC detailed above, CEIL has filed the following cases:

(a) CEIL has filed a writ petition against the GoI and others in the High Court of Andhra Pradesh (Writ Petition No. 18477 of 2003). The subject matter of the writ petition is the levy of service tax on port dues in respect of the transportation of crude oil through marine tankers by CEIL in connection with operations from the Ravva field. Service tax was levied by the port officer pursuant to a circular dated 22 July, 2003 issued by him declaring that the port was being used by CEIL for the aforesaid purposes as a minor port. CEIL has prayed that a writ of mandamus be issued declaring the circular illegal and inoperative in so far as it relates to the payment of service tax. The writ petition is currently pending adjudication and there is currently a stay order against further payments of service tax levied pursuant to the circular.

(b) CEIL has filed a suit against Ms. Gomathy Ramaswamy and Mr. V. Seshadri (the "Defendants") before the Additional Judge III, City Civil Court, Chennai (Civil Suit O.S.No.4313 of 2006) for the recovery of a security deposit of Rs. 0.089 crore and interest at the rate of 18% per annum paid by CEIL in relation to a lease agreement entered into with the Defendants. The Defendants failed to refund the security deposit upon termination of the lease agreement. The suit is pending adjudication.

Outstanding Litigation against the Directors involving violation of statutory regulations or alleged criminal offence

Nil.

Contingent Liabilities of the Company

Nil.

Contingent Liabilities of CEIL

The contingent liabilities of CEIL are described in paragraph (b) above in the section entitled "Arbitration Act Proceedings under the Ravva PSC", and paragraph (a) above in the section entitled "Other Civil Cases".

Contingent Liabilities of the Promoters

The contingent liabilities of Cairn UK Holdings Limited are described in paragraph (b) above in the section entitled "Arbitration Proceedings under the Ravva PSC", and paragraph (a) above in the section entitled "Other Civil Cases".

Outstanding Litigation against the Promoter and the Promoter Group companies

Nil.

Material Developments Since the Last Balance Sheet Date

In the opinion of the Board, save as disclosed in this Red Herring Prospectus, there have not arisen, since the date of the last financial statements set out herein, any circumstances that materially or adversely affect our profitability taken as a whole or the value of our consolidated assets or our ability to pay our material liabilities over the next twelve months.

GOVERNMENT AND OTHER APPROVALS

In view of the approvals listed below, we can undertake this Issue and our current business activities and no further major approvals from any government or regulatory authority are required to undertake the Issue or continue our business activities.

A. Approvals for the Issue

We have received the following approvals relating to the Issue:

The Board of Directors has, pursuant to resolution passed at its meeting held on 21 September, 2006 authorised the Issue. The Board of Directors has authorised a committee to take decisions relating to the Issue on behalf of the Board of Directors.

The shareholders have, pursuant to a resolution dated 21 September, 2006 under the Companies Act, authorised the Issue.

B. Approvals for the transfer under the Share Purchase Deed

The Foreign Investment Promotion Board, the Department of Economic Affairs, the Ministry of Finance and the GoI, pursuant to its letter no. FC.II.179 (2006)/154 (2006) dated 21 September, 2006 has permitted the issuance and allotment of Equity Shares aggregating to up to 70% of the post-IPO equity capital of the Company to Cairn UK Holdings Limited in exchange for shares (up to 70%) of Cairn India Holdings Limited held by Cairn UK Holdings Limited.

In respect of various transactions contemplated by the Subscription and Share Purchase Agreement and the Share Purchase Deed, we have sought confirmations from the RBI regarding our ability to undertake and complete such transactions under the relevant regulations framed under the Foreign Exchange Management Act, 1999 (as amended). The RBI has, through a letter dated 10 October, 2006 addressed to Citibank India, granted its approval to the transactions subject to compliance with the conditions stipulated by the Foreign Investment Promotion Board pursuant to its letter dated 21 September, 2006 and applicable foreign exchange regulations.

C. Approvals for our Business

We have obtained several approvals, licences and permissions from various government departments, governmental agencies and other authorities in relation to our business of exploration, development and production of crude oil and natural gas.

These approvals include, amongst others:

(a) PELs and PMLs granted under the Petroleum and Natural Gas Rules, 1959;

(b) approvals for construction/storage/operations of mines under the Mines Act, 1952 and Oil Mines Regulations, 1984;

(c) environmental approvals and clearances from the State Pollution Control Board(s) and MoEF, including consents to establish and operate in respect of Air (Prevention and Control of Pollution) Act, 1981 and the Water (Prevention and Control of Pollution) Act, 1974 and environmental clearances for exploration and appraisal drilling under the Environment Impact Assessment Notification (Notification No. SO 60(E)) dated 27 January, 1994 as amended ("EIA Notification") and the Coastal Regulation Zone Notification (Notification No. SO 114(E)) dated 19 February, 1991 as amended (if applicable) ("CRZ Notification") from the MoEF;

(d) authorisation under the Hazardous Wastes (Management and Handling) Rules, 1989;

(e) approvals for usage, carriage and storage of petroleum products under the Explosives Act, 1884;

(f) registration under labour laws in India including, the Employees Provident Fund, the Miscellaneous Provisions Act, 1952 and the Contract Labour (Regulation and Abolition) Act, 1970;

(g) registration under tax statutes including the Income Tax Act, 1961, the Central Sales Tax Act, 1956 and state tax statutes;

(h) approvals from the RBI under the Foreign Exchange Management Act, 1999 for the acquisition/ transfer of immovable property in India and for setting up branch or project offices in India;

(i) approvals in relation to the land on which our crude oil and natural gas assets are located including, for the laying of pipelines, acquired by state governments under the Land Acquisition Act, 1894 and the Petroleum and Minerals, Pipelines (Acquisition of Right of User in Land) Act, 1962. We also require certain approvals and permissions in relation to the laying of pipelines under various local land laws.

Other than the following major Government and other approvals pertaining to Cairn India's assets, the Company is not aware of any further significant approvals necessary to enable Cairn India to continue its business:

1. Petroleum Mining Leases:

1.1 Approvals Granted

Description	Reference/Licence Number	Date of Issue	Date of Expiry
Approval of the MoPNG, GoI for issuance of a PML under Rule 5(1)(ii) of the Petroleum and Natural Gas Rules, 1959 to ONGC for crude oil and natural gas at the Lakshmi Gas Field measuring 121.06 square kilometres	O-12012/123/2002-ONG. D.IV	28 June, 2002 with effect from 1 July, 2002	1 July, 2022
Approval of the MoPNG, GoI for issuance of a PML to the joint venture consisting of ONGC, Videocon Petroleum Limited, Command Petroleum (India) Pty Limited (now known as CEIL) and Ravva Oil (Singapore) Pty Limited under Rule 5(1)(ii) of the Petroleum and Natural Gas Rules, 1959 to mine petroleum in the offshore Ravva Oil and Gas Field measuring 22.20 square kilometres	O-12012/39/92-ONG. D.IV	8 March, 1995 with effect from 28 October, 1994	27 October, 2019
Approval of the MoPNG, GoI for issuance of a PML under the Petroleum and Natural Gas Rules, 1959 to the joint venture consisting of ONGC, Videocon Petroleum Limited, Command Petroleum (India) Pty. Limited (now known as CEIL) and Ravva Oil Singapore Limited for mining of petroleum for the onshore portion of the Ravva Oil and Gas Field measuring 21 square kilometres	O-12012/39/92-ONG. D.IV	4 July, 1997	4 July, 2017
Approval of the MoPNG, GoI for issuance of a PML to ONGC under Rule 5(1)(ii) of the Petroleum and Natural Gas Rules, 1959 for mining of crude oil and natural gas in the Mangala Oil Fields, Barmer district, Rajasthan (Block RJ-ON-90/1) measuring 1,859 square kilometres	No. o-12012/1/2005-ONG/ D.IV	21 June, 2005 with effect from 20 June, 2005	20 June, 2025 or the expiry of the Rajasthan PSC whichever is earlier.

1.2 Applications Pending

Description	Date
Revised application for a PML to the MoPNG, GoI under Rules 5(1)(ii) of the Petroleum and Natural Gas Rules 1959 by ONGC for the Gauri gas field in Block CB/OS-2 measuring 52.70 square kilometres	2 August, 2004

2. Petroleum Exploration Licences

2.1 Approvals Granted

Description	Reference/Licence Number	Date of Issue	Date of Expiry
Letter of authority in terms of section 6 of the Territorial Waters Continental Shelf Exclusive Economic Zone and Other Maritime Zones Act, 1976, from the MoPNG, GoI for exploring	O-19018/81/93-ONG-VI	7 July, 1998	7 July, 2023

Description	Reference/Licence Number	Date of Issue	Date of Expiry
petroleum in Block CB-OS-2. Under the letter, the GoI has granted ONGC the authority to explore and exploit petroleum resources and carry out any such search and excavation or drill or construct, maintain or operate any artificial island, offshore terminal, installation or other structure or device in Block CB-OS/2			
PEL issued through the order of the Energy and Petrochemicals Department, Government of Gujarat to ONGC under Rule 5(1)(ii) of the Petroleum and Natural Gas Rules, 1959 to prospect for crude oil and natural gas in the area measuring 135 square kilometres in Block CB-ONN-2002/I located in Gujarat	PEL-2004-863-E	18 October, 2004.	17 October, 2011
Approval of the MoPNG, GoI for issuance of a PEL to Cairn Energy Limited and ONGC under the Petroleum and Natural Gas Rules, 1959 to prospect for crude oil and natural gas in an area measuring 5,970 square kilometres in Block GS-OSN-2003-1 located in Gujarat*	O-12012/2/2005/D-III	5 December, 2005.	4 December, 2013
PEL to Cairn Petroleum India Limited and Cairn Energy Search Limited issued by the order of the Mines & Geology Department, Patna, Bihar under Rule 5(l)(ii) of the Petroleum and Natural Gas Rules, 1959 to prospect for crude oil and natural gas in the onshore area measuring 15,500 square kilometres in Block GV-ONN-2002/01	1 M.P-3/04/2270/ M.Patna	3 November, 2004	Not specified
PEL to Cairn Energy Limited and ONGC issued by the Director and Directorate of Geology and Mining, Lucknow, and Government of Uttar Pradesh to prospect for crude oil and natural gas in an area measuring 36,750 square kilometres in Block GV-ONN-1997/1 located in Uttar Pradesh**	79 Q/77-5-2001-53 2001	8 March, 2001	8 March, 2008
PEL issued by order of the Department of Mines (Group 1), Government of Rajasthan to ONGC for an area of 2,884 square kilometres in Block RJ-ON-90/1 including the additional area of 856 square kilometres granted by the Department of Mines (Group 1), Government of Rajasthan to ONGC on 12 January, 2005	Pa.17(3) Khan/ Group-1/95	21 September, 2005 with effect from May 15, 2005	15 November, 2006 (Expired)
PEL issued by the Department of Mines (Group 2), Government of Rajasthan to ONGC and Cairn Exploration (No.6) Limited under Rule 5(1)(ii) of the Petroleum and Natural Gas Rules, 1959 for the exploration of crude oil and natural gas for an area measuring 3,585 square kilometres in Block VN-ONN-2003/1 located at Kota, Jhalwar and Baran districts in Rajasthan	No.F.18(20) Mines/ Gr.2./2005	21 February, 2006	20 February, 2013
PEL issued by the Department of Mines (Group 2), Government of Rajasthan to ENI India Limited, ONGC and Cairn Exploration (No.2) Limited under Rule 5(1)(ii) of the Petroleum and Natural Gas Rules,1959 for the exploration of crude oil and natural gas in Block RJ-ONN-2003/1 located in the Jaisalmer and Barmer districts in Rajasthan measuring 1,335 square kilometres	No.F.18(16) Mines/ Gr.2./2005.	4 January, 2006	3 January, 2013

Description	Reference/Licence Number	Date of Issue	Date of Expiry
Approval of the MoPNG, GoI for issuance of a PEL to CEIL and ONGC under the Petroleum and Natural Gas Rules, 1959 to prospect for crude oil and natural gas in an area measuring 9,756.60 square kilometres in Block KG-DWN-98/2	O-12013/8/2000-ONG/ D-IV	25 September, 2000 effective from 12 April, 2000	11 April, 2008
PEL issued by the Energy and Petrochemicals Department, Government of Gujarat to ONGC under Rule 5(1)(ii) of the Petroleum and Natural Gas Rules, 1959 for the prospecting of petroleum for an area measuring 215 square kilometres in Block CB-ONN-2001-1 located at Kheda district, Gujarat	PCR-2003-926-E	19 August, 2003	Not specified

* *The licence has been granted in the name of Cairn Energy Limited. An application dated 10 August, 2006 has been submitted by Cairn Exploration (No.7) Limited to the MoPNG, GoI requesting for a correction in the name of the licensee from Cairn Energy Limited to Cairn Exploration (No.7) Limited.*

** *The licence has been granted in the name of Cairn Energy Limited and ONGC. An application dated 15 September, 2006 has been made to the Directorate of Geology & Mines, requesting an amendment to the licence to include CEIL as one of the licensees pursuant to the amendment of the PSC dated 12 April, 2000 with respect to the block GV-ONN-97/1.*

2.2 Approvals Pending

Description	Date
Application for grant of PEL to the Assistant Director, Industries and Commerce Department, Geology and Mining, Government of Andhra Pradesh by CEIL, Cairn Exploration (No.4) Limited and ONGC for Block KG-ONN-2003/1 measuring 1,697 square kilometres	24 August, 2006
Application for grant of the PEL by CEIL to prospect for crude oil and natural gas in an area measuring 7,210 square kilometres in Block GV-ONN-2003/1 located in Uttar Pradesh	14 October, 2005

3. Approvals for storage of petroleum

Description	Reference/Licence Number	Date of Issue	Date of Expiry
Licence to CEIL issued by the Joint Chief Controller of Explosives for storage of 15KL of Petroleum Class B (ATF) above ground in an installation for refuelling aircrafts, located at Surat, Gujarat	P-12(33)642/GJ/ SUR-682	8 July, 2003	31 December, 2006
Licence to CEIL issued by the Chief Controller of Explosives, Ministry of Commerce and Industry, GoI for import and storage of 4,770KL of Petroleum Class A in bulk in three above ground Petroleum Class A storage tanks together with connected facilities situated at Lakshmi Fields Phase I, Hazira, Gujarat	P/HQ/GJ/15/4413 (P18 984)	17 July, 2002	31 December, 2006
Licence to CEIL issued by the Controller of Explosives, Ministry of Commerce and Industry, GoI for Petroleum Class B installation located at Suvali, Gujarat	P/HQ/GJ/15/2147 (P19 632)	17 July, 2002	31 December, 2007
Licence to CEIL issued by the Chief Controller of Explosives, Ministry of Commerce and Industry, GoI for the storage of 11,680 kilograms of liquefied propane in 1 pressure vessel, LT-V-4051 located at Suvali Tal, Gujarat	S/HO/GJ/03/742 (s22260)	5 November, 2004	31 March, 2008

Description	Reference/Licence Number	Date of Issue	Date of Expiry
Licence to CEIL issued by the Chief Controller of Explosives Ministry of Commerce and Industry, GoI to import and store 169,975 KL of Petroleum Class A and 40 KL of Petroleum Class B in five above ground Petroleum Class A and two above ground Petroleum Class B storage tanks situated at Surasami Yanam, Andhra Pradesh	P/HQ/AP/15/1538 (P19 193)	7 April, 1995	31 December, 2007
Licence to Command Petroleum (India) Private Limited (now known as CEIL) issued by the Chief Controller of Explosives, Ministry of Commerce and Industry, GoI for the storage of 2.3 MT, 1 × 5,500 litres of propane in one pressure vessels situated at Sarasani Yanam, Andhra Pradesh	PV(SC) S-263/AP	18 February, 1997	31 March, 2008
Licence to CEIL issued by the Joint Controller of Explosives, Ministry of Commerce and Industry, GoI for Petroleum Class 6 at Surasaniyam, Andhra Pradesh	AP 2180/E	18 March, 2005	31 March, 2007
Licence to CEIL issued by the Controller of Explosives, Ministry of Commerce and Industry, GoI for Petroleum Class A and B at Kapurdi (v), Barmer district, Rajasthan	P/HQ/RJ/15/1950 (P125385)	23 November, 2004	31 December, 2006
Licence to CEIL issued by the Controller of Explosives, Ministry of Commerce and Industry, GoI for Petroleum Class A and B at Chuli, Barmer district, Rajasthan	P/HQ/RJ/15/1946 (P125388)	8 November, 2004	31 December, 2006
Licence to CEIL issued by the Controller of Explosives, Ministry of Commerce and Industry, Petroleum and Explosives Safety Organisation, GoI for Petroleum Class A and B at Nawa Nagar District, Barmer district, Rajasthan	P/HQ/RJ/15/1892 (P53774)	21 January, 2005	31 December, 2007
Licence to CEIL issued by the Controller of Explosives, Ministry of Commerce and Industry, GoI for Petroleum Class A and B at Village Kapurdi, Barmer district, Rajasthan	P/HQ/RJ/15/1949/ (P124409)	8 November, 2004	31 December, 2006
Licence to CEIL issued by the Controller of Explosives, Ministry of Commerce and Industry, Petroleum and Explosives Safety Organisation, GoI for Petroleum Class A and B, Tehsil Guda Malini, Barmer district, Rajasthan	P/HQ/RJ/15/2011/ (P149267)	23 November, 2005	31 December, 2007
Licence to CEIL issued by the Controller of Explosives, Ministry of Commerce and Industry, Petroleum and Explosives Safety Organisation, GoI for Petroleum Class A and B, Tehsil Guda Malini, Barmer district, Rajasthan	P/HQ/RJ/15/1997/ (P149265)	26 July, 2005	31 December, 2007
Licence to CEIL issued by the Controller of Explosives, Ministry of Commerce and Industry, Petroleum and Explosives Safety Organisation, GoI for Petroleum Class A and B, Tehsil Guda Malini, Barmer district, Rajasthan	P/HQ/RJ/15/1924/ (P116992)	17 August, 2004	31 December, 2006
Licence to CEIL issued by the Controller of Explosives, Ministry of Commerce and Industry, Petroleum and Explosives Safety Organisation, GoI for Petroleum Class A and B, Tehsil Guda Malini, Barmer district, Rajasthan	P/HQ/RJ/15/2054 (P171558)	22 August, 2006	31 December, 2008

Description	Reference/Licence Number	Date of Issue	Date of Expiry
Licence to CEIL issued by the Controller of Explosives, Ministry of Commerce and Industry, Petroleum and Explosives Safety Organisation, GoI for Petroleum Class A and B, Tehsil Bayatu, Barmer district, Rajasthan	P/HQ/RJ/15/2020 (P154534)	23 November, 2005	31 December, 2007
Licence to CEIL issued by the Controller of Explosives, Ministry of Commerce and Industry, Petroleum and Explosives Safety Organisation, GoI for Petroleum Class A and B, Tehsil Guda Malini, Barmer district, Rajasthan	P/HQ/RJ/15/2016 (P154540)	22 November, 2005	31 December, 2007
Licence to CEIL issued by the Controller of Explosives, Ministry of Commerce and Industry, Petroleum and Explosives Safety Organisation, GoI for Petroleum Class A and B, Tehsil Shiv, Barmer district, Rajasthan	P/HQ/RJ/15/1974 (P141402)	20 April, 2005	31 December, 2007
Licence to CEIL issued by the Controller of Explosives, Ministry of Commerce and Industry, Petroleum and Explosives Safety Organisation, GoI for Petroleum Class A and B, Tehsil Guda Malini, Barmer district, Rajasthan	P/HQ/RJ/15/1975 (P141266)	20 April, 2005	31 December, 2007
Licence to CEIL issued by the Controller of Explosives, Ministry of Commerce and Industry, Petroleum and Explosives Safety Organisation, GoI for Petroleum Class A and B, Tehsil Guda, Barmer district, Rajasthan	P/HQ/RJ/15/2017/ P154543)	22 November, 2005	31 December, 2007
Licence to CEIL issued by the Controller of Explosives, Ministry of Commerce and Industry, Petroleum and Explosives Safety Organisation GoI for Petroleum Class A and B, Tehsil Guda Malini, Barmer district, Rajasthan	P/HQ/RJ/15/2019/ (P154538)	23 November, 2005	31 December, 2007
Licence to CEIL issued by the Controller of Explosives, Ministry of Commerce and Industry, GoI for Petroleum Class A and B, Tehsil Sanchor Jalore district, Rajasthan	P/HQ/RJ/15/1995 (P141400)	26 July, 2005	31 December, 2007
Licence to CEIL issued by the Controller of Explosives, Ministry of Commerce and Industry, GoI for Petroleum Class A and B, Nawa Nagar, Barmer district, Rajasthan	P/HQ/RJ/15/1891/ (P53775)	21 January, 2004	31 December, 2007
Licence to CEIL issued by the Controller of Explosives, Ministry of Commerce and Industry, GoI for Petroleum Class A and B, Tehsil Bayatu, Barmer district, Rajasthan	P/HQ/RJ/15/2008 (P149007)	18 November, 2005	31 December, 2007
Licence to CEIL issued by the Controller of Explosives, Ministry of Commerce and Industry, GoI for Petroleum Class A and B, Tehsil Bayatu, Barmer district, Rajasthan	P/HQ/RJ/15/1925 (P116995)	17 August, 2004	31 December, 2006
Licence to CEIL issued by the Controller of Explosives, Ministry of Commerce and Industry, GoI for Petroleum Class A and B, Tehsil Guda Malini, Barmer district, Rajasthan	P/HQ/RJ/15/2053 (P171052)	22 August, 2006	31 December, 2008
Licence to CEIL issued by the Controller of Explosives, Ministry of Commerce and Industry, GoI for Petroleum Class A and B, Tehsil Sanchor, Jalore district, Rajasthan	P/HQ/RJ/15/1994 (P141264)	26 July, 2005	31 December, 2007
Licence to CEIL issued by the Controller of Explosives, Ministry of Commerce and Industry, GoI for Petroleum Class A and B, Tehsil Bayatu, Barmer district, Rajasthan	P/HQ/RJ/15/2015/ (P149264)	5 December, 2005	31 December, 2007

Description	Reference/Licence Number	Date of Issue	Date of Expiry
Licence to CEIL issued by the Controller of Explosives, Ministry of Commerce and Industry, GoI for Petroleum Class A and B, Tehsil Shiv, Barmer district, Rajasthan	P/HQ/RJ/15/1955/ (P13243)	4 January, 2005	31 December, 2007
Licence to CEIL issued by the Controller of Explosives, Ministry of Commerce and Industry, GoI for Petroleum Class A and B, Tehsil Shiv, Barmer district, Rajasthan	P/HQ/RJ/15/1941 (P124394)	2 November, 2004	31 December, 2006
Licence to CEIL issued by the Controller of Explosives, Ministry of Commerce and Industry, GoI for Petroleum Class A and B, Tehsil Shiv, Barmer district, Rajasthan	P/HQ/RJ/15/1943 (P125256)	2 November, 2004	31 December, 2006
Licence to CEIL issued by the Controller of Explosives, Ministry of Commerce and Industry, GoI for Petroleum Class A and B, Tehsil Shiv, Barmer district, Rajasthan	P/HQ/RJ/15/1953 (P132440)	4 January, 2005	31 December, 2007
Licence to CEIL issued by the Controller of Explosives, Ministry of Commerce and Industry, GoI for Petroleum Class A and B, Tehsil Bayutu, Barmer district, Rajasthan	P/HQ/RJ/15/1947 (P124282)	8 November, 2004	31 December, 2006
Licence to CEIL issued by the Controller of Explosives, Ministry of Commerce and Industry, GoI for Petroleum Class A and B, Village Batadu and Bhinda, Barmer district, Rajasthan	P/HQ/RJ/15/1923 (P116988)	17 August, 2004	31 December, 2006
Licence to CEIL issued by the Controller of Explosives, Ministry of Commerce and Industry, GoI for Petroleum Class A and B, Tehsil Bharka, Barmer district, Rajasthan	P/HQ/RJ/15/2004 (P14909)	18 November, 2005	31 December, 2007
Licence to CEIL issued by the Controller of Explosives, Ministry of Commerce and Industry, GoI for Petroleum Class A and B, Village Bhadka, Barmer district, Rajasthan	P/HQ/RJ/15/1930 (P119776)	17 August, 2004	31 December, 2006
Licence to CEIL issued by the Controller of Explosives, Ministry of Commerce and Industry, GoI for Petroleum Class A and B, Village Praganiyon and Bhadka, Barmer district, Rajasthan	P/HQ/RJ/15/1929 (P119775)	17 August, 2004	31 December, 2006
Licence to CEIL issued by the Controller of Explosives, Ministry of Commerce and Industry, GoI for Petroleum Class A and B, Village Shivkar, Barmer district, Rajasthan	P/HQ/RJ/15/1926 (P119771)	17 August, 2004	31 December, 2006
Licence to CEIL issued by the Controller of Explosives, Ministry of Commerce and Industry, GoI for Petroleum Class A and B, Village Bothiya, Barmer district, Rajasthan	P/HQ/RJ/15/1945 (P124398)	8 November, 2004	31 December, 2006
Licence to CEIL issued by the Controller of Explosives, Ministry of Commerce and Industry, GoI for Petroleum Class A and B, Village Rohili, Barmer district, Rajasthan	P/HQ/RJ/15/1956 (P132444)	4 January, 2005	31 December, 2007
Licence to CEIL issued by the Controller of Explosives, Ministry of Commerce and Industry, GoI for Petroleum Class A and B, Tehsil Bayatu, Barmer district, Rajasthan	P/HQ/RJ/15/1985 (P144603)	27 May, 2005	31 December, 2007
Licence to CEIL issued by the Controller of Explosives, Ministry of Commerce and Industry, GoI for Petroleum Class A and B, Tehsil Bayatu, Barmer district, Rajasthan	P/HQ/RJ/15/1928 (P119774)	17 August, 2004	31 December, 2006
Licence to CEIL issued by the Controller of Explosives, Ministry of Commerce and	P/HQ/RJ/15/1922 (P116991)	17 August, 2004	31 December, 2006

Description	Reference/Licence Number	Date of Issue	Date of Expiry
Industry, GoI for Petroleum Class A and B, Village Nagesariva Dhunda & Dhunda, Barmer district, Rajasthan			
Licence to CEIL issued by the Controller of Explosives, Ministry of Commerce and Industry, GoI for Petroleum Class A and B, Tehsil Bayatu, Barmer district, Rajasthan	P/HQ/RJ/15/1981 (P142776)	4 May, 2005	31 December, 2007
Licence to CEIL issued by the Controller of Explosives, Ministry of Commerce and Industry, GoI for Petroleum Class A and B, Village Lakhetali, Barmer district, Rajasthan	P/HQ/RJ/15/1944 (P124288)	8 November, 2004	31 December, 2006
Licence to CEIL issued by the Controller of Explosives, Ministry of Commerce and Industry, GoI for Petroleum Class A and B, Village Chandiniyon Ki Dhani, Barmer district, Rajasthan	P/HQ/RJ/15/1932 (P119780)	19 August, 2004	31 December, 2007
Licence to CEIL issued by the Controller of Explosives, Ministry of Commerce and Industry, GoI for Petroleum Class A and B, Village Bana Ka Tala, Barmer district, Rajasthan	P/HQ/RJ/15/1897 (P57415)	21 January, 2004	31 December, 2006
Licence to CEIL issued by the Controller of Explosives, Ministry of Commerce and Industry, GoI for Petroleum Class A and B, Tehsil Shiv, Barmer district, Rajasthan	P/HQ/RJ/15/1987 (P145516)	27 May, 2005	31 December, 2007
Licence to CEIL issued by the Controller of Explosives, Ministry of Commerce and Industry, GoI for Petroleum Class A and B, Village Bothiya, Barmer district, Rajasthan	P/HQ/RJ/15/2007 (P149266)	18 November, 2005	31 December, 2007
Licence to CEIL issued by the Controller of Explosives, Ministry of Commerce and Industry, GoI for Petroleum Class A and B, Village Bothiya, Barmer district, Rajasthan	P/HQ/RJ/15/1988 (P145526)	June 16, 2005	31 December, 2007
Licence to CEIL issued by the Controller of Explosives, Ministry of Commerce and Industry, GoI for Petroleum Class A and B, Village Bothiya, Barmer district, Rajasthan	P/HQ/RJ/15/2006/ (P148334)	18 November, 2005	31 December, 2007
Licence to CEIL issued by the Controller of Explosives, Ministry of Commerce and Industry, GoI for Petroleum Class A and B, Village Bhadka, Barmer district, Rajasthan	P/HQ/RJ/15/1986 (P144601)	27 May, 2005	31 December, 2007
Licence to CEIL issued by the Controller of Explosives, Ministry of Commerce and Industry, GoI for Petroleum Class A and B, District Surasami Yanam; East Godavari, Andhra Pradesh	P/HQ/AP/15/1538 (P19193)	27 May, 2004	31 December, 2007
Licence to Command Petroleum (India) Limited issued by the Controller of Explosives, Ministry of Commerce and Industry, GoI for the storage of 2.3 MT of Propane at District Surasami Yanam; East Godavari Andhra Pradesh	PV(SC)S-263-AP	18 February, 1997	31 March, 2008

4. Environmental Approvals

4.1 Approvals Granted

Description	Registration Number	Date of Issue	Date of Expiry
Block CB-OS/2			
Environmental clearance for exploratory drilling (6 wells) in Block CB-OS/2 by the MoEF, GoI under the CRZ Notification	J-16011/12/2003-IA-III	10 November, 2003	Valid for five years
Environmental clearance for offshore exploratory drilling (20 wells), for Block CB-OS/2 GoI under the CRZ Notification	J-11011/55/2000-IA II	21 November, 2000	Valid for five years
Consent to operate 20 offshore exploratory drill wells, for Block CB-OS/2, under the Air (Prevention and Control of Pollution) Act, 1981, the Water (Prevention and Control of Pollution) Act, 1974 and Hazardous Wastes (Management and Handling) Rules, 1989**	No. 1294	12 January, 2004	31 October, 2006
Environmental clearance for the integrated gas development of Block CB-OS/2 by the MoEF, GoI under the EIA Notification and CRZ Notification	J-11011/21/2001-IA.II	6 July, 2001	Valid for five years
Consent to operate development of Block CB-OS/2 under the Air (Prevention and Control of Pollution) Act, 1981, the Water (Prevention and Control of Pollution) Act, 1974 and the Hazardous Wastes (Management and Handling) Rules, 1989	Consolidated Order No:4866	20 December, 2004	16 July, 2009
Environmental clearance for transition block development of Block CB-OS/2 by the MoEF under the CRZ Notification	11-32/2005-IA.III	4 August, 2005	Valid for five years
Environmental clearance for offshore oil development in Block CB-OS/2 under the EIA Notification	J-11011/109/2005-IA II (I)	25 January, 2006	Valid for five years
Consent to operate under the Air (Prevention and Control of Pollution) Act, 1981 and the Water (Prevention and Control of Pollution) Act, 1974 and the Hazardous Wastes (Management and Handling) Rules, 1989 for offshore oil development in Block CB-OS/2	Consolidated Order No:7320	13 February, 2006	7 September, 2010
Environmental clearance for transition block development of Block CB-OS/2 by the MoEF under the EIA Notification	J-11011/20/2005-IA II (I)	3 April, 2006	Valid for five years
Ravva Block			
Environmental clearance for PKGM-1 exploratory drilling (8 wells) for the Ravva Block MoEF under the EIA Notification	J-11011/50/2001-IA-II	17 September, 2001	Valid for five years
Environmental clearance for the development of the Ravva oil and gas fields by the MoEF, GoI under the EIA Notification	J-11012/59/95-IA-II (I)	3 July, 1996	Valid for five years
Environmental clearance for Ravva satellite gas development project by the MoEF, GoI	J-11011/84/2000-IA-II	30 January, 2001	Valid for five years
Consent to operate Ravva operations under the Air (Prevention and Control of Pollution) Act, 1981 and the Water (Prevention and Control of Pollution) Act, 1974	No APPCB/VSP/ RJY/546/HO/W & A/2006/	25 May, 2006	28 February, 2009
Authorisation for Ravva operations under the Hazard Wastes (Handling and Management) Rules, 1989	No. EG-04/PCB/ HWM/2005	28 July, 2006	8 February, 2009

Description	Registration Number	Date of Issue	Date of Expiry
Environmental clearance for PKGM-1 onshore exploratory drilling (2 wells) by the MoEF, GoI under the CRZ Notification	No. 10-28/2004-IA-III	31 March, 2006	Valid for five years
Environmental clearance for infill well drilling in the Ravva field from the MoEF, GoI under the EIA Notification	J-11011/207/2004-1A-II	4 August, 2005	Valid for five years
Consent to establish produced water re-injection system at Ravva under the Air (Prevention and Control of Pollution) Act, 1981 and the Water (Prevention and Control of Pollution) Act, 1974	281/APPCB/VSP/KKD/ CFE/ HO/2005/2809	13 March, 2006	12 March, 2009
Block RJ-ON-90/1			
Environmental clearance for exploratory drilling (59 wells) in Block RJ-ON-90/1 from the MoEF, GoI under the EIA Notification	J-11011/98/2003-IA-II(1)	7 November, 2003	Valid for three years
Consent to establish exploratory drilling operations (10 wells) in Block RJ-ON-90/1 by the Rajasthan State Pollution Control Board under the Air (Prevention and Control of Pollution) Act, 1981 and the Water (Prevention and Control of Pollution) Act, 1974*	F.5 (BR-318)RPCB/ Gr.II/2624	11 August, 2004	Valid for three years
Consent to establish exploratory drilling operations (15 wells), north-west extension area, for Block RJ-ON-90/1 by the Rajasthan State Pollution Control Board under the Air (Prevention and Control of Pollution) Act, 1981 and the Water (Prevention and Control of Pollution) Act, 1974*	F.5 (BR-496)RPCB/ Gr.II/5205	28 February, 2005	Valid for three years
Environmental clearance for hydro-carbon development for five fields in Block RJ-ON-90/1 under the EIA Notification*	J-11011/38/2005-IA-II(I)	21 March, 2006	Valid for five years
Environmental clearance for additional exploratory drilling in RJ-ON-90/1 I Block (64 wells) by the MoEF, GoI under the EIA Notification*	J-11011/382/2005-A II (I)	21 March, 2006	Valid for five years
Authorisation to extract 25,000 m^3 of saline ground water per day issued by the Ministry of Water Resources, GoI	No. 21-4(22)/WR/ CGWA/05	6 January, 2006	Valid for five years from the date of commencement of extraction of saline ground water
Consent to establish under the Water (Prevention and Control of Pollution) Act, 1974 and Air (Prevention and Control of Pollution) Act, 1981 for hydrocarbon development in Saraswati Field	F.5(BR-531)RPCB/ Gr.II/3910	22 August, 2006	Valid for three years i.e. till 27 March, 2009 or up to commissioning of the project whichever is earlier
Consent to operate for discharge of trade/ domestic effluent under the Water (Prevention and Control of Pollution) Act, 1974 for hydrocarbon development in Saraswati Field	F.5(BR-531)RPCB/ Gr.II/3918	22 August, 2006	6 April, 2007
Consent to operate under the Air (Prevention and Control of Pollution) Act, 1981 for hydrocarbon development in Saraswati Field (well pad 1 with associated facilities)	F.5(BR-531)RPCB/ Gr.II/3914	22 August, 2006	6 April, 2007
Grant of authorisation for operating a facility for collection, storage, transportation & disposal of hazardous waste under the Hazardous waste (M&H) Rules, 2003 for hydrocarbon development at Saraswati field (well pad 1)	F.16(BR-6)HAZ/RPCB/ Gr.II/3907	22 August, 2006	Valid for one year from the date of issuance

Description	Registration Number	Date of Issue	Date of Expiry
Consent to establish under the Water (Prevention and Control of Pollution) Act, 1974 and Air (Prevention and Control of Pollution) Act, 1981 for hydrocarbon development in Raageshwari Field	F.5(BR-530)RPCB/ Gr.II/3903	22 August, 2006	Valid for three years i.e. till 27 March, 2009 or up to commissioning of the project whichever is earlier

* *We require consent to operate under the Air (Prevention and Control of Pollution) Act, 1981 and the Water (Prevention and Control of Pollution) Act, 1974, and an authorisation under the Hazardous Wastes (Management and Handling) Rules, 1989 to operate each of these wells. Accordingly, we have obtained consents to operate these wells.*

** *We have made an application dated 18 September, 2006 to the Gujarat State Pollution Control Board for renewal of this approval.*

4.2 Pending Approvals

Description	Date of Application
Application for consent to operate onshore exploratory drilling (2 wells) in the Ravva Block under the Air (Prevention and Control of Pollution) Act, 1981 and the Water (Prevention and Control of Pollution) Act, 1974, to the Andhra Pradesh Pollution Control Board.	17 April, 2006
Application for consent to operate for exploratory drilling in the offshore area in Ravva Block.	19 July, 2006

5. Miscellaneous Approvals

Description	Registration Number	Date of Issue
Certificate of registration issued to CEIL by the Labour Commissioner of Haryana under the Contract Labour (Regulation and Abolition) Act, 1970	Not legible	24 April, 2006
Certificate of registration issued to CEIL by the Assistant Labour Commissioner, Ministry of Labour, GoI under the Contract Labour (Regulation and Abolition) Act, 1970	No.58/3/2002/ALC	21 May, 2002
Registration under the Employees Provident Fund and Miscellaneous Provisions Act, 1952 issued by the Employees Provident Fund Regional Office, Tamil Nadu to CEIL	D3/tn/49436/Ref/2001	13 September, 2001
Certificate of registration under the Central Sales Tax Act issued to CEIL for operations in the state of Andhra Pradesh	Not legible	30 September, 1995
Certificate of registration under the Central Sales Tax Act issued to CEIL for operations in Rajasthan	CST/1949/03798	7 April, 2000
Certificate of registration under the Rajasthan Sales Tax Act issued to CEIL for their operations in Rajasthan	RST-1949/03798	7 April, 2000
Certificate of registration under the Gujarat Sales Tax Act issued to CEIL for their operations in Gujarat	24220300118	1 August, 2002
Certificate of registration under Central Sales Tax Act issued to CEIL for their operations in Gujarat	24720300118	30 April, 2005
Certificate of registration for value added tax issued under the Andhra Pradesh Value Added Tax Act, 2005 to CEIL for operations in Andhra Pradesh	VAT Registration No, (TIN) 28620180529	1 April, 2005

Description	Registration Number	Date of Issue
Consent from the Andhra Pradesh State Electricity Board for installation of 2 turbo generator sets in Syanam, Andhra Pradesh	CE(Comml)/ A2/CPP/405/97	17 January, 1997
Consent from the Directorate General of Mines and Safety, Ministry of Labour, GoI to CEIL for installation of two generators and one DG set, at Suvali, Hazira, Gujarat	DD(E) /NZ/1199	8 April, 2003
Consent from the Andhra Pradesh State Electricity Board to Command Petroleum (India) Pty Ltd for installation of 2 turbo generators at S'yanam, Andhra Pradesh	CE(Comml)/ A2/CPP/405/97	17 January, 1997

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The Board, pursuant to a resolution passed at its meeting held on 21 September, 2006, has authorised the Issue and the Green Shoe Option

The shareholders have authorised the Issue and the Green Shoe Option by a special resolution passed at the EGM of the Company on 21 September, 2006.

The Board has, pursuant to its resolution dated 24 November, 2006, approved this Red Herring Prospectus.

The shareholders of Cairn Energy PLC have approved the Issue at an EGM held on 17 November, 2006.

Prohibition by the SEBI

The Company, the Directors, the Promoters, the directors or the person(s) in control of the Promoter or the Promoter Group, Subsidiaries, and the companies in which the Directors are directors, have not been prohibited from accessing or operating in capital markets under any order or direction passed by the SEBI.

None of the Company, its Promoters, its Directors, and the companies in which the Directors are directors, has been declared as a wilful defaulter by the RBI or any other governmental authority and there has been no violation of any securities law committed by any of them in the past and no such proceedings are pending against any of them.

Eligibility for the Issue

We are eligible to make the Issue in accordance with clause 2.2.2 of the SEBI Guidelines as explained below:

Clause 2.2.2 of the SEBI Guidelines states as follows:

"An unlisted company not complying with any of the conditions specified in Clause 2.2.1 may make an initial public offering (IPO) of equity shares or any other security which may be converted into or exchanged with equity shares at a later date, only if it meets both the conditions (a) and (b) given below:

(a) (i) The Issue is made through the book-building process, with at least 50% of the net offer to the public being allotted to Qualified Institutional Buyers (QIBs), failing which the full subscription monies shall be refunded.

OR

(a) (ii) The "project" has at least 15% participation by Financial Institutions/Scheduled Commercial Banks, of which at least 10% comes from the appraiser(s). In addition to this, at least 10% of the issue size shall be allotted to QIBs, failing which the full subscription monies shall be refunded.

AND

(b) (i) The minimum post-issue face value capital of the company shall be Rs. 10 crore.

OR

(b) (ii) There shall be a compulsory market-making for at least 2 years from the date of listing of the shares, subject to the following:

(a) Market makers undertake to offer, buy and sell quotes for a minimum depth of 300 shares;

(b) Market makers undertake to ensure that the bid-ask spread (difference between quotations for sale and purchase) for their quotes shall not at any time exceed 10%;

(c) The inventory of the market makers on each of such stock exchanges, as on the date of allotment of securities, shall be at least 5% of the proposed issue of the Company."

We are an unlisted company not complying with the conditions specified in Clause 2.2.1 of the SEBI Guidelines and are therefore required to meet both the conditions detailed in Clause 2.2.2(a) and 2.2.2(b) of the SEBI Guidelines.

- This being an issue for less than 25% of the post issue capital, we are complying with Clause 2.2.2(a)(i) of the SEBI Guidelines and at least 60% of the Issue is proposed to be Allotted to

QIB Bidders and in addition the Issue relates to a minimum of two million Equity Shares being offered to the public and the minimum issue size being at least Rs. 100 crore. (in order to comply with the requirements of Rule 19(2)(b) of the SCRR) and if we fail to do so the full subscription monies shall be refunded to the Bidders. Accordingly, as per the second proviso to clause 11.3.5(i) of the SEBI Guidelines, not less than 10% and 30% of the Issue will be available for allocation to Non-Institutional Bidders and Retail Individual Bidders, respectively.

- We are also complying with Clause 2.2.2(b)(i) of the SEBI Guidelines since the post-issue face value capital of the Company shall be Rs. 1,765 crore (excluding the Green Shoe Option), which is more than the minimum requirement of Rs. 10 crore.

Further, in accordance with Clause 2.2.2A of the SEBI Guidelines, we shall ensure that the number of prospective allottees to whom the Equity Shares will be Allotted will be not less than 1,000, failing which the entire application monies will be refunded forthwith. In the event that there is any delay in refunding application monies, the Company shall pay interest on the application monies at the rate of 15% per annum for the period of delay.

Disclaimer Clause

AS REQUIRED, A COPY OF THE RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE RED HERRING PROSPECTUS TO SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED TO MEAN THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE RED HERRING PROSPECTUS. THE BRLMs, ABN AMRO SECURITIES (INDIA) PRIVATE LIMITED, DSP MERRILL LYNCH LIMITED, AND JM MORGAN STANLEY PRIVATE LIMITED, HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES 2000 IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE RED HERRING PROSPECTUS, THE BRLMs ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BRLMs, ABN AMRO SECURITIES (INDIA) PRIVATE LIMITED, DSP MERRILL LYNCH LIMITED, AND JM MORGAN STANLEY PRIVATE LIMITED, HAVE FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED 27 NOVEMBER, 2006 IN ACCORDANCE WITH SEBI (MERCHANT BANKERS) REGULATIONS 1992 WHICH READS AS FOLLOWS:

(I) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE;

(II) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE OFFER, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY,

WE CONFIRM THAT:

(A) THE RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPER RELEVANT TO THE ISSUE;

(B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE, AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH;

(C) THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE;

(D) BESIDE OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND TILL DATE SUCH REGISTRATION IS VALID;

(E) WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE NET WORTH OF THE UNDERWRITERS BEING ADEQUATE TO FULFIL THEIR UNDERWRITING COMMITMENTS.

THE FILING OF THE RED HERRING PROSPECTUS DOCUMENT DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTIONS 63 OR 68 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE BRLMs ANY IRREGULARITIES OR LAPSES IN THE RED HERRING PROSPECTUS.

All legal requirements pertaining to the Issue will be complied with at the time of the filing of the Red Herring Prospectus with the RoC in terms of section 60B of the Companies Act. All legal requirements pertaining to the Issue will be complied with at the time of registration of the Prospectus with the RoC in terms of section 56, section 60 and section 60B of the Companies Act.

Caution—Disclaimer from the Company and the BRLMs

The Company, the Directors and the BRLMs accept no responsibility for statements made otherwise than in this Red Herring Prospectus or in the advertisements or any other material issued by the Company or at the instigation of the above-mentioned entities and anyone placing reliance on any other source of information, including the Company's website www.cairnindia.com, would be doing so at his or her own risk.

The BRLMs accept no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into between the BRLMs, Cairn Energy PLC and the Company on 12 October, 2006 and the Underwriting Agreement to be entered into between the Underwriters and the Company.

All information shall be made available by us and the BRLMs to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including road show presentations, in research or sales reports, at bidding centres or elsewhere.

Neither the Company nor the Syndicate is liable for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

Investors that bid in the Issue will be required to confirm and will be deemed to have represented to the Company, the Underwriters and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company and will not offer, sell, pledge or transfer the Equity Shares of the Company to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company. The Company, the Underwriters and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares of the Company.

Disclaimer in respect of jurisdiction

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are not minors, HUFs, companies, corporate bodies and societies registered under applicable laws in India and authorised to invest in shares, Indian Mutual Funds registered with the SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under applicable trust law and who are authorised under their constitution to hold and invest in shares, permitted insurance companies and pension funds) and to FIIs, eligible Non-Resident Indians and other eligible foreign investors (viz. FVCIs, multilateral and bilateral development financial institutions). This Red Herring Prospectus does not, however, constitute an invitation to purchase shares offered hereby in any jurisdiction other than India to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Red Herring Prospectus comes is required to inform himself or herself about, and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Mumbai only.

No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that the Draft Red Herring Prospectus has been filed with the SEBI for its observations and the SEBI has given its observations. Accordingly, the Equity Shares represented thereby may not be offered or sold, directly or indirectly, and this Red Herring Prospectus may not be distributed in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

The Equity Shares have not been, and will not be, registered under the United States Securities Act, 1933 or any state securities laws in the United States and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the United States Securities Act, 1933. Accordingly, the Equity Shares will be offered and sold only (i) in the United States to "Qualified Institutional Buyers", as defined in Rule 144A of the United States Securities Act, 1933 and (ii) outside the United States in compliance with Regulation S of the United States Securities Act, 1933 and the applicable laws of the jurisdiction where those offers and sales occur.

The Equity Shares have not been, and will not be, registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Further, each Bidder where required must agree in the CAN that such Bidder will not sell or transfer any Equity Shares or any economic interest therein, including any off-shore derivative instruments, such as participatory notes, issued against the Equity Shares or any similar security, other than pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the United States Securities Act, 1933.

Disclaimer clause of the BSE

As required, a copy of the Draft Red Herring Prospectus has been submitted to the BSE. The BSE has by its letter dated 13 November, 2006 given permission to the Company to use the BSE's name in this Red Herring Prospectus as one of the stock exchanges on which the Company's securities are proposed to be listed. The BSE has scrutinised the Draft Red Herring Prospectus for its limited internal purpose of deciding whether to grant such permission to the Company. The BSE does not in any manner:

(i) warrant, certify or endorse the correctness or completeness of any of the contents of the Draft Red Herring Prospectus; or

(ii) warrant that the Company's securities will be listed or will continue to be listed on the BSE; or

(iii) take any responsibility for the financial or other soundness of the Company, its Promoters, its management or any scheme or project of the Company,

and it should not for any reason be deemed or construed that the Draft Red Herring Prospectus has been cleared or approved by the BSE. Every person who desires to apply for, or otherwise acquires, any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the BSE whatsoever by reason of any loss which may be suffered by such person consequent to, or in connection with, such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Disclaimer clause of the NSE

As required, a copy of the Draft Red Herring Prospectus has been submitted to the NSE. The NSE has by its letter dated 13 November, 2006 given permission to the Company to use the NSE's name in this Red Herring Prospectus as one of the stock exchanges on which the Company's securities are proposed to be listed. The NSE has scrutinised the Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Company. It is to be distinctly understood that the aforesaid permission given by the NSE should not in any way be deemed or construed that the Draft Red Herring Prospectus has been cleared or approved by the NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Draft Red Herring Prospectus; nor does it warrant that the Company's securities will be listed or will continue to be listed on the NSE nor does it take any responsibility for the financial or other soundness of the Company, its Promoters, its management or any scheme or project of the Company.

Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Filing

A copy of the Draft Red Herring Prospectus dated 12 October, 2006 has been filed with the SEBI at the Division of Issues and Listing, 29th Floor, Centre 1, World Trade Center, Cuff Parade, Mumbai 400 005.

A copy of this Red Herring Prospectus, along with the other documents required to be filed under section 60B of the Companies Act, will be delivered for registration to the RoC and a copy of the Prospectus to be filed under section 60 of the Companies Act will be delivered for registration to the RoC.

Listing

Applications will be made to the BSE and the NSE for permission to deal in and for an official quotation of the Equity Shares of the Company. The NSE will be the Designated Stock Exchange on which the basis of allocation will be finalised for the Issue.

If the permissions to deal in, and for an official quotation of, the Equity Shares are not granted by any of the Stock Exchanges mentioned above, the Company will forthwith repay, without interest, all monies received from applicants in reliance on this Red Herring Prospectus. If such money is not repaid within eight days after the Company has become liable to repay it (i.e., from the date of refusal or within 70 days from the Bid/Issue Closing Date, whichever is earlier), then the Company and every Director of the Company who is an officer in default shall, on and from the expiry of eight days, be liable to repay the monies with interest at the rate of 15% per annum on the application monies, as prescribed under section 73 of the Companies Act.

The Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at both the Stock Exchanges mentioned above are taken within seven working days of finalisation of the basis of Allotment for the Issue.

Consents

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Auditors, the Domestic Legal Counsel to the Company, the International Legal Counsel to the Company, the Domestic Legal Counsel to the Underwriters, the International Legal Counsel to the Underwriters, the Bankers to the Company and the Bankers to the Issue; and (b) the BRLMs, the Monitoring Agent, the Syndicate Members, the Escrow Collection Bankers and the Registrar to the Issue to act in their respective capacities, have been obtained and filed along with a copy of the Red Herring Prospectus with the RoC as required under sections 60 and 60B of the Companies Act and such consents will not be withdrawn up to the time of delivery of the Red Herring Prospectus for registration with the RoC.

In accordance with the Companies Act and the SEBI Guidelines, S.R. Batliboi & Associates, Chartered Accountants, have given their written consent to the inclusion of their reports in the form and context in which it appears in this Red Herring Prospectus and such consent and reports will not be withdrawn up to the time of delivery of this Red Herring Prospectus with the RoC.

S.R. Batliboi & Associates, Chartered Accountants, have given their written consent to the possible tax benefits accruing to the Company and its members in the form and context in which it appears in this Red Herring Prospectus and such consent will not be withdrawn up to the time of delivery of this Red Herring Prospectus to the RoC.

DeGolyer and MacNaughton has given its written consent to the inclusion of its report in the form and context in which it appears in this Red Herring Prospectus and such consent will not be withdrawn up to the time of delivery of this Red Herring Prospectus to the RoC.

Expert Opinion

Except as stated in the sections entitled "Statement of Tax Benefits" and "Financial Information" at pages 38 and 150 respectively of this Red Herring Prospectus and at Appendix A (the DeGolyer and MacNaughton Report), we have not obtained any expert opinions.

Expenses of the Issue*

The expenses of the Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. The estimated expenses of the Issue are as follows:

Activity	Rs. in crores	As a % of Total Issue Expense	As a % of Issue Size
Lead Management, underwriting and selling commission			[●]
Advertising and marketing expenses			[●]
Printing and stationery, including transportation of the same			[●]
Others (Monitoring Agent fee, Registrar fee, legal fees, listing fees etc.)			[●]
Total estimated Issue expenses			

* Will be incorporated after finalisation of the Issue Price.

Fees Payable to the Book Running Lead Managers, the Co-Book Running Lead Manager and Syndicate Members

The total fees payable to the BRLMs, the CBRLM and Syndicate Members (including underwriting commission and selling commission and reimbursement of their out of pocket expenses) will be as per the various engagement letters, copies of which are available for inspection at the Company's principal business office.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue for the processing of applications, data entry, printing of CAN/refund orders, preparation of refund data on magnetic tape and printing of bulk mailing register will be as per the memorandum of understanding between the Company and the Registrar to the Issue dated 25 September, 2006, a copy of which is available for inspection at the principal business office of the Company at 3rd and 4th Floor, Orchid Plaza, Suncity, Sector 54, Gurgaon 122 002.

The Registrar to the Issue will be reimbursed all out-of-pocket expenses incurred by it including cost of stationery, postage, stamp duty and communication expenses. Adequate funds will be provided to the Registrar to the Issue to enable it to send refund orders or Allotment advice in the manner described in this Red Herring Prospectus by registered post/speed post/under certificate of posting.

Particulars regarding Public or Rights Issues during the last five years

We have not made any previous public or rights issues in India or abroad during the last five years preceding the date of this Red Herring Prospectus.

Previous issues of Equity Shares otherwise than for Cash

We have not made any previous issue of Equity Shares otherwise than for cash, other than in relation to the proposed issue of 861,764,893 Equity Shares to Cairn UK Holdings Limited for the acquisition of [●]% of the remaining 78.2% of the share capital of Cairn India Holdings Limited to be acquired under, and subject to the terms and conditions of, the Share Purchase Deed. See the section entitled "History and Corporate Structure" at page 95 of this Red Herring Prospectus.

Commission and Brokerage paid on Previous Share Issues

Subject to the proposed Pre-IPO Placing, since this is the IPO of the Company, no sum has been paid or is payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of the Equity Shares since the Company's inception.

Companies under the same Management

No company under the same management (within the meaning of section 370(1)(B) of the Companies Act) as us has made any capital issue during the last three years.

Promise vis-à-vis Performance

Save for Cairn Energy PLC, neither the Company nor any Promoter Group or associate company has made any previous rights or public issues.

Outstanding Debentures or Bonds or Redeemable Preference Shares

The Company has no outstanding debentures or bonds or redeemable preference shares as of the date of this Red Herring Prospectus.

Stock Market Data for the Equity Shares

This being an initial public offering of the Company, the Equity Shares are not listed on any stock exchange.

Mechanism for Redressal of Investor Grievances

The memorandum of understanding between the Registrar to the Issue and the Company will provide for the retention of records by the Registrar to the Issue for a period of at least one year from the last date of dispatch of the Allotment letters, demat credit and refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as the applicant's name and address, the number of Equity Shares applied for, the amount paid on application and the bank branch or collection centre where the application was submitted.

Disposal of Investor Grievances

We estimate that the average time required by us or the Registrar to the Issue for the redressal of routine investor grievances will be seven days from the date of receipt of the complaint. In the case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

We have also appointed Preeti Chheda as the Compliance Officer for this Issue and she may be contacted in case of any pre-Issue or post-Issue related problems. She can be contacted at the following address:

Preeti Chheda
Compliance Officer
3rd and 4th Floor, Orchid Plaza, Suncity, Sector 54, Gurgaon 122 002
Tel: +91 (124) 270 3456
Fax: +91 (124) 288 9320
E-mail: preeti.chheda@cairn-energy.plc.uk

Change in Auditors

Since the Company was incorporated on 21 August, 2006, there has been no change in the Auditors.

Capitalisation of Reserves or Profits

We have not capitalised any reserves or profits since the Company's incorporation.

Revaluation of Assets

There has been no revaluation of the Company's assets since its incorporation.

Servicing Behaviour

There has been no default in payment of statutory dues or of interest or principal in respect of the Company's borrowings or deposits.

ISSUE INFORMATION

Issue of 328,799,675 Equity Shares of a face value of Rs. 10 each for cash at a price of Rs. [●] per Equity Share (including share premium of Rs. [●] per share) aggregating to Rs. [●]. There will also be a Green Shoe Option of up to 49,319,951 Equity Shares for cash at a price of Rs. [●] per Equity Share aggregating up to Rs. [●]. The Issue will constitute up to 20.84% of the fully diluted post-Issue paid up capital of the Company if the Green Shoe Option is exercised in full and up to 18.63% if the Green Shoe Option is not exercised. The Issue is being made through a 100% Book Building Process.

	QIBs	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares in the event the Green Shoe Option is not exercised*	At least 197,279,805 Equity Shares must be Allotted to QIBs.	Not less than 32,879,967 Equity Shares shall be available for allocation or Issue less Allotment to QIB Bidders and Retail Individual Bidders.	Not less than 98,639,903 Equity Shares shall be available for allocation or Issue less Allotment to QIB Bidders and Non-Institutional Bidders.
Number of Equity Shares in the event the Green Shoe Option is exercised in full	At least 226,871,775 Equity Shares must be Allotted to QIBs.	Not less than 37,811,962 Equity Shares shall be available for allocation or Issue less Allotment to QIB Bidders and Retail Individual Bidders.	Not less than 113,435,889 Equity Shares shall be available for allocation or Issue less Allotment to QIB Bidders and Non-Institutional Bidders.
Percentage of Issue Size available for Allotment	At least 60% of the Issue of which 5% shall be available for allocation to Mutual Funds.	Not less than 10% of the Issue shall be available for allocation. The unsubscribed portion in this category will be available for allocation to QIBs and Retail Individual Bidders.	Not less than 30% of the Issue shall be available for allocation. The unsubscribed portion in this category will be available for allocation first to the Non-Institutional Bidders and in the case the Non-Institutional Portion is undersubscribed in such an event to the QIBs.
Basis of Allocation if respective category is oversubscribed	Proportionate as follows: (a) 9,863,990 Equity Shares shall be available for allocation on a proportionate basis to Mutual Funds; and (b) 187,415,815 Equity Shares shall be Allotted on a proportionate basis to all QIBs including Mutual Funds.	Proportionate.	Proportionate.
Minimum Bid	Such number of Equity Shares so that the Bid Amount exceeds Rs. 100,000 and is a multiple of 35 Equity Shares.	Such number of Equity Shares so that the Bid Amount exceeds Rs. 100,000 and is a multiple of 35 Equity Shares.	35 Equity Shares and in multiples of 35 Equity Shares thereafter.
Maximum Bid	Such number of Equity Shares not exceeding the Issue size, subject to applicable limits.	Such number of Equity Shares not exceeding the Issue size, subject to applicable limits.	Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 100,000.
Allocation mode	Compulsory in dematerialised form.	Compulsory in dematerialised form.	Compulsory in dematerialised form.
Trading Lot	One Equity Share.	One Equity Share.	One Equity Share.

	QIBs	Non-Institutional Bidders	Retail Individual Bidders
Who can apply**	Public financial institutions, as specified in section 4A of the Companies Act, 1956, Foreign Institutional Investors registered with the SEBI, scheduled commercial banks, mutual funds, venture capital funds registered with the SEBI, multilateral and bilateral development and financial institutions, foreign venture capital investors registered with the SEBI, State Industrial Development Corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs.250 million and pensions funds with minimum corpus of Rs.250 million in accordance with applicable law.	NRI individuals, HUF (in the name of the *karta*), companies, corporate bodies, scientific institutions, societies and trusts.	Individuals (including HUF in the name of the *karta*) applying for Equity Shares such that the Bid Amount per Individual Bidder does not exceed Rs.100,000 in value.
Terms of payment	Margin Amount applicable to QIBs shall be payable at the time of submission of the Bid cum Application Form to the Syndicate Members.	Amount applicable to Non-Institutional Bidders shall be payable at the time of submission of the Bid cum Application Form to the Syndicate Members.	Amount applicable to Retail Individual Bidders shall be payable at the time of submission of the Bid cum Application Form to the Syndicate Members.
Margin amount	At least 10% of Bid Amount.	Full Bid Amount on Bidding.	Full Bid Amount on Bidding.

* Subject to valid Bids being received at or above the Issue Price. At least 60% of the Issue shall be available for Allotment to QIB Bidders. 5% of the QIB Portion shall be available for Allotment on a proportionate basis to Mutual Funds only. Mutual Funds participating in the 5% share in the QIB Portion will also be eligible for Allocation in the remaining QIB Portion. Further, not less than 10% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. If the aggregate demand from Mutual Funds is less than 9,863,990 Equity Shares, the balance Equity Shares available for Allotment in the Mutual Fund reservation will be added to the QIB Portion and be allocated proportionately to the QIB Bidders in proportion to their Bids.

Under-subscription, if any, in the Retail Portion would be first met with spill over from the Non-Institutional Portion. Under-subscription, if any, in the Non-Institutional Portion would be met with spill-over from other categories in the Company's sole discretion, in consultation with the BRLMs and the Designated Stock Exchange. If a minimum Allotment of 60% of the Issue is not made to the QIBs, the entire subscription monies will be refunded. However, if the aggregate demand by Mutual Funds is less than 9,863,990 Equity Shares (assuming QIB Portion is 60% of the Issue size, i.e., 197,279,805 Equity Shares), the balance Equity Shares available for Allocation in the Mutual Funds Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB Portion has been met, under-subscription in any other category, if any, would be allowed to be met with spill-over from any other category or combination of categories in the Company's sole discretion, in consultation with the BRLMs and the Designated Stock Exchange. Additional Allotment to each of these categories would be made on a pro rata basis to the extent of the Green Shoe Option Portion.

** In case the Bid cum Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and the names are in the same sequence in which they appear in the Bid cum Application Form.

As per Chapter VIII-A of the SEBI Guidelines, the Green Shoe Option will be utilised for stabilising the post-listing price of the Equity Shares. We have appointed DSP Merrill Lynch as the Stabilising Agent. The Green Shoe Option consists of the option exercisable by the Company, in consultation with the BRLMs, to over-allot up to 49,319,951 Equity Shares at a price of Rs. [●] per share aggregating Rs. [●] crore representing up to 15% of the Issue and to enable the Stabilising Agent to operate a post-listing price stabilisation mechanism in accordance with Chapter VIII-A of the SEBI Guidelines.

Withdrawal of the Issue

Our Company, in consultation with the BRLMs, reserves the right not to proceed with the Issue at any time after the Bid/Issue Opening Date but before Allotment, without assigning any reason therefor.

Letters of Allotment or Refund Orders

We shall credit each beneficiary account with its depository participant within two working days from the date of the finalisation of the basis of allocation. We shall ensure the despatch of refund orders, if any, of value up to Rs.1,500 by "Under Certificate of Posting", and shall despatch refund orders above Rs.1,500, if any, by registered post or speed post at the sole or first Bidder's sole risk within 15 days of the Bid/Issue Closing Date.

Interest in Case of Delay in Despatch of Allotment Letters/Refund Orders.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, we undertake that:

- Allotment shall be made only in dematerialised form within 15 days from the Bid/Issue Closing Date;
- Despatch of refund orders shall be done within 15 days from the Bid/Issue Closing Date; and
- We shall pay interest at 15% per annum, if Allotment is not made, refund orders are not despatched and/or demat credits are not made to investors within the 15 day time period prescribed above.

We will provide adequate funds required for despatch of refund orders or Allotment advice to the Registrar to the Issue.

Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Bid/Issue Programme

Bidding Period/Issue Period

BID/ISSUE OPENS ON	11 December, 2006
BID/ISSUE CLOSES ON	15 December, 2006

Bids and any revision in Bids shall be accepted **only between 10 a.m. and 3 p.m.** (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form except that on the Bid/Issue Closing Date, the Bids shall be accepted **only between 10 a.m. and 1 p.m.** (Indian Standard Time) and uploaded until such time as permitted by the BSE and the NSE on the Bid/Issue Closing Date.

The Company reserves the right to revise the Price Band during the Bidding Period in accordance with the SEBI Guidelines, provided that the cap of the Price Band is always equal to or less than 120% of the floor of the Price Band. The floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band advertised at least one day prior to the Bid/Issue Opening Date.

In case of revision in the Price Band, the Bid/Issue Period will be extended for three additional working days after revision of Price Band subject to the Bid/Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a press release, and also by indicating the change on the website of the BRLM and at the terminals of the Syndicate.

TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, the Memorandum and Articles of Association, the terms of the Draft Red Herring Prospectus, this Red Herring Prospectus, the Prospectus, the Bid cum Application Form, the Revision Form, the CAN and other terms and conditions as may be incorporated in the Allotment advice and other documents/certificates that may be executed in respect of this Issue. The Equity Shares shall also be subject to laws, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by the SEBI, the Government, the Stock Exchanges, the RoC, the RBI and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of the Memorandum and Articles of Association and shall rank pari passu with the existing Equity Shares of the Company including rights in respect of dividends. The Allottees of the Equity Shares under this Issue shall be entitled to dividends and other corporate benefits, if any, declared by the Company after the date of Allotment. For further details see the section entitled "Main Provisions of the Articles of Association" at page 383 of this Red Herring Prospectus.

Mode of Payment of Dividend

The Company shall pay dividends to shareholders in accordance with the provisions of the Companies Act.

Face Value and Issue Price

The face value of each Equity Share is Rs. 10. The Floor Price of Equity Shares being issued in terms of this Red Herring Prospectus is Rs. 160 per Equity Share and the Cap Price is Rs. 190 per Equity Share. At any given point of time there shall be only one denomination of Equity Shares.

Rights of the Equity Shareholders

Subject to applicable laws, the equity shareholders of the Company shall have rights to:

- receive dividends, if declared;
- attend general meetings and exercise voting powers, unless prohibited by law;
- vote on a poll either in person or by proxy;
- receive offers for shares and be allotted bonus shares, if announced;
- receive any surplus on liquidation subject to any statutory and other preferential claims being satisfied;
- freely transfer their Equity Shares; and
- such other rights as may be available to a shareholder of a listed public company under the Companies Act, the terms of the listing agreements with the Stock Exchanges and the Company's Memorandum and Articles of Association.

For a detailed description of the main provisions of the Articles of Association relating to voting rights, dividend, forfeiture and lien, transfer and transmission, and/or consolidation/splitting, please refer to the section entitled "Main Provisions of the Articles of Association" at page 383 of this Red Herring Prospectus.

Market Lot and Trading Lot

Under section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialised form. As per the SEBI Guidelines, the trading of the Equity Shares shall be in dematerialised form only. Since trading of the Equity Shares is in dematerialised form, the tradeable lot is one Equity Share. Allotment in this Issue will be in electronic form only in multiples of 35 Equity Shares, subject to a minimum Allotment of 35 Equity Shares.

Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with the competent courts in Mumbai, India.

Nomination Facility to Investor

In accordance with section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidders, may nominate any one person in whom, in the event of the sole Bidder's death, or in case of joint Bidders, the death of all the Bidders (as the case may be), the Equity Shares Allotted shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s) shall, in accordance with section 109A of the Companies Act, be entitled to the same benefits to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to the Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. A fresh nomination can only be made on the prescribed form available on request at the Registered Office or at the Registrar and transfer agents of the Company.

In accordance with section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of section 109A of the Companies Act shall, upon the production of such evidence as may be required by the Board, elect either:

- to register himself or herself as the holder of the Equity Shares; or
- to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to register himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of 90 days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the Allotment of Equity Shares in the Issue will be made only in dematerialised form, there is no need to make a separate nomination with us. Nominations registered with the respective depository participant of the applicant will prevail. If the investors wish to change their nomination, they are requested to inform their respective depository participant.

Minimum Subscription

If the Company does not receive a minimum subscription of 90% of the Issue, including devolvement to the Underwriters within 60 days from the Bid/Issue Closing Date, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after the Company becomes liable to pay the amount, the Company shall pay interest prescribed under section 73 of the Companies Act.

If at least 60% of the Issue cannot be Allotted to QIBs, then the entire application money will be refunded.

Furthermore, in accordance with clause 2.2.2A of the SEBI Guidelines, the Company shall ensure that the number of Allottees under the Issue shall be not less than 1,000 in number.

Application by Eligible NRIs, FIIs registered with the SEBI and FVCIs registered with the SEBI

It is to be distinctly understood that there is no reservation for NRIs and FIIs registered with the SEBI or FVCIs registered with the SEBI.

As per RBI regulations, OCBs cannot participate in the Issue.

Withdrawal of the Issue

The Company, in consultation with the BRLMs, reserves the right not to proceed with the Issue at any time after the Bid/Issue Opening Date but before Allotment, without assigning any reason.

ISSUE PROCEDURE

Book Building Procedure

This Issue is being made through the 100% Book Building Process wherein at least 60% of the Issue shall be available for allocation on a proportionate basis to QIBs, including up to 5% of the QIB Portion, which shall be available for allocation to Mutual Funds only. If at least 60% of the Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, not less than 30% of the Issue shall be available for allocation on a proportionate basis to the Retail Individual Bidders, and not less than 10% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the Syndicate. Further, QIB Bids can be submitted only through the BRLMs. In case of QIB Bidders, the Company in consultation with the BRLMs may reject Bids at the time of acceptance of the Bid cum Application Form provided that the reasons for such rejection shall be disclosed to such Bidder in writing. In the cases of Non-Institutional Bidders and Retail Individual Bidders, the Company will have a right to reject the Bids only on technical grounds.

Investors should note that the Equity Shares will be Allotted to all successful Bidders in dematerialised form only. Bidders will not have the option of being Allotted Equity Shares in physical form. The Equity Shares on Allotment shall be traded only in the dematerialised segment of the Stock Exchanges.

Bid cum Application Form

Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid. The Bidders shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, despatch of the CAN and filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorised the Company to make the necessary changes in the Red Herring Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the RoC and as would be required by the RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories is as follows:

Category	Colour of Bid cum Application Form
Resident Indians and Eligible NRIs applying on a non-repatriation basis	White
Eligible NRIs, Flls or Foreign Venture Capital Funds, registered Multilateral and Bilateral Development Financial Institutions applying on a repatriation basis	Blue

Who can Bid?

1. Persons eligible to invest under all applicable laws, rules, regulations and guidelines.
2. Indian nationals resident in India who are not minors in single or joint names (not more than three).
3. Hindu Undivided Families or HUFs in the individual name of the *Karta*. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of sole or First Bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *Karta*". Bids by HUFs would be considered at par with those from individuals.
4. Eligible NRIs on a repatriation basis or a non-repatriation basis subject to compliance with applicable laws. NRIs, other than Eligible NRIs, are not permitted to participate in this Issue.
5. FIIs registered with the SEBI.
6. State Industrial Development Corporations.
7. Insurance companies registered with the Insurance Regulatory and Development Authority, India.
8. Provident Funds with a minimum corpus of Rs. 25 crore and who are authorised under their constitution to invest in equity shares.

9. Pension funds with a minimum corpus of Rs. 250 crore and who are authorised under their constitution to invest in equity shares.
10. Companies, corporate bodies and societies registered under applicable laws in India and authorised to invest in equity shares.
11. Venture Capital Funds registered with the SEBI.
12. Foreign Venture Capital Investors registered with the SEBI.
13. Indian Mutual Funds registered with the SEBI.
14. Indian financial institutions, commercial banks (excluding foreign banks), regional rural banks, co-operative banks (subject to the RBI regulations and the SEBI Guidelines and regulations, as applicable).
15. Multilateral and bilateral development financial institutions.
16. Trusts registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts and who are authorised under their constitution to hold and invest in equity shares.
17. Scientific and/or industrial research organisations in India authorised to invest in equity shares.

As per existing regulations, OCBs cannot Bid in the Issue.

Participation by Associates of BRLMs, CBRLMs and Syndicate Members

The BRLMs, the CBRLM and Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations. However, associates and affiliates of the BRLMs, CBRLMs and Syndicate Members may subscribe for Equity Shares in the Issue, including in the QIB Portion and Non-Institutional Portion where the allocation is on a proportionate basis.

Bidders are advised to ensure that any single Bid from them does not exceed the investments limits or maximum number of Equity Shares that can be held by them under applicable laws, rules, regulations, guidelines and approvals.

Bids by Mutual Funds

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Funds Portion. In the event that the demand is greater than 9,863,990 Equity Shares, allocation shall be made to Mutual Funds on a proportionate basis to the extent of the Mutual Funds Portion. The remaining demand by Mutual Funds shall, as part of the aggregate demand by QIB Bidders, be made available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Funds Portion.

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with the SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

In accordance with current regulations, the following restrictions are applicable for investments by Mutual Funds:

No Mutual Fund scheme shall invest more than 10% of its net asset value in equity shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry-specific funds. No Mutual Fund under all its schemes should own more than 10% of any company's paid-up capital carrying voting rights.

Bids by Eligible NRIs

Bid cum Application Forms have been made available for Eligible NRIs at the Registered Office of the Company and with members of the Syndicate.

NRI applicants should note that only such applications as are accompanied by payment in free foreign exchange shall be considered for Allotment under the Eligible NRI Category. The Eligible NRIs who intend to make payment through the Non-Resident Ordinary (NRO) account shall use the application form meant for Resident Indians (white form).

Bids by FIIs

In accordance with the current regulations, the following restrictions are applicable for investments by FIIs:

The issue of Equity Shares to a single FII should not exceed 10% of the post-Issue paid up capital of the Company (i.e. 10% of 1,765,314,379 Equity Shares) assuming no exercise of the GSO. In respect of an FII investing in the Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total paid up capital of the Company or 5% of the total paid-up capital of the Company, in case such sub-account is a foreign corporate or an individual. With the approval of the shareholders by way of a special resolution dated 21 September, 2006, the aggregate FII holding limit has been increased to 49% of the post-Issue paid-up capital of the Company.

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended, an FII or its sub-account may issue, deal or hold, offshore derivative instruments such as participatory notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of "know your client" requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

Bids by the SEBI-registered Venture Capital Funds and Foreign Venture Capital Investors

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on Venture Capital Funds and Foreign Venture Capital Investors registered with the SEBI. Accordingly, the holding by any Venture Capital Fund should not exceed 25% of the corpus of the Venture Capital Fund.

The SEBI has issued a press release on 26 June, 2006 stating that the shareholding of SEBI registered Venture Capital Funds and Foreign Venture Capital Investors held in a company prior to making an initial public offering would be exempt from lock-in requirements only if the shares have been held by them for at least one year prior to the time of filing the draft prospectus with SEBI.

The above information is given for the benefit of the Bidders. The Bidders are advised to make their own enquiries about the limits applicable to them. The Company and the BRLMs do not accept any responsibility for the completeness and accuracy of the information stated hereinabove. The Company and the BRLMs are not liable to inform the investors of any amendments or modifications or changes in applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

Maximum and Minimum Bid Size

(a) For Retail Individual Bidders: The Bid must be for a minimum of 35 Equity Shares and in multiples of 35 Equity Shares thereafter, so as to ensure that the Bid Amount (provided revision of Bids if any) payable by the Bidder does not exceed Rs. 100,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 100,000. Where the Bid Amount is over Rs. 100,000 due to revision of the Bid or revision of the Price Band or on exercise of the option to bid at Cut-off Price, the Bid would be considered for allocation under the Non-Institutional Portion. The Cut-off Price option is given only to Retail Individual Bidders indicating their agreement to the Bid and purchase the Equity Shares at the Issue Price as determined at the end of the Book Building Process.

(b) For Non-Institutional Bidders and QIB Bidders: The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and is a multiple of 35 Equity Shares. A Bid cannot be submitted for more than the Issue size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them under applicable laws. **Under the existing SEBI Guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date and is required to pay the QIB Margin Amount upon submission of the Bid.**

In case of revision in Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIB Bidders are not allowed to Bid at the Cut-off Price.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Red Herring Prospectus.

Refund amounts following a permitted withdrawal of a Bid shall be paid in the manner described under paragraph "Payment of Refund".

Information for the Bidder:

1. The Company will file the Red Herring Prospectus with the RoC at least three days before the Bid/ Issue Opening Date.
2. The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors.
3. Any investor (who is eligible to invest in the Equity Shares) who would like to obtain the Red Herring Prospectus along with the Bid cum Application Form can obtain the same from the Registered Office of the Company or from any of the members of the Syndicate.
4. Eligible investors who are interested in subscribing for the Equity Shares should approach any of the BRLMs, CBRLM or Syndicate Members or their authorised agent(s) to register their Bids.
5. The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of the member of the Syndicate. Bid cum Application Forms which do not bear the stamp of a member of the Syndicate will be rejected.

Method and Process of Bidding

1. The Company and the BRLMs shall declare the Bid/Issue Opening Date, the Bid/Issue Closing Date and Price Band in the Red Herring Prospectus to be filed with the RoC and also publish the same in two widely circulated national newspapers (one each in English and Hindi) and in one Marathi newspaper with wide circulation. This advertisement, subject to the provisions of section 66 of the Companies Act, shall be in the format prescribed in Schedule XX-A of the SEBI DIP Guidelines, as amended by the SEBI Circular No. SEBI/CFD/DIL/DIP/17/2005/11/11 dated 11 November, 2005. The BRLMs, CBRLM and Syndicate Members shall accept Bids from the Bidders during the Bid/Issue Period in accordance with the terms of the Syndicate Agreement.
2. The Bid/Issue Period shall be for a minimum of three working days and shall not exceed seven working days. Where the Price Band is revised, the revised Price Band and Bid/lssue Period will be published in two national newspapers (one each in English and Hindi) and in one Marathi newspaper with wide circulation and also by indicating the change on the websites of the BRLMs, the CBRLM and at the terminals of the members of the Syndicate. The Bid/Issue Period may be extended, if required, by an additional three working days, subject to the total Bid/Issue Period not exceeding ten working days.
3. During the Bid/Issue Period, eligible investors who are interested in subscribing for the Equity Shares should approach the members of the Syndicate or their authorised agents to register their Bid.
4. Each Bid cum Application Form will give the Bidder the choice to Bid for up to three optional prices (for details refer to the paragraph "Bids at Different Price Levels") within the Price Band and specify the demand (i.e. the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.
5. The Bidder cannot Bid on another Bid cum Application Form after Bid(s) on one Bid cum Application Form have been submitted to any member of the Syndicate. Submission of a second Bid

cum Application Form to either the same or to another member of the Syndicate will be treated as multiple bidding and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point in time before the Allotment of Equity Shares in the Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph "Build up of the Book and Revision of Bids".

6. The members of the Syndicate will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip ("TRS") for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.
7. During the Bid/Issue Period, Bidders may approach the members of the Syndicate to submit their Bids. Every member of the Syndicate shall accept Bids from all clients/investors who place orders through them and shall have the right to vet the Bids.
8. Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph "Terms of Payment".

Bids at Different Price Levels

1. The Price Band has been fixed at Rs. 160 to Rs. 190 per Equity Share, Rs. 160 being the Floor Price and Rs. 190 being the Cap Price. The Bidders can Bid at any price within the Price Band in multiples of Re. 1.
2. The Company and Cairn Energy PLC, in consultation with the BRLMs, reserves the right to revise the Price Band during the Bid/Issue Period in accordance with the SEBI Guidelines. The cap on the Price Band should not be more than 20% of the Floor Price. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band disclosed in the Red Herring Prospectus.
3. In case of a revision of the Price Band, the Bid/Issue Period shall be extended for three additional working days, subject to a maximum of 10 working days. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a public notice in two widely circulated national newspapers (one each in English and Hindi) and in one Marathi newspaper with a wide circulation, and also by indicating the change on the websites of the BRLMs, the CBRLM and at the terminals of the members of the Syndicate.
4. The Company and Cairn Energy PLC, in consultation with the BRLMs, can finalise the Issue Price within the Price Band without the prior approval of, or intimation to, the Bidders.
5. The Bidder can Bid at any price within the Price Band. The Bidder has to Bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders may Bid at the Cut-off Price. However, bidding at the Cut-off Price is prohibited for QIB Bidders or Non-Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders shall be rejected.
6. Retail Individual Bidders who Bid at the Cut-off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at the Cut-off Price shall deposit the Bid Amount based on the cap of the Price Band in the Escrow Account. In the event that the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders, who Bid at the Cut-off Price, the Retail Individual Bidders shall receive the refund of the excess amounts from the Escrow Account in the manner described under the paragraph "Payment of Refund".
7. In case of an upward revision in the Price Band announced as above, Retail Individual Bidders who had Bid at the Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the cap of the revised Price Band (such that the total amount i.e. the original Bid Amount plus additional payment does not exceed Rs. 100,000 if the Bidder wants to continue to Bid at the Cut-off Price), with the members of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e., original Bid Amount plus additional payment) exceeds Rs. 100,000, the Bid will be considered for allocation under the Non-Institutional Portion in terms of the Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band before revision, the number of Equity Shares Bid for shall be adjusted downwards for the purpose of Allotment, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at the Cut-off Price.

8. In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders who have Bid at the Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.

Escrow Mechanism

The Company shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders in a certain category would be deposited in the Escrow Accounts. The Escrow Collection Banks will act in terms of the Red Herring Prospectus, the Prospectus and the Escrow Agreement. The monies in the Escrow Accounts shall be maintained by the Escrow Collection Banks for and on behalf of the Bidders. The Escrow Collection Banks shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Accounts to the Issue Account and the Refund Account as per the terms of the Escrow Agreement, the Red Herring Prospectus and the Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by the SEBI and has been established as an arrangement between us, the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Account

Each Bidder shall pay the applicable Margin Amount, and shall, with the submission of the Bid cum Application Form, draw a cheque or demand draft in favour of the Escrow Account of the Escrow Collection Bank(s) (see "Payment Instructions" at page 370 of this Red Herring Prospectus), and submit such cheque or demand draft to the member of the Syndicate to whom the Bid is being submitted. The Bidder may also provide the applicable Margin Amount by way of an electronic transfer of funds through the RTGS mechanism. Each QIB shall provide their QIB Margin Amount only to a BRLM. Bid cum Application Forms accompanied by cash/Stockinvest/money order shall not be accepted. The Margin Amount based on the Bid Amount has to be paid at the time of submission of the Bid cum Application Form.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders until the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Account, as per the terms of the Escrow Agreement, into the Issue Account. The balance amount after transfer to the Issue Account of the Company shall be transferred to the Refund Account. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank(s) shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for Allotment, to the Bidders.

Each category of Bidders, i.e. QIB Bidders, Non-Institutional Bidders and Retail Individual Bidders, would be required to pay their applicable Margin Amount at the time of submission of the Bid cum Application Form. The Margin Amount payable by each category of Bidders is mentioned in the section entitled "Issue Information" at page 352 of this Red Herring Prospectus. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in Date, which shall be a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be rejected. However, if the applicable Margin Amount for Bidders is 100%, the full amount of payment has to be made at the time of submission of the Bid cum Application Form. QIB Bidders will be required to deposit a margin of at least 10% at the time of submitting their Bids.

Where the Bidder has been allocated a lesser number of Equity Shares than he or she had Bid for, the excess amount paid on Bidding, if any, after adjustment for Allotment, will be refunded to such Bidder within 15 days from the Bid/Issue Closing Date, failing which the Company shall pay interest according to the provisions of the Companies Act for any delay beyond the periods as mentioned above.

Electronic Registration of Bids

1. The members of the Syndicate will register the Bids using the on-line facilities of the BSE and the NSE. There will be at least one on-line connectivity in each city where a stock exchange is located in India and where Bids are being accepted.

2. The NSE and the BSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the members of the Syndicate and their authorised agents during the Bid/Issue Period. The members of the Syndicate can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for book building on a regular basis. On the Bid/Issue Closing Date, the members of the Syndicate shall upload the Bids until such time as may be permitted by the Stock Exchanges.

3. The aggregate demand and price for Bids registered on electronic facilities of the NSE and the BSE will be uploaded on a regular basis, consolidated and displayed on-line at all bidding centres as well as on the NSE's website at www.nseindia.com and on the BSE's website at www.bseindia.com. A graphical representation of consolidated demand and price will be made available at the bidding centres during the Bid/Issue Period.

4. At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:

   - Name of the Bidder(s). Bidders should ensure that the name given in the Bid cum Application Form is exactly the same as the name in which the Depository Account is held. In case the Bid cum Application Form is submitted in joint names, Bidders should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form;
   - Investor category—Individual, Corporate, QIBs, Eligible NRI, FVCI, FII or Mutual Fund, etc.;
   - Numbers of Equity Shares bid for;
   - Bid price;
   - Bid cum Application Form number;
   - Margin Amount paid upon submission of Bid cum Application Form; and
   - Depository participant identification number and client identification number of the demat account of the Bidder.

5. A system-generated TRS will be given to the Bidder as proof of the registration of each of the bidding options. It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate. The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or the Company.

6. Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

7. In case of QIB Bidders, members of the Syndicate also have the right to accept the Bid or reject the Bid. However, such rejection should be made at the time of receiving the Bid and only after assigning a reason for such rejection in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, Bids would not be rejected except on the technical grounds listed in this Red Herring Prospectus.

8. The permission given by the NSE and the BSE to use their network and software of the online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by the Company, the BRLMs or the CBRLM are cleared or approved by the NSE and the BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of the Company, the Promoters, the management or any scheme or project of the Company.

9. It is also to be distinctly understood that the approval given by the NSE and the BSE should not in any way be deemed or construed that the Draft Red Herring Prospectus has been cleared or approved by the NSE or the BSE; nor does it in any manner warrant, certify or endorse the correctness or

completeness of any of the contents of the Draft Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the NSE and the BSE.

Build Up of the Book and Revision of Bids

1. Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the NSE or BSE mainframe on a regular basis.
2. The book gets built up at various price levels. This information will be available from the BRLMs and the CBRLM on a regular basis.
3. During the Bid/Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid cum Application Form.
4. Revisions can be made in both the desired number of Equity Shares and the Bid Amount by using the Revision Form. The Bidder must complete the details of all the options in the Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill in the details of the other two options that are not being changed in the Revision Form. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.
5. The Bidder can make this revision any number of times during the Bid/Issue Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom the original Bid was placed.
6. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only on such Revision Form or copies thereof.
7. Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Red Herring Prospectus. In the case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft or electronic transfer of funds through RTGS for the incremental amount in the QIB Margin, if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders.
8. When a Bidder revises a Bid, the Bidder shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request and obtain the revised TRS, which will act as proof of revision of the original Bid.**
9. Only Bids that are uploaded on the online IPO system of the NSE and the BSE shall be considered for allocation/Allotment. In the event of a discrepancy of data between the Bids registered on the online IPO system and the physical Bid cum Application Form, the decision of the Company in consultation with the BRLMs, based on the physical records of Bid cum Application Forms, shall be final and binding on all concerned.

Price Discovery and Allocation

1. After the Bid/Issue Closing Date, the BRLMs shall analyse the demand generated at various price levels and discuss pricing strategy with the Company.
2. The Company and Cairn Energy PLC, in consultation with the BRLMs, shall finalise the Issue Price and the number of Equity Shares to be allocated in each investor category.
3. The availability for allocation in the Issue to Non-Institutional Bidders and Retail Individual Bidders of not less than 10% and 30% of the Issue, respectively, and the allotment to QIBs for at least 60% of the Issue, would be on a proportionate basis, in the manner specified in the SEBI Guidelines and this Red Herring Prospectus, in consultation with the Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.
4. In case of over-subscription in all categories, at least 60% of the Issue shall be available for allocation on a proportionate basis to QIB Bidders, out of which 5% shall be available to Mutual Funds. Mutual Funds participating in the 5% share in the QIB Portion will also be eligible for allocation in the

remaining QIB Portion. However, if the aggregate demand by Mutual Funds is less than 5% of the QIB Portion, the balance Equity Shares from the portion specifically available for allocation to Mutual Funds in the QIB Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders in proportion to their Bids. In the event that the aggregate demand in the QIB Portion has been met, under-subscription, if any, will be met with spill-over from any other category or combination of categories at the discretion of the Company, in consultation with the BRLMs and the Designated Stock Exchange. Further, not less than 10% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

Under-subscription, if any, in the Retail Portion would be first met with spill over from the Non-Institutional Portion. Under-subscription, if any, in the Non-Institutional Portion would be met with spill-over from other categories in the Company's sole discretion, in consultation with the BRLMs. If a minimum Allotment of 60% of the Issue is not made to the QIBs, the entire subscription monies shall be refunded.

5. The BRLMs, in consultation with the Company and Cairn Energy PLC, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.
6. Allotment to Eligible NRIs, FIIs registered with the SEBI or Mutual Funds or FVCls registered with the SEBI will be subject to applicable laws, rules, regulations, guidelines and approvals.
7. The Company and Cairn Energy PLC reserves the right to cancel the Issue at any time after the Bid/ Issue Opening Date but before the Allotment without assigning any reasons whatsoever.
8. In terms of the SEBI Guidelines, QIBs shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.
9. The Company and Cairn Energy PLC, in consultation with the BRLMs, reserves the right to reject any Bid procured from QIB Bidders, by any or all members of the Syndicate. Rejection of Bids made by QIBs, if any, will be made at the time of submission of Bids provided that the reasons for rejecting the same shall be provided to such Bidder in writing.
10. The allotment details shall be put on the website of the Registrar to the Issue.

Signing of Underwriting Agreement and RoC Filing

(a) The Company, the BRLMs, the CBRLM and the Syndicate Members will enter into an Underwriting Agreement on finalisation of the Issue Price.

(b) After signing the Underwriting Agreement, we will update and file the updated Red Herring Prospectus with RoC, which then will be termed "Prospectus". The Prospectus will have details of the Issue Price, Issue size, underwriting arrangements and will be complete in all material respects.

Filing of the Prospectus with the RoC

We will file a copy of the Prospectus with the RoC in terms of section 56, section 60 and section 60B of the Companies Act.

Announcement of pre-Issue Advertisement

Subject to section 66 of the Companies Act, the Company shall, after receiving final observations, if any, on this Red Herring Prospectus from the SEBI, publish an advertisement, in the form prescribed by the SEBI Guidelines, in two widely circulated national newspapers (one each in English and Hindi) and a Marathi newspaper with a wide circulation.

Advertisement regarding Price Band and Red Herring Prospectus

A statutory advertisement will be issued by the Company after the filing of the Prospectus with the RoC. This advertisement in addition to the information that has to be set out in the statutory advertisement shall indicate the Issue Price along with a table showing the number of Equity Shares and the amount payable by an investor. Any material updates between the date of the Red Herring Prospectus and the Prospectus shall be included in such statutory advertisement.

Issuance of Confirmation of Allocation Note ("CAN")

(a) Upon approval of the basis of Allotment by the Designated Stock Exchange, the BRLMs or the Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue. The approval of the basis of allocation by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or before the approval of the basis of allocation for the Retail and Non-Institutional Bidders. However, the investor should note that the Company shall ensure that the date of Allotment of the Equity Shares to all investors in this Issue shall be done on the same date.

(b) The BRLMs or the members of the Syndicate will then send a CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid the Bid Amount in full into the Escrow Account at the time of bidding shall pay in full the amount payable into the Escrow Account by the Pay-in Date specified in the CAN.

(c) Bidders who have been allocated Equity Shares and who have already paid into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of their cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed as a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for the Allotment to such Bidder.

(d) The issuance of a CAN is subject to "Allotment Reconciliation and Revised CANs" as set out under the section entitled "Terms of the Issue" at page 355 of this Red Herring Prospectus.

Notice to QIBs: Allotment Reconciliation and Revised CANs

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bids uploaded on the BSE/NSE system. This shall be followed by a physical book prepared by the Registrar on the basis of Bid-cum-Application Forms received. Based on the electronic book or the physical book, as the case may be, QIBs will be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled physical book prepared by the Registrar. Subject to the SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be sent to QIBs and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. Any revised CAN, if issued, will supersede in its entirety the earlier CAN.

Designated Date and Allotment of Equity Shares

(a) The Company will ensure that the Allotment of Equity Shares is done within 15 days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Accounts to the Issue Account and the Refund Account on the Designated Date, the Company will credit the successful Bidder(s) depository account within two working days of the date of Allotment.

(b) As per the SEBI Guidelines, Equity Shares will be issued and Allotment shall be made only in the dematerialised form to the allottees.

(c) Successful Bidders will have the option to re-materialise the Equity Shares so Allotted as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.

GENERAL INSTRUCTIONS

DOs:

(a) Check if you are eligible to apply having regard to applicable laws, rules, regulations, guidelines and approvals and the terms of this Red Herring Prospectus;

(b) Ensure that you Bid within the Price Band;

(c) Read all the instructions carefully and complete the Bid cum Application Form;

(d) Ensure that the details about your Depository Participant and beneficiary account are correct and the beneficiary account is activated as Equity Shares will be Allotted in the dematerialised form only;

(e) Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;

(f) Ensure that you have collected a TRS for all your Bid options;

(g) Submit Revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;

(h) If your Bid is for Rs. 50,000 or more, ensure that you mention your PAN allotted under the I.T. Act and ensure that you have attached copies of your PAN card or PAN allotment letter with the Bid cum Application Form. In case the PAN has not been allotted, mention "Applied for" or "Not Applicable" in the appropriate places and submit Form 60 or Form 61 as the case may be together with permissible documents as proof of address. (See the section entitled "Issue Procedure—Permanent Account Number ("PAN") at page 372 of this Red Herring Prospectus);

(i) Ensure that the name(s) given in the Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. Where the Bid cum Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid cum Application Form; and

(j) Ensure that the Demographic Details are updated, true and correct in all respects.

DON'Ts:

(a) Do not Bid for lower than the minimum Bid size;

(b) Do not Bid/revise Bid to a price that is less than the Floor Price or higher than the Cap Price;

(c) Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;

(d) Do not pay the Bid amount in cash, postal order, or by Stockinvest;

(e) Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only;

(f) Do not Bid at the Cut-off Price (for QIB Bidders and Non-Institutional Bidders);

(g) Do not complete the Bid cum Application Form such that the Equity Shares Bid exceeds the Issue size and/or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations or under the terms of this Red Herring Prospectus;

(h) Do not bid at Bid Amount exceeding Rs. 100,000 (for Retail Individual Bidders);

(i) Do not submit the Bid without the QIB Margin Amount, in the case of a Bid by a QIB; and

(j) Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.

INSTRUCTIONS FOR COMPLETING THE BID CUM APPLICATION FORM

Bidders can obtain Bid cum Application Forms and/or Revision Forms from the members of the Syndicate.

Bids and Revisions of Bids

Bids and revisions of Bids must be:

1. Made only on the prescribed Bid cum Application Form or Revision Form, as applicable (white colour form for Resident Indians and Eligible NRIs applying on a non-repatriation basis and blue colour form for Eligible NRIs, FIIs registered with the SEBI and FVCIs registered with the SEBI, applying on repatriation basis).
2. Made in a single name or in joint names (not more than three, and in the same order as their Depository Participant details).
3. Completed in full, in BLOCK LETTERS in English and in accordance with the instructions contained herein, on the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.
4. Bids from the Retail Individual Bidders must be for a minimum of 35 Equity Shares and in multiples of 35 Equity Shares thereafter subject to a maximum Bid Amount of Rs. 100,000.
5. For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 35 Equity Shares thereafter. Bids cannot be made for more than the Issue size. Bidders are advised to ensure that a single Bid from them does not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws and regulations.
6. Thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bidder's Depository Account and Bank Account Details

Bidders should note that on the basis of the name of the Bidders, Depository Participant's name, Depository Participant-Identification number and beneficiary account number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository, demographic details of the Bidders such as their address, bank account details for printing on refund orders or giving credit through ECS or Direct Credit, and occupation (hereinafter referred to as "Demographic Details"). These bank account details would be used for giving refunds to the Bidders. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLMs nor the Bank shall have any responsibility or undertake any liability for the same. Hence, Bidders should carefully fill in their Depository Account details on the Bid cum Application Form.

IT IS MANDATORY FOR ALL THE BIDDERS TO RECEIVE THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN ON THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND SUCH JOINT NAMES ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR ON THE BID CUM APPLICATION FORM.

These Demographic Details will be used for all correspondence with the Bidders including mailing of the refund orders/ECS credit for refunds/direct credit of refund/CANs/allocation advice/NEFT or RTGS for refunds and printing of Company particulars on the refund order. The Demographic Details given by Bidders in the Bid-cum-Application Form will not be used for any other purposes by the Registrar to the Issue.

By signing the Bid cum Application Form, the Bidder will be deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund orders/allocation advice/CAN would be mailed to the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/ allocation advice/CANs may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidder's sole risk and neither the Escrow Collection Bank(s) nor the BRLMs shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or pay any interest for such delay.

Where no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidder's (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

Bids by NRIs, FIIs, Foreign Venture Capital Funds registered with the SEBI and multilateral and bilateral development financial institutions on a repatriation basis

Bids and revisions to Bids must be made:

1. On the Bid cum Application Form or the Revision Form, as applicable (blue form), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
2. In the names of individuals, or in the names of FIIs or Foreign Venture Capital Funds registered with the SEBI and multilateral and bilateral development financial institutions but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.
3. In a single name or joint names (not more than three and in the same order as their Depository Participant details).

Bids by Eligible NRIs for a Bid Amount of up to Rs. 100,000 would be considered under the Retail Portion for the purposes of allocation and Bids by NRIs for a Bid Amount of more than Rs. 100,000 would be considered under the Non-Institutional Portion for the purposes of allocation.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only at the prevailing exchange rate and net of bank charges and/or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE Accounts, details of which should be furnished in the space provided for this purpose on the Bid cum Application Form. The Company will not be responsible for any loss incurred by the Bidder on account of conversion of foreign currency.

It is to be clearly understood that there is no reservation for Eligible NRIs and FIIs, and all such Bidders will be treated on the same basis as with other categories for the purpose of allocation.

As per the existing policy of the Government of India, OCBs cannot participate in this Issue.

Bids under Power of Attorney

In the case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum and articles of association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In the case of Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority as the case may be, along with a certified copy of their SEBI registration certificate must be submitted with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid, in whole or in part, in either case, without assigning any reason therefor.

In the case of the Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by the Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In the case of Bids made by provident funds, subject to applicable law, with minimum corpus of Rs. 25 crore and pension funds with minimum corpus of Rs. 25 crore, a certified copy of a certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be lodged along with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In the case of Bids made by Mutual Funds, venture capital funds registered with the SEBI and FVCIs registered with the SEBI, a certified copy of their SEBI registration certificate must be submitted with the Bid cum Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

The Company, in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application Form, subject to such terms and conditions that we and the BRLMs may deem fit.

The Company, in its absolute discretion, reserves the right to permit the holder of the power of attorney to request the Registrar to the Issue that, for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar to the Issue shall use Demographic Details as given on the Bid cum Application Form instead of those obtained from the Depositories.

PAYMENT INSTRUCTIONS

The Company shall open Escrow Accounts with the Escrow Collection Banks for the collection of the Bid Amount payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in the Issue. Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

Payment into Escrow Accounts

1. The Bidders for whom the applicable margin is equal to 100% shall, with the submission of the Bid cum Application Form, draw a payment instrument for the Bid Amount in favour of the Escrow Account and submit the same to the members of the Syndicate.
2. Where the above Margin Amount paid by the Bidders during the Bid/Issue Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs.
3. The payment instruments for payment into the Escrow Account should be drawn in favour of:
   (a) In the case of Resident QIB Bidders: "Escrow Account—CIL Public Issue—QIB-R"
   (b) In the case of Non-Resident QIB Bidders: "Escrow Account—CIL Public Issue—QIB-NR"
   (c) In the case of Resident Bidders: "Escrow Account—CIL Public Issue—R"
   (d) In the case of Non-Resident Bidders: "Escrow Account—CIL Public Issue—NR"
4. In the case of Bids by Eligible NRIs applying on a repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in NRE Accounts or FCNR Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of the Non-Resident Bidder bidding on a repatriation basis. Payment by draft should be accompanied by a bank certificate confirming that the draft has been issued by debiting a NRE Account or a FCNR Account.

5. In the case of Bids by Eligible NRIs applying on a non-repatriation basis, the payments must be made by Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application, remitted through normal banking channels or out of funds held in NRE Accounts or FCNR Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance or out of an NRO Account of a Non-Resident Bidder bidding on a non-repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or a FCNR or an NRO Account.
6. In case of Bids by FIIs, FVCIs registered with the SEBI the payment should be made out of funds held in a special rupee account along with documentary evidence in support of the remittance. Payment by draft should be accompanied by a bank certificate confirming that the draft has been issued by debiting a special rupee account.
7. Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Refund Account.
8. The monies deposited in the Escrow Accounts will be held for the benefit of the Bidders until the Designated Date.
9. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Accounts as per the terms of the Escrow Agreement into the Issue Account.
10. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Banks shall refund all amounts payable to unsuccessful Bidders and the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.
11. **Payments should be made by cheque, or demand draft drawn on any bank (including a co-operative bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/Stockinvest/money orders/postal orders will not be accepted.**

Payment by Stockinvest

Under the terms of the RBI Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated 5 November, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn. Accordingly, payment through Stockinvest will not be accepted in this Issue.

Submission of Bid cum Application Form

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid.

Separate receipts shall not be issued for the money payable on the submission of Bid cum Application Forms or Revision Forms. However, the collection centre of the members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

OTHER INSTRUCTIONS

Joint Bids in case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communications will be addressed to the First Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depository.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or first Bidder is one and the same.

In this regard, the procedures which would be followed by the Registrar to the Issue to detect multiple applications are given below:

1. All applications with the same name and age will be accumulated and taken to a separate process file which would serve as probable multiple master.
2. In this master, a check will be carried out for the same PAN/GIR numbers. In cases where the PAN/GIR numbers are different, the same will be deleted from this master.
3. The addresses of all these applications from the multiple master will be strung from the address master. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters, i.e., commas, full stops, hashes etc. Sometimes, the name, the first line of the address and pin code will be converted into a string for each application received and a photo match will be carried out among all the applications processed. A print-out of the addresses will be made to check for common names. Applications with the same name and same address will be treated as multiple applications.
4. The applications will be scanned for similar DP ID and client identity numbers. In cases where applications bear the same numbers, these will be treated as multiple applications.
5. After the aforesaid procedures, a print-out of the multiple master will be taken and the applications physically verified to tally signatures and also father's/husband's names. On completion of this, the applications will be identified as multiple applications.

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Funds and such Bids in respect of more than one scheme of the Mutual Funds will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

The Company reserves the right to reject, in its absolute discretion, all or any multiple Bids in any or all categories.

Permanent Account Number ("PAN")

Where a Bid(s) is/are for Rs. 50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her PAN allotted under the I.T. Act. **A copy of the PAN card or PAN allotment letter is required to be submitted with the application form.** Applications without this information and document will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN, as the Bid is liable to be rejected on this ground.** In a case where the sole/First Bidder and joint Bidder(s) is/are not required to obtain a PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the Joint Bidder(s) have applied for a PAN which has not yet been allotted, each of the Bidder(s) should enter "Applied for" on the Bid cum Application Form. Further, where the Bidder(s) has entered "Applied for" or "Not Applicable", the sole/First Bidder and each of the joint Bidder(s), as the case may be, would be required to submit Form 60 (form of declaration to be filed by a person who does not have a Permanent Account Number and who enters into any transaction specified in Rule 114B of the Income Tax Rules, 1962), or Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income tax in respect of transactions specified in Rule 114B of the Income Tax Rules, 1962), as may be applicable, duly filed along with a copy of any one of the following documents in support of the address: (a) ration card, (b) passport, (c) driving licence, (d) an identity card issued by any institution, (e) copy of an electricity bill or telephone bill showing a residential address, (f) any document or communication issued by any authority of the Central Government, State Government or local bodies showing a residential address, or (g) any other documentary evidence in support of the address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended via a notification issued on 1 December, 2004 by the Central Board of Direct Taxes, Department of Revenue, Ministry of Finance. All Bidders are requested to furnish, where applicable, the revised Form 60 or Form 61 as the case may be.**

Unique Identification Number ("UIN")

With effect from 1 July, 2005, the SEBI had decided to suspend all fresh registrations for obtaining UINs and the requirement to contain/quote UINs under the SEBI (Central Database of Market Participants) Regulations, 2003 ("MAPIN Regulations") via its circular MAPIN/Cir-13/2005. However, in a press release dated 30 December, 2005, the SEBI has approved certain policy decisions and has now decided to resume registrations for obtaining UINs in a phased manner. The press release states that the cut-off limit for obtaining UINs has been raised from the existing limit of trade order value of Rs. 100,000 to Rs. 500,000 or more. The limit will be reduced progressively. For a trade order value of less than Rs. 500,000, an option will be available to investors to obtain either the PAN or UIN. These changes are, however, not effective as of the date of this Red Herring Prospectus and the SEBI has stated in the press release that the changes will be implemented only after necessary amendments are made to the SEBI MAPIN Regulations.

THE COMPANY'S RIGHT TO REJECT BIDS

In case of QIB Bidders, the Company in consultation with the BRLMs may reject Bids provided that the reason for rejecting the Bid shall be provided to such Bidders in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, we have the right to reject Bids based on technical grounds only. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected on, *inter alia*, the following technical grounds:

1. Amount paid does not tally with the amount payable for the highest value of Equity Shares Bid for;
2. Age of First Bidder not given;
3. In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply;
4. Bids by persons not competent to contract under the Indian Contract Act, 1872 including minors and insane persons;
5. PAN not stated if Bid is for Rs. 50,000 or more or copy of Form 60 or 61 as applicable or GIR number given instead of PAN and proof of PAN is not attached to the Bid cum Application Form;
6. Bids for lower number of Equity Shares than specified for that category of investors;
7. Bids at a price less than the lower end of the Price Band;
8. Bids at a price more than the higher end of the Price Band;
9. Bids at Cut-off Price by Non-Institutional Bidders and QIB Bidders whose Bid Amount exceeds Rs. 100,000;
10. Bids for a number of Equity Shares, which are not in multiples of 35;
11. Category not ticked;
12. Multiple Bids;
13. In the case of a Bid under power of attorney or by limited companies, corporates, trusts etc., relevant documents are not submitted;
14. Bids accompanied by Stockinvest/money order/postal order/cash;
15. Signature of sole and/or joint Bidders missing;
16. Bid cum Application Form does not have the stamp of the BRLMs, the CBRLM or the Syndicate Members;
17. Bid cum Application Form does not have the Bidder's depository account details;
18. Bid cum Application Form is not delivered by the Bidder within the time prescribed as per the Bid cum Application Form and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid cum Application Form;

19. In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary account number;
20. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
21. Bids by QIBs not submitted through members of the Syndicate;
22. Bids by OCBs;
23. Bids by U.S. residents or U.S. persons excluding "Qualified Institutional Buyers" as defined in Rule 144A under the Securities Act or other than in reliance on Regulation S under the Securities Act; and
24. Bids by persons who are not eligible to acquire Equity Shares of the Company, in terms of all applicable laws, rules, regulations, guidelines and approvals.

Equity Shares in Dematerialised form with NSDL or CDSL

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a dematerialised form (i.e., not in the form of physical certificates but fungible statements issued in electronic mode).

In this context, two tripartite agreements have been signed among us, the respective Depositories and the Registrar to the Issue:

(a) an agreement dated 27 November, 2006 between NSDL, us and the Registrar to the Issue; and

(b) an agreement dated 27 November, 2006 between CDSL, us and the Registrar to the Issue.

Bidders will be allotted Equity Shares only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

1. A Bidder applying for Equity Shares must have at least one beneficiary account with the Depository Participants of either NSDL or CDSL prior to making the Bid.
2. The Bidder must necessarily fill in the details (including the beneficiary account number and Depository Participant's identification number) appearing on the Bid cum Application Form or Revision Form.
3. Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.
4. Names in the Bid cum Application Form or Bid Revision Form should be identical to those appearing in the account details with the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details with the Depository.
5. If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Bid Revision Form, it is liable to be rejected.
6. The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid cum Application Form vis-à-vis those recorded with his or her Depository Participant.
7. Equity Shares in electronic form can be traded only on the Stock Exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where the Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
8. The trading of the Equity Shares would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

COMMUNICATIONS

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, details of Depository Participant, number of Equity Shares applied for, date of Bid cum Application Form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

Investors can contact the Compliance Officer or the Registrar to the Issue in the case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary accounts, refund orders etc.

PAYMENT OF REFUND

Bidders should note that on the basis of the name of the Bidders, Depository Participant's name, Depository Participant Identification number and beneficiary account number provided by them in the Bid-cum-Application Form, the Registrar to the Issue will obtain from the Depository the Bidder's bank account details including a nine digit Magnetic Ink Character Recognition ("MICR") code. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidder's sole risk and neither the BRLMs nor the Company shall have any responsibility and undertake any liability for the same.

Mode of making refunds

The payment of refund, if any, would be done through various modes in the following order of preference:

1. ECS—Payment of refund would be done through ECS for applicants having an account at any of the following 15 centres: Ahmedabad, Bangalore. Bhubneshwar, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Kolkata, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram. This mode of payment of refunds would be subject to availability of complete bank account details including the nine-digit MICR code as appearing on a cheque leaf from the Depository. The payment of refund through ECS is mandatory for applicants having a bank account at any of the 15 centres named hereinabove, except where the applicant is otherwise disclosed as eligible to receive refunds through direct credit or RTGS.

   The Company, in consultation with the BRLMs and the Registrar may decide to use the National Electronic Funds Transfer ("NEFT") facility for payment of refunds.

2. Direct Credit—Applicants having their bank account with the Refund Bank shall be eligible to receive refunds, if any, through direct credit. Charges, if any, levied by the Refund Bank(s) for the same will be borne by the Company.

3. RTGS—Applicants having a bank account at any of the 15 centres detailed above, and whose Bid Amount exceeds Rs. 0.5 crore, shall have the option to receive refunds, if any, through RTGS. Such eligible applicants who indicate their preference to receive refunds through RTGS are required to provide the IFSC code in the Bid cum Application Form. In the event of failure to provide the IFSC code in the Bid cum Application Form, the refund shall be made through the ECS or direct credit, if eligibility is disclosed. Charges, if any, levied by the Refund Bank(s) for the same will be borne by the Company. Charges, if any, levied by the applicant's bank receiving the credit will be borne by the applicant.

4. Please note that only applicants having a bank account at any of the 15 centres where clearing houses for ECS are managed by the RBI are eligible to receive refunds through the modes detailed hereinabove. For all the other applicants, including applicants who have not updated their bank particulars along with the nine-digit MICR Code, the refund orders will be dispatched "Under Certificate of Posting" for refund orders of value up to Rs. 1,500 and through Speed Post/Registered Post for refund orders of Rs. 1,500 and above. Some refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Interest on refund of excess Bid Amount

The Company shall pay interest at the rate of 15% per annum on the excess Bid Amount received if refund orders are not dispatched within 15 days from the Bid/Issue Closing Date.

DISPOSAL OF APPLICATIONS AND APPLICATIONS MONEY AND INTEREST IN CASE OF DELAY

The Company shall ensure dispatch of allotment advice, transfer advice or refund orders and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within two working days of the date of finalisation of allotment of the Equity Shares. The Company shall dispatch refunds above Rs. 1,500, if any, by registered post or speed post at the sole or first Bidder's sole risk, except for Bidders who have opted to receive refunds through the ECS facility or RTGS or Direct Credit.

The Company shall use best efforts to ensure that all steps for completion of the necessary formalities for allotment and trading at all the Stock Exchanges where the Equity Shares are proposed to be listed are taken within seven working days of finalisation of the basis of Allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, we further undertake that:

- Allotment of Equity Shares only in dematerialised form shall be made within 15 days of the Bid/Issue Closing Date;
- dispatch refund orders, except for Bidders who have opted to receive refunds through the ECS facility, shall be made within 15 days of the Bid/Issue Closing Date; and
- the Company shall pay interest at 15% per annum for any delay beyond the 15 day time period as mentioned above, if allotment is not made or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner, and/or demat credits are not made to investors within the 15 day time period prescribed above as per the Guidelines issued by the Government of India, Ministry of Finance, pursuant to their letter No. F/8/S/79 dated 31 July, 1983, as amended by their letter No. F/14/SE/85 dated 27 September, 1985, addressed to the stock exchanges, and as further modified by the SEBI's Clarification XXI dated 27 October, 1997, with respect to the SEBI Guidelines.

We will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue.

No separate receipts shall be issued for the money payable on the submission of Bid cum Application Forms or Revision Forms. However, the collection centre of the Syndicate Member will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

IMPERSONATION

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of section 68A of the Companies Act, which is reproduced below:

"Any person who:

(a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or

(b) otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years".

ALLOTMENT

Basis of Allotment

A. For Retail Individual Bidders

- Bids received from Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The Allotment to all successful Retail Individual Bidders will be made at the Issue Price.

- The Issue size less Allotment to Non-Institutional Bidders and QIB Bidders shall be available for Allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the valid Bids in this portion are less than or equal to 98,639,903 Equity Shares at or above the Issue Price, full Allotment shall be made to Retail Individual Bidders to the extent of their valid Bids.
- If the valid Bids in this portion are greater than 98,639,903 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis not less than 98,639,903 Equity Shares and in multiples of one Equity Share thereafter. For the method of proportionate basis of allocation, refer below.

B. For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Issue size less allocation to QIB Bidders and Retail Individual Bidders shall be available for allocation to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the valid Bids, in this portion are less than or equal to 32,879,967 Equity Shares at or above the Issue Price, full Allotment shall be made to Non-Institutional Bidders to the extent of their valid Bids.
- If the valid Bids in this portion are greater than 32,879,967 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis not less than 32,879,967 Equity Shares and in multiples of 35 Equity Share thereafter. For the method of proportionate basis of allocation refer below.

C. For QIB Bidders

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allocation to QIB Bidders will be made at the Issue Price.
- The QIB Portion shall be available for allocation to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- Allotment shall be undertaken in the following manner:

(a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion shall be determined as follows:

(i) If bids from Mutual Funds exceed 5% of the QIB Portion, allocation to Mutual Funds shall be made on a proportionate basis for up to 5% of the QIB Portion.

(ii) If the aggregate demand from Mutual Funds is less than 5% of the QIB Portion, then all Mutual Funds shall get full Allotment to the extent of valid bids received above the Issue Price.

(iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available to QIB Bidders as set out in (b) below.

(b) In the second instance allocation to all Bidders shall be determined as follows:

(i) In the event of an oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be Allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.

(ii) Mutual Funds who have received allocation as per (a) above, for less than the number of Equity Shares bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.

(iii) Undersubscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.

- The aggregate allocation to QIB Bidders shall be at least 197,279,805 Equity Shares.
- The BRLMs, Registrar to the Issue and the Designated Stock Exchange shall ensure that the basis of Allotment is finalised in a fair and proper manner in accordance with the SEBI Guidelines. The drawing of lots (where required) to finalise the basis of Allotment shall be done in the presence of a public representative on the Governing Board of the Designated Stock Exchange.

Procedure and Time of Schedule for Allotment and demat Credit of Equity

The Issue will be conducted through a "100% book building process" pursuant to which the members of the Syndicate will accept bids for the Equity Shares during the Bid/Issue Period. The Bid/Issue Period will commence on 11 December, 2006 and expire on 15 December, 2006. Following the expiration of the Bid/Issue Period, the Company and Cairn Energy PLC, in consultation with the BRLMs, will determine the Issue Price, and, in consultation with the BRLMs, the basis of allocation and entitlement to Allotment based on the bids received and subject to the confirmation by the BSE/NSE. Successful bidders will be provided with a confirmation of their allocation (subject to a revised confirmation of allocation) and will be required to pay any unpaid amount for the Equity Shares within a prescribed time. The SEBI Guidelines require the Company to complete the Allotment to successful bidders within 15 days of the expiration of the Bid/Issue Period. The Equity Shares will then be credited and Allotted to the investors' demat accounts maintained with the relevant depository participant. Upon approval by the Stock Exchanges, the Equity Shares will be listed and trading will commence.

Method of proportionate basis of Allotment

In the event the Issue is oversubscribed, the basis of Allotment shall be finalised by the Company in consultation with the Designated Stock Exchange. The executive director or managing director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLMs and the Registrar to the Issue shall be responsible for ensuring that the basis of Allotment is finalised in a fair and proper manner. Allotment to Bidders shall be made in marketable lots on a proportionate basis as explained below:

(a) Bidders will be categorised according to the number of Equity Shares applied for by them.

(b) The total number of Equity Shares to be Allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.

(c) The number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is the total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the oversubscription ratio.

(d) If the proportionate Allotment to a Bidder is a number that is more than 35 but is not a multiple of one (which is the market lot), the decimal will be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it will be rounded off to the lower whole number. Allotment to all Bidders in such categories shall be arrived at after such rounding off.

(e) In all Bids where the proportionate Allotment is less than 35 Equity Shares per Bidder, the Allotment shall be made as follows:

  - Each successful Bidder shall be Allotted a minimum of 35 Equity Shares; and
  - The successful Bidders out of the total Bidders for a portion shall be determined by the drawing of lots in a manner such that the total number of Equity Shares Allotted in that category is equal to the number of Equity Shares calculated in accordance with (c) above; and

(f) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares Allotted to the Bidders in that portion, the remaining Equity Shares available for Allotment shall be first adjusted against any other category, where the Equity Shares are not sufficient for proportionate Allotment to the successful Bidders in that category. The balance of

Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for the minimum number of Equity Shares.

Illustration of Allotment to QIBs and Mutual Funds ("MF")

Issue details

Sr. No.	Particulars	Issue details
1	Issue size	200 million Equity Shares
2	Allocation to QIB (at least 60% of the Issue)	120 million Equity Shares
	Of which:	
	a. Reservation For Mutual Funds, (5%)	6 million Equity Shares
	b. Balance for all QIBs including Mutual Funds	95 million Equity Shares
3	Number of QIB applicants	10
4	Number of Equity Shares applied for	500 million Equity Shares

Details of QIB Bids

S.No	Type of QIBs	No. of shares bid for (in million)
1	A1	50
2	A2	20
3	A3	130
4	A4	50
5	A5	50
6	MF1	40
7	MF2	40
8	MF3	80
9	MF4	20
10	MF5	20
	TOTAL	500

* *A1-A5: (QIBs other than Mutual Funds), MF1-MF5 (QIBs which are Mutual Funds)*

Details of Allotment to QIBs Applicants

Type of QIB	Shares bid for	Allocation of five million Equity Shares to MF proportionately (see note 2 below)	Allocation of balance 95 million Equity Shares to QIBs proportionately (see note 4 below)	Aggregate allocation to Mutual Funds
(I)	(II)	(III)	(IV)	(V)
		(Number of equity shares in million)		
A1	50	0	9.60	0
A2	20	0	3.84	0
A3	130	0	24.95	0
A4	50	0	9.60	0
A5	50	0	9.60	0
MF1	40	1	7.48	8.48
MF2	40	1	7.48	8.48
MF3	80	2	14.97	16.97
MF4	20	0.5	3.74	4.24
MF5	20	0.5	3.74	4.24
	500	**5**	**95**	**42.42**

Notes:

1. The illustration presumes compliance with the requirements specified in this Red Herring Prospectus in the section entitled "Issue Procedure" at page 357 of this Red Herring Prospectus.
2. Out of 100 million Equity Shares allocated to QIBs, 5 million (i.e. 5%) will be Allotted on a proportionate basis among five Mutual Fund applicants who applied for 200 shares in the QIB Portion.
3. The balance 95 million Equity Shares i.e. 100—5 (available for Mutual Funds only) will be Allotted on a proportionate basis among 10 QIB Bidders who applied for 500 Equity Shares (including 5 Mutual Fund applicants who applied for 200 Equity Shares).
4. The figures in the fourth column entitled "Allocation of balance 95 million Equity Shares to QIBs proportionately" in the above illustration are arrived at as explained below:
   - For QIBs other than Mutual Funds (A1 to A5) = Number of Equity Shares Bid for × 95/495
   - For Mutual Funds (MF1 to MF5) = (No. of shares bid for (i.e in column II of the table above) less Equity Shares Allotted (i.e., column III of the table above) × 95/495
   - The numerator and denominator for arriving at the allocation of 95 million Equity Shares to the 10 QIBs are reduced by 5 million shares, which have already been Allotted to Mutual Funds in the manner specified in column III of the table above.

Letters of Allotment or Refund Orders

We shall credit each Equity Share Allotted to the applicable beneficiary account with its Depository Participant within 15 days of the Bid Closing Date/Issue Closing Date. Applicants residing at 15 centres where clearing houses are managed by the RBI will get refunds through ECS only (subject to availability of all information for crediting the refund through ECS) except where the applicant is otherwise disclosed as eligible to receive refunds through direct credit and RTGS. In the case of other applicants, the Bank shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500 by "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post, except for Bidders who have opted to receive refunds through the ECS facility. Applicants to whom refunds are made through electronic transfer of funds will be sent a letter (refund advice) through ordinary post informing them about the mode of credit of refund within 15 days of the Closing of Issue.

We shall ensure dispatch of refund orders/refund advice, if any, by "Under Certificate of Posting" or registered post or speed post or ECS or Direct Credit or RTGS, as applicable, only at the First Bidder's sole risk within 15 days of the Bid Closing Date/Issue Closing Date, and adequate funds for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by the Issuer.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, the Company further undertakes that:

- Allotment of Equity Shares will be made only in dematerialised form within 15 days of the Bid/Issue Closing Date;
- Dispatch of refund orders/refund advice will be done within 15 days of the Bid/Issue Closing Date;
- It shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if Allotment is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15 day time prescribed above as per the guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No. F/8/S/79 dated 31 July, 1983, as amended by their letter No. F/14/SE/85 dated 27 September, 1985, addressed to the Stock Exchanges and as further modified by SEBI's clarification XXI dated 27 October, 1997, with respect to the SEBI Guidelines.

We will provide adequate funds required for dispatch of refund orders or Allotment advice to the Registrar to the Issue.

Save and except refunds effected through the electronic mode, i.e., ECS, NEFT, direct credit or RTGS, refunds will be made by cheques, pay orders or demand drafts drawn on a bank appointed by us, as an Escrow Collection Bank and payable at par at places where Bids are received, except for Bidders who have opted to receive refunds through the ECS facility. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Undertakings by the Company

The Company undertakes as follows:

- that complaints received in respect of this Issue shall be dealt with promptly;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of Allotment;
- that the funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by us;
- that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of the Final Transfer Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund;
- that the refund orders or Allotment advice to the Non-Resident Bidders shall be despatched within the specified time; and
- that no further issue of Equity Shares shall be made until the Equity Shares offered through the Red Herring Prospectus and the Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

Utilisation of Issue proceeds

The Board of Directors certify that:

- all monies received out of the Issue shall be credited/transferred to a separate bank account other than the bank account referred to in section 73(3) of the Companies Act;
- details of all monies utilised out of the Issue referred to above shall be disclosed under an appropriate heading in the balance sheet of the Company indicating the purpose for which such monies have been utilised;
- details of all unutilised monies out of the Issue, if any, shall be disclosed under the appropriate head in the balance sheet of the Company indicating the form in which such unutilised monies have been invested; and
- the Company shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

Restrictions on Foreign Ownership of Indian Securities

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the GoI notified through press notes and press releases issued from time to time and FEMA and regulations, circulars and notifications issued thereunder. While the GoI policy prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, the FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy of the GoI, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures and reporting requirements for making such investment. As per the sector specific guidelines of the GoI, the foreign direct investment ("FDI") in all activities in the petroleum and natural gas sector other than refining is up to 100%.

Subscription by NRIs/FIIs

Under the FEMA, FIIs and NRIs are permitted to subscribe for shares of an Indian company making a public offer without prior RBI approval.

It is to be distinctly understood that there is no reservation for Non-Residents, NRIs and FIIs and all Non-Resident, NRI and FII applicants will be treated on the same basis as other categories for the purpose of allocation.

As per the RBI regulations, OCBs cannot participate in this Issue.

The Equity Shares have not been and will not be registered under the Securities Act or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act, and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.

As per the current regulations, the following restrictions are applicable for investments by FIIs:

No single FII can hold more than 10% of the post-Issue paid-up capital of the Company (i.e., 10% of 1,765,314,379 Equity Shares in case the Green Shoe Option is not exercised or 1,814,634,330 Equity Shares in case the Green Shoe Option is exercised in full). In respect of an FII investing in the Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital or 5% of the total issued capital of the Company where such sub-account is a foreign corporate or an individual.

With the approval of the Directors and the shareholders of the Company by way of a special resolution, the aggregate FII holding limit has been increased to 49%.

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of regulation 15A(1) of the SEBI (Foreign Institutional Investors) Regulations, 1995, an FII or its sub-account may issue, deal or hold, offshore derivative instruments such as participatory notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed on any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of "know your client" requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

The SEBI (Venture Capital) Regulations, 1996, and the SEBI (Foreign Venture Capital Investor) Regulations, 2000, prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with the SEBI. Accordingly, the holding by any venture capital fund should not exceed 25% of the corpus of the such venture capital fund.

The above information is given for the benefit of the Bidders. The Company and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Red Herring Prospectus. Bidders are advised to make their own independent investigations and ensure that the number of Equity Shares bid for does not exceed the applicable limits under relevant laws or regulations. However, we shall update this Red Herring Prospectus and keep the public informed of any material changes in matters concerning the business and operations until the listing and commencement of trading of the Equity Shares.

MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

The regulations contained in Table 'A' in Schedule I of the Companies Act shall not apply to the Company, except in so far as the same are repeated, contained or expressly made applicable in the Articles or by the said Act. The main provisions of the Articles of Association of the Company are detailed below.

The Articles of Association, which were adopted on 22 August, 2006 and amended on 21 September, 2006 and 10 November, 2006 contain, *inter alia*, the following provisions (capitalised terms used in this section have the meaning that has been given to such terms in the Articles of Association):

Share rights

Increase in Capital

The Company in General Meeting may, by Special Resolution, increase the Capital by the creation of new Shares. Such Shares may be issued with a preferential or qualified right to dividends.

The Company may, in General Meeting, determine that Shares be offered to such persons in such proportion and on such terms and conditions as may be directed by such General Meeting. The Company may also make any other provision whatsoever for the issue, allotment and disposal of Shares.

Redeemable Preference Shares

Subject to the provisions of section 80 of the Companies Act, the Company may issue redeemable preference shares.

Sub-division, Consolidation and Cancellation of Share Capital

Subject to section 94 of the Companies Act, the Company may in General Meeting consolidate all or any of its share capital into Shares of a larger amount or sub-divide its Shares into Shares of a smaller amount than is fixed by the Memorandum of Association. The resolution whereby any Share is sub-divided may determine that some Shares shall have particular rights with respect to dividends, Capital or otherwise.

The Company may also in General Meeting cancel Shares which have not been taken or agreed to be taken by any person and reduce the amount of its share capital by the amount of Shares so cancelled.

Modification of Rights

If, at any time, share capital is divided into different classes of Shares, all or any of the rights and privileges attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may (subject to the provisions of sections 106 and 107 of the Companies Act and whether or not the Company is being wound-up) be varied, modified, commuted, affected or abrogated with the consent in writing of the holders of three-fourths of the issued Shares of that class or with the sanction of a Special Resolution passed at a separate General Meeting of the holders of the Shares of that class.

Transfer and Transmission of Shares

Transfer of Shares in physical form shall be by an instrument of transfer in writing in the prescribed form and shall be duly stamped and delivered to the Company in accordance with section 108 of the Companies Act. The transferor shall be deemed to be the holder of such Shares until the name of the transferee is entered in the Register of Members.

Subject to the provisions of the Listing Agreements, in the event that the proper documents have been lodged, the Company shall register the transfer of Shares in the name of the transferee except:

- where the transferee is, in exceptional circumstances, not approved by the Directors in accordance with the provisions of the Articles; or
- when any statutory prohibition or any attachment or prohibitory order of a competent authority restrains the Company from transferring the Shares out of the name of the transferor; or
- when a transferor objects to the transfer provided such transferor serves on the Company, within a reasonable time, a prohibitory order of a court of competent jurisdiction.

The Board may in accordance with section 111A of the Companies Act, refuse to register the transfer of, or the transmission by operation of law of the right to, any Shares or interest of a Member in, or Debentures of, the Company.

Lien

The Company shall have a first and paramount lien upon all Shares and Debentures (other than fully paid-up Shares and Debentures) registered in the name of each Member. Such lien shall extend to all dividends and bonuses from time to time declared in respect of such Shares and Debentures. Unless otherwise agreed, the registration of a transfer of Shares and Debentures shall operate as a waiver of the Company's lien.

Forfeiture of Shares

If any Member fails to pay any calls or instalment of a call on or before the day appointed for payment, the Board may at any time thereafter (as long as the call or instalment remains unpaid), give notice to the Member requiring him to pay the same together with any interest that may have accrued and any expenses that may have been incurred by the Company. If the requirements of any such notice are not complied with the Shares subject to the notice shall be forfeited by a resolution of the Board.

Any Share forfeited shall be deemed the property of the Company and may be sold, re-allotted, or otherwise disposed of.

Conversion of Shares into Stock

The Company may by ordinary resolution convert any paid-up Shares into stock and also reconvert any stock into paid up Shares of any denomination. The holders of stock may transfer all or any part of the stock in the same manner as the Shares from which the stock arose. The holder of stock has the same rights, privileges and advantages as regards dividends, voting at meetings and other matters, as if they still held the Shares from which the stock arose.

Dividends

The Company in General Meeting may declare dividends to be paid to Members not exceeding the amount recommended by the Board. The Board may also pay interim dividends whenever the financial position of the Company, in the opinion of the Board, justifies its payment.

All dividends shall be apportioned and paid proportionality to the amounts paid or credited as paid on the Shares during any portion or portions of the period in respect of which the dividend is paid, but if any Share is issued on terms providing that it shall rank for dividend as from a particular date, such Share shall rank for dividend accordingly.

Where the Company has declared a dividend which has not been paid or claimed within 30 days from the date of declaration, the total amount of the unpaid or unclaimed dividend will transfer to a special account—the "Unpaid Dividend Account" opened by the Company. Any money transferred to this account which remains unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the Company to a fund known as the investor education and protection fund established under section 205C of the Companies Act. No unclaimed or unpaid dividend shall be forfeited by the Board.

Further Issue of Capital

Subject to the articles at any time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the Allotment of Equity Shares made for the first time after its formation, whichever is earlier, it is proposed to offer further Equity Shares. Whether out of un-issued share capital or out of increased share capital, such further Equity Shares shall be offered to persons who, at the date of the offer, are holders of Equity Shares. Those holders of Equity Shares will receive further Equity Shares in proportion (as nearly as circumstances admit) to the Capital paid-up on those Equity Shares at that date. Such offer shall be made by notice specifying the number of Equity Shares offered and limiting a time, being not less than fifteen days from the date of the offer, within which period the offer, if not accepted, will be deemed to have been declined. The offer includes a right exercisable by the person concerned to renounce the Equity Shares offered to him or any of them in favour of any other person.

After the expiry of the time specified in the notice or on receipt of earlier indication from the person to whom such notice is given that he declines to accept the Equity Shares offered, the Board may dispose of them in such manner as it deems most beneficial to the Company. Notwithstanding the procedure set out above, the Company may by special resolution offer further Equity Shares to any person or persons (and such person or persons may or may not include the persons who at the date of the offer are the holders of the Equity Shares of the Company). Where no such special resolution is passed, the Company may, if the votes cast in favour of the proposal exceeds the votes, if any, cast against the proposal apply for Central Government approval. If the Central Government is satisfied that the proposal is most beneficial to the Company, the Company may offer further Equity Shares to any person or persons (and such person or persons may or may not include the persons who at the date of the offer are the holders of the Equity Shares of the Company).

Meetings of Members

Annual General Meeting

The Company shall in each year hold an Annual General Meeting. The first Annual General Meeting shall be held within eighteen months from the date of incorporation of the Company and the next within six months after the expiry of the Financial Year, provided that no more than fifteen months shall lapse between Annual General Meetings.

Extraordinary General Meeting

The Board may, if it deems fit, call an Extraordinary General Meeting, and it shall do so upon a requisition in writing by any Member or Members holding in aggregate not less than one-tenth of the paid-up Capital of the Company which as at that date carries the right of voting in regard to the matter in respect of which the requisition has been made.

Notice Period

At least 21 days' notice of every General Meeting, Annual General Meeting and Extraordinary General Meeting must be given to all persons who under the Articles are entitled to receive notice from the Company. The Notice must specify the day, place and hour of the Meeting together with the general nature of the business to be transacted.

A Meeting can be convened by shorter notice provided:

- in the case of an Annual General Meeting, all Members entitled to vote consent in writing; and
- in the case of any other Meeting, with the consent of Members holding not less than 95% or such part of the Share Capital of the Company as given a right to vote at the Meeting.

Quorum at General Meeting

Five Members present in person shall be the requisite quorum for a General Meeting. No business shall be transacted at any General Meeting unless the requisite quorum is present. If a quorum is not present, the Meeting will either be dissolved (if convened upon the requisition of Members) or adjourned (in the case of any other Meeting).

Votes of Members

Subject to the provisions of the Articles and to any rights or restrictions attaching to any class of Share, every Member shall be entitled to be present, and to speak and vote at a Meeting. On a show of hands, every Member present in person shall have one vote and upon a poll the voting right of every Member present in person or by proxy shall be in proportion to their Share of the paid-up equity share capital of the Company.

At any General Meeting, a resolution put to the vote of the Meeting shall be decided on a show of hands, unless a poll is demanded. The Chairman shall not have the casting vote.

The Chairman of any Meeting shall be the sole judge of the validity of every vote tendered at such Meeting.

Restrictions

No Member shall be entitled to vote either personally or by proxy at any General Meeting or other shareholder Meeting either upon a show of hands or upon a poll if Shares registered in his name are subject to any calls or other sums payable by him, and which have not been paid, or in regard to which, the Company has, but has not exercised, any right of lien.

Directors

Number of Directors

Subject to the Companies Act, the Directors (excluding Debenture, ex-officio and alternate Directors) shall not be less than three nor more than twelve in number (including any Directors appointed, or who may be appointed, pursuant to Article 129). If any of the Cairn Energy Group together hold(s) 10% or more of the total issued paid-up and subscribed Equity Capital of the Company and the number of Directors is proposed to be increased above twelve, a Special Resolution must be passed.

Not less than two-thirds of the total number of Directors of the Company shall be (i) persons whose period of office is liable to determination by retirement of Directors by rotation; and (ii) except as otherwise provided in the Companies Act, be appointed by the Company in General Meeting.

Subject to section 259 of the Companies Act and the Articles, the Company may, by Ordinary Resolution, from time to time, increase or reduce the number of Directors, and may alter their qualifications and the Company may (subject to the provision of section 284 of the Companies Act) remove any Director before the expiration of his period of office and appoint another person in his place. The person so appointed shall hold office for such time as the Director in whose place he is appointed would have held the same if he had not been removed.

Appointment of non-retiring Directors

Cairn UK Holdings Limited shall have the right to nominate for appointment up to three persons (or, if greater, up to one-third of the total number of Directors of the Company) as non-retiring Directors of the Company and to remove them or any one of them from office. Cairn UK Holdings Limited's right to nominate Directors for appointment will be proportionate to its Shareholding in the total issued paid-up and subscribed Equity Capital of the Company. For so long as any member(s) of the Cairn Energy Group together hold(s) 20% or more of the total issued paid-up and subscribed Equity Capital of the Company, it will have the right to nominate three non-retiring Directors of the Company (or, if greater, up to one-third of the total number of Directors of the Company). For so long as any member(s) of Cairn Energy Group together holds 15% or more but less than 20% of the total issued paid-up and subscribed Equity Capital of the Company, it will have the right to nominate two persons as non-retiring Directors of the Company. For so long as any member(s) of the Cairn Energy Group together hold(s) between 10% and 15% of the total issued paid-up and subscribed Equity Capital of the Company, it will have the right to nominate one person as a non-retiring Director of the Company. For so long as any member(s) of the Cairn Energy Group holds less than 10% of the total issued paid-up and subscribed Equity Capital of the Company, it will cease to have the right to nominate any person as Director of the Company.

Appointment of Alternate Director

The Board may (in accordance with and subject to section 313 of the Companies Act) appoint an alternate Director for a period of not less than three months from the state in which Meetings of the Board are ordinarily held.

Remuneration of Directors

Unless otherwise determined by the Company in General Meeting each Director (other than the Managing Director and a whole-time Director) shall be entitled to receive a sitting (out of the funds of the Company) determined by the Board from time to time for services in attending Meetings of the Board or committees thereof.

Subject to the provisions of the Companies Act, a Managing Director or Director in the whole-time employment of the Company may be paid remuneration by way of a monthly payment or at a specified percentage of the net profits of the Company or partly by one way and partly by the other. A Director who is neither in the whole-time employment of the Company nor a Managing Director, may be paid remuneration either monthly, quarterly or annually with the approval of the Central Government or by way of commission if the Company, by a Special Resolution, authorises such payment.

If any Director is called upon to perform extra services or make special exertions or efforts (which includes work done as a Member of any committee of the Board), the Board may arrange for the Director to receive special remuneration either by way of a fixed sum or otherwise as may be determined by the Board. Such remuneration may either be in addition to or in substitution for his remuneration.

The Board may allow and pay to any Director, who is not a *bona fide* resident of the place where the Meetings of the Board are ordinarily held and who shall come to such place for the purpose of attending any Meeting, such sum as the Board may consider fair compensation for travelling, boarding, lodging and other expenses. In addition, if any Director be called upon to go or reside out of the ordinary place of his residence on the Company's business, he shall be entitled to be repaid and reimbursed any travelling or other expenses incurred in connection with the business of the Company.

Permitted Interests of Directors

A Director may be or become a director of any Company promoted by the Company, or in which it may be interested as a vendor, shareholder, or otherwise, and no such Director shall be accountable for any benefits received as a Director or shareholder of such Company except insofar as section 309(6) or section 314 of the Companies Act may be applicable.

Retirement and rotation of Directors

Subject to section 256 of the Companies Act and the Articles, at every Annual General Meeting of the Company, one third of such Directors as are liable to retire by rotation (or, if their number is not a multiple of three, the number nearest to one-third) shall retire from office. The Directors to retire by rotation at every Annual General Meeting shall be those who have been longest in office since their last appointment. In the case of Directors appointed at the same time, those who are to retire shall, in default and subject to any agreement among themselves, be determined by lot.

A retiring Director shall be eligible for re-election and shall act as a Director throughout the Meeting at which he retired.

Provision in default of appointment

If the place of the retiring Director is not so filled up and the Meeting had not expressly resolved not to fill the vacancy, the Meeting shall stand adjourned. If at the adjourned Meeting it has been not expressly resolved not to fill the vacancy the retiring Director shall be deemed to have been reappointed at the adjourned Meeting, unless:

- at that Meeting or at the previous Meeting resolution for the re-appointment of such Director has been put to the Meeting and lost;
- the retiring Director has, by a notice in writing addressed to the Company or its Board, expressed his unwillingness to be so re-appointed;
- he is not qualified or is disqualified for appointment;
- a resolution, whether special or ordinary, is required for the appointment or re-appointment by virtue of any provisions of the Companies Act; or
- the proviso to sub-section (2) of section 263 of the Companies Act is applicable to the case.

Proceedings of the Board

Subject to the provisions of the Companies Act and the Listing Agreement, the Directors may meet for the despatch of business (at least once in every three months and at least four such meetings shall be held every year), adjourn and otherwise regulate Meetings as it deems fit. The quorum necessary for the transaction of the business of the Board shall be one-third of the total number of Directors or two Directors, whichever is higher, including, for so long as Cairn UK Holdings Limited has the right to nominate a Director pursuant to the Articles, one Director nominated by Cairn UK Holdings, unless the requirement is waived by any of the Directors appointed by Cairn UK Holdings Limited or the Company Secretary of Cairn UK Holdings Limited.

If a meeting of the Board cannot be held for want of a quorum, the Meeting shall automatically stand adjourned to such other date and time (if any) as may be fixed by the Chairman, not being later than seven days from the date originally fixed for the Meeting.

To the extent that any member of the Cairn Energy Group holds 20% or more of the total issued, subscribed and paid-up Equity Capital of the Company, the Chairman of the Board shall be elected from among the non-retiring Directors nominated to the Board by Cairn UK Holdings Limited. Subject to the provisions of the Companies Act and the Articles questions arising at any meeting of the Board shall be determined by a majority of votes.

Directors may Appoint Committees

Subject to the provisions of the Companies Act and the restrictions contained in section 292 of the Companies Act, the Board may delegate any of its powers to committees of the Board consisting of such Members of its body as it deems fit. The Board may from time to time revoke and discharge any such committee of the Board either wholly or in part and either as to persons or purposes. All acts done by any such committee of the Board in conforming and in fulfilment of the purposes of their appointment but not otherwise shall have the like force and effect if done by the Board.

Subject to applicable law, if any member(s) of the Cairn Energy Group together hold(s) 20% or more of the total issued, paid up and subscribed Equity Capital of the Company, Cairn UK Holdings Limited shall have the right to appoint the Chairman of various committees of the board of Directors that may be formed or if the appointment of Chairman of the committee as aforesaid is prohibited by law, subject to applicable law Cairn UK Holdings Limited shall have the right to appoint one of the Directors nominated by the Board, as a member of the relevant committee.

Managing Director

Subject to the provisions of the Companies Act and the Articles, if any member(s) of the Cairn Energy Group together hold(s) 50% or more of the total issued, paid-up and subscribed Equity Capital of the Company, the Board shall have the power to appoint from among the Directors, based on the nomination of the Cairn Energy Group, a Managing Director or Managing Directors of the Company for a fixed term not exceeding five years at a time and upon such terms as the Board thinks fit. Subject to the Articles, the Board may, by resolution, vest in such Managing Director or Managing Directors such of the powers vested in the Board generally as it thinks fit.

The remuneration of the Managing Director may be by way of monthly payment, fees or participation in profits or by any or all of these modes.

For so long as Cairn UK Holdings Limited together with any other member of the Cairn Energy Group does not hold 50% or more of the total issued, paid up and subscribed Equity Capital of the Company, the Managing Director may be appointed by the Board subject to such proposed appointment being approved by Cairn UK Holdings Limited in writing if Cairn UK Holdings Limited together with any other member of the Cairn Energy Group holds 20% or more of the total issued, paid up and subscribed Equity Capital of the Company.

Borrowing Powers

Under the Articles of Association of the Company, as amended by our shareholders at their EGM held on 21 September, 2006 until 30 September, 2009 or if earlier upon the Company ceasing to be a subsidiary undertaking for purposes of borrowing limits contained in the articles of association of the parent company of the Cairn Energy Group, the Board shall not, without the consent of the Company in general meeting, exercise the powers of the Company to borrow moneys if as a result of the aggregate amount of the moneys borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) shall exceed the lesser of (i) Rs. 5,625.00,00,000 (Rupees Five Thousand Six Hundred and Twenty Five Crores Only) and (ii) the aggregate of the paid-up capital of the Company and its free reserves (that is to say, reserves not set apart for any specific purpose). Under the Relationship Agreement, Cairn Energy PLC has undertaken to use all reasonable endeavours to procure that its articles of association are amended at the first EGM of Cairn Energy PLC held after admission of the Equity Shares to trading on the BSE and the NSE (or, if earlier, its Annual General Meeting in 2007) to the effect that the indebtedness of Cairn India is not taken into account in determining the borrowing limits of the Cairn Energy Group and thereafter to vote in favour of any resolution proposed at a General Meeting of the Company to remove this restriction.

Subject to the Articles, the payment or repayment of monies borrowed may be secured in such manner and upon such items and conditions in all respects as the Company in General Meeting shall prescribe including the issue of bonds, Debentures, Debenture-stock of the Company and charges upon all or any part of the property of the Company (both present and future), including its uncalled Capital for the time being.

Any bonds, Debentures, Debenture-book or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into Shares of any denomination. Bonds or Debentures with the right to conversion into or Allotment of Shares shall only be issued by approval of a Special Resolution.

Indemnity and Responsibility

Subject to section 201 of the Companies Act, every officer or agent for the time being of the Company shall be indemnified out of the assets of the Company against all liability incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquired or discharged or in connection with any application under section 633 of the Companies Act in which relief is granted to him by the Company.

First Auditor or Auditors

The first Auditor or Auditors of the Company shall be appointed by the Board within one month of the date of registration of the Company and the Auditor or Auditors so appointed shall hold office until the conclusion of this first Annual General Meeting provided that the Company may, at a General Meeting, remove any such Auditor or all such Auditors and appoint in his or their place any other person or persons who have been nominated for appointment by any Member of the Company and of whose nomination notice has been given to the Members. If the Board fails to exercise its powers under the Articles, the Company in General Meeting may appoint the first Auditor or Auditors. Provided that, so long as any member(s) of the Cairn Energy Group together hold(s) less than 50% but more than 20% of the total issued, paid up and subscribed Equity Capital of the Company, the Auditors may be nominated by the Board for appointment at the General Meeting, which shall be subject to the affirmative vote of Cairn UK Holdings Limited at the General Meeting of the Company.

For so long as any member(s) of the Cairn Energy Group together hold(s) 20% or more of the total issued, paid up and subscribed Equity Capital of the Company, the internal auditors shall be appointed by the Board, subject to such appointment being approved by Cairn UK Holdings Limited in writing.

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by the Company or entered into more than two years before the date of this Red Herring Prospectus) which are or may be deemed material have been entered or are to be entered into by the Company. These contracts, copies of which will be attached to the copy of this Red Herring Prospectus, will be delivered to the RoC for registration and they, as well as, the documents for inspection referred to hereunder, may be inspected at the business office of the Company situated at 3rd and 4th Floor, Orchid Plaza, Suncity, Sector 54, Gurgaon, 122 002, from 9 a.m. to 5 p.m. (Indian Standard Time) on Business Days from the date of this Red Herring Prospectus until the Bid/Issue Closing Date.

Material Contracts

1. Engagement Letters dated 12 October, 2006, 12 October, 2006 and 12 October, 2006 for the appointment of DSP Merrill Lynch, ABN AMRO Securities (India) Private Limited and JM Morgan Stanley Private Limited as the BRLMs, respectively.
2. Memorandum of Understanding dated 12 October, 2006 between the Company and the BRLMs.
3. Memorandum of Understanding dated 25 September, 2006 between the Company and the Registrar to the Issue.
4. Syndicate Agreement dated **[●]** between the Company, the BRLMs and the Syndicate Members.
5. Escrow Agreement dated **[●]** between the Company, the BRLMs, the Syndicate Members, the Escrow Collection Banks and the Registrar to the Issue.
6. Underwriting Agreement dated **[●]** between the Company, the Promoters and the Underwriters.
7. Stabilisation Agreement dated 12 October, 2006 between the Company, the Green Shoe Lender and the Stabilising Agent.
8. Letter of Appointment of Monitoring Agency dated 16 September 2006 between the Company and the Monitoring Agent.
9. Confidentiality Undertaking dated 4 October, 2006 between the Company and Cairn Energy PLC.
10. Non-Compete Agreement dated 4 October, 2006 between Cairn Energy PLC, Capricorn Energy Limited, Capricorn Energy Limited and the Company.
11. Relationship Agreement dated 4 October, 2006 between the Company, Cairn Energy PLC and Cairn UK Holdings Limited.
12. Subscription and Share Purchase Agreement dated 15 September, 2006 between the Company, Cairn Energy PLC, Cairn UK Holdings Limited and Cairn India Holdings Limited.
13. Amendment agreement dated 5 October, 2006 between the Company, Cairn Energy PLC, Cairn UK Holdings Limited and Cairn India Holdings Limited in relation to the Subscription and Share Purchase Agreement.
14. Share Purchase Deed dated 12 October, 2006 between the Company, Cairn Energy PLC, Cairn UK Holdings Limited and Cairn India Holdings Limited.
15. Transition Support Agreements dated 4 October, 2006 between the Company and Cairn Energy PLC, two agreements between CEIL and Cairn Energy PLC and side letter dated 4 October, 2006 amongst the Company, CEIL and Cairn Energy PLC in respect of those agreements.
16. Trademark Agreements dated 4 October, 2006 between the Company and CEAL, the Company and Cairn Energy PLC, and the Company and Capricorn Energy Limited.
17. Contribution Agreement dated 24 November, 2006 between the Company and Cairn Energy PLC.

Documents for Inspection

1. The Memorandum and Articles of Association, as amended.
2. The certificate of incorporation dated 21 August, 2006 and certificate of commencement of business dated 14 September, 2006.

3. Extract of the shareholders' resolution dated 21 September, 2006 in relation to the Issue.
4. Consents from Auditors, Bankers, BRLMs, CBRLM, Co-Managers, Syndicate Members, Registrar, DeGolyer and MacNaughton, Escrow Collection Bank(s), Company Secretary and Compliance Officer.
5. Extract of the resolutions of the Board of Directors dated 21 September, 2006 authorising the Issue.
6. In-principle approval from the BSE dated 13 November, 2006.
7. In-principle approval from the NSE dated 13 November, 2006.
8. Agreement dated 27 November, 2006 between the Company, the Registrar to the Issue and NSDL.
9. Agreement dated 27 November, 2006 between the Company, the Registrar to the Issue and CDSL.
10. Due diligence certificates dated 12 October, 2006 and 27 November, 2006 to the SEBI from the BRLMs.
11. Reports of the Auditors, prepared as per Indian GAAP and referred to in this Red Herring Prospectus.
12. Certificate from the statutory auditors, dated 24 November, 2006 in connection with utilisation of subscription money received from Cairn UK Holdings Limited.

Any of the contracts or documents mentioned in this Red Herring Prospectus may be amended or modified at any time if so required in the interests of the Company or if required by the other parties to such contracts or documents, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

DECLARATION

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the guidelines issued by Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made thereunder or guidelines issued, as the case may be. We further certify that all statements in this Red Herring Prospectus are true and correct.

Signed by all of the Directors

Mr. Rahul Dhir ______________________

Mr. Lawrence W. Smyth ______________________

Ms. Jann Brown ______________________

Sir William B.B. Gammell ______________________

Mr. Norman L. Murray ______________________

Mr. Hamish M. Grossart ______________________

Mr. Aman Mehta ______________________

Mr. Naresh Chandra ______________________

Dr. Omkar Goswami ______________________

Signed by:

Mr. Rahul Dhir (Chief Executive Officer) ______________________

Ms. Jann Brown (Chief Financial Officer) ______________________

Date: 27 November, 2006

Place: Mumbai

APPENDIX A

EXECUTIVE SUMMARY OF DEGOLYER AND MACNAUGHTON REPORT

DeGolyer and MacNaughton
5001 Spring Valley Road
Suite 800 East
Dallas, Texas 75244

25 August, 2006

Cairn Energy PLC
50 Lothian Road
Edinburgh EH3 9BY
Scotland

Cairn India Limited
Lentin Chambers
3rd Floor, Dalal Street, Fort
Mumbai 400 023
India

JM Morgan Stanley Private Limited
141, Maker Chambers III
Nariman Point
Mumbai 400 021
India

DSP Merrill Lynch Ltd.
10th Floor, Mafatlal Centre
Nariman Point
Mumbai 400 021
India

ABN AMRO Securities (India) Private Limited
81 Sakhar Bhavan
Nariman Point
Mumbai 400 021
India

ABN AMRO Rothschild
250 Bishopsgate
London
EC2M 4AA
UK

Gentlemen:

Pursuant to Cairn Energy PLC's (Cairn) request, we have prepared estimates, as of 30 June, 2006, of the proved, probable, and possible oil, condensate, and sales-gas reserves and the contingent and prospective resources owned by Cairn in India.

Reserves estimated in this report are expressed as gross and working-interest reserves. Gross reserves are defined as the total estimated petroleum to be produced from these properties after 30 June, 2006. Working-interest reserves are defined as that portion of the gross reserves to be produced from the properties attributable to the interests owned by Cairn, as of 30 June, 2006, before deduction of royalty or other interests payable.

The proved, probable, and possible reserves presented in this report have been prepared in accordance with the reserves definitions adopted by the Society of Petroleum Engineers (SPE) and the World Petroleum Congresses (WPC). Such reserves definitions are included under the Classification of Reserves heading of this report.

The contingent and prospective resources estimated in this report are expressed as gross resources and working-interest resources. Gross resources are defined as the total estimated petroleum that is potentially recoverable after 30 June, 2006. Working-interest resources are defined as that portion of the gross resources to be produced from the properties attributable to the interests owned by Cairn, as of 30 June, 2006, before deduction of any royalty interests payable.

The contingent resources estimated herein are those volumes of oil or gas that are potentially recoverable from known accumulations but which are not currently considered to be commercially recoverable because of either the lack of a market or proper delineation necessary to establish the size of the accumulation for commercial purposes. The prospective resources estimated herein are those volumes of oil or gas that are potentially recoverable from accumulations yet to be discovered. The definitions of resources applied are in agreement with the petroleum resources definitions approved in February 2000 by the SPE, WPC, and the American Association of Petroleum Geologists (AAPG) and are discussed in detail under the Classification of Resources heading of this report. Because of the uncertainty of commerciality and the lack of sufficient exploration drilling, the resources estimated herein cannot be classified as reserves. The resources estimates in this report are provided as a means of comparison to other resources and do not provide a means of direct comparison to reserves.

Estimates of petroleum reserves and contingent and prospective resources should be regarded only as estimates that may change as additional information becomes available. Not only are such reserves and resources estimates based on that information which is currently available, but such estimates are also subject to the uncertainties inherent in the application of judgmental factors in interpreting such information. Contingent and prospective resources quantities should not be confused with those quantities that are associated with reserves due to the additional risks involved. The quantities that might actually be recovered may differ significantly from the estimates presented herein. Estimates of contingent and prospective resources should be regarded only as estimates that may change as additional information becomes available. A possibility exists that the accumulations and prospects will not result in successful discovery and development, in which case there could be no positive potential present worth.

In this report, key information has been provided on the commercial fields in India evaluated herein. As far as we are aware, there are no special factors which would affect the production business of Cairn that would require additional information for the proper evaluation of these fields.

Information used in the preparation of this report was obtained from Cairn. In the preparation of this report we have relied upon information furnished by Cairn with respect to the property interests to be evaluated, production from such properties, current costs of operation and development, current prices for production, agreements relating to current and future operations and sales of production, concession expiration dates, and various other information and data that were accepted as represented. Although we have not had independent verification, the information used in this report appears reasonable. The technical staff of Cairn involved with the assessment and implementation of development of Cairn's petroleum assets adhere to the generally accepted practices of the petroleum industry. The staff members appear to be experienced and technically competent in their fields of expertise.

Executive Summary

Cairn has interests in four main PSC areas in India that are either producing or anticipated to come on production within the next 3 years. Cairn's producing fields are the Ravva, Lakshmi, and Gauri fields. The Ravva field is located in the PKGM-1 licence area and produces at approximately 50,000 barrels of oil per day (BOPD) and more than 35 million cubic feet per day (MMcf/d) of sales gas. The Lakshmi and Gauri fields are located in the CB/OS-2 PSC area and are primarily gas fields. The Lakshmi and Gauri fields combine to produce about 135 MMcf/d of sales gas and 3,800 barrels of oil and condensate per day. Cairn holds a 40-percent working interest in the CB/OS-2 PSC and a 22.5-percent working interest in the PKGM-1 licence area.

There are three significant field discoveries in the RJ-ON-90/1 PSC that account for most of the oil reserves owned by Cairn. These fields, the Aishwariya, Bhagyam, and Mangala fields, have been discovered in the last 3 years at relatively shallow depths in the onshore block. These oil fields are expected to be developed and start producing in 2008 at projected plateau oil rates that combined will represent about 150,000 BOPD. The fields have oil-bearing reservoirs that will be waterflooded using hot water. A number of other discoveries have been made in the block, some containing volumes classified as reserves based on plans of development, and others containing volumes classified as contingent resources pending plans for development. Cairn owns a 100-percent working interest in the exploration area of the RJ-ON-90/1 block; however, Oil and Natural Gas Company (ONGC) as the Government of India nominee, has backed into the development area for a 30-percent working interest. This leaves Cairn with a 70-percent working interest in the development area of the RJ-ON-90/1 block.

The KG-DWN-98/2 PSC area contains deeper-water field discoveries made by Cairn and ONGC beginning in 2001. These discoveries contain volumes that have been classified as contingent resources pending a plan to exploit the discoveries. Cairn holds a 10-percent working interest in the KG-DWN-98/2 PSC.

In addition to the reserves and contingent resources estimated herein, a study of the prospective resources attributable to Cairn's interests has been made and estimates of prospective resources made for 54 prospects.

The table below lists the original oil in place (OOIP) and original gas in place (OGIP) estimates that were used in the estimation of reserves by field, expressed in thousands of barrels (Mbbl) of oil and millions of cubic feet (MMcf) of gas:

	OOIP and OGIP Used in Estimating Reserves					
	Proved		Proved plus Probable		Proved plus Probable plus Possible	
	OOIP (Mbbl)	OGIP (MMcf)	OOIP (Mbbl)	OGIP (MMcf)	OOIP (Mbbl)	OGIP (MMcf)
CB/OS-2 PSC						
Ambe	0	31,303	0	53,089	0	97,426
CB-X	0	2,938	0	4,786	0	6,634
Gauri	8,761	146,612	18,819	169,498	22,797	198,955
Lakshmi	0	218,795	0	226,329	0	228,006
RJ-ON-90/1 PSC						
Aishwariya	252,336	0	281,308	0	285,981	0
Bhagyam	546,473	0	557,465	0	570,350	0
Bhagyam South	1,833	0	2,782	0	2,782	0
Mangala	1,125,060	0	1,206,363	0	1,259,852	0
N-I	26,428	0	26,428	0	26,428	0
Raagashwari Shallow	39,291	0	55,166	0	90,294	0
Saraswati	3,943	0	13,104	0	28,417	0
Shakti North	17,524	0	22,691	0	28,068	0
Shakti South	7,637	0	12,919	0	17,149	0
PKGM-1 Licence Area						
Ravva	NA	NA	NA	NA	NA	NA
Total	**2,029,286**	**399,648**	**2,197,045**	**453,702**	**2,332,118**	**531,021**

Note: Probable and possible in place volumes have not been adjusted for risk.

Estimates of gross proved, probable, and possible oil, condensate, and sales gas reserves are shown in the table below by field, expressed in Mbbl of oil and MMcf of sales gas:

	Gross Reserves								
	Proved			Probable			Possible		
	Oil (Mbbl)	Condensate (Mbbl)	Sales Gas (MMcf)	Oil (Mbbl)	Condensate (Mbbl)	Sales Gas (MMcf)	Oil (Mbbl)	Condensate (Mbbl)	Sales Gas (MMcf)
CB/OS-2 PSC									
Ambe	0	0	19,118	0	0	16,478	0	0	29,550
CB-X	0	0	1,555	0	0	1,400	0	0	1,141
Gauri	1,299	11	58,247	2,652	3	15,978	2,015	4	24,930
Lakshmi	0	72	25,070	0	26	12,146	0	10	6,349
CB/OS-2 Total	**1,299**	**83**	**103,990**	**2,652**	**29**	**46,002**	**2,015**	**14**	**61,970**
RJ-ON-90/1 PSC									
Aishwariya	22,710	0	0	37,538	0	0	28,406	0	0
Bhagyam	71,041	0	0	85,049	0	0	43,532	0	0
Bhagyam South	202	0	0	299	0	0	111	0	0
Mangala	146,258	0	0	187,236	0	0	107,454	0	0
N-I	3,964	0	0	2,379	0	0	2,114	0	0
Raagashwari Shallow	3,143	0	0	4,028	0	0	7,275	0	0
Saraswati	529	0	0	836	0	0	3,491	0	0
Shakti North	876	0	0	939	0	0	992	0	0
Shakti South	229	0	0	546	0	0	768	0	0
RJ-ON-90/1 PSC Total	**248,952**	**0**	**0**	**318,850**	**0**	**0**	**194,143**	**0**	**0**
PKGM-1 License Area									
Ravva	69,571	697	91,904	14,628	0	33,437	5,221	0	1,970
Total	**319,822**	**780**	**195,894**	**336,130**	**29**	**79,439**	**201,379**	**14**	**63,940**

Note: Probable and possible reserves have not been adjusted for risk.

Estimates of proved, probable, and possible oil, condensate, and sales-gas reserves, as of 30 June, 2006, attributable to working interests owned by Cairn in India evaluated herein are listed below, expressed in Mbbl and MMcf:

	Working Interest Reserves Summary		
	Proved	Probable*	Possible*
Oil and Condensate, Mbbl	190,629	227,557	137,888
Sales Gas, MMcf	62,274	25,923	25,231

* Probable and possible reserves have not been risk adjusted.

The table below shows the estimates of OOIP and OGIP by field that were used to estimate contingent resources, expressed in Mbbl of oil and MMcf of gas:

	Gross OOIP and OGIP Used in Estimating Contingent Resources					
	Low		Best		High	
	OOIP (Mbbl)	OGIP (MMcf)	OOIP (Mbbl)	OGIP (MMcf)	OOIP (Mbbl)	OGIP (MMcf)
CB/OS-2 PSC						
Lakshmi	32,478	0	43,228	0	53,222	0
RJ-ON-90/1 PSC						
Aishwariya (Fatehgarh)	252,336	0	281,308	0	285,981	0
Aishwariya (Barmer Hill)	116,400	0	248,352	0	407,769	0
Bhagyam	546,473	0	557,465	0	570,350	0
GS-V	0	10,012	0	15,943	0	29,990
Guda & Guda South	19,388	0	50,893	0	128,151	0
Kaameshwari	2,182	0	4,281	0	4,418	0
Mangala (Fatehgarh)	1,125,060	0	1,206,363	0	1,259,852	0
Mangala (Barmer Hill)	80,307	0	180,225	0	301,644	0
NC West	503	0	1,007	0	1,423	0
N-E	22,009	0	23,503	0	23,503	0
N-I	0	5,088	0	5,088	0	5,088
N-I North	0	1,200	0	1,604	0	2,009
NP	19,951	0	26,962	0	34,702	0
Raagashwari Deep	0	324,411	0	429,323	0	547,045
Raagashwari Shallow	0	5,418	0	10,606	0	21,069
Vijaya & Vandana	307,678	0	600,537	0	937,008	0
RJ-ON-90/1 PSC Total	**2,492,287**	**346,129**	**3,180,896**	**462,564**	**3,954,801**	**605,201**
KG-DWN-98/2 PSC						
A-1	0	10,624	0	12,465	0	24,367
Annapurna	0	42,806	0	286,996	0	676,328
D-1	0	249,884	0	309,068	0	309,068
E-1 Shallow	0	26,388	0	82,183	0	101,984
Kanaka Durga	8,924	25,856	19,987	137,618	40,374	188,843
Padmavati	49,485	3,526	53,675	3,526	53,675	3,526
N-1	0	12,632	0	14,281	0	28,974
U-1	0	20,696	0	25,754	0	49,638
W-1	0	5,147	0	7,245	0	9,177
KG-DWN-98/2 Total	**58,409**	**397,559**	**73,662**	**879,676**	**94,049**	**1,391,905**
PKGM-1 License Area						
Ravva	0	53,286	0	82,740	0	115,310
Total	**2,583,174**	**796,974**	**3,297,786**	**1,424,980**	**4,102,072**	**2,112,416**

Note: Contingent resources are not comparable to reserves and should not be aggregated with reserves.

Estimates of gross contingent resources are shown in the table below by field, expressed in Mbbl of oil and MMcf of gas:

	Gross Contingent Resources								
	Low			Best			High		
	Oil (Mbbl)	Condensate (Mbbl)	Sales Gas (MMcf)	Oil (Mbbl)	Condensate (Mbbl)	Sales Gas (MMcf)	Oil (Mbbl)	Condensate (Mbbl)	Sales Gas (MMcf)
CB/OS-2 PSC									
Lakshmi	3,573	0	1,645	6,485	0	5,014	7,984	0	5,885
RJ-ON-90/1 PSC									
Aishwariya	7,955	0	0	31,451	0	0	51,622	0	0
Bhagyam	16,394	0	0	55,747	0	0	74,146	0	0
GS-V	0	96	6,187	0	213	13,798	0	357	23,092
Guda & Guda South	2,097	0	0	7,243	0	0	22,860	0	0
Kaameshwari	327	0	0	856	0	0	1,105	0	0
Mangala	35,889	0	0	126,057	0	0	173,529	0	0
NC West	50	0	0	161	0	0	285	0	0
N-E	2,421	0	0	4,231	0	0	5,171	0	0
N-I	0	0	3,430	0	0	3,430	0	0	3,430
N-I North	0	0	744	0	0	1,219	0	0	1,406
NP	579	0	0	965	0	0	1,430	0	0
Raagashwari Deep	0	2,198	110,821	0	3,282	167,237	0	4,502	232,313
Raagashwari Shallow	0	0	4,280	0	0	8,485	0	0	16,855
Vijaya & Vandana	1,506	0	0	8,044	0	0	16,241	0	0
RJ-ON-90/1 PSC Total	**67,218**	**2,294**	**125,462**	**234,755**	**3,495**	**194,169**	**246,389**	**4,859**	**277,096**
KG-DWN-98/2 PSC									
A-1	0	0	5,462	0	0	7,739	0	0	15,127
Annapurna	0	0	23,244	0	0	181,575	0	0	423,750
D-1	0	0	140,585	0	0	200,864	0	0	200,864
E-1 Shallow	0	0	16,381	0	0	57,396	0	0	71,225
Kanaka Durga	178	282	14,592	799	1,749	90,678	3,230	2,392	124,053
Padmavati	2,474	39	2,011	4,294	45	2,313	6,441	45	2,313
N-1	0	0	7,229	0	0	9,775	0	0	19,110
U-1	0	0	11,845	0	0	16,988	0	0	32,742
W-1	0	0	3,095	0	0	4,919	0	0	6,230
KG-DWN-98/2 Total	**2,652**	**321**	**224,444**	**5,093**	**1,794**	**572,247**	**9,671**	**2,437**	**895,414**
PKGM-1 License Area									
Ravva	7,366	0	35,085	14,230	0	54,473	21,683	0	75,710
Total	**80,809**	**2,615**	**386,639**	**260,563**	**5,289**	**825,903**	**385,727**	**7,296**	**1,254,105**

Note: Contingent resources are not comparable to reserves and should not be aggregated with reserves.

Estimates of contingent oil, condensate, and sales-gas resources, as of June 30, 2006, attributable to the working interests owned by Cairn in India evaluated herein are listed below, expressed in Mbbl and MMcf:

	Working Interest Contingent Resources Summary		
	Low Estimate	Best Estimate	High Estimate
Oil and Condensate, Mbbl	52,042	173,261	255,158
Sales Gas, MMcf	118,822	207,407	302,897

* Contingent resources are not comparable with reserves and should not be aggregated with reserves.

Estimates of gross prospective oil and gas resources, as of June 30, 2006, are summarized as follows, expressed in thousands of barrels of oil equivalent (Mboe):

	Gross Prospective Resources Summary			
	Low Estimate	Median Estimate	High Estimate	Best Estimate
Oil Equivalent, Mboe	379,867	1,103,957	3,208,820	1,561,232

Notes:

1. Recovery efficiency is applied to prospective resources in this table. Low, median, and high estimates correspond to P_{90}, P_{50}, and P_{10} estimates.

2. Gas is converted to oil equivalent using a factor of 6,000 cubic feet of gas per 1 barrel of oil equivalent.

Estimates of the working-interest prospective oil and gas resources, as of June 30, 2006, are summarized as follows, expressed in Mboe:

	Working-Interest Prospective Resources Summary			
	Low Estimate	Median Estimate	High Estimate	Best Estimate
Oil Equivalent, Mboe	111,590	481,038	526,192	356,820

Notes:

1. Recovery efficiency is applied to prospective resources in this table. Low, median, and high estimates correspond to P_{90}, P_{50}, and P_{10} estimates

2. Gas is converted to oil equivalent using a factor of 6,000 cubic feet of gas per 1 barrel of oil equivalent.

The working-interest P_g-adjusted best estimate prospective resources, should these prospects result in successful discoveries and development, as of June 30, 2006, is summarized as follows, expressed in Mboe:

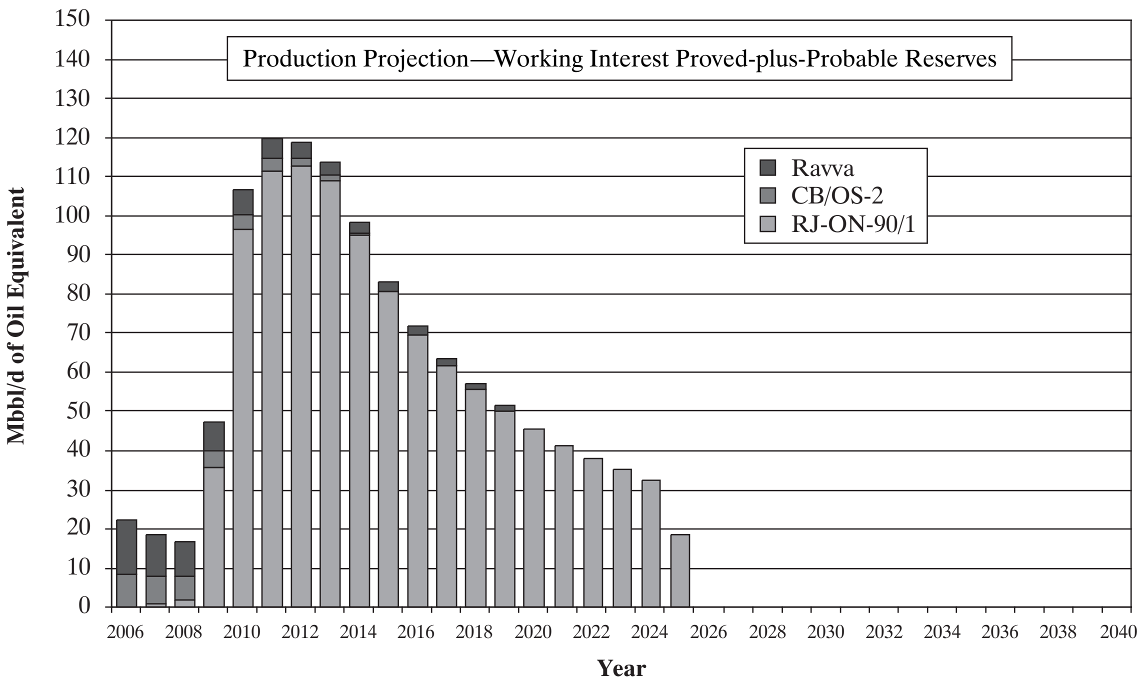
	Working-Interest Prospective Resources
	P_g—Adjusted Best Estimate
Oil Equivalent, Mboe	67,489

Notes:

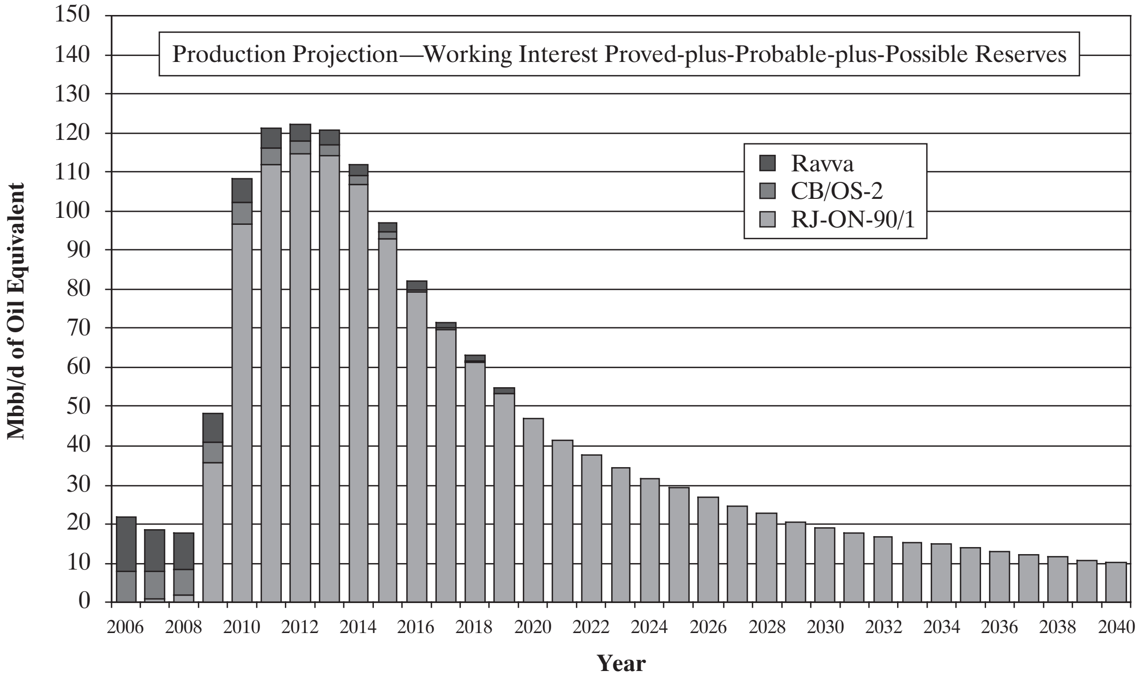
1. Application of P_g does not equate prospective resources to contingent resources or reserves.

2. Recovery efficiency is applied to prospective resources in this table.

Projections of future production have been made for the fields with estimated reserves. The following figure shows the projection of proved-plus-probable reserves expressed as an average daily rate in Mboe per day. The relative contribution of each of the three producing contract areas is shown as well. Sales gas was converted to an equivalent oil volume using 6,000 standard cubic feet per barrel.



The following figure shows the projection of the proved-plus-probable-plus-possible working-interest reserves attributable to Cairn's interest expressed as an average daily rate in Mboe per day attributable to Cairn's interests. The relative contribution of each producing contract area is shown as well. Sales gas was converted to an equivalent oil volume using 6,000 standard cubic feet per barrel.



Classification of Reserves

The proved, probable, and possible reserves presented in this report have been prepared in accordance with reserves definitions approved in March 1997 by the SPE and the WPC. The petroleum reserves are classified using the following definitions:

Reserves are those quantities of petroleum which are anticipated to be commercially recovered from known accumulations from a given date forward. All reserve estimates involve some degree of uncertainty. The uncertainty depends chiefly on the amount of reliable geologic and engineering data available at the time of the estimate and the interpretation of these data. The relative degree of uncertainty may be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Unproved reserves are less certain to be recovered than proved reserves and may be further sub-classified as probable and possible reserves to denote progressively increasing uncertainty in their recoverability.

The intent of the SPE and the WPC in approving additional classifications beyond proved reserves is to facilitate consistency among professionals using such terms. In presenting these definitions, neither organization is recommending public disclosure of reserves classified as unproved. Public disclosure of the quantities classified as unproved reserves is left to the discretion of the countries or companies involved.

Estimation of reserves is done under conditions of uncertainty. The method of estimation is called deterministic if a single best estimate of reserves is made based on known geological, engineering, and economic data. The method of estimation is called probabilistic when the known geological, engineering, and economic data are used to generate a range of estimates and their associated probabilities. Identifying reserves as proved, probable, and possible has been the most frequent classification method and gives an indication of the probability of recovery. Because of potential differences in uncertainty, caution should be exercised when aggregating reserves of different classifications.

Reserves estimates will generally be revised as additional geologic or engineering data becomes available or as economic conditions change. Reserves do not include quantities of petroleum being held in inventory, and may be reduced for usage or processing losses if required for financial reporting.

Reserves may be attributed to either natural energy or improved recovery methods. Improved recovery methods include all methods for supplementing natural energy or altering natural forces in the reservoir to increase ultimate recovery. Examples of such methods are pressure maintenance, cycling, waterflooding, thermal methods, chemical flooding, and the use of miscible and immiscible displacement fluids. Other improved recovery methods may be developed in the future as petroleum technology continues to evolve.

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Proved Reserves—Proved reserves are those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods, and government regulations. Proved reserves can be categorized as developed or undeveloped.

If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90-percent probability that the quantities actually recovered will equal or exceed the estimate.

Establishment of current economic conditions should include relevant historical petroleum prices and associated costs and may involve an averaging period that is consistent with the purpose of the reserve estimate, appropriate contract obligations, corporate procedures, and government regulations involved in reporting these reserves.

In general, reserves are considered proved if the commercial producibility of the reservoir is supported by actual production or formation tests. In this context, the term proved refers to the actual quantities of petroleum reserves and not just the productivity of the well or reservoir. In certain cases, proved reserves may be assigned on the basis of well logs and/or core analysis that indicate the subject reservoir is hydrocarbon bearing and is analogous to reservoirs in the same area that are producing or have demonstrated the ability to produce on formation tests.

The area of the reservoir considered as proved includes (1) the area delineated by drilling and defined by fluid contacts, if any, and (2) the undrilled portions of the reservoir that can reasonably be judged as commercially productive on the basis of available geological and engineering data. In the absence of data on fluid contacts, the lowest known occurrence of hydrocarbons controls the proved limit unless otherwise indicated by definitive geological, engineering or performance data.

Reserves may be classified as proved if facilities to process and transport those reserves to market are operational at the time of the estimate or there is a reasonable expectation that such facilities will be installed. Reserves in undeveloped locations may be classified as proved undeveloped provided (1) the locations are direct offsets to wells that have indicated commercial production in the objective formation, (2) it is reasonably certain such locations are within the known proved productive limits of the objective formation, (3) the locations conform to existing well spacing regulations where applicable, and (4) it is reasonably certain the locations will be developed. Reserves from other locations are categorized as proved undeveloped only where interpretations of geological and engineering data from wells indicate with reasonable certainty that the objective formation is laterally continuous and contains commercially recoverable petroleum at locations beyond direct offsets.

Reserves which are to be produced through the application of established improved recovery methods are included in the proved classification when (1) successful testing by a pilot project or favorable response of an installed program in the same or an analogous reservoir with similar rock and fluid properties provides support for the analysis on which the project was based, and, (2) it is reasonably certain that the project will proceed. Reserves to be recovered by improved recovery methods that have yet to be established through commercially successful applications are included in the proved classification only (1) after a favorable production response from the subject reservoir from either (a) a representative pilot or (b) an installed program where the response provides support for the analysis on which the project is based and (2) it is reasonably certain the project will proceed.

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Unproved Reserves—Unproved reserves are based on geologic and/or engineering data similar to that used in estimates of proved reserves; but technical, contractual, economic, or regulatory uncertainties preclude such reserves being classified as proved. Unproved reserves may be further classified as probable reserves and possible reserves.

Unproved reserves may be estimated assuming future economic conditions different from those prevailing at the time of the estimate. The effect of possible future improvements in economic conditions and technological developments can be expressed by allocating appropriate quantities of reserves to the probable and possible classifications.

Probable Reserves—Probable reserves are those unproved reserves which analysis of geological and engineering data suggests are more likely than not to be recoverable. In this context, when probabilistic methods are used, there should be at least a 50-percent probability that the quantities actually recovered will equal or exceed the sum of estimated proved plus probable reserves.

In general, probable reserves may include (1) reserves anticipated to be proved by normal step-out drilling where sub-surface control is inadequate to classify these reserves as proved, (2) reserves in formations that appear to be productive based on well log characteristics but lack core data or definitive tests and which are not analogous to producing or proved reservoirs in the area, (3) incremental reserves attributable to infill drilling that could have been classified as proved if closer statutory spacing had been approved at the time of the estimate, (4) reserves attributable to improved recovery methods that have been established by repeated commercially successful applications when (a) a project or pilot is planned but not in operation and (b) rock, fluid, and reservoir characteristics appear favorable for commercial application, (5) reserves in an area of the formation that appears to be separated from the proved area by faulting and the geologic interpretation indicates the subject area is structurally higher than the proved area, (6) reserves attributable to a future workover, treatment, re-treatment, change of equipment, or other mechanical procedures, where such procedure has not been proved successful in wells which exhibit similar behavior in analogous reservoirs, and (7) incremental reserves in proved reservoirs where an alternative interpretation of performance or volumetric data indicates more reserves than can be classified as proved.

Possible Reserves—Possible reserves are those unproved reserves which analysis of geological and engineering data suggests are less likely to be recoverable than probable reserves. In this context, when probabilistic methods are used, there should be at least a 10-percent probability that the quantities actually recovered will equal or exceed the sum of estimated proved plus probable plus possible reserves.

In general, possible reserves may include (1) reserves which, based on geological interpretations, could possibly exist beyond areas classified as probable, (2) reserves in formations that appear to be petroleum bearing based on log and core analysis but may not be productive at commercial rates, (3) incremental reserves attributed to infill drilling that are subject to technical uncertainty, (4) reserves attributed to improved recovery methods when (a) a project or pilot is planned but not in operation and (b) rock, fluid, and reservoir characteristics are such that a reasonable doubt exists that the project will be commercial, and (5) reserves in an area of the formation that appears to be separated from the proved area by faulting and geological interpretation indicates the subject area is structurally lower than the proved area.

http://www.spe.org/spe/cda/views/shared/viewChannelsMaster/ - top

Reserve Status Categories—Reserve status categories define the development and producing status of wells and reservoirs.

Developed—Developed reserves are expected to be recovered from existing wells including reserves behind pipe. Improved recovery reserves are considered developed only after the necessary equipment has been installed, or when the costs to do so are relatively minor. Developed reserves may be sub-categorized as producing or non-producing.

Producing—Reserves subcategorized as producing are expected to be recovered from completion intervals which are open and producing at the time of the estimate. Improved recovery reserves are considered producing only after the improved recovery project is in operation.

Non-producing—Reserves subcategorized as non-producing include shut-in and behind-pipe reserves. Shut-in reserves are expected to be recovered from (1) completion intervals which are open at the time of the estimate but which have not started producing, (2) wells which were shut-in for market conditions or pipeline connections, or (3) wells not capable of production for mechanical reasons. Behind-pipe reserves are expected to be recovered from zones in existing wells, which will require additional completion work or future recompletion prior to the start of production.

Undeveloped Reserves—Undeveloped reserves are expected to be recovered: (1) from new wells on undrilled acreage, (2) from deepening existing wells to a different reservoir, or (3) where a relatively large expenditure is required to (a) recomplete an existing well or (b) install production or transportation facilities for primary or improved recovery projects.

Estimation of Reserves

Summary

Estimates of the proved, probable, and possible oil, condensate, and sales-gas reserves, as of 30 June, 2006, attributable to certain properties owned by Cairn, are summarized by field below in thousands of barrels (Mbbl) or millions of cubic feet (MMcf):

	Gross Reserves Summary					
	Proved		Probable*		Possible*	
Fields	Oil and Condensate (Mbbl)	Sales Gas (MMcf)	Oil and Condensate (Mbbl)	Sales Gas (MMcf)	Oil and Condensate (Mbbl)	Sales Gas (MMcf)
CB-OS/2 PSC						
Ambe	0	19,118	0	16,478	0	29,550
CB-X	0	1,555	0	1,400	0	1,141
Gauri	1,310	58,247	2,655	15,978	2,019	24,930
Lakshmi	72	25,070	26	12,146	10	6,349
Subtotal	**1,382**	**103,990**	**2,681**	**46,002**	**2,029**	**61,970**
RJ-ON-90/1 PSC						
Aishwariya	22,710	0	37,538	0	28,406	0
Bhagyam	71,041	0	85,049	0	43,532	0
Bhagyam South	202	0	299	0	111	0
Mangala	146,258	0	187,236	0	107,454	0
N-I	3,964	0	2,379	0	2,114	0
Ragashwari Shallow	3,143	0	4,028	0	7,275	0
Saraswati	529	0	836	0	3,491	0
Shakti North	876	0	939	0	992	0
Shakti South	229	0	546	0	768	0
Subtotal	**248,952**	**0**	**318,850**	**0**	**194,143**	**0**
PKGM-1 License						
Ravva	70,268	91,904	14,628	33,437	5,221	1,970
Grand Total	**320,602**	**195,894**	**336,159**	**79,439**	**201,393**	**63,940**

* Probable and possible reserves have not been adjusted for risk.

Estimates of the proved, probable, and possible oil, condensate, and sales-gas reserves, as of 30 June, 2006, attributable to the working interests of certain properties owned by Cairn, are summarized by field below in thousands of barrels (Mbbl) or millions of cubic feet (MMcf):

Working-Interest Reserve Summary

	Proved		Probable*		Possible*	
Fields	**Oil and Condensate (Mbbl)**	**Sales Gas (MMcf)**	**Oil and Condensate (Mbbl)**	**Sales Gas (MMcf)**	**Oil and Condensate (Mbbl)**	**Sales Gas (MMcf)**
CB-OS/2 PSC						
Ambe	0	7,647	0	6,591	0	11,820
CB-X	0	622	0	560	0	456
Gauri	524	23,299	1,062	6,391	808	9,972
Lakshmi	29	10,028	10	4,858	4	2,540
Subtotal	**553**	**41,596**	**1,072**	**18,400**	**812**	**24,788**
RJ-ON-90/1 PSC						
Aishwariya	15,897	0	26,277	0	19,884	0
Bhagyam	49,729	0	59,534	0	30,472	0
Bhagyam South	141	0	209	0	78	0
Mangala	102,381	0	131,065	0	75,218	0
N-I	2,775	0	1,665	0	1,480	0
Ragashwari Shallow	2,200	0	2,820	0	5,093	0
Saraswati	370	0	585	0	2,444	0
Shakti North	613	0	657	0	694	0
Shakti South	160	0	382	0	538	0
Subtotal	**174,266**	**0**	**223,194**	**0**	**135,901**	**0**
PKGM-1 License						
Ravva	15,810	20,678	3,291	7,523	1,175	443
Grand Total	**190,629**	**62,274**	**227,557**	**25,923**	**137,888**	**25,231**

* Probable and possible reserves have not been adjusted for risk.

Procedure/Methodology

Estimates of reserves were prepared by the use of standard geological and engineering methods generally accepted by the petroleum industry. The method or combination of methods used in the analysis of each reservoir was tempered by experience with similar reservoirs, stage of development, quality and completeness of basic data, and production history.

When applicable, the volumetric method was used to estimate the OOIP and OGIP. Structure maps were prepared to delineate each reservoir, and isopach maps were constructed to estimate reservoir volume. Electrical logs, radioactivity logs, core analyses, and other available data were used to prepare these maps as well as to estimate representative values for porosity and water saturation.

Estimates of ultimate recovery were obtained after applying recovery factors to OOIP or OGIP. These recovery factors were based on consideration of the type of energy inherent in the reservoirs, analyses of the petroleum, the structural positions of the properties, and the production histories. When applicable, material-balance and other engineering methods were used to estimate recovery factors. An analysis of reservoir performance, including production rate, reservoir pressure, and GOR behavior, was used in the estimation of reserves.

In certain cases, when the previously named methods could not be used, reserves were estimated by analogy with similar wells or reservoirs for which more complete data were available.

Reserves estimates presented herein are based on data available through June 2006.

The proved reserves forecast contained herein terminates at the economic limit as defined under the Classification of Reserves heading of this report or at the end of the concession life, whichever occurs first. If a concession expires before the economic production limit is reached, production that could be obtained after the concession expiration, which would otherwise be classified as proved, has been classified as probable.

Reserves estimated in this report are supported by details of drilling results through June 2006, analyses of available geological data, well-test results, pressures, available core data, and production performance. This report takes into account all relevant information supplied to DeGolyer and MacNaughton by Cairn.

The oil and condensate reserves estimated in this report are expressed in terms of 42 United States gallons per barrel.

Gas volumes reported herein are reported as sales-gas volumes expressed at a temperature base of 60 °F and a pressure base of 14.7 psia. Sales gas is defined as the total gas to be produced from the reservoirs after reduction for separation, fuel usage, flaring, reinjection, pipeline losses, and plant processing.

Classification of Resources

Petroleum resources included in this report are classified as contingent or prospective resources. Because of the lack of commerciality or sufficient exploration drilling, the contingent or prospective resources estimated herein cannot be classified as reserves. The petroleum resources are classified as follows:

Contingent Resources—Those quantities of petroleum that are estimated, on a given date, to be potentially recoverable from known or discovered accumulations, but which are not currently considered to be commercially recoverable or for which the degree of commitment is not such that the accumulation is expected to be developed and placed on production within a reasonable time frame. Contingent resources include accumulations for which there is currently no viable market, or where commercial recovery is dependent on the development of new technology, or where evaluation of the accumulation is still at an early stage.

Prospective Resources—Those quantities of petroleum that are estimated, on a given date, to be potentially recoverable from undiscovered accumulations.

The estimation of resources quantities for an accumulation is subject to both technical and commercial uncertainties and, in general, may be quoted as a range. The range of uncertainty reflects a reasonable range of estimated potentially recoverable volumes. In all cases, the range of uncertainty is dependent on the amount and quality of both technical and commercial data that are available and may change as more data become available.

Low, Best, and High Estimates—Estimates of petroleum resources in this report are expressed using the terms low estimate, best estimate, and high estimate to reflect the range of uncertainty.

For deterministic estimates of contingent resources, the low, best, and high estimates are associated with technical interpretations that have been developed to reflect the range of uncertainty. Specific deterministic evaluations have been performed to reflect each of the low, best, and high estimates of contingent petroleum resources.

A detailed explanation of the probabilistic terms used herein is included in the Glossary of Probabilistic Terms in the appendix bound with this report. For probabilistic estimates of petroleum resources, the expected value* (EV), an outcome of the probabilistic analysis, is used for the best estimate. The low estimate reported herein is the P_{90}* quantity derived from probabilistic analysis. This means that there is at least a 90-percent probability that, assuming the accumulation is discovered and developed, the quantities actually recovered will equal or exceed the low estimate. The high estimate is the P_{10}* quantity derived from probabilistic analysis. This means that there is at least a 10-percent probability that, assuming the accumulation is discovered and developed, the quantities actually recovered will equal or exceed the high estimate.

Uncertainties Related to Prospective Resources—The volume of petroleum discovered by exploration drilling depends on the number of prospects that are successful as well as the volume that each success contains. Reliable forecasts of these volumes are, therefore, dependent on accurate predictions of the number of discoveries that are likely to be made if the entire portfolio of prospects is drilled. The accuracy of this forecast depends on the portfolio size and an accurate assessment of the probability of geologic success* (P_g).

Probability of Geologic Success—P_g is defined as the probability of discovering reservoirs which flow petroleum at a measurable rate. P_g is estimated by quantifying the probability of each of the following individual geologic factors: trap, source, reservoir, and migration. The product of these four probabilities or chance factors is computed as P_g.

In this report estimates of prospective resources are presented both before and after adjustment for P_g. Total prospective resources estimates are based on the probabilistic summation of the volumes for the total inventory of prospects prior to adjustment for P_g.

Application of P_g to estimate the P_g-adjusted prospective resources volumes does not equate prospective resources with reserves or contingent resources. P_g-adjusted prospective resources volumes cannot be compared directly to or aggregated with either reserves or contingent resources. Estimates of P_g are interpretive and are dependent on the quality and quantity of data currently made available. Future data acquisition, such as additional drilling or seismic acquisition, can have a significant effect on P_g estimation. These additional data are not confined to the study area, but also include data from similar geologic settings or technological advancements that could affect the estimation of P_g.

Predictability versus Portfolio Size—The accuracy of forecasts of the number of discoveries that are likely to be made is constrained by the number of prospects in the exploration portfolio. The size of the portfolio and P_g together are helpful in gauging the limits on the reliability of these forecasts. A high P_g, which indicates a high chance of discovering measurable petroleum, may not require a large portfolio to ensure that at least one discovery will be made (assuming the P_g does not change during drilling of some of the prospects). By contrast, a low P_g, which indicates a low chance of discovering measurable petroleum, could require a substantial portfolio to ensure a high confidence level of making even a single discovery. The relationship between portfolio size, P_g, and the probability of a fully unsuccessful drilling program that results in a series of wells which do not encounter measurable hydrocarbons is referred to herein as the predictability versus portfolio size relationship* (PPS). It is critical to be aware of PPS, because the possibility of an unsuccessful drilling program that results in a series of wells that do not encounter measurable hydrocarbons can adversely affect any exploration effort, resulting in a negative present worth.

For a large prospect portfolio, the P_g-adjusted best estimate of the prospective resources volume should be a reasonable estimate of the recoverable petroleum quantities found if all prospects are drilled. When the number of prospects in the portfolio is small and the P_g is low, the recoverable petroleum actually found may be considerably smaller than the Pg-adjusted best estimate would indicate. It follows that the probability that all of the prospects will be unsuccessful is smaller when a large inventory of prospects exists.

Prospect Technical Evaluation Stage—A prospect can often be subcategorized based on its current stage of technical evaluation. The different stages of technical evaluation relate to the amount of geologic, geophysical, engineering, and petrophysical evaluation as well as the quality and quantity of available data. In this report, prospects are referred to as mature prospects or immature prospects to reflect the current stage of technical evaluation.

Mature Prospects—A mature prospect is a potential accumulation that is sufficiently well defined to be a viable drilling target. For a mature prospect, sufficient data and analyses exist to identify and quantify the technical uncertainties, determine reasonable ranges of geologic chance factors, engineering and petrophysical parameters, and estimate prospective resources.

Immature Prospects—An immature prospect is less well defined and requires additional data and/or evaluation to be classified as a mature prospect. An example would be a closure mapped using regional seismic data in a basin containing favorable source and reservoir(s). An immature prospect may or may not be elevated to mature prospect status depending on the results of additional technical work.

Probability of Economic Success—The probability of economic success (P_e) is defined as the probability that a given discovery will be economically viable. It takes into account P_g, market identification and access thereto, pricing uncertainties, timing, TEFS, capital expenditure, operating expenses and production, as well as the proposed development plan, and other business and economic factors.

Estimation of Contingent Resources

Estimates of contingent resources were prepared by the use of standard geological and engineering methods generally accepted by the petroleum industry. The method or combination of methods used in the analysis of the reservoirs was tempered by experience with similar reservoirs, stage of development, and quality and completeness of basic data.

In the estimates of contingent oil resources, 1 barrel equals 42 United States gallons.

Contingent resources were estimated for fields in the CB/OS-2 PSC area, the RJ-ON-90/1 PSC area, the PKGM-1 license area, and the KG-DWN-98/2 PSC area. Contingent resources estimated in the RJ-ON-90/1 Block are associated with enhanced oil recovery from the Aishwariya, Bhagyam, and Mangala fields, discovered oil fields without a declaration of commerciality document or conceptual development plan, and gas fields from which produced gas will be used as fuel for the waterflood operations in the aforementioned fields. Contingent resources in the KG-DWN-98/2 PSC area are associated with offshore gas and oil discoveries for which a coherent development plan has not been developed or a gas market specifically identified. Contingent resources in the CB/OS-2 PSC area are for discovered oil reservoirs in the Lakshmi field that are not represented by a plan of development.

Contingent resources were estimated for the RAVVA field in the PKGM-1 license area based on two discovered reservoirs adjacent to the producing fault blocks.

Detailed field discussions of these resources are contained in the appendix to this letter report. Estimates of contingent resources were made using both volumetric and probabilistic methods. Tables 22 and 23 summarize the gross and working-interest contingent resources, respectively. Individual field tables containing reservoir parameters and volumetric or probabilistic parameters are shown in Tables 24 through 51.

Estimation of Prospective Resources

Estimates of prospective resources were prepared by the use of standard geological and engineering methods generally accepted by the petroleum industry. The method or combination of methods used in the analysis of the reservoirs was tempered by experience with similar reservoirs, stage of development, and quality and completeness of basic data.

The probabilistic analysis of the prospective resources in this study considered the uncertainty in the amount of petroleum that may be discovered and the P_g. The uncertainty analysis addresses the range of possibilities for any given volumetric parameter. Low, median, best, and high estimates of prospective resources were estimated to address this uncertainty. The P_g analysis addresses the probability that the identified prospect will encounter petroleum that flows at a measurable rate. The P_e analysis addresses the probability that the prospective resources will be economically viable.

Standard probabilistic methods were used in the uncertainty analysis. Probability distributions were estimated from representations of porosity, petroleum saturation, net hydrocarbon thickness, geometric correction factor*, recovery efficiency, fluid properties, and productive area for each prospect. These representations were prepared based on known data, analogy, and other standard estimation methods including experience. Statistical measures describing the probability distributions of these representations were identified and input to a Monte Carlo simulation to produce low estimate, median estimate, best estimate, and high estimate prospective resources for each prospect.

In this report, nine of the 63 prospects (Barun, Atru, IP A, IP B, IP-A, IP-B, IP-C, IP-D, Jhajanpur) are referred to as a immature prospects to reflect the current stage of technical evaluation.

Geology

Cairn is actively exploring for hydrocarbons in basins throughout India. The prospect and lead portfolio being developed and matured by Cairn is diversified. Prospects maintained in the portfolio offer low, moderate, and high geologic risk, which in turn reflects potentially small to very significant discoveries. This diversification is important and allows Cairn to drill large potential prospects with high geologic risk, as well explore for and drill smaller, less risky potential accumulations. This is the best strategy to pursue, as over time the expected or mean volume of prospective resources can be maximized. Moreover, by being involved in the full spectrum of risk and reward, Cairn has spread ownership as well as risk to other companies and operators, thereby providing the exploration program with an optimized and diverse risk-reward profile. Consequently, drilling the portfolio should maximize Cairn's prospective resources asset base and expose the exploration staff to new ideas, plays, leads, and potential discoveries.

The lead and play portfolio is also being fostered in both mature and frontier areas, as well as in regions and basins where the current data set can be optimized or reinterpreted. For example, Cairn is pursuing strategies in which new 3-D acquisition and processing coupled with analog geologic play concepts should help identify potential leads, prospects, and accumulations in more mature hydrocarbon provinces. In addition, where modern geological and geophysical data are lacking, Cairn has been successful in using geologic play concepts to target potentially successful basins or play areas. This early exploration "play concept" strategy has provided Cairn early entry into several potential hydrocarbon-bearing regions in India. Early entry can be a critical factor in long-term exploration success, and the company is very active in the evolution of leads and play fairways in relatively unexplored areas.

Quantitative Risk Assessment and the Application of P_g

Minimum, modal, and maximum representations of productive area were interpreted from maps, available seismic data, and/or analogy. Low, mean, and high representations for the petrophysical parameters (porosity, petroleum saturation, and net hydrocarbon thickness), and engineering parameters (recovery efficiency and fluid properties) were also made based on available well data, regional data, analog field data, and global experience. Individual probability distributions for net rock volume and petrophysical and engineering parameters were produced from these representations and are summarized in Table 53.

The distributions for the variables were derived from (1) scenario-based interpretations, (2) the geologic, geophysical, petrophysical, and engineering data available, (3) local, regional, and global knowledge, and (4) field and case studies in the literature. The parameters used to model the recoverable volumes were productive area, net hydrocarbon thickness, geometric correction factor, porosity, petroleum saturation, formation volume factor, and recovery efficiency. Minimum, mean, and maximum representations were used to statistically model and shape the input P_{90}, P_{50}, and P_{10} parameters. Productive area and net hydrocarbon thickness were modeled using truncated lognormal distributions. Truncated normal and triangular distributions were used to model geometric correction factor, formation volume factor, and recovery efficiency. Porosity and petroleum saturation were modeled using truncated normal distributions. Latin hypercube sampling was used to better represent the tails of the distributions.

Each individual volumetric parameter was investigated using a probabilistic approach with attention to variability. Deterministic data were used to anchor and shape the various distributions. The net rock volume parameters had the greatest range of variability, and therefore had the greatest impact on the uncertainty of the simulation. The volumetric parameter variability was based on the structural and stratigraphic uncertainties due to the depositional environment and quality of the seismic data. Analog field data were statistically incorporated to derive uncertainty limits and constraints on the net pore volume. Uncertainty associated with the depth conversion, seismic interpretation, gross sand thickness mapping, and net hydrocarbon thickness assumptions were also derived from studies of analogous reservoirs, multiple interpretative scenarios, and sensitivity analyses.

A P_g analysis was applied to estimate the volumes that may actually result from drilling this prospect. In the $P_g$analysis, the P_g estimates were from the product of the probabilities of the four geologic chance factors: trap, reservoir, migration, and source.

Estimates of gross and net prospective resources and the P_g estimates, as of July 31, 2006, evaluated herein are shown in Tables 51 and 52. The P_g-adjusted best estimate of the prospective resources was then made by the probabilistic product of P_g and the resources distributions for the prospect. These results were then stochastically summed (zero dependency) to produce the total P_g-adjusted best estimate prospective resources.

Application of the P_g factor to estimate the P_g-adjusted prospective resources volumes does not equate prospective resources with reserves or contingent resources. P_g-adjusted estimates of prospective resources volumes cannot be compared directly to or aggregated with either reserves or contingent resources. Estimates of P_g are interpretive and are dependent on the quality and quantity of data currently available. Future data acquisition, such as additional drilling or seismic acquisition can have a significant effect on P_g estimation. These additional data are not confined to the area of study, but also include data from similar geologic settings or from technological advancements that could affect the estimation of P_g.

Summary and Conclusions

Estimates of proved, probable, and possible oil, condensate, and sales-gas reserves, as of June 30, 2006, attributable to working interests owned by Cairn in India evaluated herein are listed below, expressed in thousands of barrels (Mbbl) and millions of cubic feet (MMcf):

	Working Interest Reserves Summary		
	Proved	Probable*	Possible*
Oil and Condensate, Mbbl	190,629	227,557	137,888
Sales Gas, MMcf	62,274	25,923	25,231

* Probable and possible reserves have not been risk adjusted.

Estimates of contingent oil, condensate, and sales-gas resources, as of June 30, 2006, attributable to the working interests owned by Cairn in India evaluated herein are listed below, expressed in Mbbl and MMcf:

	Working Interest Contingent Resources Summary		
	Low Estimate	Best Estimate	High Estimate
Oil and Condensate, Mbbl	52,042	173,261	255,158
Sales Gas, MMcf	118,822	207,407	302,897

* Contingent resources are not comparable with reserves and should not be aggregated with reserves.

Estimates of the working-interest prospective oil and gas resources, as of June 30, 2006, are summarized as follows, expressed in MBoe:

	Working-Interest Prospective Resources Summary			
	Low Estimate	Median Estimate	High Estimate	Best Estimate
Oil Equivalent, Mboe	111,590	481,038	526,192	356,820

Note: Recovery efficiency is applied to prospective resources in this table.

The working-interest P_g-adjusted best estimate prospective resources, should these prospects result in successful discoveries and development, as of June 30, 2006, is summarized as follows, expressed in MBoe:

	Working-Interest Prospective Resources
	P_g-Adjusted Best Estimate
Oil Equivalent, Mboe	67,489

Notes:

1. Application of P_g does not equate prospective resources to contingent resources or reserves.
2. Recovery efficiency is applied to prospective resources in this table.

Professional Qualifications

DeGolyer and MacNaughton is a Delaware corporation with offices at 5001 Spring Valley Road, Dallas, Texas 75240, U.S.A. The firm has been providing petroleum consulting services throughout the world for more than 65 years. The firm's professional engineers, geologists, geophysicists, petrophysicists, and economists are engaged in the independent appraisal of oil and gas properties, evaluation of hydrocarbon and other mineral prospects, basin evaluations, comprehensive field studies, equity studies, and studies of supply and economics related to the energy industry. Except for the provision of professional services on a fee basis, DeGolyer and MacNaughton has no commercial arrangement with any other person or company involved in the interests which are the subject of this report.

The evaluation has been supervised by Mr. R. Michael Shuck. Mr. Shuck is a Senior Vice President with DeGolyer and MacNaughton, a Division Manager within the company, a Registered Professional Engineer in the State of Texas, and a member of the Society of Petroleum Engineers. He has 29 years of oil and gas industry experience.

Submitted,

DeGOLYER and MacNAUGHTON

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