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CAIRN INDIA LIMITED

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Cairn India

- **Government of India 'Rights of Use' (RoU) approval for Rajasthan pipeline**
- **Rajasthan planned production of 150,000 bopd from Northern Fields**
- **First oil production from Mangala on schedule for 2009**
- **Preparation of Mangala FDP addendum underway**
- **Rajasthan Northern Appraisal Area extension awarded – declaration of commerciality on three discoveries under preparation**

Sir Bill Gammell, Chief Executive of Cairn Energy PLC and Chairman of Cairn India said:

Cairn India is now firmly established as an autonomously run Indian business entity with an exciting future. The critical path process for securing access to the land to build the pipeline from Rajasthan has started. Consequently, first oil from Mangala remains on course for 2009.

CHAIRMAN'S STATEMENT

Corporate Overview

Cairn India

I am delighted that the approval of the GoI has now been received to grant the RoU, allowing Cairn India and ONGC to secure access to the land to build the pipeline from Rajasthan.

Cairn India is committed to continuing investment in India and is very much focused on creating shareholder value by developing its world class resource base in Rajasthan and seeking to continue Cairn's track record of exploration success.

CHIEF EXECUTIVE'S REVIEW

CAIRN INDIA

Cairn India's oil and gas fields at Ravva and CB/OS-2 continue to be the cornerstone of its existing production. The ongoing drilling programme at Ravva and a further programme planned this year on CB/OS-2 will ensure that these assets continue to underpin Cairn India's activities elsewhere in India.

A step change in production is expected from 2009, when the first of the Rajasthan developments is scheduled to come onstream. The Mangala field will be brought on production first followed by the Bhagyam and Aishwariya fields and the targeted gross plateau production from these three fields is 150,000 bopd. Once onstream, the fields will create value for the GoI, the Rajasthan State Government and for investors and other stakeholders in both Cairn and Cairn India.

Rajasthan Upstream

The estimated proven and probable (2P) hydrocarbons in place for the six fields (Mangala, Bhagyam, Aishwariya, Saraswati, Raageshwari Oil and Raageshwari Deep Gas) for which development plans have either been approved, or are being prepared, total 2.2 billion boe and the associated gross 2P reserves plus contingent

resources are 864 million boe.

Additional smaller and/or low permeability fields and reservoirs have an estimated 2P hydrocarbons in place volume of more than 1.4 billion boe. Over the coming years, Cairn India's focus will be on converting as much of this contingent resource base into 2P reserves as is economically possible.

Further details on progress on the upstream elements of the Rajasthan development can be found in the Operational Review.

Rajasthan Midstream

The RJ-ON-90/1 Operating Committee (Cairn India and ONGC) have agreed an oil export (midstream) solution. This proposal has been sent to the GoI for approval, after which it will be submitted to the RJ-ON-90/1 Management Committee.

The proposal is to expand the Mangala field development plan (FDP) to include an oil export pipeline, which will transport the Rajasthan crude from Mangala to a coastal location in Gujarat. The GoI has recently agreed to grant Rights of Use for the pipeline. In order to meet the projected schedule the front end engineering and design (FEED) has already been completed and the procurement process for several long lead items has commenced.

The proposed routing of the pipeline will allow access to an extensive existing pipeline infrastructure and refinery network, with a final coastal delivery point that also affords access to the majority of India's refining capacity.

OPERATIONAL REVIEW

RAJASTHAN BASIN – North West India

Block RJ-ON-90/1

Development Areas (Cairn India 70% (Operator); ONGC 30%)

A 120 km² 3D seismic survey was completed over the Mangala field and processing of the data has started. An addendum to the Mangala FDP is currently under preparation for submission to the Joint Venture and GoI.

The first phase of development drilling on Saraswati and Raageshwari has been completed. Development drilling on Mangala is scheduled to commence in 2008 and drilling rigs have been contracted for this programme.

All the permits and permissions required to begin major construction work have been granted. A number of contracts have been awarded while others are being progressed. Civil construction work is ongoing to meet the planned first oil production from Mangala in 2009.

The FDP for Bhagyam, the second largest field in Block RJ-ON-90/1, was approved by the Operating Committee in May and has subsequently been submitted to the Management Committee for approval. The Bhagyam and Shakti fields are contained within a second development area of 430 km².

The planned Bhagyam plateau production rate is 40,000 bopd. It is intended that the reserves associated with Bhagyam will be booked when Management Committee approval of the FDP is obtained.

The Saraswati-Crest-1 exploration well, located approximately 0.8 km west of Saraswati-3, was drilled in April and encountered two hydrocarbon bearing formations. Approximately 7 metres of net pay was encountered in the Dharvi-Dungar formation and approximately 4.5 metres of net pay was encountered in the Lower Barmer Hill. Saraswati-Crest-1 has been declared as a new discovery.

The Kameshwari 220 km² appraisal 3D seismic programme started in July 2007 to further appraise this section of the Development Area.

Enhanced Oil Recovery

Work is ongoing to confirm the optimal enhanced oil recovery (EOR) techniques to implement in the Rajasthan block, with the aim of increasing ultimate oil recovery and extending the production plateau periods for each field. The first phase of third party laboratory studies, which are reviewing various chemical flooding options (polymer, alkaline, surfactant, or combinations of these) has been completed for Mangala.

Further laboratory studies on Mangala will now take place and simulation work is ongoing. A pilot project to be implemented in 2009-10 is currently being designed to demonstrate field-scale applicability of these techniques. Additional laboratory work continues for Bhagyam, to be followed by work on Aishwariya.

Northern Appraisal Area (Cairn India 100%)

The GoI awarded a six month extension to the Exploration Phase of the Northern Appraisal Area (NAA) of Block RJ-ON-90/1 effective from 8 May 2007.

Appraisal drilling on the discoveries made in 2006 (Kameshwari West-2 and Kameshwari West-3) has been completed. These discoveries have opened up a new play in the Barmer Hill/Lower Dharvi Dungar sands on the western margin of the basin. While reservoir quality is variable, an appraisal programme involving five wells and 88 km of 2D seismic was completed to further delineate these discoveries and explore the full potential of the NAA. As part of this programme, Kameshwari West-6 tested 2.39 mmscf/d and was declared as a new discovery.

A Declaration of Commerciality for the three discoveries is now being prepared, along with a proposed new Development Area, for submission to the GoI in H2 2007.

Block RJ-0NN-2003/1 (Cairn India 30%, ENI Operator)

In early January 2007, the Operator commenced acquisition of a 3D seismic survey on this Rajasthan block, which was awarded in the New Exploration Licensing Policy (NELP) V round. Acquisition and processing of the 622 km² 3D seismic programme has been completed by the Operator.

CAMBAY BASIN – Western India

Block CB/OS-2: Lakshmi and Gauri Gas Fields (Cairn India 40% (Operator))

Average gross production from the Lakshmi and Gauri fields for H1 2007 was 15,238 boepd (comprising average oil and condensate production of 3,910 bopd and average gas production of 68 mmscf/d).

A planned four well infill development drilling programme is scheduled to commence in H2 2007.

The onshore CB-X tie-in project was completed and delivered first gas in Q2 2007.

CB-ONN-2001/1 (Cairn India 30%, ONGC Operator)

A final commitment well on this block was drilled and abandoned in April.

CB-ONN-2002/1 (Cairn India 30%, ONGC Operator)

Three wells are scheduled to be drilled on this block during H2 2007 and early 2008.

GS-OSN-2003/1 (Cairn India 49%, ONGC Operator)

The Operator has acquired and processed a 3D marine seismic programme of 510 km² on this block.

KRISHNA-GODAVARI BASIN – Eastern India

Ravva (Cairn India 22.5% (Operator))

Average gross production from the Ravva field for H1 2007 was 60,878 boepd (comprising average oil production of 48,769 bopd and average gas production of 72.7 mmscf/d).

An extensive offshore infill development and exploration drilling programme on Ravva commenced in October 2006 and is nearing completion. Production has now commenced from three new infill wells and one appraisal well. In addition, two water injection wells have also been drilled and put into service to enhance the reservoir water-flood scheme. The Ravva field has been on plateau for a number of years and the current drilling programme is aimed at continuing the strong production performance at Ravva.

The rig is currently operating on an exploration well, RX-8, on the MM301 prospect, which has to date discovered 44m of oil and gas pay in four Lower to Upper Miocene age sands. A further three work-over wells are planned to enhance production capacity. Earlier in the year the RX-10 exploration well encountered 11m of gas pay in Late Miocene sands.

KG-DWN-98/2 (Cairn India 10%, ONGC (Operator))

The KT-1 Cretaceous exploration well spudded in June and drilling is ongoing.

KG-ONN-2003/1 (Cairn India 49%, Operator*)

Plans are underway to commence a seismic acquisition programme of 2D and 3D data on this block in late 2007/early 2008.

PR-OSN-2004/1 (Cairn India Limited 35%, Operator)

This block was awarded in the NELP-VI licensing round and covers an area of 9,400 km². A 2D seismic programme is being planned for early 2008.

KK-DWN-2004/1 (Cairn India Limited 40%, ONGC Operator)

This block was awarded in the NELP-VI licensing round and covers an area of 12,324 km². A 2D seismic programme is planned by the Operator in early 2008.

HIMALAYAN FORELAND BASIN – Northern India

Ganga Valley

GV-ONN-2002/1 (Cairn India 50% (Operator), Capricorn 50%)

An aeromagnetic survey was completed on this block in April 2007 and a 500 km 2D seismic acquisition programme was completed in early August 2007. Processing of this data has been completed and planning has commenced for drilling a commitment well in 2008

GV-ONN-97/1 (Cairn India 15%, Capricorn 15%; ONGC Operator)

A final commitment well on this block is expected to be drilled in late 2007/early 2008.

GV-ONN-2003/1 (Cairn India 24% (Operator)*, Capricorn 25%)

A 550 km 2D seismic acquisition programme is scheduled to commence in early 2008.

VN-ONN-2003/1 (Cairn India 24% (Operator)*, Capricorn 25%)

Seismic reprocessing is underway and planning will commence later in 2007 for a 2D seismic acquisition programme which is expected to commence in 2008.

- The PSC provides that ONGC is the proposed operator for the development and production of these blocks.

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