



For Immediate Release

31 January 2008

Cairn India Limited

The enclosed Operational Announcement of Cairn Energy PLC, our majority shareholder, has been released to the London Stock Exchange today and accompanies this release. We are simultaneously releasing the same announcement to the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE).

The financial results of Cairn India will be published separately as and when they are due under the listing agreement.

EMBARGOED FOR RELEASE AT 0700

31 January 2008

CAIRN ENERGY PLC

OPERATIONAL UPDATE

Cairn is providing information on recent operations and guidance in respect of the Group's trading performance in 2007. This information is unaudited and is subject to further review .

HIGHLIGHTS

Operational

- Gross operated production for 2007 87,031 boepd (2006: 105,028 boepd)
- Average net entitlement production 19,809 boepd (2006: 24,523 boepd)
- Average price realised per boe US\$40 (2006: US\$32)

Cairn India

- Mangala plateau production potential increased by 25% to 125,000 bopd
- Major contracts awarded for construction of Mangala processing facility and related infrastructure
- Pipeline Front End Engineering and Design (FEED) complete, line pipe and Engineering Procurement Construction (EPC) contracts awarded or pending

Capricorn

- Magnama-1 well offshore Bangladesh plugged and abandoned with gas shows in a secondary objective. Hatia-1 exploration well currently operating
- Planned commencement of exploration drilling offshore Tunisia Q4 2008
- New exploration acreage position established offshore west Greenland

Sir Bill Gammell, Chief Executive said:

"The potential of Mangala to produce up to 125,000 barrels of oil per day has led to a review of the optimum scale and scope of the Rajasthan development and we are confident of achieving first oil in the second half of 2009.

Capricorn continues to build new acreage positions, including Greenland where exploration is at an embryonic stage."

Enquiries to:

Cairn Energy PLC

Sir Bill Gammell, Chief Executive

Jann Brown, Finance Director

Mike Watts, Exploration & New Business Director Tel: 0131 475 3000

David Nisbet, Corporate Communications

Brunswick Group LLP:

Patrick Handley, Mark Antelme,

Tel: 0207 404 5959

These materials contain forward-looking statements regarding Cairn, our corporate plans, future financial condition, future results of operations, future business plans and strategies. All such forward-looking statements are based on our management's assumptions and beliefs in the light of information available to them at this time. These forward-looking statements are, by their nature, subject to significant risks and uncertainties and actual results, performance and achievements may be materially different from those expressed in such statements. Factors that may cause actual results, performance or achievements to differ from expectations include, but are not limited to, regulatory changes, future levels of industry product supply, demand and pricing, weather and weather related impacts, wars and acts of terrorism, development and use of technology, acts of competitors and other changes to business conditions. Cairn undertakes no obligation to revise any such forward-looking statements to reflect any changes in Cairn's expectations with regard thereto or any change in circumstances or events after the date hereof.

CAIRN INDIA

Rajasthan (Block RJ-ON-90/1) (Cairn India 70% (Operator); ONGC 30%)

Development - Upstream

An upgrade of the Mangala Stock Tank Oil Initially in Place (STOIP) and resources has been submitted to the Rajasthan Joint Venture and the Government of India (GoI).

An FDP addendum will be submitted in 2008 for GoI approval. The addendum will contain a recommendation to increase the Mangala field plateau production rate consistent with the increased potential of 125,000 bopd. This could represent an increase of up to 25% on the Mangala production rate contained in the original FDP submitted in 2005.

The civil works and process facilities construction contracts have been awarded for the Rajasthan upstream project. All access roads to the four hundred acre site have been built and work on the civil works contract for the terminal has started.

The increase in the Mangala resource potential has instigated an ongoing review to optimise the scale and scope of the Rajasthan development. This review is also addressing ways of mitigating the impact of the increasing cost challenges on the project, which has been driven by the general demand for engineering resources and materials in the industry. Accordingly, the Class II cost estimates will be available by mid-2008.

The FDP for Bhagyam, the second largest field in the block, is awaiting approval by the GoI on the basis of a planned plateau production rate of 40,000 bopd. The Bhagyam and Shakti fields are contained within a second Development Area of 430 km².

The Aishwariya FDP, which has already received GoI approval, has a planned plateau production rate of 10,000 bopd.

Enhanced Oil Recovery

Laboratory studies on EOR have been completed for Mangala and Bhagyam and similar studies are planned on Aishwariya. Additional laboratory work is currently underway using Mangala core and fluids which are designed to confirm and refine the EOR design for Mangala.

A report on the EOR potential for the Mangala field has been submitted to the Rajasthan Joint Venture and the GoI.

Development - Midstream - (Cairn India 70% (Operator); ONGC 30%)

The FEED for the project is now complete. The procurement process for most of the long lead items has also commenced and key contracts have been awarded or are pending.

The GoI has agreed to grant Rights of Use for the pipeline and the process to secure access to the land along the proposed pipeline route is well advanced.

Discussions are ongoing with the GoI regarding the potential inclusion of the midstream infrastructure within the FDP for cost recovery purposes.

Northern Appraisal Area (Cairn India 100%)

A Declaration of Commerciality (DoC) for the three discoveries made in this area (Kameshwari West 2, 3 and 6) has been approved by the Operating Committee, along with a proposed new Development Area of 1,178 km². The DoC is now awaiting approval from the GoI.

These three discoveries have opened up a new play in the Barmer Hill/Lower Dharvi Dungar sands on the western margin of the Rajasthan basin.

Exploration and Appraisal

A 120 km² high definition 3D seismic survey was completed over the Mangala field and processing of the data has started.

A 220 km² appraisal 3D seismic programme of the Kameshwari light oil and condensate discovery has been completed. Processing of the 3D dataset is ongoing.

Cambay Basin - Western India

Block CB/OS-2: (Cairn India 40% (Operator))

Average gross production from CB/OS-2 for 2007 was 12,746 barrels of oil equivalent per day (boepd) (comprising average oil and condensate production of 4,407 bopd and average gas production of 50.03 mmscfd).

An offshore drilling programme for the further development of Lakshmi and Gauri is well underway. The programme comprises four infill oil and gas development wells plus three workovers. Two wells have been drilled and completed. First production from these two wells is expected early in 2008. The result of the drilled wells has been encouraging.

Oil production from CB/OS-2 was higher than anticipated due to improved performance in some wells, although gas production was less than forecast primarily as a result of mechanical problems in other wells. The current drilling programme will aim to address this issue.

Krishna-Godavari Basin - Eastern India

Ravva (Cairn India 22.5% (Operator))

Average gross production from the Ravva field for 2007 was 60,441 boepd (comprising average oil production of 48,078 bopd and average gas production of 74.18 mmscfd).

An extensive offshore infill development and exploration drilling programme on Ravva commenced in October 2006 and has recently been extended following the results of the RX-8 exploration well.

The RX-8 exploration well spudded in July 2007. Oil and gas was encountered in four Miocene reservoirs. The total hydrocarbon bearing sands intersected in four pay zones is 44 metres net. A well (RB-4) is currently drilling to appraise the extent of this discovery.

Production has now commenced from three new infill wells and one appraisal well. In addition, two water injection wells have been drilled and put into service to enhance the reservoir water-flood scheme. A further three workover wells are planned to maintain production capacity.

Rest of India

Work on Cairn India's 5 Operated and 6 non-Operated exploration blocks in India is at various stages of evaluation with 1550 km of 2D seismic data and 200 km² of 3D seismic data planned onshore India and 3100 km 2D seismic data planned offshore during 2008. Further details will be provided in the preliminary results announcement in March.

New Exploration Licensing Policy (NELP-VII)

The GoI announced the Seventh Exploration Licensing Round under the New Exploration Licensing Policy (NELP-VII) on 13 December 2007. This latest licensing round includes a total of 57 blocks for award and is scheduled to close on 11 April 2008. Cairn India looks forward to being an active participant in NELP-VII.

CAPRICORN

Capricorn continues to build an asset base for exploration led growth. Subsequent to the successful acquisitions of Plectrum and medOil in 2007, Capricorn has recently further strengthened its exploration portfolio by acquiring a new acreage position in Greenland.

Capricorn now has assets in south Asia (northern India, Bangladesh, and Nepal), Greenland, the Mediterranean (Tunisia, Albania and pending licence awards in Spain and Sicily), Peru, PNG, Australia and the UK (West of Shetlands). A rationalisation programme is underway as part of a ranking process of potential hidden value, which may lead to a reduced equity in some non-core assets.

BANGLADESH

Production and Development

An offshore drilling campaign in Block 16 commenced in January 2007 during which two wells (South Sangu-3 and Sangu-10) were drilled. South Sangu-3, which was drilled to evaluate the earlier South Sangu discovery, encountered sub-commercial quantities of gas. Sangu-10, which was drilled as an extended reach delineation well in the main Sangu field, did not encounter gas in the main reservoir horizon but encountered small, potentially producible, quantities of gas in a separate upper horizon and was suspended. It is intended to commence production from this upper horizon in Sangu-10 before the end of Q1 2008.

The results of the Sangu-10 well have been integrated into the field model and a review of the poor production performance of Sangu is underway. A number of remedial steps are being considered including well interventions which are planned to be undertaken during Q1 2008. An update on Sangu reserves will be provided with the final results in March, following the completion of the intervention work and partner review.

Exploration and Appraisal

Operations have now commenced on the Hatia-1 exploration well, which is located 12 km north-west of Sangu. Hatia is the second prospect to be drilled in the current two well exploration programme in Block 16 offshore Bangladesh. Hatia has a pre-drill unrisksed P50 reserve estimate of around 1 trillion cubic feet of gas.

The first exploration well, Magnama-1, was drilled at a crestal location with the primary objective of evaluating the potential for gas in abnormally high pressured sands beneath those productive at Sangu and elsewhere in the basin. The well encountered a series of well developed sands in the deepest section drilled, but these were not gas charged and the well was subsequently plugged and abandoned. Magnama-1 also encountered a number of thin gas bearing sands which may thicken on the flanks of the structure and may be subject to further evaluation at a later date.

NEPAL

The security situation in Nepal continues to be monitored closely. Contractual *force majeure* remains in place in Capricorn's acreage in Nepal precluding new seismic acquisition. As soon as the security situation permits, planning for seismic field operations will commence.

GREENLAND

Capricorn announced on 10 January, that it has an interest in six hydrocarbon licences offshore west Greenland, having recently been awarded four blocks and acquired an interest in a further two blocks from EnCana Corporation. The six exploration blocks cover a combined total area of approximately 52,000 km². Capricorn's interests are as follows:-

- an 87.5% operated interest in two blocks (Sigguk and Eqqua) awarded in the Disko West Licensing Round;
- a 92% operated interest in two blocks (Saqqamiut and Kingittoq) awarded in the Open Door Area; and
- a 40% non-operated interest in two blocks (Atammik and Lady Franklin) acquired from EnCana.

It is the intention to acquire 8,000km of 2D seismic over the operated blocks in 2008/2009. An electromagnetic survey is being planned over the Atammik and Lady Franklin blocks during 2008 by EnCana, the operator.

In line with its licence agreements, Capricorn is working with the national oil company, Nunaoil A/S, and the Greenlandic and Danish authorities to ensure compliance with the environmental regulations and procedures covering exploration activities offshore Greenland.

TUNISIA

A key objective of the Plectrum and medOil acquisitions was to acquire a material acreage position in Tunisia and Capricorn now has a 50% interest in the Nabeul permit and a 100% interest in the Louza permit, both of which are located offshore Tunisia. It is currently planned to drill two to four exploration wells in Tunisia between Q4 2008 and Q4 2009.

OTHER ASSETS

(Albania, Sicily, Peru, Spain, Australia, UK, Papua New Guinea)

An update on activity plans in other areas will be provided in the preliminary results announcement in March 2008.

Group Production

The Group's entitlement production for 2007 was 19,809 boepd net to Cairn, compared to 24,523 boepd in 2006.

| > | Ravva | CB/OS-2 | Sangu | Total |
|-------------------------------|--------|---------|--------|--------|
| Production (boepd) | | | | |
| Gross field | 60,441 | 12,746 | 13,844 | 87,031 |
| Working interest | 13,599 | 5,098 | 9,765 | 28,462 |
| Entitlement interest | 7,124 | 4,878 | 7,807 | 19,809 |

Cairn's current entitlement interest production is 63% gas: 37% oil. The average price per boe realised in 2007 was approximately US\$40, compared with US\$32 in 2006. The average price realised by Cairn India for oil was US\$73.54/bbl (2006: US\$66.32/bbl) and for gas was US\$23.65/boe (2006: US\$21.03/boe). The average realised price for gas in Capricorn was US\$17.60/boe (2006: US\$17.59/boe)

On commencement of oil production from Rajasthan the vast majority of Group production will be oil and, as a consequence, the Group will become much more highly geared to prevailing oil prices

GLOSSARY OF TERMS

The following are the main terms and abbreviations used in this announcement:

Corporate

| | |
|-------------|--|
| Cairn | Cairn Energy PLC and/or its subsidiaries as appropriate |
| Cairn India | Cairn India Limited and/or its subsidiaries as appropriate |
| Capricorn | Capricorn Energy Limited |
| Gol | Government of India |
| Group | the Company and its subsidiaries |
| IPO | initial public offering (of shares in Cairn India Limited) |
| medOil | MedOil plc |
| NELP | New Exploration Licensing Policy |
| NELP-VII | Seventh New Exploration Licensing Policy round |
| ONGC | Oil and Natural Gas Corporation Ltd |
| Plectrum | Plectrum Petroleum PLC |

Technical

| | |
|-------|------------------------------------|
| 2D/3D | two dimensional/three dimensional |
| boe | barrel(s) of oil equivalent |
| boepd | barrels of oil equivalent per day |
| bopd | barrels of oil per day |
| bscf | billion standard cubic feet of gas |

| | |
|--------|--|
| EOR | enhanced oil recovery |
| FDP | field development plan |
| FEED | front end engineering and design |
| mmscfd | million standard cubic feet of gas per day |
| STOIP | Stock Tank Oil Initially in Place |

Notes to Editors:

- Cairn Energy PLC (“Cairn”) is an Edinburgh-based oil and gas exploration and production company listed on the London Stock Exchange. Following the IPO of Cairn India in January 2007, there are two separate arms to the business:
- Cairn India limited (“Cairn India”) is now an autonomous business listed on the Bombay Stock Exchange and the National Stock Exchange of India and has interests in a total of 15 Indian acreage blocks. Cairn retains a 69% interest in Cairn India.
- Capricorn Energy Limited (“Capricorn”), a subsidiary of Cairn is the exploration focused arm. Capricorn now has assets in Bangladesh, Nepal, Northern India, Greenland, Tunisia, Peru, UK (West of Shetlands), Albania, Australia, and pending licence awards in Spain and Sicily.
- “Cairn” where referred to in this release means Cairn Energy PLC and/or its subsidiaries (including Cairn India and Capricorn), as appropriate.
- “Cairn India” where referred to in the release means Cairn India Limited and/or its subsidiaries, as appropriate.
- “Capricorn” where referred to in this release means Capricorn Energy Limited and/or its subsidiaries as appropriate.
- The Group holds material exploration and production positions in west India, east India and Bangladesh along with new exploration rights in India and Nepal.
- Cairn has focused its activities on the geographic region of South Asia, which has already resulted in a significant number of oil and gas discoveries. In particular, Cairn made a major oil discovery (Mangala) in Rajasthan in the north west of India at the beginning of 2004. Cairn has now made more than 20 discoveries in Rajasthan block RJ-ON-90/1.
- The exploration-led business of Capricorn has, through the acquisitions of Plectrum Petroleum PLC and MedOil plc in September 2007, acquired new exploration interests in Tunisia, Peru, UK (West of Shetland), Albania, Australia and pending licence awards in Spain and Sicily. In addition, Capricorn has separately acquired licence interests offshore west Greenland.
- Cairn India is headquartered in Gurgaon on the outskirts of Delhi, with operational offices in Chennai, Gujarat, Andhra Pradesh and Rajasthan.
- Cairn Energy PLC (including Capricorn) will continue to be run from Edinburgh with operational offices in Dhaka, Chittagong and Kathmandu.

For further information on Cairn see www.cairn-energy.plc.uk