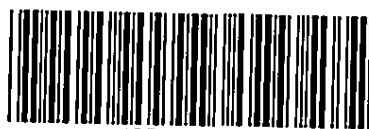


PLECTRUM OIL & GAS LIMITED
REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

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PLECTRUM OIL & GAS LIMITED

Directors:

M J Watts
S J Thomson
J M Brown

Secretary:

D A Wood

Auditors:

Ernst & Young LLP
Blenheim House
Fountainhall Road
Aberdeen AB15 4DT

Solicitors:

Shepherd and Wedderburn LLP
1 Exchange Crescent
Conference Square
Edinburgh EH3 8UL

Registered Office:

5th Floor
Condor House
10 St Paul's Churchyard
London EC4M 8AL

Registered No:

05303276

PLECTRUM OIL & GAS LIMITED

Directors' Report

The directors present their report and financial statements for the year ended 31 December 2008.

Principal Activities and Business Review

The Company's principal activity is that of a holding company.

Consolidated accounts are not produced for the company and its wholly owned subsidiaries (detailed in note 7 to the accounts) as provided under the exemption in section 228(1) of the Company's Act 1985. The results of the company and its subsidiaries are included within the consolidated accounts of the ultimate parent undertaking, Cairn Energy PLC.

On 1 January 2008 the Company changed its presentation currency from Pounds Sterling (£) to US Dollars (\$).

During the year the Company made a profit of \$85,385 (2007: loss of \$1,222,709). There were no movements in cash and cash equivalents during the year, or prior year, therefore a Statement of Cash Flows has not been presented. No dividend has been paid or declared in respect of the year ended 31 December 2008 (2007: \$nil).

Principal Risks and Uncertainties

The principal risks and uncertainties facing the Company derive from holding investments, where the value of its investments is ultimately dependent on the performance of its subsidiaries.

Financial Instruments

For detail of the Company's financial risk management policy see note 10.

Directors

The Directors who held office during the year and subsequently are as follows:

J M Brown

S J Thomson

M J Watts

M H Evans (resigned 18 January 2008)

J D Bain (resigned 8 February 2008)

Charitable and Political Donations

The Company did not make any charitable or political contributions during the year (2007: nil).

Disclosure of Information to Auditors

The directors of the Company who held office at 31 December 2008 confirm, as far as they are aware, there is no relevant audit information of which the Company's auditors are unaware. In making this confirmation, the directors have taken appropriate steps to make themselves aware of the relevant audit information and that the Company's auditors are aware of this information.

By Order of the Board



Secretary

5th Floor, Condor House
10 St Paul's Churchyard
London EC4M 8AL

28 September 2009

PLECTRUM OIL & GAS LIMITED

Directors' Responsibility Statement

The directors are responsible for preparing the Directors' Report and the Company financial statements in accordance with applicable United Kingdom law and those IFRSs as adopted by the EU.

The directors are required to prepare the Company financial statements for each financial year which present fairly the financial position of the Company and the financial performance and cash flows of the Company for that period. In preparing the Company financial statements, the directors are required to:

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirement in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- state that the Company have complied with IFRSs, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Company's financial statements comply with the Companies Act. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PLECTRUM OIL & GAS LIMITED

We have audited the financial statements of Plectrum Oil & Gas Limited for the year ended 31 December 2008 which comprise the Income Statement, the Balance Sheet, the Statement of Recognised Income and Expense and the related notes 1 to 13. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Directors' Responsibility Statement.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



Ernst & Young LLP
Registered auditor
Edinburgh

28 September 2009

PLECTRUM OIL & GAS LIMITED

Income Statement

For the year ended 31 December 2008

Continuing Operations	Notes	2008 \$	2007 \$
Administrative expenses		-	(723)
Impairment of investment		-	(274,871)
Allowance for doubtful debts		-	(947,115)
Operating loss	2	-	(1,222,709)
Finance income	3	85,385	-
Profit/(loss) before taxation		85,385	(1,222,709)
Taxation expense on profit/(loss)	4	-	-
Profit/(loss) for the year		85,385	(1,222,709)

PLECTRUM OIL & GAS LIMITED

Statement of Recognised Income and Expense

For the year ended 31 December 2008

	Notes	2008 \$	2007 \$
Income and expense recognised directly in equity			
Currency translation differences	9	(162,129)	9,776
Profit/(loss) for the year	9	85,385	(1,222,709)
Total recognised income and expense for the year		(76,744)	(1,212,933)

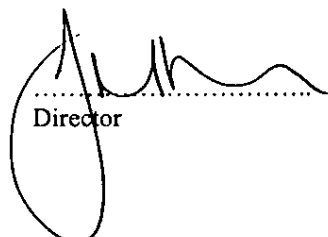
PLECTRUM OIL & GAS LIMITED

Balance Sheet

As at 31 December 2008

	Notes	2008 \$	2007 \$
Non-current assets			
Investments	5	-	-
		-	-
Current assets			
Trade and other receivables	6	214,977	291,721
		214,977	291,721
Total assets		214,977	291,721
Net assets		214,977	291,721
Called-up share capital	7	129,025	129,025
Share premium	8	1,561,123	1,561,123
Foreign currency translation reserve	9	(152,353)	9,776
Retained earnings	9	(1,322,818)	(1,408,203)
Total equity		214,977	291,721

Signed on behalf of the Board on 28 September 2009.



Director

PLECTRUM OIL & GAS LIMITED

Notes to the Accounts

1 Accounting Policies

a) Basis of preparation

The financial statements of Plectrum Oil & Gas Limited ("the Company") for the year ended 31 December 2008 were authorised for issue in accordance with a resolution of the directors on 28 September 2009. The Company is incorporated in England and Wales under the Companies Act 1985 and domiciled in the United Kingdom. The registered office is located at 5th Floor, Condor House, 10 St Paul's Churchyard, London EC4M 8AL.

The Company prepares its accounts on a historical cost basis. Where there are assets and liabilities calculated on a different basis, this fact is disclosed in the relevant accounting policy.

b) Accounting standards

The Company prepares its accounts in accordance with applicable International Financial Reporting Standards ("IFRS") as adopted by the EU. The Company's financial statements are also consistent with IFRS as issued by the International Accounting Standards Board ("IASB").

There are not considered to be any relevant new IFRS issued and adopted by the EU but not yet effective that are expected to have an impact on the Company's financial statements.

c) Presentation currency

The functional currency of the Company is Pounds Sterling (£). On 1 January 2008 the Company changed its presentation currency from Pounds Sterling (£) to US Dollars (\$), the functional currency of most companies within the Group. It is deemed to be more appropriate to present the financial statements inline with the functional currency of the majority of the Group.

The Company translated its balance sheet at 31 December 2007 at the balance sheet rate of £1 = \$1.985, and translated its profit and loss account at the average rate ruling for the year to 31 December 2007 of £1 = \$2.001. The Company's policy on foreign currencies is detailed in note 1(g).

d) Investments

The Company's investments in subsidiaries are carried at cost less provisions resulting from impairment. The recoverable value of investments is the higher of its fair value less costs to sell and value in use. Value in use is based on the discounted future net cash flows of the oil and gas assets held by the subsidiary.

Discounted future net cash flows for IAS 36 purposes are calculated using an estimated short term oil price of \$50/bbl and a long term oil price of \$65/bbl (2007: short and long term of \$60/bbl) or the appropriate gas price as dictated by the relevant gas sales contract, escalation for prices and costs of 3%, and a discount rate of 10% (2007: 3% and 10% respectively). Forecast production profiles are determined on an asset by asset basis, using appropriate petroleum engineering techniques.

e) Equity

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs, allocated between share capital and share premium.

f) Taxation

The tax expense represents the sum of current tax and deferred tax.

The current tax is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Balance Sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred income tax liabilities are recognised for all taxable temporary differences except in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in Joint Ventures where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future. A deferred income tax liability is not recognised if a temporary difference arises on initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

PLECTRUM OIL & GAS LIMITED

Notes to the Accounts (continued)

1 Accounting Policies (continued)

f) Taxation (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, carry forward of unused tax assets and unused tax losses can be utilised, except where the deferred income tax asset relating to the deductible temporary timing difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in Joint Ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets are reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the periods in which the asset is realised or the liability is settled, based on tax rates and laws enacted or substantively enacted at the Balance Sheet date.

Deferred tax assets and liabilities are only offset where they arise within the same entity and tax jurisdiction and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

g) Foreign currencies

The Company translates foreign currency transactions into the functional currency at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the rate of exchange prevailing at the Balance Sheet date. Exchange differences arising are taken to the Income Statement except for those incurred on borrowings specifically allocable to development projects, which are capitalised as part of the cost of the asset.

The Company maintains its accounts in the functional currency, £. The Company translates the accounts into the presentation currency, \$, using the closing rate method for assets and liabilities which are translated into \$ at the rate of exchange prevailing at the Balance Sheet date and rates at the date of transactions for Income Statement accounts. Exchange differences arising on the translation of net assets is taken directly to reserves.

h) Key estimations and assumptions

The Company has used estimates and assumptions in arriving at certain figures within the financial statements. The resulting accounting estimates may not equate with the actual results, which will only be known in time. Those areas believed to be key areas of estimation are noted below, with further details of the assumptions used listed at the relevant note.

Item	Refer to:
Impairment testing	1(d)

2 Operating Loss

a) Operating loss is stated after charging:

	2008	2007
	\$	\$
Impairment of investment	-	274,871

The Company's auditors' remuneration of \$4,388 (2007: \$6,003) has been borne by the intermediate parent company Capricorn Energy Limited. Auditors' remuneration for other services is disclosed in the financial statements of Cairn Energy PLC, the ultimate parent undertaking.

The Company has a policy in place for the award of non-audit work to the auditors which, in certain circumstances, requires approval by the Audit Committee of Cairn Energy PLC, the ultimate parent undertaking.

PLECTRUM OIL & GAS LIMITED
Notes to the Accounts (continued)

3 Finance Income

	2008	2007
	\$	\$
Exchange gain	85,385	-
	85,385	-

4 Taxation on Profit/(Loss)

A reconciliation of the income tax expense applicable to the loss before income tax at the applicable tax rate to the income tax expense at the Company's effective income tax rate is as follows:

	2008	2007
	\$	\$
Profit/(loss) before taxation	85,385	(1,222,709)
Tax at the standard rate of UK corporation tax of 28.5% (2007: 30%)	24,335	(366,813)
Effects of:		
Non-taxable income/non-deductable expenses	-	366,813
Group relief not paid for	(8,757)	-
Deferred tax movement not recognised	(15,304)	-
Other	(274)	-
Total tax charge	-	-

Finance Act 2007 reduced the UK main rate of tax from 30% to 28%. This reduction took effect from 1 April 2008 onwards, resulting in an averaged main rate of corporation tax of 28.5% for the period from 1 January to 31 December 2008, as shown above.

There is no recognised or unrecognised deferred tax asset or liability as at 31 December 2008 (2007: asset of \$15,304). The deferred tax asset as at 31 December 2007 related to tax losses, which have been utilised against profits arising to the company during 2008. This asset was not recognised as there was at that point insufficient certainty that it would reverse in the foreseeable future.

5 Investments

	Total
	\$
Cost and net book value	
At 1 January 2007	129,029
Additions	143,645
Impairment	(274,871)
Foreign exchange differences	2,197
At 31 December 2007 and 2008	-

In February 2007 the Company acquired the entire issued share capital of Banchory Exploration Limited for a cash consideration of £72,365. Banchory Exploration Limited's sole asset is the minority 49.9% shareholding in Plectrum Oil Limited.

PLECTRUM OIL & GAS LIMITED
Notes to the Accounts (continued)

5 Investments (continued)

The Company's principal subsidiaries as at the Balance Sheet date are set out below:-

	Principal activity	Country of incorporation	Country of operation	Proportion of voting rights and ordinary shares
Plectrum Oil Limited	Exploration	England and Wales	Scotland	100%
Banchory Exploration Limited	Holding Company	Scotland	Scotland	100%

6 Trade and Other Receivables

	2008	2007
	\$	\$
Amounts owed by group companies	984,095	1,231,264
Allowance for doubtful debts	(769,118)	(939,543)
	214,977	291,721

In the opinion of the directors an amount of \$769,118 (2007: \$939,543) due from Plectrum Oil Limited is unlikely to be recoverable. Full provision has therefore been made for this amount.

All other amounts due from group companies are current and unimpaired.

The movement in the allowance for doubtful debts is set out below:

	2008	2007
	\$	\$
At 1 January	939,543	-
Increase in allowance recognised in the Income Statement	-	947,115
Foreign exchange differences	(170,425)	(7,572)
	769,118	939,543

As at 31 December, the ageing analysis of trade and other receivables is set out below:

	Total	Current	< 30 days	30-60 days	60-90 days	90-120 days	>120 days
	\$	\$	\$	\$	\$	\$	\$
2008							
Past due but not impaired	214,977	-	-	-	-	-	214,977
Past due and impaired	769,118	-	-	-	-	-	769,118
Allowance for doubtful debts	(769,118)	-	-	-	-	-	(769,118)
As at 31 December 2008	214,977	-	-	-	-	-	214,977
2007							
Past due but not impaired	291,721	-	-	-	-	-	291,721
Past due and impaired	939,543	-	-	-	-	-	939,543
Allowance for doubtful debts	(939,543)	-	-	-	-	-	(939,543)
As at 31 December 2007	291,721	-	-	-	-	-	291,721

PLÉCTRUM OIL & GAS LIMITED
Notes to the Accounts (continued)

7 Share Capital

Ordinary shares of 5p each

Authorised ordinary shares

At 31 December 2007 and 2008 5,000,000

	31 December 2008 Number of shares	\$	31 December 2007 Number of shares	\$
Allotted, issued and fully paid ordinary shares				
Ordinary shares of 5p each	1,300,000	129,025	1,300,000	129,025

8 Share Premium

Total
\$

At 1 January and 31 December 2008 1,561,123

9 Equity

	Equity Share Capital \$	Share Premium \$	Retained earnings \$	Foreign currency translation reserve	Total Equity \$
At 1 January 2007	129,025	1,561,123	(185,494)	-	1,504,654
Foreign exchange movements	-	-	-	9,776	9,776
Loss for the year	-	-	(1,222,709)	-	(1,222,709)
At 1 January 2008	129,025	1,561,123	(1,408,203)	9,776	291,721
Foreign exchange movements	-	-	-	(162,129)	(162,129)
Profit for the year	-	-	85,385	-	85,385
At 31 December 2008	129,025	1,561,123	(1,322,818)	(152,353)	214,977

10 Financial Risk Management: Objectives and Policies

The main risks arising from the Company's financial instruments is foreign currency risk. The Board of Cairn Energy PLC ("the Board"), the ultimate parent company, reviews and agrees a policy for managing this risk and this is summarised below:

The Company's treasury functions are managed by the treasury functions of Cairn Energy PLC and Capricorn Oil Limited. Local operational offices are responsible for managing foreign exchange exposure whilst ensuring that the Company has adequate liquidity at all times in order to meet its immediate cash requirements.

Foreign currency risk

The Board manages exposures that arise from receipt of revenues in foreign currencies, by matching receipts and payments in the same currency, and actively managing the residual net position. The company is exposed to some foreign currency risk as the Company's functional currency is £ and some of the assets of the Company are denominated in \$.

In order to minimise the Company's exposure to foreign currency fluctuations, currency assets are matched with currency liabilities by borrowing or entering into foreign exchange contracts in the applicable currency if deemed appropriate. The loan facilities are multi-currency and allow drawings in currencies in US dollars, Sterling or such other currency as may be agreed between the lenders and the Company from time to time.

PLECTRUM OIL & GAS LIMITED

Notes to the Accounts (continued)

10 Financial Risk Management: Objectives and Policies (continued)

Foreign currency risk (continued)

The Company may from time to time, opt to use derivative financial instruments to minimise its exposure to fluctuations in foreign exchange and interest rates.

Capital Management

The objective of the Company's capital management structure is to ensure that there remains sufficient liquidity within the Company. The Board monitors the long term cash flow requirements of their businesses in order to assess the requirement for changes to the capital structure to meet that objective and to maintain flexibility.

The Board manages the capital structure and makes adjustments to it, in light of changes to economic conditions. To maintain or adjust the capital structure, the Board may adjust the dividend payment to shareholders, return capital, issue new shares for cash, repay debt, put in place new debt facilities or other such restructuring activities as appropriate.

No significant changes were made in the objectives, policies or processes during the period ended 31 December 2008.

11 Financial Instruments

The Company calculates the fair value of assets and liabilities by reference to amounts considered to be receivable or payable on the Balance Sheet date. The Company's financial assets and liabilities, together with their fair values are as follows:

Financial assets	Carrying amount		Fair value	
	2008	2007	2008	2007
	\$	\$	\$	\$
Trade and other receivables	214,977	291,721	214,977	291,721
	214,977	291,721	214,977	291,721

An analysis of the ageing of trade and other receivables is provided in note 6.

The fair value of financial assets has been calculated by discounting the expected future cash flows at prevailing interest rates.

12 Related Party Transactions

The following table provides the balances which are outstanding with subsidiary companies at the Balance Sheet date:

	At 31 December 2008	At 31 December 2007
	\$	\$
Amounts owed from subsidiary undertakings after allowance for doubtful debts	214,977	291,721

Note 6 provides further details on the allowance for doubtful debts.

Other transactions

The Company did not make any purchases in the ordinary course of business from an entity under common control (2007: \$nil).

13 Ultimate Parent Company

The Company is a subsidiary of Capricorn Petroleum Limited. The Company's ultimate parent company is Cairn Energy PLC, registered in Scotland, whose principal place of business is at 50 Lothian Road, Edinburgh, EH3 9BY.

Copies of Cairn Energy PLC's financial statements are available to the public and may be obtained from the above mentioned address.