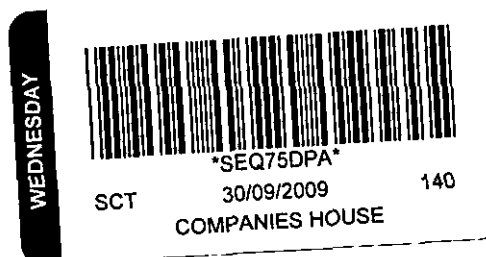


CAPRICORN EXPLORATION LIMITED
(Formerly Capricorn PA Exploration 1 Limited)
ABBREVIATED REPORT & FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2008



Capricorn Exploration Limited

Directors:

W B B Gammell
J M Brown
S J Thomson
M J Watts
MS Thoms

Secretary:

D A Wood

Auditors:

In accordance with section 388A of the Companies Act 1985, the Company is, by virtue of section 249AA, exempt from the obligation to appoint auditors.

Registered Office:

50 Lothian Road
Edinburgh EH3 9BY

Registered No:

SC307662

Capricorn Exploration Limited

Directors' Report

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

Principal Activities and Business Review

The Company did not trade during the period and made neither profits nor losses. There were no movements in cash and cash equivalents during the period, therefore a Statement of Cash Flows has not been presented. No dividend has been paid or declared in respect of the period ended 31 December 2008.

Principal Risks and Uncertainties

The Company did not trade during the period, and is not expected to trade in the future. Therefore, no specific risks and uncertainties have been identified in relation to its results.

Directors

The directors who held office during the period and subsequently are as follows:

W B B Gammell (appointed 3rd April 2007)

J M Brown (appointed 3rd April 2007)

S J Thomson (appointed 3rd April 2007)

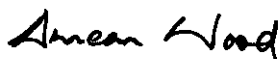
M J Watts (appointed 29th August 2006)

MS Thoms (appointed 3rd April 2007)

Charitable and Political Donations

The Company did not make any charitable or political contributions during the period.

By Order of the Board



Secretary

50 Lothian Road
Edinburgh EH3 9BY

28 September 2009

Capricorn Exploration 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 and Article 4 of the IAS Regulation. 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.

Capricorn Exploration Limited

Balance Sheet

As at 31 December 2008

	Notes	2008 £
Current assets		
Trade and other receivables	2	1
		1
Total assets		1
Net assets		1
Equity		
Called-up share capital	3	1
Total equity attributable to the equity holders		1

The accounts are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to dormant companies.

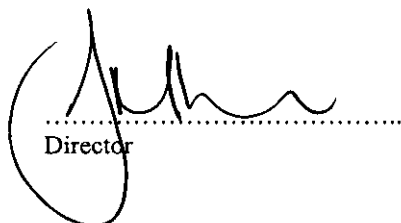
For the period ended 31 December 2008 the Company was entitled to exemption under section 249AA(1) of the Companies Act 1985 ("the Act").

No members have required the Company to obtain an audit of its accounts for the period in question in accordance with section 249B(2) of the Act.

The directors acknowledge their responsibility for:

- Ensuring the Company keeps accounting records which comply with section 221 of the Act;
- Preparing accounts which give a true and fair view of the state of affairs of the Company as at the end of its financial period, and of its profit and loss for the financial period in accordance with section 226 of the Act, and which otherwise comply with the requirements of the Companies Act relating to accounts, so far as applicable to the Company.

Signed on behalf of the Board on 28 September 2009



Director

Capricorn Exploration Limited

Notes to the Accounts

For the period ended 31 December 2008

1 Accounting Policies

a) Basis of preparation

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. The Company's ultimate holding company, Cairn Energy PLC, has confirmed it will make available sufficient funds to allow the Company to pay its liabilities as they fall due for the next twelve months. Hence these accounts have been prepared on a going concern basis.

b) Accounting standards

The Company prepares its accounts in accordance with applicable International Financial Reporting Standards (IFRS) as adopted by the EU.

No IFRS issued and adopted but not yet effective are expected to have an impact on the Company's financial statements.

c) Presentational currency

The functional and presentational currency of Capricorn Exploration Limited is Sterling ("£"). The Company's policy on foreign currencies is detailed in note 1(d).

d) 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.

2 Trade and Other Receivables

	2008 £
Amounts owed by Group Companies	1
	<hr/> 1

3 Share Capital

	2008 Number £1 Ordinary
Authorised ordinary shares	
As at 31 December 2007 and 31 December 2008	<hr/> 100

	2008 £1 Ordinary £
Allotted, issued and unpaid ordinary shares	
As at 31 December 2007 and 31 December 2008	<hr/> 1

Capricorn Exploration Limited

Notes to the Accounts (continued)

For the period ended 31 December 2008

4 Financial Risk Management: Objectives and Policies

The only financial instrument that the Company currently has is £1 of debt, being the amount owed by a group company. In future the Company's strategy will be to finance its operations through a mixture of retained profits and bank borrowings. Other alternatives like equity finance and project finance will be reviewed by the Board, when appropriate, to fund substantial acquisitions or oil and gas development projects.

The Company 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 the Company has adequate liquidity at all times in order to meet its immediate cash requirements.

The Company may from time to time, opt to use derivative financial instruments to minimise its exposure to fluctuations in foreign exchange rates, interest rates and movements in oil and gas prices. Derivative financial instruments have not been used throughout the period. It is, and has been throughout the period under review, the Company's policy that no trading in derivative financial instruments shall be undertaken.

The main risks arising from the Company's financial instruments are liquidity risk, interest rate risk, foreign currency risk, commodity price risk and credit risk. The Board reviews and agrees policies for managing each of these risks and these are summarised below:

Liquidity risk

The Company, through its indirect holding company Capricorn Oil Limited, has access to the available cash balances of the Capricorn Oil Group. Subsequently, Capricorn Oil Limited has access, if so required, to the Cairn Energy PLC £30 million revolving credit facility to fund working capital, obtained on 28 March 2008. The facility is jointly provided by The Royal Bank of Scotland PLC and the Bank of Scotland PLC and expires on 31 January 2013. Interest is charged at floating rates determined by LIBOR plus an applicable margin. At 31 December 2008 £nil was drawn (2007: £nil).

In addition, the Company has access to the Capricorn Oil Limited facilities to cover the issue of bank guarantees. As at 31 December 2008 there were \$35.0m (2007: \$35.0m) of facilities in place to cover the issue of bank guarantees. Fixed rates of interest apply to these. \$29.2m (2007: \$28.8m) was unutilised at 31 December 2008.

The Board is conscious of the current environment and constantly monitors counterparty risk. Policies are in place to limit counterparty exposure. The treasury function monitors counterparties using published ratings and when investing in money market liquidity and mutual funds primarily by consideration of the funds investment policy.

Interest rate risk

Surplus funds will be placed on short/medium term deposit at floating rates. It is the Company's policy to deposit funds with a bank or banks that offer the most competitive interest rate at time of issue.

Short/medium term borrowing arrangements are available at floating rates. The treasury function may from time to time opt to manage a proportion of the interest costs on this debt by using derivative financial instruments like interest rate swaps. At this time, however, there is no requirement for such instruments as there is no debt drawn.

Capricorn Exploration Limited

Notes to the Accounts (continued)

For the period ended 31 December 2008

4 Financial Risk Management: Objectives and Policies (continued)

Foreign currency risk

The Company will manage 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.

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

No forward foreign exchange contracts were entered into during the period. There were no outstanding foreign exchange contracts at the start of the period or at the end of the period.

Commodity price risk

No commodity price hedging contracts have been entered into during the period. There were no outstanding commodity price contracts at the start of the period or at the end of the period.

Credit risk

With respect to deposit and treasury arrangements, as a general rule the Board will only approve a bank that has a Moody's rating for long term deposits of A and above.

The Board will continue to assess the Company's strategies for managing credit risks. At the period end the Company does not have any non-group debtors.

5 Taxation

The company is not trading for tax purposes.

6 Ultimate Parent Company

The Company is a wholly owned subsidiary of Cairn Energy Nepal Holdings Limited. The results of the Company are consolidated into those of its ultimate parent, 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.