Reliance Eagleford Upstream GP LLC

Financial Statements

for the year ended 31st December, 2018

Independent Auditor’s Report

TO THE BOARD OF DIRECTORS OF RELIANCE EAGLEFORD UPSTREAM GP LLC.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Reliance Eagleford Upstream GP LLC. (“the Company”), which comprise the Balance Sheet as at December 31, 2018, the Statement of Profit and Loss including other comprehensive income, Statement of Cash Flows and Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Companies Act, 2013 (“the Act”) read with the Companies (Indian Accounting Standards) Rules, 2015, as amended (‘Ind AS’) and other accounting principles generally accepted in India, of the state of affairs of the Company as at December 31, 2018, and its profit / loss, its total comprehensive loss, its cash flows and changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor’s Responsibility for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements and ICAI’s Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our opinion on the financial statements.

Information Other than the Financial Statements and Auditor’s Report Thereon

As informed to us, there is no information other than the financial statements. Consequently, in our opinion, the reporting requirement under SA 720 “The Auditor’s Responsibilities Relating to Other Information” are not applicable.

Management’s Responsibility for the Financial Statements

The Company’s Board of Directors is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the Ind AS and other accounting principles generally accepted in India.

This responsibility also includes maintenance of adequate accounting records for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are also responsible for overseeing the Company’s financial reporting process.

Auditor’s Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Other Reporting Requirements

We further report that:

a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid financial statements.

b) The Balance Sheet, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows and Statement of Changes in Equity, and dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the financial statements.

For Deloitte Haskins & Sells LLP
Chartered Accountants
(Firm's Registration No: 117366W/W-100018)

(Abhijit A. Damle)
Partner
Membership No: 102912

Mumbai: April 15, 2019

Balance Sheet as at 31 December, 2018

	Notes	As at 31 December, 2018	As at 31 December, 2017
ASSETS			
Non-Current Assets			
(a) Financial assets			
(i) Investments	3	-	-
Total Non-Current Assets		**-**	**-**
Current Assets			
(a) Financial assets			
(i) Cash and cash equivalents	4	9,854	9,854
Total Current Assets		**9,854**	**9,854**
Total Assets		**9,854**	**9,854**
EQUITY AND LIABILITIES			
Equity			
(a) Member's contribution	5	36,800	36,800
(b) Share of net income	6	(26,946)	(26,946)
Total Equity		**9,854**	**9,854**
Total Equity and Liabilities		**9,854**	**9,854**
Corporate information and significant accounting policies and notes to the financial statements	1-12		

As per our report of even date

For Deloitte Haskins & Sells LLP
Chartered Accountants

Abhijit A. Damle
Partner
Membership No. 102912

Place: Mumbai
Date: 15 April, 2019

For and on behalf of the Board

Walter Van de Vijver
Director

Place: Houston
Date: 12 April, 2019

Statement of Profit and Loss for the year ended 31 December, 2018

	Notes	2018	2017
			In USD
INCOME:			
Total income		**-**	**-**
EXPENSES:			
Finance costs	7	-	128
Total expenses		**-**	**128**
(Loss) for the year		**-**	**(128)**
Other comprehensive income (OCI)		-	-
Total comprehensive (loss) for the year		**-**	**(128)**
Corporate information and significant accounting policies and notes to the financial statements	1-12		

As per our report of even date

For Deloitte Haskins & Sells LLP
Chartered Accountants

Abhijit A. Damle
Partner
Membership No. 102912

Place: Mumbai
Date: 15 April, 2019

For and on behalf of the Board

Walter Van de Vijver
Director

Place: Houston
Date: 12 April, 2019

Statement of changes in equity for the year ended 31 December, 2018

A. MEMBER'S CONTRIBUTION ***In USD***

Balance at 1 January, 2017	Changes during the year 2017	Balance at 31 December, 2017	Changes during the year 2018	Balance at 31 December, 2018
36,800	-	36,800	-	36,800

B. SHARE OF NET INCOME ***In USD***

Year ended 31 December, 2017	
Balance as at 1 January, 2017	(26,818)
(Loss) for the year	(128)
Balance as at 31 December, 2017	**(26,946)**
Year ended 31 December, 2018	
Balance as at 1 January, 2018	(26,946)
Profit for the year	-
Balance as at 31 December, 2018	**(26,946)**

Statement of Cash Flows for the year ended 31 December, 2018

	Notes	2018	2017
			In USD
Cash flows from operating activities			
(Loss) as per Statement of Profit and Loss		-	(128)
Net cash (used in) operating activities		**-**	**(128)**
Net cash from investing activities		**-**	**-**
Net cash from financing activities		**-**	**-**
Net (decrease) in cash and cash equivalents		-	(128)
Cash and cash equivalents at the beginning of the year	4	9,854	9,982
Cash and cash equivalents at the end of the year	**4**	**9,854**	**9,854**
Corporate information and significant accounting policies and notes to the financial statements	1-12		

As per our report of even date

For Deloitte Haskins & Sells LLP
Chartered Accountants

Abhijit A. Damle
Partner
Membership No. 102912

Place: Mumbai
Date: 15 April, 2019

For and on behalf of the Board

Walter Van de Vijver
Director

Place: Houston
Date: 12 April, 2019

Notes to the financial statements for the year ended 31 December, 2018

1. GENERAL INFORMATION

A. Reliance Eagleford Upstream GP LLC (the "Company") was incorporated as a Texas limited liability company on 17 June 2010. The registered office of the Company is situated at 800 Brazos, Suite 400, Austin, Texas 78701, United States of America.

The Company is engaged in the business of exploration and production of natural resources, primarily oil and gas from mineral properties through its investment in Reliance Eagleford Upstream Holding LP ("Partnership").

The Company is a wholly owned subsidiary of Reliance Holding USA Inc (the "Holding Company"). The Company is an indirectly wholly owned subsidiary of Reliance Industries Limited, an Indian listed Company (the "Ultimate Holding Company").

The Company is a general partner of the Partnership.

Company	Country of Incorporation	Percentage of Shareholding	Principle Business Activities
Reliance Eagleford Upstream Holding LP	USA	0.01%	Exploration and production of oil and gas

B. On 23 June, 2010, the Partnership executed definitive agreements to enter into a joint venture with Pioneer Natural Resources USA Inc. (Pioneer) under which the Partnership acquired a 45% interest in Pioneer's core Eagle Ford Shale acreage position in two separate transactions for a total of $264 million in cash and $1.05 billion of drilling carry obligations. The drilling carry obligations provided for 75% of the other joint venture partners' capital costs over an anticipated six-year development program. In addition, the Partnership will have to fund its share of the development plan.

Pioneer and Newpek LLC, Pioneer's then-current partner in the Eagle Ford Shale, simultaneously conveyed 45% of their respective interests in the Eagle Ford Shale to the Partnership. The Partnership became a partner in approximately 262,683 net acres. Pioneer continues to be the operator, with 46.354% participating interest. In December 2012, the Partnership fully met its $1.05 billion of drilling carry commitment.

2.1 STATEMENT OF COMPLIANCE

The financial statements of the Company have been prepared in accordance with the Indian Accounting Standards ('Ind AS'), notified under section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules, 2015.

Changes in accounting policies:

The Company has adopted Ind AS 115, Revenue from Contract with Customers with effect from 1st January 2018. Accordingly, the Company has changed its accounting policy on revenue recognition as detailed in note 2.3 D.

There is no impact of above on the opening balance sheet as at 1st January 2018.

2.2 BASIS OF PREPARATION AND PRESENTATION

The financial statements have been prepared on the historical cost convention and on accrual basis of accounting except for certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting polices below. The accounting policies have been applied consistently over all period presented in these financial statement.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

In addition, for financial reporting purposes, fair value measurement are categorised within the fair value hierarchy into Levels 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

i. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

ii. Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

iii. Level 3 inputs are unobservable inputs for the asset or liability.

Notes to the financial statements for the year ended 31 December, 2018

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Borrowing Costs:

Borrowing costs directly attributable to the acquisition or construction of qualifying assets are capitalised as a part of cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to the Statement of Profit and Loss in the year in which they are incurred.

B. Provisions, Contingent Liabilities and Contingent Assets:

Provisions are recognised when the Company has a present obligation as a result of past event(s) and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

lf the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Contingent liabilities are disclosed unless the possibility of outflow of resources is remote. Contingent assets are not recognised but disclosed in the financial statements only where inflow of economic benefit is probable.

C. Taxation:

The Company is not a tax paying entity for federal or state income tax purpose and accordingly it does not recognize any expense for such taxes. The income tax liability from the Company's activities is the responsibility of the Holding Company.

D. Revenue Recognition:

Revenue is recognized based on the delivery of performance obligation and assessment of when control of promised goods / services is transferred to a customer, at an amount that reflects the consideration to which the Company is expected to be entitled to in exchange for those goods / services. Revenue is measured at the amount of the transaction price allocated to that performance obligation.

E. Financial Instruments:

I Non-derivative financial instruments

i. Financial Assets.

a. Initial recognition and measurement

All financial assets are initially recognised at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets, which are not at fair value through profit or loss, are added to the fair value on initial recognition. Regular purchase and sale of financial assets are recognised using trade date accounting.

b. Subsequent measurement

Financial assets carried at amortised cost (AC)

A financial asset is subsequently measured at amortised cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through other comprehensive income (FVTOCI)

A financial asset is subsequently measured at fair value through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through profit or loss (FVTPL)

A financial asset which is not classified in any of the above categories are subsequently fair valued through profit or loss.

c. Impairment of financial assets

The Company assesses impairment based on expected credit loss (ECL) model to the following:

(a) Financial assets at amortised cost

(b) Financial assets measured at fair value through Other Comprehensive Income

Notes to the financial statements for the year ended 31 December, 2018

The Company follows 'simplified approach' for recognition of impairment loss allowance. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

The Company uses historical loss experience to determine the impairment loss allowance on the portfolio of trade receivables. At every reporting date, the historical observed default rates are updated and changes in the forward looking estimates are analysed.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

ii. Financial liabilities

a. Initial recognition and measurement

All financial liabilities are recognised initially at fair value and in case of loans and borrowings and payables, net of directly attributable cost. Fees of recurring nature are directly recognised in Statement of Profit and Loss as finance cost.

b. Subsequent measurement

Financial liabilities are subsequently carried at amortised cost using the effective interest method. For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

II. De-recognition of financial instruments

The Comapny derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition under Ind AS 109. On derecognition of a financial asset, the difference between the carrying amount and the consideration received is recognised in the Statement of Profit and Loss. A financial liability (or a part of a financial liability) is derecognised from the Company's balance sheet when the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid is recognised in the Statement of Profit and Loss.

III. Fair value of financial instruments

In determining the fair value of its financial instruments, the Company uses a variety of methods and assumptions that are based on market conditions and risks existing at each reporting date. The methods used to determine fair value include discounted cash flow analysis, available quoted market prices. All methods of assessing fair value result in general approximation of value, and such value may vary from actual realisation on future date.

2.4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amo unt of the assets and liability that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected cash loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

2.5 NEW AND REVISED Ind AS IN ISSUE BUT NOT EFFECTIVE YET

The Ministry of Corporate Affairs (MCA) has notified Ind AS 116 to be effective from accounting periods starting from 1st April, 2019. Ind AS 116 will supersede the current standard on leases i.e. Ind AS 17 – Leases. The application of this standard is expected to have no impact on the Balance Sheet and profit/loss of the Company.

Notes to the financial statements for the year ended 31 December, 2018

3 NON-CURRENT INVESTMENTS

In USD

	As at 31 December, 2018	As at 31 December, 2017
Capital contribution in Reliance Eagleford Upstream Holding LP, a partnership #	22,835	22,835
Less: Provision for impairment	22,835	22,835
TOTAL	**-**	**-**

Company is 0.01% partner, the balance 99.99% is held by Reliance Eagleford Upstream LLC, a fellow subsidiary.

4 CASH AND CASH EQUIVALENTS

In USD

	As at 31 December, 2018	As at 31 December, 2017
Balance with bank	9,854	9,854
TOTAL	**9,854**	**9,854**

5 MEMBER'S CONTRIBUTION

In USD

	As at 31 December, 2018	As at 31 December, 2017
Contribution by Holding Company	36,800	36,800
TOTAL	**36,800**	**36,800**

6 SHARE OF NET INCOME

In USD

	As at 31 December, 2018		As at 31 December, 2017	
Opening balance	(26,946)		(26,818)	
(Loss) for the year	-		(128)	
		(26,946)		(26,946)
TOTAL		**(26,946)**		**(26,946)**

7 FINANCE COSTS

In USD

	2018	2017
Other borrowing costs	-	128
TOTAL	**-**	**128**

8 FINANCIAL RISK MANAGEMENT OBJECTIVES

The Company does not have financial liabilities. The Company's financial assets comprise cash and cash equivalents and investment in Group Company. The Company manages the risk by dealing with related parties.

Notes to the financial statements for the year ended 31 December, 2018

9 CATEGORYWISE CLASSIFICATION OF FINANCIAL INSTRUMENTS ***In USD***

	Note	As at 31 December, 2018	As at 31 December, 2017
Financial assets			
A. Measured at fair value through profit or loss (FVTPL)			
Investment in Partnership	3	-	-
B. Measured at amortised cost (AC)			
Cash and cash equivalents	4	9,854	9,854

10 RELATED PARTY

As per Ind AS 24, list of related parties where control exists and related parties with whom transactions have taken place and relationships are given below:

Name of the related party	Relation
Reliance Industries Limited	Ultimate Holding Company (Control exists)
Reliance Holding USA Inc	Holding Company (Control exists)
Reliance Eagleford Upstream Holding LP	Partner Company

Related Party Transactions

There were no transactions during the year.

11 SEGMENT REPORTING

The Company is engaged in the business of exploration and production of oil and gas shale reserviours in the United States of America through its investments. Consequently there is a single business and geographical segment.

12 The financial statements are approved for issue by the Holding Company's Board of Directors on 12 April, 2019.

For and on behalf of the Board

Walter Van de Vijver
Director

Place: Houston
Date: 12 April, 2019