Reliance Eagleford Upstream Holding LP.

Financial Statements

for the year ended 31st December, 2018

Independent Auditor's Report

TO THE BOARD OF DIRECTORS OF RELIANCE EAGLEFORD UPSTREAM HOLDING LP.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Reliance Eagleford Upstream Holding LP. ("the LP"), 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 LP as at December 31, 2018, and its 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 LP 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 LP's management 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 LP 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 LP 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 LP'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 LP or to cease operations, or has no realistic alternative but to do so.

The management is also responsible for overseeing the LP'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 LP 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 LP'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 LP 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

	Note	As at 31 December, 2018	As at 31 December, 2017
			In USD
ASSETS			
Non-Current Assets			
(a) Other intangible assets	3	864,667,913	1,084,865,635
(b) Intangible assets under development	3	33,055,488	43,133,521
Total Non-Current Assets		**897,723,401**	**1,127,999,156**
Current Assets			
(a) Inventories	4	1,342,657	3,699,561
(b) Financial assets			
(i) Cash and cash equivalents	5	9,565	5,382
(ii) Other financial assets	6	23,023,833	53,975,050
(c) Other current assets	7	4,066,798	7,911,520
Total Current Assets		**28,442,853**	**65,591,513**
Total Assets		**926,166,254**	**1,193,590,669**
EQUITY AND LIABILITIES			
Equity			
(a) Partner's contribution	8	3,078,350,000	1,728,350,000
(b) Share of net income	9	(2,363,119,190)	(2,135,393,533)
Total Equity		**715,230,810**	**(407,043,533)**
Liabilities			
Non-Current Liabilities			
(a) Financial liabilities			
(i) Borrowings	10	23,917,250	1,290,497,251
(b) Provisions	11	38,029,355	40,075,437
Total Non-Current Liabilities		**61,946,605**	**1,330,572,688**
Current Liabilities			
(a) Financial liabilities			
(i) Trade payables	12	131,031,235	115,347,012
(ii) Other financial liabilities	13	17,957,604	154,714,502
Total Current Liabilities		**148,988,839**	**270,061,514**
Total Equity and Liabilities		**926,166,254**	**1,193,590,669**
Corporate information and significant accounting policies and notes to the financial statements	1-30		

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 Partnership

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:			
Revenue from operations (Net)	14	232,131,526	226,819,075
Other income	15	381,281	195,636
Total income		**232,512,807**	**227,014,711**
EXPENSES:			
Share of operating expenses in shale gas operations	16	209,470,110	206,531,655
Changes in inventories of finished goods	17	2,356,904	(2,372,907)
Employee benefits expense	18	2,174,451	2,191,490
Finance costs	19	79,274,916	126,155,631
Depletion expense	20	166,302,388	175,567,441
Other expenses	21	659,695	684,918
Total expenses		**460,238,464**	**508,758,228**
(Loss) for the year		**(227,725,657)**	**(281,743,517)**
Other comprehensive income (OCI)		-	-
Total comprehensive (loss) for the year		**(227,725,657)**	**(281,743,517)**
Corporate information and significant accounting policies and notes to the financial statements	1-30		

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 Partnership

Walter Van de Vijver
Director

Place: Houston
Date: 12 April, 2019

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

A. PARTNER'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
228,350,000	1,500,000,000	1,728,350,000	1,350,000,000	3,078,350,000

B. SHARE OF NET INCOME

In USD

Year ended 31 December, 2017	
Balance as at 1 January, 2017	(1,853,650,016)
(Loss) for the year	(281,743,517)
Balance as at 31 December, 2017	**(2,135,393,533)**
Year ended 31 December, 2018	
Balance as at 1 January, 2018	(2,135,393,533)
(Loss) for the year	(227,725,657)
Balance as at 31 December, 2018	**(2,363,119,190)**

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

In USD

	Note	2018	2018	2017	2017
Cash flows from operating activities					
(Loss) as per Statement of Profit and Loss			(227,725,657)		(281,743,517)
Adjustments for:					
Finance costs recognised in profit or loss	19	79,274,916		126,155,631	
Interest income recognised in profit or loss	15	(63,830)		(195,636)	
Depletion expense	20	166,302,388		175,567,441	
			245,513,474		301,527,436
Operating profit before working capital changes			17,787,817		19,783,919
Movements in working capital:					
Decrease / (Increase) in other receivables and advances	6, 7	34,795,939		(18,006,344)	
Decrease / (Increase) in inventories	4	2,356,904		(2,372,907)	
Increase in trade and other payables	12, 13	15,780,344		53,549,171	
			52,933,187		33,169,920
Net cash generated from operating activities			**70,721,004**		**52,953,839**
Cash flows from investing activities					
Interest income	15		63,830		195,636
Proceeds from disposal of property, plant and equipment	3		97,474,930		-
Payments for property, plant and equipment	3		(21,014,634)		(89,753,511)
Net cash generated from / (used in) investing activities			**76,524,126**		**(89,557,875)**
Cash flows from financing activities					
Proceeds from long term borrowings	10		83,420,000		82,115,000
Finance costs	19		(230,660,947)		(45,513,752)
Net cash (used in) / generated from financing activities			**(147,240,947)**		**36,601,248**
Net increase / (decrease) in cash and cash equivalents			4,183		(2,788)
Cash and cash equivalents at the beginning of the year	5		5,382		8,170
Cash and cash equivalents at the end of the year	**5**		**9,565**		**5,382**

Non cash item:

During the year loan from Partner of USD 1.35 billion was converted into Partner's contribution (during previous year USD 1.5 billion)

Corporate information and significant accounting policies and notes to the financial statements 1-30

Change in liabilities arising from financing activities	1 January, 2018	Cash Flow	Non cash item	31 December, 2018
Borrowings - Non Current (Refer note 10)	1,290,497,251	83,420,000	(1,350,000,001)	23,917,250

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 Partnership

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 Holding LP (the “Partnership”, “LP”) was formed as a Texas limited liability partnership on 17 June 2010, in the United States. The principal office of the LP is situated at 2000 W. Sam Houston Parkway S, Houston, Texas 77042. The LP is engaged in the business of exploration and production of natural resources, primarily oil and gas from minerals properties, and related businesses. The LP is composed of two partner companies listed in the table below. The LP’s ultimate parent is Reliance Industries Limited, an Indian listed Company (“Ultimate Holding Company”) .

Company	Country of Incorporation	Percentage Ownership	Principle Business Activities
Reliance Eagleford Upstream LLC	USA	99.99	Exploration and production of oil and gas
Reliance Eagleford Upstream GP LLC	USA	0.01	Exploration and production of oil and gas

B. Reliance Eagleford Upstream LLC and Reliance Eagleford Upstream GP LLC are, respectively, the limited partner and general partner. Reliance Holding USA Inc. is the holding company of the limited partner and general partner (the “Holding Company”).

C. On 23 June 2010, the LP executed definitive agreements to enter into a joint venture with Pioneer Natural Resources USA, Inc. (Pioneer) under which the LP 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 obligation provided for 75% of the other joint venture partners’ capital costs over an anticipated six-year development program. In addition, the LP was 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 LP. The LP became a partner in 262,683 net acres. Pioneer continues to be the operator, with 46.354% participating interest. In December 2012, the LP fully met its $1.05 billion drilling carry commitment.

The LP signed a Purchase and Sale Agreement (“PSA’) on 9th March, 2018 with Sundance Energy Inc. to divest its interest in certain acreage, producing wells and related assets in the western portion of its Eagle Ford shale position (hereinafter called as ‘Assets’) effective 1st October, 2017 for an initial consideration of USD 99.57 Million adjustable for revenue and expenditure post effective date and subject to certain customary adjustments and closing terms and conditions. This transaction was in conjunction with sale made by Pioneer Natural Resources USA Inc. and Newpek LLC, the other working interest owners in the Joint Development with the LP. The Assets sold are located in Atascosa, La Salle, Live Oak and McMullen Counties, Texas and are not part of near term development plan of the Joint Development. The LP continues to retain its interest in the remaining Eagle Ford assets that are core to its development priorities. Closing happened on 26th April, 2018 with an adjusted preliminary settlement consideration of $99.01 million. The final settlement pursuant to said PSA took place on 22nd September, 2018 with an adjusted consideration of $96.78 million.

2.1 STATEMENT OF COMPLIANCE

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

The LP has elected to recognize cumulative effect of initially applying Ind AS 115 retrospectively as an adjustment to opening balance sheet as at 1st January 2018 on the contracts that are not completed contract as at that date.

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 values 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.

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

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Intangible Assets under Development and Intangible Assets - Development Rights (Oil and Gas):

The LP has adopted Successful Efforts Method (SEM) of accounting for its' Oil and Gas activities. Costs incurred on acquisition of interest in oil and gas blocks and on exploration and evaluation are accounted for as intangible assets under development. Upon a well is ready to commence commercial production, the costs accumulated in intangible assets under development are capitalised to intangible assets rateably based on the drilling progress made under the overall capital expenditure program. The drilling progress determines the technical feasibility and commercial viability of the assets. Development costs incurred thereafter are capitalised to the said intangible asset. All costs relating to production and the exploration and evaluation expenditure which does not result in discovery of proved developed oil and gas reserve are charged as expenses in Statement of Profit and Loss.

The costs of development rights (leasehold interest costs) are depleted using the unit of production method in proportion of oil and gas production achieved vis-à-vis Proved Reserves on developing the reserves as per technical evaluation. The development costs (which include integrated drilling and other cost) are depleted in proportion of oil and gas production achieved vis-à-vis Proved developed reserves.

B. 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.

C. Inventories:

Inventories of crude oil are stated at lower of cost and net realisable value. The net realisable value of crude oil is based on estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale, at the balance sheet date.

D. Impairment of Non-Financial Assets:

Impairment indicators

The recoverable amounts of cash-generating units or individual assets as applicable are determined based on higher of value-in-use calculations or fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that oil and gas price assumption may change, which may then impact the estimated life of the field and require a material adjustment to the carrying value of intangible assets under development and development rights (oil and gas).

Oil and Gas assets

Intangible assets under development and intangible assets-development rights (oil and gas) are treated as impaired when the carrying cost of asset exceeds its recoverable value. Recoverable amount is the higher of fair value less costs to sell and value in use. ln assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. For the purpose of assessing impairment, oil and gas property subject to testing, are grouped within the joint venture for determining the cash generating unit. For the purpose of calculating the value in use, future cash flows emanating from proved, unproved and contingent resources are discounted at differential rates calculated based on the weighted average cost of capital of the Holding Company. An impairment loss is charged to the Statement of Profit and Loss in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

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

E. Provisions, Contingent Liabilities and Contingent Assets:

Provisions are recognised when the LP 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.

Decommissioning liability:

The LP records a provision for decommissioning costs towards site restoration activity. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the particular assets.

F. Taxation:

The LP is not a taxpaying entity for federal or state income tax purposes, and, accordingly, it does not recognize any expense for such taxes. The income tax liability resulting from the LP’s activities is the responsibility of the Holding Company.

G. 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. Revenue from the production of oil and gas in which the LP has an interest with other producers is recognised based on the LP’s working interest (the entitlement method).

Sale of products

Revenue from sale of products is recognised when the control on the goods has been transferred to a customer. The performance obligication in case of sale of products is satisfied at a point in time as per the terms of agreement with the individual customer.

Revenue is recognised net of royalties and diversion fees.

lnterest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. lnterest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount on initial recognition.

H. Interest in joint operations:

Oil and Gas Joint Ventures are in the nature of joint operations. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a LP entity undertake its activities under joint operations, the LP as a joint operator recognises in relation to its interest in a joint operation:

1. lts assets, including its share of any assets held jointly;
2. lts liabilities, including its share of any liabilities incurred jointly;
3. lts revenue from the sale of its share of the output arising from the joint operations;
4. lts share of revenue from the sale of the output by the joint operation; and
5. lts expenses, including its share of any expenses incurred jointly.

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

I. 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 LP 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

The LP follows 'simplified approach' for recognition of impairment loss allowance. The application of simplified approach does not require the LP 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 LP 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 LP 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.

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

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. Derivative financial instruments (not designated as hedges)

Derivative financial instruments arising out of derivative contracts which are not designated as hedges by the LP, changes in fair value of such open derivatives instruments and gains / losses on derivative transaction settled within the year are accounted through Statement of Profit and Loss.

All financial instruments are measured at valuation techniques, as applicable.

III. De-recognition of financial instruments

The LP derecognizes 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 LP'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.

IV. Fair value of financial instruments

In determining the fair value of its financial instruments, the LP 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 realization on future date.

2.4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINITY:

In the application of the LP's accounting policies, the directors of the LP are required to make judgements, estimates and assumptions about the carrying amount 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.

(a) Estimation of oil and gas reserve

The determination of the LP's estimated oil and natural gas reserves requires significant judgements and estimates to be applied and these are regularly reviewed and updated. Factors such as the availability of geological and engineering data, reservoir performance data, acquisition and divestment activity, drilling of new wells, and commodity prices all impact on the determination of the LP's estimates of its oil and natural gas reserves. The LP assumes that it would develop its proved reserves within a period of five years. Though the LP estimates its proved reserves at the end of every quarter, proved reserves estimates as at the year-end are reviewed and certified by independent external reserve auditors.

Estimates of oil and natural gas reserves are used to calculate depletion charge for the LP's oil and gas properties. The impact of changes in estimated proved reserves is dealt with prospectively by amortizing the remaining carrying value of the asset over the expected future production. Oil and natural gas reserves also have a direct impact on the assessment of the recoverability of asset carrying values reported in the financial statements. If proved reserves estimates are revised downwards, profitability could be affected by changes in depletion expense or an immediate write-down of the property's carrying value.

(b) Provisions

Provisions and liabilities are recognised in the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events and the amount of cash outflow can be reliably estimated. The timing of recognition and quantification of the liability require the application of judgement to existing facts and circumstances, which can be subject to change. Since the cash outflows can take place many years in the future, the carrying amounts of provisions and liabilities are reviewed regularly and adjusted to take account of changing facts and circumstances.

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

The provision for decommissioning represents the present value of expenditure required to settle the obligation at the end of useful life of respective wells (maximum 50 years). The future cost of decommissioning a well is determined by applying appropriate long term inflation to current cost. Such future costs are then discounted at the Holding Company's Weighted Average Cost of Capital to arrive at the present value of the provision.

(c) Impairment of non-financial assets

The LP assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the LP estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or a group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transaction are taken into account, if no such transactions can be identified, an appropriate valuation model is used.

(d) Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected cash loss rates. The LP uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on LP'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 LP.

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

3. PROPERTY, PLANT AND EQUIPMENT

In USD

Description	Gross Block				Depletion			Net Block
	As at 1 January, 2018	Additions	Deductions/ Adjustments	**As at 31 December, 2018**	As at1 January, 2018	For the Year	**As at 31 December, 2018**	**As at 31 December, 2018**
INTANGIBLE ASSETS (other than internally generated)								
Development rights (oil & gas)	2,528,672,172	29,557,027	83,452,361*	**2,474,776,838**	1,443,806,537	166,302,388	**1,610,108,925**	**864,667,913**
Total	**2,528,672,172**	**29,557,027**	**83,452,361**	**2,474,776,838**	**1,443,806,537**	**166,302,388**	**1,610,108,925**	**864,667,913**
Intangible assets under development (Refer note 1)	43,133,521							33,055,488

Description	Gross Block				Depletion			Net Block
	As at 1 January, 2017	Additions	Deductions/ Adjustments	**As at 31 December, 2017**	As at1 January, 2017	For the Year	**As at 31 December, 2017**	**As at 31 December, 2017**
INTANGIBLE ASSETS (other than internally generated)								
Development rights (oil & gas)	2,327,165,679	201,506,493	-	**2,528,672,172**	1,268,239,096	175,567,441	**1,443,806,537**	**1,084,865,635**
Total	**2,327,165,679**	**201,506,493**	**-**	**2,528,672,172**	**1,268,239,096**	**175,567,441**	**1,443,806,537**	**1,084,865,635**
Intangible assets under development (Refer note1)	91,375,856							43,133,521

Notes:

1. Borrowing cost capitalised during 2018 were $19.9 million ($42.0 million in 2017)

* Refer note 1C

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

4 INVENTORIES
(lower of cost and net realizable value)

In USD

	As at 31 December, 2018	As at 31 December, 2017
Finished goods	1,342,657	3,699,561
TOTAL	**1,342,657**	**3,699,561**

5 CASH AND CASH EQUIVALENTS

In USD

	As at 31 December, 2018	As at 31 December, 2017
Balance with banks	9,565	5,382
TOTAL	**9,565**	**5,382**

6 OTHER FINANCIAL ASSETS (CURRENT)

In USD

	As at 31 December, 2018	As at 31 December, 2017
Revenue receivable	23,023,833	53,975,050
TOTAL	**23,023,833**	**53,975,050**

7 OTHER CURRENT ASSETS
(Unsecured and considered good)

In USD

	As at 31 December, 2018	As at 31 December, 2017
Advances to operator	4,066,798	7,911,520
TOTAL	**4,066,798**	**7,911,520**

8 PARTNER'S CONTRIBUTION

In USD

	As at 31 December, 2018	As at 31 December, 2017
Reliance Eagleford Upstream LLC	3,078,327,165	1,728,327,165
Reliance Eagleford Upstream GP LLC	22,835	22,835
TOTAL	**3,078,350,000**	**1,728,350,000**

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

9 SHARE OF NET INCOME

In USD

	As at 31 December, 2018		As at 31 December, 2017	
Opening balance	(2,135,393,533)		(1,853,650,016)	
(Loss) for the year	(227,725,657)		(281,743,517)	
		(2,363,119,190)		(2,135,393,533)
TOTAL		**(2,363,119,190)**		**(2,135,393,533)**

10 BORROWINGS (NON CURRENT)

In USD

	As at 31 December, 2018	As at 31 December, 2017
Unsecured - at amortised cost		
Loan from a Partner (Refer note 10.1 & 27)	23,917,250	1,290,497,251
TOTAL	**23,917,250**	**1,290,497,251**

10.1 The LP borrows funds from the Partner as per loan agreement at the rate greater of:

(i) Applicable one year LIBOR plus 350 basis points annum; or

(ii) 2% plus 350 basis points per annum.

11 PROVISIONS (NON CURRENT)

In USD

	As at 31 December, 2018		As at 31 December, 2017	
Decommissioning provision				
Beginning balance		40,075,437		23,844,946
Movements during the year				
For the year	83,850		348,864	
Provision no longer required	(5,937,741)		-	
Unwinding of discount	1,136,424		1,114,665	
Changes in estimates	2,671,385	(2,046,082)	14,766,962	16,230,491
Closing balance		**38,029,355**		**40,075,437**

11.1 The provision for decommissioning represents the present value of future probable obligations required to be settled on account of retirement of oil and gas assets at the end of its useful life (maximum 50 years). The future cost is determined by applying appropriate long term inflation to current cost. Such future costs are discounted at the Holding Company's WACC to arrive at the present value of provision.

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

12 TRADE PAYABLES

In USD

	As at 31 December, 2018	As at 31 December, 2017
Trade payables	131,031,235	115,347,012
TOTAL	**131,031,235**	**115,347,012**

The average credit period in respect of trade payables ranges between 15 days to 30 days.

13 OTHER FINANCIAL LIABILITIES (CURRENT)

In USD

	As at 31 December, 2018	As at 31 December, 2017
Creditors for capital expenditure	6,069,045	10,272,141
Interest accrued but not due on borrowings (Refer note 27)	9,233,210	131,293,635
Guarantee commission payable (Refer note 27)	2,135,154	12,724,653
Other payables to Related Party (Refer note 27)	520,195	424,073
TOTAL	**17,957,604**	**154,714,502**

14 REVENUE FROM OPERATIONS (NET)

In USD

	2018	2017
Sale of products:		
Gas	40,163,846	47,812,253
Natural gas liquids	49,917,736	49,293,152
Condensate	142,049,944	129,713,670
TOTAL	**232,131,526**	**226,819,075**

15 OTHER INCOME

In USD

	2018	2017
Interest income	63,830	195,636
Miscellaneous Income	317,451	-
TOTAL	**381,281**	**195,636**

16 SHARE OF OPERATING EXPENSES IN SHALE GAS OPERATIONS

In USD

	2018	2017
Operating expenses	67,138,276	88,304,619
Commitment charges	131,748,887	109,271,266
Production taxes	10,582,947	8,955,770
TOTAL	**209,470,110**	**206,531,655**

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

17 CHANGES IN INVENTORIES OF FINISHED GOODS

In USD

	2018	2017
Inventories (at close)		
Finished Goods	1,342,657	3,699,561
Inventories (at commencement)		
Finished Goods	3,699,561	1,326,654
TOTAL	**2,356,904**	**(2,372,907)**

18 EMPLOYEE BENEFITS EXPENSE

In USD

	2018	2017
Salaries and wages (Refer note 27) #	2,174,451	2,191,490
TOTAL	**2,174,451**	**2,191,490**

represents allocation of expenses incurred by Holding Company.

19 FINANCE COSTS

In USD

	2018	2017
Interest on loan from a partner (Refer note 27) #*	65,393,827	109,683,795
Guarantee commission (Refer note 27) #	12,744,102	15,356,614
Unwinding of discount on provisions	1,136,424	1,114,665
Other borrowing costs	563	557
TOTAL	**79,274,916**	**126,155,631**

expense pertaining to transaction with related parties
* net of capitalisation

20 DEPLETION EXPENSE

In USD

	2018	2017
Depletion of development rights	166,302,388	175,567,441
TOTAL	**166,302,388**	**175,567,441**

21 OTHER EXPENSES

In USD

	2018	2017
Legal and professional fees #	572,910	262,221
Rates & taxes #	86,785	422,697
TOTAL	**659,695**	**684,918**

includes recharge of expenses incurred by Holding Company

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

22. FINANCIAL RISK MANAGEMENT OBJECTIVES

The Partnership's financial liabilities comprise mainly of borrowings, trade payables and other payables. The Partnership's financial assets comprise mainly of cash and cash equivalents and other receivables.

The following disclosures summarize the Partnership's exposure to financial risks and information regarding measures employed to manage exposures to such risks.

Liquidity Risk:

Liquidity risk is the risk that the Partnership will not be able to meet its obligations as they fall due. The Partnership, with the support of its Holding Company, will ensure that sufficient liquidity is available to meet all of its commitments by raising loans or arranging other facilities as and when required.

Capital Management Risk:

The primary objective of the Partnership's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

The Partnership manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies, or processes during the years ended 31 December 2018 and 2017. Capital comprises of loans and Partner's contribution. The Partnership is not exposed to any externally imposed capital requirements.

Net gearing ratio:

The gearing ratio at the end of the period was as follows

	As at 31 December, 2018	As at 31 December, 2017
Debt #	23,917,250	1,290,497,251
Less: Cash and cash equivalents	9,565	5,382
Net debt	23,907,685	1,290,491,869
Total equity	715,230,810	(407,043,533)
Net debt to equity ratio	3%	-317%

Debt is defined as long term and short term borrowings excluding derivatives, financial guarantee contracts and contingent contracts.

Credit risk management:

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Partnership. The Partnership has adopted a policy of only dealing with creditworthy counterparties, where appropriate, as a means of mitigating the risk of financial loss from defaults.

23. PARTNERSHIP'S SHARE OF PROVED RESERVES

	Proved reserves (Million MT)		Proved developed reserves (Million MT)	
OIL:	**2018**	**2017**	**2018**	**2017**
Beginning of the year	10.51	10.90	3.41	3.67
Revision of estimates	(0.73)	0.32	(0.15)	0.45
Sale during the year (Refer note 1C)	(0.29)	-	(0.29)	-
Production	(0.58)	(0.71)	(0.58)	(0.71)
Closing balance for the year	**8.91**	**10.51**	**2.39**	**3.41**

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

	Proved reserves (Million MT)		Proved developed reserves (Million MT)	
Gas:	**2018**	**2017**	**2018**	**2017**
Beginning of the year	7,153	7,587	2,210	2,519
Revision of estimates	(527)	9	(21)	134
Sale during the year (Refer note 1C)	(112)	-	(112)	-
Production	(367)	(443)	(367)	(443)
Closing balance for the year	**6,147**	**7,153**	**1,710**	**2,210**

Note: 1 Cubic meter (M^3) = 35.315 cubic feet, 1 cubic feet = 1000 BTU and 1 MT = 7.5 bbl

The movement in proved reserves is due to lower well performance and lower completion uplift.

Reserve estimates are based on subjective judgments involving geological and engineering assessments of in place hydrocarbon volumes, the historical production, and operating limits. The reliability of these estimates at any point in time depends on both the quality and quantity of the technical and economic data and the efficiency of extracting the hydrocarbons. Partnership estimates its proved reserves at the end of every quarter, proved reserves estimates as at the year-end are reviewed and certified by independent external reserve auditors.

24. CATEGORYWISE CLASSIFICATION OF FINANCIAL INSTRUMENTS

In USD

	Note	As at 31 December 2018	As at 31 December, 2017
Financial assets			
A. Measured at amortised cost (AC)			
(i) Cash and cash equivalents	5	9,565	5,382
(ii) Revenue receivable	6	23,023,833	53,975,050
Financial liabilities			
A. Measured at amortised cost (AC)			
(i) Borrowings			
(a) Non-current	10	23,917,250	1,290,497,251
(ii) Trade payables	12	131,031,235	115,347,012
(iii) Creditors for capital expenditure	13	6,069,045	10,272,141
(iv) Interest accrued but not due on borrowings	13	9,233,210	131,293,635
(v) Guarantee commission payable	13	2,135,154	12,724,653
(vi) Other payables to related party	13	520,195	424,073

25. DISCLOSURE OF THE PARTNERSHIP'S INTEREST IN OIL AND GAS VENTURES (JOINT OPERATION)

The LP has assessed the nature of its joint arrangements and determined them to be joint operations. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement.

Name of the unincorporated Joint Venture	Company's % interest	Partners and their participating interest	Country
EFS JDA Partnership	45%	Pioneer Natural Resources USA Inc. - 46.354% (Operator) Newpek LLC - 8.646% (Non operator)	USA

Previous year's interests are same as current year.

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

26. GOING CONCERN CONSIDERATIONS:

Though the LP has accumulated losses, it's net worth is positive. The management has evaluated and concluded on the ability of the LP to continue as a going concern in the foreseeable future basis the continued support from Partner in the form of periodic equity infusion including current year that has been sufficient to cover the accumulated losses from past. Reliance Industries Limited (RIL), the ultimate holding company has continued to support the Holding Company through its guarantee on bond liability. The LP continues to have positve operating cash flows as well as positive EBIDTA. RIL through its subsidiary has also been steadily infusing equity into the Holding Company over the years and hence the accounts are prepared on a going concern basis.

27. 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 Holding USA Inc.	Holding Company (Control exists)
Reliance Industries Limited	Ultimate Holding Company (Control exists)
Reliance Eagleford Upstream LLC	Partner
Reliance Eagleford Upstream GP LLC	Partner

Related Party Transactions

In USD

Name of the related party	Balances as at year end	As at 31 December, 2018	As at 31 December, 2017
Reliance Holding USA Inc.	Standby Letter of Credit	28,500,000	30,000,000
Reliance Eagleford Upstream LLC	Interest accrued but not due on borrowings	9,233,210	131,293,635
Reliance Eagleford Upstream LLC	Loan from Partner	23,917,250	1,290,497,251
Reliance Holding USA Inc.	Guarantee commission payable	2,135,154	12,724,653
Reliance Holding USA Inc.	Other payable	520,195	424,073

In USD

Name of the related party	Balances as at year end	For the years ended 2018	2017
Reliance Holding USA Inc.	Guarantee commission	12,744,102	15,356,614
Reliance Holding USA Inc.	Allocated salaries and wages	2,174,451	2,191,490
Reliance Eagleford Upstream LLC	Loan given by	83,420,000	82,115,000
Reliance Eagleford Upstream LLC	Conversion of loan into equity	1,350,000,000	1,500,000,000
Reliance Eagleford Upstream LLC	Interest expense	85,266,358	151,717,119
Reliance Holding USA Inc.	Other costs	606,661	601,780

28. CONTINGENT LIABILITIES AND COMMITMENTS

In USD

	2018	2017
Capital commitments	7,020,000	9,675,000

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

29. SEGMENT REPORTING

The LP is in the business of development and production of oil and gas from shale reservoirs in the United States of America. Consequently, there is a single business and geographical segment.

30. 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 Partnership

Walter Van de Vijver
Director

Place: Houston
Date: 12 April, 2019