

**Reliance Eagleford Upstream LLC**  
**Financial Statements**  
**For The Year Ended 31 December, 2019**

## Independent Auditors' Report

---

### TO THE BOARD OF MANAGERS OF RELIANCE EAGLEFORD UPSTREAM LLC.

#### Report on the Audit of the Standalone Financial Statements

##### Opinion

We have audited the accompanying standalone financial statements of Reliance Eagleford Upstream LLC. ("the Company"), which comprise the Balance Sheet as at December 31, 2019, 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 standalone 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, 2019, 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 standalone 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 standalone 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 standalone 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 audit opinion on the standalone financial statements.

##### Information Other than the Financial Statements and Auditor's Report Thereon

As informed to us, there is no information other than the standalone 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 Standalone Financial Statements

The Company's Board of Managers is responsible for the preparation of these standalone 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 standalone financial statements that give a true and fair view and free from material misstatement, whether due to fraud or error.

In preparing the standalone 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 Managers are also responsible for overseeing the Company's financial reporting process.

##### Auditor's Responsibility for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone 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 standalone 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 standalone 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 standalone 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 standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the standalone financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the standalone 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 standalone 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 standalone 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 standalone financial statements.

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

**(Abhijit A. Damle)**

Partner

Membership No: 102912

UDIN: 20102912AAAACW7258

Mumbai: June 6, 2020

## Balance Sheet as at 31 December, 2019

|   |       | <i>In USD</i>              |                            |
|---|-------|----------------------------|----------------------------|
|   | Notes | As at<br>31 December, 2019 | As at<br>31 December, 2018 |
| <b>ASSETS</b>   |       |                            |                            |
| <b>Non-Current Assets</b>   |       |                            |                            |
| (a) Financial assets  |       |                            |                            |
| (i) Investments   | 3     | 885,206,537                | 715,444,287                |
| (ii) Loans  | 4     | -                          | 23,917,250                 |
| <b>Total Non-Current Assets</b>   |       | <b>885,206,537</b>         | <b>739,361,537</b>         |
| <b>Current Assets</b>   |       |                            |                            |
| (a) Financial assets  |       |                            |                            |
| (i) Cash and cash equivalents   | 5     | 13,458                     | 15,091                     |
| (ii) Other financial assets   | 6     | -                          | 9,233,210                  |
| <b>Total Current Assets</b>   |       | <b>13,458</b>              | <b>9,248,301</b>           |
| <b>Total Assets</b>   |       | <b>885,219,995</b>         | <b>748,609,838</b>         |
| <b>EQUITY AND LIABILITIES</b>   |       |                            |                            |
| <b>Equity</b>   |       |                            |                            |
| (a) Member's contribution   | 7     | 3,248,215,400              | 3,078,443,150              |
| (b) Share of net income   | 8     | (2,362,995,405)            | (2,362,983,772)            |
| <b>Total Equity</b>   |       | <b>885,219,995</b>         | <b>715,459,378</b>         |
| <b>Liabilities</b>  |       |                            |                            |
| <b>Non-Current Liabilities</b>  |       |                            |                            |
| (a) Financial liabilities   |       |                            |                            |
| (i) Borrowings  | 9     | -                          | 23,917,250                 |
| <b>Total Non-Current Liabilities</b>  |       | <b>-</b>                   | <b>23,917,250</b>          |
| <b>Current Liabilities</b>  |       |                            |                            |
| (a) Financial liabilities   |       |                            |                            |
| (i) Other financial liabilities   | 10    | -                          | 9,233,210                  |
| <b>Total Current Liabilities</b>  |       | <b>-</b>                   | <b>9,233,210</b>           |
| <b>Total Equity and Liabilities</b>   |       | <b>885,219,995</b>         | <b>748,609,838</b>         |
| Corporate information and significant accounting policies and notes to the financial statements | 1-21  |                            |                            |

As per our report of even date

**For Deloitte Haskins & Sells LLP**  
Chartered Accountants

**Abhijit A. Damle**  
Partner  
Membership No. 102912

Place: Mumbai  
Date: 6 June, 2020

**For and on behalf of the board of managers**

**Thakur Sharma**  
Manager

Place: New York  
Date: 22 April, 2020

## Statement of Profit and Loss for the year ended 31 December, 2019

|   | Notes | <u>2019</u>             | <i>In USD</i><br><u>2018</u> |
|---|-------|-------------------------|------------------------------|
| <b>INCOME:</b>  |       |                         |                              |
| Other income  | 11    | 4,359,541               | 85,266,358                   |
| <b>Total income</b>   |       | <u><b>4,359,541</b></u> | <u><b>85,266,358</b></u>     |
| <b>EXPENSES:</b>  |       |                         |                              |
| Employee benefits expense   | 12    | 7,419                   | 7,420                        |
| Finance costs   | 13    | 4,359,899               | 85,266,665                   |
| Other expenses  | 14    | 3,856                   | 634,559,918                  |
| <b>Total expenses</b>   |       | <u><b>4,371,174</b></u> | <u><b>719,834,003</b></u>    |
| <b>(Loss) for the year</b>  |       | <u><b>(11,633)</b></u>  | <u><b>(634,567,645)</b></u>  |
| <b>Other comprehensive income (OCI)</b>   |       | <u>-</u>                | <u>-</u>                     |
| <b>Total comprehensive (loss) for the year</b>  |       | <u><b>(11,633)</b></u>  | <u><b>(634,567,645)</b></u>  |
| Corporate information and significant accounting policies and notes to the financial statements | 1-21  |                         |                              |

As per our report of even date

**For Deloitte Haskins & Sells LLP**  
Chartered Accountants

**Abhijit A. Damle**  
Partner  
Membership No. 102912

Place: Mumbai  
Date: 6 June, 2020

**For and on behalf of the board of managers**

**Thakur Sharma**  
Manager

Place: New York  
Date: 22 April, 2020

## Statement of Changes in Equity for the year ended 31 December, 2019

### A. MEMBER'S CONTRIBUTION

*In USD*

| Balance at<br>1 January, 2018 | Changes during the<br>year 2018 | Balance at<br>31 December, 2018 | Changes during the<br>year 2019 | Balance at<br>31 December, 2019 |
|-------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| 1,728,430,150                 | 1,350,013,000                   | 3,078,443,150                   | 169,772,250                     | 3,248,215,400                   |

### B. SHARE OF NET INCOME

*In USD*

|  |                        |
|--|------------------------|
| <b>Year ended 31 December, 2018</b>    |                        |
| Balance as at 1 January, 2018          | (1,728,416,127)        |
| (Loss) for the year                    | (634,567,645)          |
| <b>Balance as at 31 December, 2018</b> | <b>(2,362,983,772)</b> |
| <b>Year ended 31 December, 2019</b>    |                        |
| Balance as at 1 January, 2019          | (2,362,983,772)        |
| (Loss) for the year                    | (11,633)               |
| <b>Balance as at 31 December, 2019</b> | <b>(2,362,995,405)</b> |

As per our report of even date

**For Deloitte Haskins & Sells LLP**  
Chartered Accountants

**Abhijit A. Damle**  
Partner  
Membership No. 102912

Place: Mumbai  
Date: 6 June, 2020

**For and on behalf of the board of managers**

**Thakur Sharma**  
Manager

Place: New York  
Date: 22 April, 2020

## Statement of Cash Flow for the year ended 31 December, 2019

|   | Notes    | <i>In USD</i>        |                      |
|---|----------|----------------------|----------------------|
|   |          | 2019                 | 2018                 |
| <b>Cash flows from operating activities</b>                     |          |                      |                      |
| (Loss) as per Statement of Profit and Loss                      |          | (11,633)             | (634,567,645)        |
| Adjustments for:  |          |                      |                      |
| Finance costs recognised in profit or loss                      | 13       | 4,359,899            | 85,266,665           |
| Interest income recognised in profit or loss                    | 11       | (4,359,541)          | (85,266,358)         |
| Provision for impairment in the value of investment             | 14       | -                    | 634,555,713          |
|   |          | 358                  | 634,556,020          |
| Operating (loss) before working capital changes                 |          | (11,275)             | (11,625)             |
| Movements in working capital                                    |          | -                    | -                    |
| <b>Net cash (used in) operating activities</b>                  |          | <b>(11,275)</b>      | <b>(11,625)</b>      |
| <b>Cash flows from investing activities</b>                     |          |                      |                      |
| Loans to Partnership  | 4        | (121,930,000)        | (96,210,000)         |
| Capital contribution  | 3        | (31,300,000)         | -                    |
| Loans repaid by Partnership                                     | 4        | 7,385,000            | 12,790,000           |
| Interest income   | 6 & 11   | 13,592,751           | 207,326,783          |
| <b>Net cash (used in) / generated from investing activities</b> |          | <b>(132,252,249)</b> | <b>123,906,783</b>   |
| <b>Cash flows from financing activities</b>                     |          |                      |                      |
| Proceeds from long term borrowings                              | 9        | 121,930,000          | 83,420,000           |
| Repayment of long term borrowings                               | 9        | (7,385,000)          | -                    |
| Members contribution  | 7        | 31,310,000           | 13,000               |
| Finance costs   | 10 & 13  | (13,593,109)         | (207,327,090)        |
| <b>Net cash generated from / (used in) financing activities</b> |          | <b>132,261,891</b>   | <b>(123,894,090)</b> |
| <b>Net (decrease) / increase in cash and cash equivalents</b>   |          | <b>(1,633)</b>       | <b>1,068</b>         |
| Cash and cash equivalents at the beginning of the year          | 5        | 15,091               | 14,023               |
| <b>Cash and cash equivalents at the end of the year</b>         | <b>5</b> | <b>13,458</b>        | <b>15,091</b>        |

### Non cash item:

1. Loan from Holding Company of USD 138 million was converted into Member's contribution (during previous year USD 1350 million).
2. Loan to Partnership of USD 138 million was converted into non-current investment (during previous year USD 1350 million).

Corporate information and significant accounting policies and notes to the financial statements

1-21

| <b>Change in liabilities arising from financing activities</b> | <b>1 January, 2019</b> | <b>Cash Flow</b> | <b>Non cash item</b> | <b>31 December, 2019</b> |
|--|------------------------|------------------|----------------------|--------------------------|
| Borrowings - Non Current (Refer note 9)                        | 23,917,250             | 114,545,000      | (138,462,250)        | -                        |

As per our report of even date

**For Deloitte Haskins & Sells LLP**  
Chartered Accountants

**Abhijit A. Damle**  
Partner  
Membership No. 102912

Place: Mumbai  
Date: 6 June, 2020

**For and on behalf of the board of managers**

**Thakur Sharma**  
Manager

Place: New York  
Date: 22 April, 2020

## Notes to the Financial Statements for the year ended 31 December, 2019

### 1. GENERAL INFORMATION

- A. Reliance Eagleford Upstream LLC (the “Company”) was incorporated as a limited liability company on June 16, 2010, under Delaware Limited Liability Company Act. The registered office of the Company is situated at The Nemours Building, Suite 1410, 1007 Orange Street, Wilmington, Delaware 19801, United States of America. The Company is engaged in the business of exploration and production of natural resources, primarily oil and gas from minerals properties, and related businesses through its investment in Reliance Eagleford Upstream Holding LP (the “Partnership”, “Reliance LP”).

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 the limited partner of Reliance Eagleford Upstream Holding LP.

| Company                                | Country of Incorporation | Percentage of Shareholding | Principle Business Activities             |
|--|--------------------------|----------------------------|---|
| Reliance Eagleford Upstream Holding LP | USA                      | 99.999%                    | 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.

Reliance LP signed a Purchase and Sale Agreement (“PSA”) on 9 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 1 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 LP. The Assets sold were located in Atascosa, La Salle, Live Oak and McMullen Counties, Texas. LP continues to retain its interest in the remaining Eagle Ford assets that are core to its development priorities. Closing happened on 26 April, 2018 with an adjusted preliminary settlement consideration of \$99.01 million. The final settlement pursuant to said PSA took place on 22 September, 2018 with an adjusted consideration of \$96.78 million.

Effective 1 January, 2019, Pioneer sold its entire working interest in the joint venture to Ensign Operating LLC (Ensign), a Delaware limited liability company. Vide letter dated 7 May 2019, Pioneer informed Reliance LP that Pioneer has resigned as operator under the operating agreement and assigned all its rights, title and interest in and under the operating agreement to Ensign and pursuant to the operating agreement, Ensign shall hereby be the operator effective as of the date hereof.

### 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 applied Indian Accounting Standard (Ind AS) 116 leases, to its lease using prospective approach, effective annual reporting period beginning January 01, 2019 and applied the standard to its leases from this date. Ind AS 116 ‘Leases’ is effective for annual periods beginning after 1 April 2019. However, the Company has early adopted the new standard as permitted by the transitional guidance. There is no impact of adoption of Ind AS 116 on the financial statements of the Company.



## Notes to the Financial Statements for the year ended 31 December, 2019

Refer note 2.3.A for significant accounting policies on 'Leases' in the annual financial statement of the Company for the year ended 31 December, 2018, for the policy as per Ind AS 17.

### 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 policies 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.

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Leases:

The Company, as a lessee, recognizes a right-of-use asset and a lease liability for its leasing arrangements, if the contract conveys the right to control the use of an identified asset. The contract conveys the right to control the use of an identified asset, if it involves the use of an identified asset and the Company has substantially all of the economic benefits from use of the asset and has right to direct the use of the identified asset.

The cost of the right-of-use asset shall comprise of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs incurred. The right-of-use assets is subsequently measured at cost less any accumulated amortisation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability.

The right-of-use assets shall be amortised using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset.

The Company measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses incremental borrowing rate.

For short-term (defined as leases with a lease term of 12 months or less) and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### 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. 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

## Notes to the Financial Statements for the year ended 31 December, 2019

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.

If 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 statement only where inflow of economic benefit is probable.

### **D. Taxation:**

The Company is not a tax paying 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 Company's activities is the responsibility of the Holding Company

### **E. 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.

Interest 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. Interest 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.

### **F. Investment in Subsidiary:**

The Company has elected to recognize its investment in Partnership at cost in accordance with the option available in Ind AS 27, 'Separate Financial Statements'. The details of such investments are given in Note 3. Impairment policy applicable on such investments is explained in note 2.3 (G).

### **G. Impairment of Investment:**

Assets representing investment in subsidiary company is reviewed for impairment, whenever events or changes in circumstances indicate that carrying amount may not be recoverable. Such circumstances include, though are not limited to, significant or sustained decline in revenues or earnings and material adverse changes in the economic environment.

Impairment losses, if any, are recognized in the Statement of Profit and Loss. Impairment losses are reversed in the Statement of Profit and Loss only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had previously been recognized.

### **H. 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.

## Notes to the Financial Statements for the year ended 31 December, 2019

### 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

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 profit or 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 Company 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

## Notes to the Financial Statements for the year ended 31 December, 2019

---

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 managers of the Company 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.

#### **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.

## Notes to the Financial Statements for the year ended 31 December, 2019

### 3 NON-CURRENT INVESTMENTS

|   | <i>In USD</i>              |                            |
|---|----------------------------|----------------------------|
|   | As at<br>31 December, 2019 | As at<br>31 December, 2018 |
| Capital contribution in Reliance Eagleford Upstream Holding LP, a Partnership # | 3,248,089,415              | 3,078,327,165              |
| Less: Provision for impairment  | <u>2,362,882,878</u>       | <u>2,362,882,878</u>       |
| <b>TOTAL</b>  | <b><u>885,206,537</u></b>  | <b><u>715,444,287</u></b>  |

# Company is a 99.999% partner; the balance 0.001% is held by Reliance Eagleford Upstream GP LLC, a fellow subsidiary.

### 4 LOANS (NON-CURRENT) (Unsecured, considered good)

|  | <i>In USD</i>              |                            |
|--|----------------------------|----------------------------|
|  | As at<br>31 December, 2019 | As at<br>31 December, 2018 |
| Loans to related party (Refer note 18) | -                          | 23,917,250                 |
|  | <u>-</u>                   | <u>23,917,250</u>          |

### 5 CASH AND CASH EQUIVALENTS

|                    | <i>In USD</i>              |                            |
|--------------------|----------------------------|----------------------------|
|                    | As at<br>31 December, 2019 | As at<br>31 December, 2018 |
| Balance with banks | 13,458                     | 15,091                     |
| <b>TOTAL</b>       | <b><u>13,458</u></b>       | <b><u>15,091</u></b>       |

### 6 OTHER FINANCIAL ASSETS (CURRENT)

|  | <i>In USD</i>              |                            |
|--|----------------------------|----------------------------|
|  | As at<br>31 December, 2019 | As at<br>31 December, 2018 |
| Interest receivable from Partnership (Refer note 18) | -                          | 9,233,210                  |
| <b>TOTAL</b>   | <u>-</u>                   | <u>9,233,210</u>           |

### 7 MEMBER'S CONTRIBUTION

|                                 | <i>In USD</i>               |                             |
|---------------------------------|-----------------------------|-----------------------------|
|                                 | As at<br>31 December, 2019  | As at<br>31 December, 2018  |
| Contribution by Holding Company | 3,248,215,400               | 3,078,443,150               |
| <b>TOTAL</b>                    | <b><u>3,248,215,400</u></b> | <b><u>3,078,443,150</u></b> |

### 8 SHARE OF NET INCOME

|                     | <i>In USD</i>                 |                               |
|---------------------|-------------------------------|-------------------------------|
|                     | As at<br>31 December, 2019    | As at<br>31 December, 2018    |
| Opening balance     | (2,362,983,772)               | (1,728,416,127)               |
| (Loss) for the year | <u>(11,633)</u>               | <u>(634,567,645)</u>          |
| <b>TOTAL</b>        | <b><u>(2,362,995,405)</u></b> | <b><u>(2,362,983,772)</u></b> |

## Notes to the Financial Statements for the year ended 31 December, 2019

### 9 BORROWINGS (NON CURRENT)

|   | <i>In USD</i>     |
|---|-------------------|
|   | As at             |
|   | 31 December, 2019 |
|   | 31 December, 2018 |
| <b>Unsecured</b>                          |                   |
| Loan from Holding Company (Refer note 18) | 23,917,250        |
| <b>TOTAL</b>                              | <b>23,917,250</b> |

9.1 The Company borrows funds from the Holding Company 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.

### 10 OTHER FINANCIAL LIABILITIES (CURRENT)

|  | <i>In USD</i>     |
|--|-------------------|
|  | As at             |
|  | 31 December, 2019 |
|  | 31 December, 2018 |
| Interest accrued but not due on borrowings (Refer note 18) | 9,233,210         |
| <b>TOTAL</b>   | <b>9,233,210</b>  |

### 11 OTHER INCOME

|                                 | <i>In USD</i>     |
|---------------------------------|-------------------|
|                                 | 2019              |
|                                 | 2018              |
| Interest income (Refer note 18) | 85,266,358        |
| <b>TOTAL</b>                    | <b>85,266,358</b> |

### 12 EMPLOYEE BENEFITS EXPENSE

|                    | <i>In USD</i> |
|--------------------|---------------|
|                    | 2019          |
|                    | 2018          |
| Salaries and wages | 7,420         |
| <b>TOTAL</b>       | <b>7,420</b>  |

### 13 FINANCE COSTS

|   | <i>In USD</i>     |
|---|-------------------|
|   | 2019              |
|   | 2018              |
| Interest on loan from Holding Company (Refer note 18) | 85,266,358        |
| Other borrowing costs                                 | 307               |
| <b>TOTAL</b>  | <b>85,266,665</b> |

### 14 OTHER EXPENSES

|   | <i>In USD</i>      |
|---|--------------------|
|   | 2019               |
|   | 2018               |
| Provision for impairment in the value of investment | 634,555,713        |
| Rent #  | 3,600              |
| Rates & taxes                                       | 605                |
| <b>TOTAL</b>  | <b>634,559,918</b> |

# expense for the year 2019 relates to short-term lease payment.

## Notes to the Financial Statements for the year ended 31 December, 2019

### 15 FINANCIAL RISK MANAGEMENT OBJECTIVES

The Company's financial liabilities comprise mainly of borrowings and interest payables. The Company's financial assets comprise mainly of cash and cash equivalents, loans and interest receivables.

#### Liquidity Risk:

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company, 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. The Company also believes that the impact of Covid-19 pandemic is short-term and is not likely to have an adverse impact in the long-term.

#### Capital Management Risk:

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

The Company 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 2019 and 2018. Capital comprises of loans and equity. The Company is not exposed to any externally imposed capital requirements.

#### Credit risk management:

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company manages the risk by dealing with related parties.

#### Interest Rate Risk

The Company is not significantly exposed to interest-rate risk as it borrows only from the Holding Company and is debt-free as at year end.

### 16 CATEGORY-WISE CLASSIFICATION OF FINANCIAL INSTRUMENTS

|   |      | <i>In USD</i>                     |                                   |
|---|------|-----------------------------------|-----------------------------------|
|   | Note | As at<br><u>31 December, 2019</u> | As at<br><u>31 December, 2018</u> |
| <b>Financial assets</b>                         |      |                                   |                                   |
| <b>Measured at amortised cost (AC)</b>          |      |                                   |                                   |
| (i) Investment in Partnership                   | 3    | 885,206,537                       | 715,444,287                       |
| (ii) Loans to a related party                   | 4    | -                                 | 23,917,250                        |
| (iii) Cash and cash equivalents                 | 5    | 13,458                            | 15,091                            |
| (iv) Interest receivable from Partnership       | 6    | -                                 | 9,233,210                         |
| <b>Financial liabilities</b>                    |      |                                   |                                   |
| <b>Measured at amortised cost (AC)</b>          |      |                                   |                                   |
| (i) Loan from Holding Company                   | 9    | -                                 | 23,917,250                        |
| (ii) Interest accrued but not due on borrowings | 10   | -                                 | 9,233,210                         |

### 17 GOING CONCERN CONSIDERATIONS:

Though the Company has accumulated losses, its net worth is positive. The management has evaluated and concluded on the ability of the Company to continue as a going concern in the foreseeable future basis the continued support from Holding Company 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. RIL through its subsidiary has also been steadily investing into the Holding Company over the years. The Company also believes that the current volatility in the market is temporary and is not likely to have an adverse impact in the long-term. Hence the accounts are prepared on a going concern basis.

## Notes to the Financial Statements for the year ended 31 December, 2019

### 18 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 | Partnership                               |

| Name of the related party              | Balances as at year end                    | In USD                    |                           |
|--|--|---------------------------|---------------------------|
|  |  | As at<br>31 December 2019 | As at<br>31 December 2018 |
| Reliance Holding USA Inc               | Loan from Holding Company                  | -                         | 23,917,250                |
| Reliance Eagleford Upstream Holding LP | Loan to Partnership                        | -                         | 23,917,250                |
| Reliance Eagleford Upstream Holding LP | Interest receivable                        | -                         | 9,233,210                 |
| Reliance Holding USA Inc               | Interest accrued but not due on borrowings | -                         | 9,233,210                 |

| Name of the related party              | Nature of transaction                    | In USD                                  |                  |
|--|--|---|------------------|
|  |  | For the years ended<br>31 December 2019 | 31 December 2018 |
| Reliance Eagleford Upstream Holding LP | Interest income                          | 4,359,541                               | 85,266,358       |
| Reliance Holding USA Inc               | Loan given by (Net)                      | 114,545,000                             | 83,420,000       |
| Reliance Holding USA Inc               | Conversion of loan received into equity  | 138,462,250                             | 1,350,000,000    |
| Reliance Eagleford Upstream Holding LP | Loan given to (Net)                      | 114,545,000                             | 83,420,000       |
| Reliance Eagleford Upstream Holding LP | Conversion of loan given into investment | 138,462,250                             | 1,350,000,000    |
| Reliance Holding USA Inc               | Interest expenses                        | 4,359,541                               | 85,266,358       |
| Reliance Holding USA Inc               | Member contribution received             | 31,310,000                              | 13,000           |
| Reliance Eagleford Upstream Holding LP | Investment                               | 31,300,000                              | -                |

### 19 SEGMENT REPORTING

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

- 20 The outbreak of Coronavirus (COVID-19) pandemic Globally is causing significant disturbance and slowdown of economic activity. U.S. has been significantly hit by Coronavirus pandemic. Further, during March 2020, there has been significant volatility in oil prices, adding to the uncertainty. The Company has determined that these events are non-adjusting subsequent events and therefore an evaluation of the impact, if any, on the balance sheet as at 31 December, 2019 has not been made. While presently, it is not possible to evaluate the impact if any on the Company's operations in the short to medium term, the pandemic could impact Company's earnings, cash flows and financial condition.

- 21 The financial statements are approved for issue by the Holding Company's Board of Directors on 22 April, 2020.

For and on behalf of the board of managers

**Thakur Sharma**  
Manager

Place: New York  
Date: 22 April, 2020