Reliance Marcellus LLC

Financial Statements

For the year ended 31st December, 2020

INDEPENDENT AUDITOR'S REPORT
TO THE BOARD OF MANAGERS OF RELIANCE MARCELLUS LLC.

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the accompanying standalone financial statements of Reliance Marcellus LLC. ("the Company"), which comprise the Balance Sheet as at December 31, 2020, 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, 2020, 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.

Restriction on Distribution and Use

These standalone financial statements have been prepared for the limited purpose of preparation of the consolidated financial statements of Reliance Industries Limited, Holding Company. As a result, these standalone financial Statements may not be suitable for another purpose. Our report is intended solely for the use of the Company and should not be distributed to or used by other parties.

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

(Abhijit A. Damle)
Partner
Membership No: 102912
UDIN: 21102912AAAACW4904

Mumbai: April 20, 2021

Balance Sheet as at 31 December, 2020

In USD

	Notes	As at 31 December, 2020	As at 31 December, 2019
ASSETS			
Non-Current Assets			
(a) Property, plant and equipment	3	197,129	-
(b) Other intangible assets	3	266,209,631	911,037,831
(c) Intangible assets under development	3	3,085,721	634,597,392
(d) Right-of-use assets	3a	519,562	-
(e) Financial assets			
(i) Investments	4	3,253,721	-
(ii) Other financial assets	5	154,317	-
Total Non-Current Assets		**273,420,081**	**1,545,635,223**
Current Assets			
(a) Financial assets			
(i) Cash and cash equivalents	6	7,689,561	83,209
(ii) Other financial assets	7	13,844,838	12,713,782
Total Current Assets		**21,534,399**	**12,796,991**
Total Assets		**294,954,480**	**1,558,432,214**
EQUITY AND LIABILITIES			
Equity			
(a) Member's contribution	8	4,396,228,200	3,925,007,811
(b) Other Equity	9	(4,677,778,181)	(2,426,204,405)
Total Equity		**(281,549,981)**	**1,498,803,406**
Liabilities			
Non-Current Liabilities			
(a) Financial liabilities			
(i) Lease liabilities	10	486,392	-
(b) Provisions	11	17,432,097	11,854,746
Total Non-Current Liabilities		**17,918,489**	**11,854,746**
Current Liabilities			
(a) Financial liabilities			
(i) Borrowings	12	538,000,000	-
(ii) Trade payables	13	9,280,066	9,554,581
(iii) Lease liabilities	14	286,044	-
(iv) Other financial liabilities	15	4,713,416	38,219,481
(b) Provisions	16	6,306,446	-
Total Current Liabilities		**558,585,972**	**47,774,062**
Total Equity and Liabilities		**294,954,480**	**1,558,432,214**
Corporate information and significant accounting policies and notes to the financial statements	1-38		

As per our report of even date

For Deloitte Haskins & Sells LLP
Chartered Accountants

Abhijit A. Damle
Partner
Membership No. 102912
Place: Mumbai
Date: 20 April, 2021

For and on behalf of the Board

Walter Van de Vijver
Director

Place: Houston
Date: 19 April, 2021

Statement of Profit and Loss for the year ended 31 December, 2020

In USD

	Notes	2020	2019
INCOME:			
Revenue from operations (Net)	17	74,524,512	95,256,551
Other income	18	6,411,825	7,583
Total income		**80,936,337**	**95,264,134**
EXPENSES:			
Share of operating expenses in shale gas operations	19	44,382,820	51,365,054
Employee benefits expense	20	1,860,196	1,205,957
Finance costs	21	5,140,480	5,603,815
Depletion, depreciation and amortisation expense	22	66,266,168	59,683,558
Other expenses	23	2,612,138	883,423
Total expenses		**120,261,802**	**118,741,807**
(Loss) before exceptional items		**(39,325,465)**	**(23,477,673)**
Exceptional items	24	(2,312,248,311)	-
(Loss) for the year		**(2,351,573,776)**	**(23,477,673)**
Other comprehensive income (OCI)		-	-
Total comprehensive (loss) for the year		**(2,351,573,776)**	**(23,477,673)**
Earnings per membership interest of USD 1 million each.	25	-	-
Corporate information and significant accounting policies and notes to the financial statements	1-38		

As per our report of even date
For Deloitte Haskins & Sells LLP
Chartered Accountants

For and on behalf of the Board

Abhijit A. Damle
Partner
Membership No. 102912
Place: Mumbai
Date: 20 April, 2021

Walter Van de Vijver
Director

Place: Houston
Date: 19 April, 2021

Statement of changes in equity for the year ended 31 December 2020

A. MEMBER'S CONTRIBUTION

In USD

Balance at 1 January, 2019	Changes during the year 2019	Balance at 31 December, 2019	Changes during the year 2020	Balance at 31 December, 2020
3,413,246,000	511,761,811	3,925,007,811	471,220,389	4,396,228,200

B. OTHER EQUITY

In USD

	Instrument Classified as Equity		
	4% Non Cumulative Optionally Convertible Series A Preferred Membership interest (OCPS)	Share of net income	Total
Year ended 31 December, 2019			
Balance as at 1 January, 2019	-	(2,402,726,732)	(2,402,726,732)
(Loss) for the year	-	(23,477,673)	(23,477,673)
Balance as at 31 December, 2019	**-**	**(2,426,204,405)**	**(2,426,204,405)**
Year ended 31 December, 2020			
Balance as at 1 January, 2020	-	(2,426,204,405)	(2,426,204,405)
Preferred membership interest issued during the year	100,000,000	-	100,000,000
(Loss) for the year	-	(2,351,573,776)	(2,351,573,776)
Balance as at 31 December 2020	**100,000,000**	**(4,777,778,181)**	**(4,677,778,181)**

As per our report of even date
For Deloitte Haskins & Sells LLP
Chartered Accountants

Abhijit A. Damle
Partner
Membership No. 102912
Place: Mumbai
Date: 20 April, 2021

For and on behalf of the Board

Walter Van de Vijver
Director

Place: Houston
Date: 19 April, 2021

Statement of Cash Flows for the year ended 31 December 2020

In USD

	Notes	2020	2020	2019	2019
Cash flows from operating activities					
(Loss) as per Statement of Profit and Loss			(2,351,573,776)		(23,477,673)
Adjustments for:					
Finance costs recognised in profit or loss	21	5,140,480		5,603,815	
Interest income recognized in profit or loss	18	-		(7,583)	
Exceptional items	24	2,312,248,311		-	
Finance income on sub-lease recognized in profit or loss	18	(10,555)		-	
Depletion, depreciation and amortisation expense	22	66,266,168		59,683,558	
Unrealised loss on derivatives (net)	7, 18	359,248		-	
			2,384,003,652		65,279,790
Operating profit before working capital changes			32,429,876		41,802,117
Movements in working capital:					
Decrease in other receivables	7	645,567		10,302,765	
(Decrease) in trade and other payables	13, 15	(1,709,916)		(2,286,013)	
			(1,064,349)		8,016,752
Cash generated from operating activities			**31,365,527**		**49,818,869**
Cash flows from investing activities					
Investment in subsidiaries	4		(13,647,665)		-
Payments for property, plant and equipment	3		(64,914,044)		(209,711,084)
Interest income	18		10,555		7,583
Movement in loans and deposits	5		6,965		-
Receipt from finance lease	5, 7		40,945		-
Net cash (used in) investing activities			**(78,503,244)**		**(209,703,501)**
Cash flows from financing activities					
Proceeds from long term borrowings			-		103,620,000
Repayment of lease liabilities	10, 14		(163,309)		-
Proceeds from issue of common membership interest	8, 9		55,984,653		112,100,000
Proceeds from issuance of preferred membership interest	9		100,000,000		-
Repayment short term loan	12		(95,000,000)		-
Finance costs	21		(6,077,275)		(55,844,747)
Net cash generated from financing activities			**54,744,069**		**159,875,253**
Net increase / (decrease) in cash and cash equivalents			7,606,352		(9,379)
Cash and cash equivalents at the beginning of the year	6		83,209		92,588
Cash and cash equivalents at the end of the year	**6**		**7,689,561**		**83,209**

Change in liabilities arising from financing activities	**1 January, 2020**	**Cash Flow**	**Non-Cash Movement**	**31 December, 2020**
Borrowings - Current (Refer note 12)	-	(95,000,000)	633,000,000	538,000,000
	-	**(95,000,000)**	**633,000,000**	**538,000,000**

Non cash item:

i. During the year, assets of USD 29,973,284 and liabilities of USD 635,279,913 were transferred from Reliance Holding USA Inc. (Refer note 1.B.II).
ii. During the year, assets of USD 1,029,538,872 were transferred from Reliance Eagleford Upstream LLC (Refer note 1.B.III).
iii. During 2019 loan from erstwhile Holding Company of USD 240,829,700 and interest payable of USD 158,832,111 was converted into Member's contribution.

Corporate information and significant accounting policies and notes to the financial statements 1-38

As per our report of even date
For Deloitte Haskins & Sells LLP
Chartered Accountants

Abhijit A. Damle
Partner
Membership No. 102912
Place: Mumbai
Date: 20 April, 2021

For and on behalf of the Board

Walter Van de Vijver
Director

Place: Houston
Date: 19 April, 2021

Notes to the financial statements for the year ended 31 December 2020

1. GENERAL INFORMATION

A. Reliance Marcellus LLC (the Company) was incorporated as a limited liability company on 30 March, 2010, under Delaware Limited Liability Company Act. The registered office of the Company is situated at 1675 S. State Street, Suite B, Dover, Delaware 19901, 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.

B. **Reorganisation and Merger:**

I Upto 20 August, 2020, the Company was a wholly owned subsidiary of Reliance Holding USA, Inc. (the "Erstwhile Holding Company" or "RHUSA") and an indirectly wholly owned subsidiary of Reliance Industries Limited, an Indian listed Company (the "Ultimate Holding Company" or "RIL").

Pursuant to a Composite Scheme of Amalgamation and Plan of Merger (‘Scheme’) amongst RHUSA, Reliance Energy Generation & Distribution Limited (“REGDL”) and RIL, effective 21 August, 2020, RHUSA stands merged with REGDL & subsequently REGDL stands merged with RIL. As a result, the Company is now a direct subsidiary of RIL.

II Prior to the aforesaid, an Agreement and Plan of Reorganization (‘Plan’) was entered into on 14 February, 2020 between RHUSA, REGDL and the Company, such that the merger and the Plan qualify as a reorganization as contemplated thereunder, under the provisions of Internal Revenue Code (‘Code’) in the USA and the US treasury regulations.

On 20 July 2020, pursuant to a contribution agreement, Reliance Eagleford Upstream LLC ("REULLC"), a fellow subsidiary, contributed and assigned all its rights, title and interests in and to Reliance Eagleford Upstream Holding LP (the "Partnership", "LP"), a Texas limited liability partnership, to the Company. As a result of this contribution, REULLC acquired 23.42% of common members' interest in the Company. Summary of assets contributed / assigned by REULLC to the Company are as under:

Sr.	Description	Book Value (USD)
i.	Investment in Reliance Eagleford Upstream Holding LP	1,029,538,872
ii.	Bank balance	10,481
	Total liabilities	**1,029,549,353**

Pursuant to the aforesaid Plan, RHUSA also contributed / assigned certain assets and liabilities to the Company by entering into various agreements on different dates and were accounted in the books of the Company. Summary of assets and liabilities contributed / assigned by RHUSA to the Company are as under:

Description	Book Value (USD)
Investments in Affinity Names Inc., RIL USA Inc. and Reliance Eagleford Upstream GP LLC.	3,279,129
Investments in Ecorithm Inc. and TerraPower LLC.	15,408,421
Employee loans pursuant to transfer of employees from RHUSA.	4,800
Security deposits, net investment in sublease of right to use asset, Right of use asset (net of amortization) and Lease liabilities (net)	(26,018)
Property, plant and equipment (net of accumulated depreciation/ amortization)	237,383
Bank balances and other receivables	2,160,090
Commodity derivative assets and other receivables	1,897,846
Current borrowings and interest accrued but not due on borrowings	(634,646,186)
Trade payables	(607,709)
Bank balance	3,985,615
Total liabilities	**(608,306,629)**

III Pursuant to the aforesaid reorganization, the extent of Company's shareholding in and the principal business activities of the subsidiaries are as follows:

Company/Entity	% of Holding	Note Ref.	Principal Business Activity
RIL USA Inc.	100%	1.B.II	Commercialization of gasoline and blended gasoline products
Reliance Digital Health USA Inc. (earlier known as Affinity Names Inc.)	100%	1.B.II	Digital Healthcare Services
Reliance Eagleford Upstream GP LLC	100%	1.B.II	Exploration and production of oil and gas
Reliance Eagleford Upstream Holding LP	100%	1.B.II	Exploration and production of oil and gas

Notes to the financial statements for the year ended 31 December 2020

C. On 9 April, 2010, the Company executed definitive agreements to enter into a joint venture with Atlas Energy, Inc. (Atlas) under which the Company acquired a 40% interest in Atlas' core Marcellus Shale acreage position for $339 million in cash and an additional $1.36 billion in capital costs under a carry arrangement for 75% of Atlas' capital costs over an anticipated seven-and-one-half-year development program. In addition, the Company will have to fund its share of the development plan. The Company became a partner in approximately 329,256 net acres of undeveloped leasehold in the core area of the Marcellus Shale in southwestern Pennsylvania. Atlas was acquired by Chevron Corporation on 17 February, 2011. Chevron is the operator, with 60% interest in the joint venture. As on 31 December, 2016, the Company fully met its $ 1.36 billion drill carry commitment.

In 2015, the Company executed definitive agreements to enter into an Acreage Exchange Agreement dated 12 August, 2015 and a Joint Development Agreement dated 19 November, 2015 (the "JDA") with Chevron Appalachia, LLC ("Chevron") and EQT Production Company ("EQT"). The Company's acquisition of 40% interest was relative to acreage that will be developed under the Chevron JV and was utilised to ensure equitable contribution of Net Acres. The Company retained a 17.6% interest in its contributed property and acquired a 17.6% interest in a portion of the EQT contributed property and 40% interest in the remainder of EQT contributed property.

Effective 1 December, 2020, Chevron sold its entire working interest in the JDA to EQT. Vide a communication dated 27 October 2020, Chevron notified the Company that, it has received a written offer from EQT for transfer of it's entire right, title and interest in its 60% Participating Interest share in the JDA. Accordingly, it had proposed the Company to tag-along with it for its 40% Participating Interest share in the JDA alongwith Chevron, which the Company did not accept as a result of which Chevron sold its Participating Interest and conceded the operatorship to the buyer.

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.

2.2 BASIS OF PREPARATION AND PRESENTATION

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

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. Property, Plant and Equipment and Intangible Assets (other than Oil & Gas Assets):

The Company is carrying values of property, plant and equipment at cost less accumulated depreciation/amortisation. Depreciation/amortisation is provided on straight line method (SLM) based on management estimated useful lives of the assets as under. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Particulars	Useful Life
Office Equipments	4 years
Furniture & Fixtures	7-15 years
Software	3-5 years

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

The Company 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 being 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.

Notes to the financial statements for the year ended 31 December 2020

C. Leases:

Assets taken on lease

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 is 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.

Assets given on lease

The Company, as a lessor, has a lease arrangement for a office premise.

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

In respect of assets provided on finance leases, amounts due from lessees are recorded as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases. In respect of assets given on operating lease, lease rentals are accounted in the Statement of Profit and Loss, on accrual basis in accordance with the respective lease agreements.

D. 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.

E. 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).

(i) 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 the weighted average cost of capital of the 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.

(ii) Others

At each balance sheet date, the Company assesses whether there is any indication that any property, plant, equipment and intangible assets may be impaired. lf any such impairment exists the recoverable amount of an asset is estimated to determine the extent of impairment, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. The Company monitors other internal and external indicators of impairment relating to its tangible and intangible assets.

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.

lf the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the Statement of Profit and Loss.

Notes to the financial statements for the year ended 31 December 2020

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

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

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

Decommissioning liability:
The Company 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.

Future commitment charges:
The Company evaluates certain contracts involving unavoidable costs based on contractual commitments and provide for such costs which exceeds the economic benefits expected to be received, at their present value of the obligation under the said contracts.

G. Employee Benefits:
The undiscounted amount of short term and long term employee benefits expected to be paid in exchange for the services rendered by employees are recognised as an expense during the period when the employees render the services. These benefits include performance incentive.

Defined contribution plans:
The Company's contribution under the 401 (k) plan is considered as defined contribution and is charged as an expense when services are rendered by the employees.

H. Taxation:
The Company files federal & state tax returns on consolidated basis. As such, the Company on standalone basis is not a tax paying entity and accordingly, it does not recognise any expense for such taxes. The income tax liability resulting from the activities of the Company and its subsidiaries shall be computed at the time of filing consolidated tax return. It will also include the activities of other shale gas entities in USA, up to August 2020, the date when RHUSA merged with REGDL & subsequently REGDL merged with RIL (Refer note 1.B.I)

I. 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 Company has an interest with other producers is recognised based on the Company'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 obligation 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.

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.

J. Investment in Subsidiaries / Partnership:
The Company has elected to recognize its investments in subsidiary and 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 4. Impairment policy applicable on such investments is explained in note 2.3 (L).

K. 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 the Company undertakes its activities under joint operations, the Company 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.

L. 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.

Notes to the financial statements for the year ended 31 December 2020

M. 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 way 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. Equity instruments
Equity investments are measured at fair value, with value changes recognised in Statement of Profit and Loss, except for those equity investments for which the Company has elected to present the value changes in 'Other Comprehensive Income'.

d. 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 Statement of Profit and Loss as finance cost.

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

II. Derivative financial instruments (not designated as hedges)
In respect of derivative financial instruments arising out of derivative contracts which are not designated as hedges by the Company, 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.

Notes to the financial statements for the year ended 31 December 2020

III. 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 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.

IV. 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 realization on future date.

2.4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINITY:

In the application of the Company’s accounting policies, the directors of the Company are required to make judgements, estimates and assumptions about the carrying 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) Depreciation and useful lives of property plant and equipment

Property, plant and equipment are depreciated over the estimated useful lives of the assets, after taking into account their estimated residual value. Management reviews the estimated useful lives and residual values of the assets periodically in order to determine the amount of depreciation to be recorded during any reporting period. The useful lives and residual values are based on the Company’s historical experience with similar assets and take into account anticipated technological changes. The depreciation for future periods is adjusted if there are significant changes from previous estimates.

(b) Estimation of oil and gas reserve

The determination of the company’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 company’s estimates of its oil and natural gas reserves. The Company assumes that it would develop its proved reserves within a period of five years. Though the Company estimates its reserves at the end of every quarter, the same are reviewed and certified by independent external reserve auditors atleast once in a year.

Estimates of oil and natural gas reserves are used to calculate depletion charge for the Company’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.

(c) 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.

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.

The provision for future commitment fees represents the present value of unavoidable costs based on contractual commitments that exceeds the economic benefits expected to be received and required to be settled.

Such future costs are then discounted at the Weighted Average Cost of Capital to arrive at the present value of the provision.

(d) Impairment of non-financial assets

The Company 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 Company estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash generating unit’s (CGU) 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.

(e) 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 2020

(f) Leases

The Company evaluates if an arrangement qualifies to be a lease as per the requirements of Ind AS 116. Identification of a lease requires significant judgment. The Company uses significant judgement in assessing the lease term (including anticipated renewals) and the applicable discount rate.

Critical judgements in determining the lease term:

Ind AS 116 defines a lease term as the non-cancellable period for which the lessee has the right to use an underlying asset including optional periods, when an entity is reasonably certain to exercise an option to extend (or not to terminate) a lease. The Company considers all relevant facts and circumstances that creates an economic incentive for the lessee to exercise the option when determining the lease term. The option to extend the lease term are included in the lease term, if it is reasonably certain that the lessee will exercise the option. The Company reassess the option when significant events or changes in circumstances occur that are within the control of the lessee.

Critical judgements in determining the discount rate:

The discount rate is generally based on the incremental borrowing rate specific to the lease being evaluated or for a portfolio of leases with similar characteristics.

Notes to the financial statements for the year ended 31 December 2020

3. PROPERTY, PLANT AND EQUIPMENT

In USD

Description	Gross Block			Depletion, depreciation and amortization			Impairment (Refer note 24)			Net Block
	As at 1 January, 2020	Additions	**As at 31 December, 2020**	As at 1 January, 2020	For the year	**As at 31 December, 2020**	As at 1 January, 2020	For the year	**As at 31 December, 2020**	**As at 31 December, 2020**
TANGIBLE ASSETS										
Furniture and fixtures #	-	233,321	**233,321**	-	36,415	**36,415**	-	-	-	**196,906**
Office equipments (includes computer equipments) #	-	4,039	**4,039**	-	3,816	**3,816**	-	-	-	**223**
Sub-Total	**-**	**237,360**	**237,360**	**-**	**40,231**	**40,231**	**-**	**-**	**-**	**197,129**
INTANGIBLE ASSETS (other than internally generated)										
Software # *	-	-	**-**	-	-	**-**	-	-	-	**-**
Development rights (oil & gas)	1,500,033,560	122,637,534	**1,622,671,094**	588,995,729	66,122,025	**655,117,754**	**-**	**701,343,709**	**701,343,709**	**266,209,631**
Sub-Total	**1,500,033,560**	**122,637,534**	**1,622,671,094**	**588,995,729**	**66,122,025**	**655,117,754**	**-**	**701,343,709**	**701,343,709**	**266,209,631**
Total	**1,500,033,560**	**122,874,894**	**1,622,908,454**	**588,995,729**	**66,162,256**	**655,157,985**	**-**	**701,343,709**	**701,343,709**	**266,406,760**
Intangible assets under development (Refer note 3.1)										**3,085,721**

Refer note 1.B.II
* carried at USD Nil

Description	Gross Block			Depletion, depreciation and amortization			Impairment			Net Block
	As at 1 January, 2019	Additions	**As at 31 December, 2019**	As at 1 January, 2019	For the Year	**As at 31 December, 2019**	As at 1 January, 2019	For the year	**As at 31 December, 2019**	**As at 31 December, 2019**
INTANGIBLE ASSETS (other than internally generated)										
Development rights (oil & gas)	1,336,943,548	163,090,012	**1,500,033,560**	529,312,171	59,683,558	**588,995,729**	**-**	**-**	**-**	**911,037,831**
Total	**1,336,943,548**	**163,090,012**	**1,500,033,560**	**529,312,171**	**59,683,558**	**588,995,729**	**-**	**-**	**-**	**911,037,831**
Intangible assets under development										**634,597,392**

Note:
3.1 Borrowing cost capitalised during 2020 was $ NIL ($3.3 million in 2019)

3a. Right-of-use assets

Description	Gross Block			Amortisation			Impairment			Net Block
	As at 1 January, 2020	Additions	**As at 31 December, 2020**	As at 1 January, 2020	For the Year	**As at 31 December, 2020**	As at 1 January, 2020	For the year	**As at 31 December, 2020**	**As at 31 December, 2020**
Right-of-use assets #	-	623,474	**623,474**	-	103,912	**103,912**	**-**	**-**	**-**	**519,562**
	-	**623,474**	**623,474**	**-**	**103,912**	**103,912**	**-**	**-**	**-**	**519,562**

#Refer note 1.B.II

Notes to the financial statements for the year ended 31 December 2020

4 NON CURRENT INVESTMENTS

In USD

Investment in Subsidiaries / Partnership:
Members Contribution / Partners Contribution / Common Stock

Particulars	As at 31 December, 2020 Qty.	As at 31 December, 2020 Amount	As at 31 December, 2019 Qty.	As at 31 December, 2019 Amount
RIL USA Inc. (Refer note 1.B.II)	300	3,000,000	-	-
Reliance Digital Health USA, Inc. (Refer note 1.B.II)	1,000	244,275	-	-
Reliance Eagleford Upstream GP LLC (Refer note 1.B.II)	-	312,519	-	-
Provision for impairment (Refer note 24)		(303,073)		-
		9,446		-
Reliance Eagleford Upstream Holding LP - (Refer note 1.B.II)	-	1,042,908,872	-	-
Provision for impairment (Refer note 24)		(1,042,908,872)		-
		-		-
Total investment in Subsidiaries / Partnership		**3,253,721**		**-**

Investment in others (unquoted):

Particulars	As at 31 December, 2020 Qty.	As at 31 December, 2020 Amount	As at 31 December, 2019 Qty.	As at 31 December, 2019 Amount
Terrapower LLC - (Refer note 1.B.II)	4,454,799	15,408,421	-	-
Provision for impairment (Refer note 24)		(15,408,421)		-
		-		-
Ecorithm, Inc. (Refer notes 1.B.II & 4.1)	-	-	-	-
Total investments in others		**-**		**-**
Total non-current investments		**3,253,721**		**-**

4.1 Ecorithm Inc. has ceased to operate as it has sold its assets and all its employees have resigned and it has not applied to renew its registration effective 01 January, 2021. Accordingly, Ecorithm Inc. has ceased to exist.

5 OTHER FINANCIAL ASSETS (NON-CURRENT)

In USD

	As at 31 December, 2020	As at 31 December, 2019
Net investment in sublease of right of use asset (Refer note 1.B.II)	151,042	-
Security deposits	3,275	-
TOTAL	**154,317**	**-**

6 CASH AND CASH EQUIVALENTS

In USD

	As at 31 December, 2020	As at 31 December, 2019
Balance with banks	7,689,561	83,209
TOTAL	**7,689,561**	**83,209**

6.1 Balance with bank includes deposits maintained by the Company with banks, which can be withdrawn by the Company at any point of time without prior notice or penalty on the principal.

7 OTHER FINANCIAL ASSETS (CURRENT)

In USD

	As at 31 December, 2020	As at 31 December, 2019
Revenue receivable	12,913,943	12,713,782
Commodity derivatives assets (Refer note 1.B.II)	346,391	-
Net investment in sublease of right of use asset (Refer note 1.B.II)	88,826	-
Receivable from partnership (Refer note 34)	495,678	-
TOTAL	**13,844,838**	**12,713,782**

Notes to the financial statements for the year ended 31 December 2020

8 MEMBER'S CONTRIBUTION

In USD

	As at 31 December, 2020		As at 31 December, 2019	
Contribution by Members (Refer notes 1.B.I & 1.B.II)				
Reliance Holding USA Inc.	-		3,925,007,811	
Reliance Industries Limited	3,366,678,847		-	
Reliance Eaglford Upstream LLC	1,029,549,353	4,396,228,200	-	3,925,007,811
TOTAL		**4,396,228,200**		**3,925,007,811**

Details of Members holding more than 5% common membership interest:

Name of the Members	As at 31 December, 2020		As at 31 December, 2019	
	Number of Common Membership Interests (Refer note 25)	% held	Number of Common Membership Interests (Refer note 25)	% held
Reliance Holding USA Inc	-	-	-	100%
Reliance Industries Limited	3,367	76.58%	-	-
Reliance Eagleford Upstream LLC	1,030	23.42%	-	-
	4,397	**100%**	**-**	**100%**

9 OTHER EQUITY

In USD

	As at 31 December, 2020		As at 31 December, 2019	
Instrument classified as Equity				
4% Non-Cumulative Optionally Convertible Series A Preferred Membership Interest of USD 1 million each (Refer notes below)				
Opening balance	-		-	
Additions during the year	100,000,000	100,000,000	-	-
Retained earnings				
Opening balance	(2,426,204,405)		(2,402,726,732)	
(Loss) for the year	(2,351,573,776)		(23,477,673)	
		(4,777,778,181)		(2,426,204,405)
TOTAL		**(4,677,778,181)**		**(2,426,204,405)**

9.1 During the year, the Company amended it's LLC agreement authorizing it to issue Preferred Membership Interests of $1,000,000 each.

9.2 During the year, the Company issued 100 (previous year NIL) 4% Non-Cumulative Optionally Convertible Series A Preferred Membership Interest at par value of $1,000,000 each to RIL in accordance with 3rd Amended and Restated LLC Agreement dated 31 December 2020.

9.3 *Dividend on Preferred Membership Interests:*
The Preferred Membership Interest holder shall have preferential rights to receive dividends out of distributable profits in any calendar year. Such dividends shall be atleast 4% of the original issue price, payable only when, and if declared by the board of directors and shall be non-cumulative.

9.4 *Terms of conversion/redemption of Preferred Membership Interests:*
Each Series A Preferred Membership Interest shall be convertible, at the option of the Company (to be exercised in the Company's sole and absolute discretion), at any time and from time to time, automatically and without the payment of additional consideration by the Company to the holder thereof, into 1 Common Interests.

The holders of Series A Preferred Membership Interests shall not have any right to convert such Series A Preferred Membership Interests into Common Interests or any other form of Membership Interest.

Series A Preferred Membership Interests shall be redeemable at the option of the Company, at any time on or before 31 December 2025. The price per Series A Preferred Membership Interest at which redemptions shall occur, shall be equal to the Series A Original Issue Price.

9.5 *Voting rights:*
Each holder of Preferred Membership Interest shall be entitled to cast the number of votes equal to the number of Common Interest into which such Preferred Membership Interests are convertible at the then applicable conversion price.

9.6 The Preferred Membership Interest are not registered under any security laws and Company does not have any present plan to do the same.

Notes to the financial statements for the year ended 31 December 2020

10 LEASE LIABILITIES (NON CURRENT)

In USD

	As at 31 December, 2020	As at 31 December, 2019
Lease liabilities	486,392	-
TOTAL	**486,392**	**-**

11 PROVISIONS (NON CURRENT)

In USD

		As at 31 December, 2020		
		Decommissioning provision	**Provision for future commitment fees (Refer Note 24)**	**Total provisions**
Beginning balance	A	11,854,746	-	11,854,746
Movements during the year :				
For the year		4,899	17,317,436	17,322,335
Unwinding of discount		294,792	394,164	688,956
Changes in estimates		(6,127,494)	-	(6,127,494)
	B	(5,827,803)	17,711,600	11,883,797
Total Closing balance	**C=A+B**	**6,026,943**	**17,711,600**	**23,738,543**
Less: Current portion	D	-	6,306,446	6,306,446
Total Closing balance (Non Current)	**E=C-D**	**6,026,943**	**11,405,154**	**17,432,097**

		As at 31 December, 2019		
		Decommissioning provision	**Provision for future commitment fees (Refer Note 24)**	**Total provisions**
Beginning balance	A	11,860,503	-	11,860,503
Movements during the year :				
For the year		373,345	-	373,345
Unwinding of discount		543,894	-	543,894
Changes in estimates		(922,996)	-	(922,996)
	B	(5,757)	-	(5,757)
Total Closing balance	**C=A+B**	**11,854,746**	**-**	**11,854,746**
Less: Current portion	D	-	-	-
Total Closing balance (Non Current)	**E=C-D**	**11,854,746**	**-**	**11,854,746**

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.

11.2 The provision for future commitment fees represents the present value of unavoidable costs, after applying appropriate long term inflation, based on contractual commitments that exceeds the economic benefits expected to be received.

11.3 Such future costs are then discounted at the weighted average cost of capital to arrive at the present value of the provision.

12 BORROWINGS (CURRENT)

In USD

	As at 31 December, 2020	As at 31 December, 2019
Unsecured		
Term Loans from Banks (Refer Note 1.B.II)	538,000,000	-
TOTAL	**538,000,000**	**-**

12.1 As at 31 December 2020, the Company has outstanding unsecured term facilities from banks with aggregate borrowing of USD 538 million. The effective interest rates during the period varied between 1.25% and 2.01%. The maturity of these facilities range from first quarter of 2021 to fourth quarter of 2021.

Notes to the financial statements for the year ended 31 December 2020

13 TRADE PAYABLES

In USD

	As at 31 December, 2020	As at 31 December, 2019
Trade payables	9,280,066	9,554,581
TOTAL	**9,280,066**	**9,554,581**

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

14 LEASE LIABILITIES (CURRENT)

In USD

	As at 31 December, 2020	As at 31 December, 2019
Lease liabilities	286,044	-
TOTAL	**286,044**	**-**

15 OTHER FINANCIAL LIABILITIES (CURRENT)

In USD

	As at 31 December, 2020	As at 31 December, 2019
Creditors for capital expenditure	4,692,981	37,982,366
Interest accrued but not due on borrowings	20,435	-
Other payables to Related Party (Refer note 34)	-	237,115
TOTAL	**4,713,416**	**38,219,481**

16 PROVISIONS (CURRENT)

In USD

	As at 31 December, 2020		
	Decommissioning provision	**Provision for future commitment fees (Refer Note 24)**	**Total provisions**
Current Portion (Refer Note 11)	-	6,306,446	6,306,446
TOTAL	**-**	**6,306,446**	**6,306,446**

	As at 31 December, 2019		
	Decommissioning provision	**Provision for future commitment fees (Refer Note 24)**	**Total provisions**
Current Portion (Refer Note 11)	-	-	-
TOTAL	**-**	**-**	**-**

Notes to the financial statements for the year ended 31 December 2020

17 REVENUE FROM OPERATIONS (NET)

In USD

	2020	2019
Sale of products:		
Gas	74,514,419	95,204,094
Natural gas liquids	10,093	48,914
Condensate	-	3,543
TOTAL	**74,524,512**	**95,256,551**

18 OTHER INCOME

In USD

	2020	2019
Interest income	-	7,583
Gain on commodity and other derivatives (Net)	6,369,811	-
Finance income on sub-lease	10,555	-
Miscellaneous Income	31,459	-
TOTAL	**6,411,825**	**7,583**

19 SHARE OF OPERATING EXPENSES IN SHALE GAS OPERATIONS

In USD

	2020	2019
Midstream expenses	19,561,036	16,868,468
Operating expenses	6,203,315	5,843,286
Commitment charges	3,736,424	151,112
Operator's general and administrative expenses	9,190,760	21,615,279
Marketing expenses	2,925,000	2,472,811
Production taxes	2,766,285	4,414,098
TOTAL	**44,382,820**	**51,365,054**

20 EMPLOYEE BENEFITS EXPENSE

In USD

	2020	2019
Salaries and wages (Refer note 34) #	1,705,566	1,205,957
Defined contribution scheme expenses	125,578	-
Staff Welfare Expenses	29,052	-
TOTAL	**1,860,196**	**1,205,957**

includes allocation of expenses incurred by erstwhile Holding Company.

21 FINANCE COSTS

In USD

	2020	2019
Interest on loans		
From Holding Company (Refer note 34) #	-	5,059,062
From Banks	4,246,547	-
Interest on lease liabilities	33,991	-
Unwinding of discount on provisions	688,956	543,894
Other borrowing costs	170,986	859
TOTAL	**5,140,480**	**5,603,815**

expenses pertining to transactions with related parties, net of capitalisation.

22 DEPLETION, DEPRECIATION AND AMORTISATION EXPENSE

In USD

	2020	2019
Depletion of development rights	66,122,025	59,683,558
Depreciation on property, plant and equipment	40,231	-
Amortization of right-of-use assets	103,912	-
TOTAL	**66,266,168**	**59,683,558**

Notes to the financial statements for the year ended 31 December 2020

23 OTHER EXPENSES

	2020	2019
		In USD
Legal and professional fees #	1,456,627	266,199
Lease rentals (Refer note 33) *	83,462	-
Payment to auditors - audit fees	155,000	-
Travelling and conveyance expenses	27,068	-
General expenses	626,462	582,829
Rates & taxes #	263,519	34,395
TOTAL	**2,612,138**	**883,423**

includes recharge of expense incurred by erstwhile Holding Company.

* relates to short-term lease payment of USD 20,304 (prevoius year USD Nil) and variable lease payment of USD 63,158 (Previous year USD Nil).

24 EXCEPTIONAL ITEMS

	2020	2019
		In USD
Provision for impairment of intangible assets (including additional depletion)	701,343,709	-
Provision for impairment of intangible assets under development	534,376,200	-
Provision for future commitment fees	17,908,036	-
Provision for impairment in the value of investment in subsidiary/partnership	1,043,211,945	-
Provision for impairment of other investments	15,408,421	-
TOTAL	**2,312,248,311**	**-**

Based on the adverse changes in market environment, reduction in activity by operator and recent operational performance, the Company have impaired its assets to the extent of $2,294,340,275.

The Company have also evaluated certain contracts involving unavoidable costs based on contractual commitments and have determined that such costs exceeds the economic benefits expected to be received and accordingly, the Company have recognized $17,908,036 in the Statement of Profit and Loss, being the present value of the obligation under the said contracts.

The total impact in the Statement of Profit and Loss account is $2,312,248,311 and the same has been disclosed as "Exceptional Items".

25 EARNINGS PER SHARE

The Company is a limited liability company and accordingly does not have any authorized, issued, subscribed and paid-up share capital. The Company recognizes individual membership interest based on contributions made and accordingly records such contribution through membership interest with par value of USD 1 million each. Hence, the Company does not compute earnings per share, as the membership interest is not backed by any distinct share certificates.

Notes to the financial statements for the year ended 31 December 2020

26 FINANCIAL RISK MANAGEMENT OBJECTIVES

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

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

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 parent, will ensure that sufficient liquidity is available to meet all of its commitments by raising loans or arranging other facilities as and when required. Company will be able to effectively manage near term obligations through a combination of extension / re-financing of loans or share holder's funds or monetization of assets.

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 period ended 31 December, 2020 and 2019. Capital comprises of loans and member's contribution. The Company is not exposed to any externally imposed capital requirements.

Gearing ratio:
The gearing ratio at the end of the year was as follows

	As at 31 December, 2020	**As at 31 December, 2019**
Debt #	538,000,000	-
Less: Cash and cash equivalents	7,689,561	83,209
Net debt	530,310,439	-
Total equity	(281,549,981)	1,498,803,406
Net debt to equity ratio	-188%	0%

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 Company. The Company is non-operator and the operator of the asset is the key counterparty and any asset related credit risks are managed through various provisions of joint operating agreements dealing with counterparty default and delays in payments.

The Company is exposed to the risk of commodity market price fluctuations. The Company's policy is to manage these risks through the use of contract based prices with counterparties.

Market Risk:
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risks: interest rate risk and commodity price risk. Financial instruments affected by market risk include borrowings, trade & other payables, trade & other receivables.

Interest rate risk:
The Company is exposed to interest rate risk because the Company borrow funds at floating interest rates. The risk is managed by the Company by maintaining an appropriate level of capital mix.

Commodity Price Risk:
The Company is exposed to the risk of commodity market price fluctuations. The Company's policy is to manage these risks through the use of contract based prices with counterparties and derivative commodity contracts. The Company believes that current volatility in the market is temporary and this volatility can be managed with temporary adjustment in capital and operating spend and is not likely to have an adverse impact in the long term. Long term fundamentals of the business are intact and the modular nature of the business allows it to quickly respond to changes in commodity prices.

The outbreak of Coronavirus (COVID-19) pandemic globally has caused significant disturbance and slowdown of economic activity; it has also led to significant volatility in prices. However, subsequent to third and fourth quarter of 2020, the business activities have shown sign of recovery and are recovering gradually nearing to pre-Covid levels.

The Company has reviewed the consequences of COVID-19 and other events and conditions and has determined that they do not create a material uncertainty that casts significant doubt upon the Company's ability to continue as a going concern. The COVID-19 may impact the future performance or measurement of some of the assets and liabilities or the liquidity positions of the Company. However, the Company has determined that there are no significant changes as of December 2020, which will have impact on the assets and liabilities and future performance of the Company.

Notes to the financial statements for the year ended 31 December 2020

27 COMPANY'S SHARE OF PROVED RESERVES

	Proved reserves (Million MT)		Proved developed reserves (Million MT)	
OIL:	**2020**	**2019**	**2020**	**2019**
Beginning of the year	0.01	0.01	0.01	0.01
Revision of estimates	-	-	-	-
Production	-	-	-	-
Closing balance for the year	**0.01**	**0.01**	**0.01**	**0.01**

	Proved reserves (Million M³)		Proved developed reserves (Million M³)	
Gas:	**2020**	**2019**	**2020**	**2019**
Beginning of the year	27,873	32,275	15,691	11,924
Revision of estimates	(12,164)	(3,162)	(1,507)	5,007
Production	(1,583)	(1,240)	(1,583)	(1,240)
Closing balance for the year	**14,126**	**27,873**	**12,601**	**15,691**

Note: 1 Cubic meter (M³) = 35.315 cubic feet, 1 cubic feet = 1000 BTU and 1 MT = 7.5 bbl

Reasons for revision of estimates of:
(a) Proved developed reserves of gas are primarily due to new wells put on production during the year and below expectation performance of recent wells.
(b) Proved reserves of gas are primarily due to below expectation performance of recent wells, slower development pace and more conservative price (natural gas) outlook.
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. The Company estimates its proved reserves at the end of every quarter, which are reviewed and certified by independent external reserve auditors once in a year. During the year reserve audit was carried out in respect of reserves as at 30 September, 2020 and the quantities mentioned have been derived by adjusting movements from that date till the year end 31 December, 2020.

28 CATEGORYWISE CLASSIFICATION OF FINANCIAL INSTRUMENTS

In USD

	Note	As at 31 December 2020	As at 31 December, 2019
Financial assets			
A. Measured at fair value through profit or loss (FVTPL)			
(i) Commodity derivative assets	7	346,391	-
B. Measured at amortised cost (AC)			
(i) Net investment in sublease of right of use asset			
(a) Non-current	5	151,042	-
(b) Current	7	88,826	-
(ii) Security deposit	5	3,275	-
(iii) Cash and cash equivalents	6	7,689,561	83,209
(iv) Receivable from partnership	7	495,678	-
(v) Revenue receivable	7	12,913,943	12,713,782
Financial liabilities			
B. Measured at amortised cost (AC)			
(i) Current borrowings	12	538,000,000	-
(ii) Trade payables	13	9,280,066	9,554,581
(iii) Creditors for capital expenditure	15	4,692,981	37,982,366
(iv) Lease liabilities			
(a) Non-current	10	486,392	-
(b) Current	14	286,044	-
(v) Interest accrued but not due on borrowings	15	20,435	-
(vi) Other payables	15	-	237,115

Notes to the financial statements for the year ended 31 December 2020

29 FAIR VALUE MEASUREMENT

In USD

Financial assets / liabilities recognised at fair value through profit or loss	Fair value as at 31 December, 2020	Fair value hierarchy		
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investment-others (unquoted) (Refer note 4) #	-	NA	NA	-
Derivative assets (Refer note 7)	346,391	NA	346,391	NA

Financial assets / liabilities recognised at fair value through profit or loss	Fair value as at 31 December, 2019	Fair value hierarchy		
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
NIL				

The management has evaluated their investment based on progress till date and future outlook and concluded that the carrying value as on the dates of the respective balance sheet represents fair value of investment.

30 DISCLOSURE OF THE COMPANY'S INTEREST IN OIL AND GAS VENTURES (JOINT OPERATION)

The Company 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
	2020	2019		
Atlas Reliance Marcellus Joint Venture Partnership	40%	40%	Chevron Upstream Northeast LLC - 60% (Operator) (till 30 November, 2020) - [Refer note 1.C] EQT Production Co. - 60% (Operator) (from 1 December, 2020) - [Refer note 1.C]	USA
EQT Chevron Reliance Marcellus Joint Venture Partnership	17.60%	17.60%	EQT Production Co. - 56% (Operator) Chevron Appalachia LLC - 26.40%	USA

31 GOING CONCERN CONSIDERATIONS

The accumulated losses have fully eroded the net worth of the Company. 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 Reliance Industries Limited (RIL), the ultimate 100% holding company as evidenced from the fact that RIL has been steadily investing into the Company over the years, and has been providing necessary support to the Company to repay, refinance or extend its external borrowings steadily over the years. The Company will be able to effectively manage near term obligations through a combination of extension / re-financing of loans, share holder's funds or monetization of assets. Hence, the accounts are prepared on a going concern basis.

32 FINANCIAL AND DERIVATIVE INSTRUMENTS

The Company has entered into the following derivative contracts that have not been designated as hedges; the fair value is recognised as gains or (losses) in the Statement of Profit and Loss and derivative assets and liabilities in the Balance Sheet.

Derivative	31 December, 2020		31 December, 2019	
	Maturity period	Notional position / value	Maturity period	Notional position / value
Natural Gas - NYMEX - Fixed swaps	January, 2021 to December, 2021	60,000 mmbtu/day	-	-
Crude - NYMEX - Asian Cap / Floor	January, 2021 to December, 2021	7,350 bbl/day	-	-

Notes to the financial statements for the year ended 31 December 2020

33 LEASES

33.1 **Lease liabilities - Maturity analysis (Undiscounted basis)**

		As at 31 December, 2020
Not later than 1 year		337,502
Later than 1 year and not later than 5 year		517,891
Later than 5 year		-
	TOTAL	**855,393**

33.2 One of the office premises in which the Company is the lessee contain variable lease payment terms that are based on actual usage capacity. The breakdown of actual lease payments is as follows.

Particuars		**2020**
Fixed payments		165,842
Variable payments		63,158
	TOTAL	**229,000**

Overall the variable payments constitute up to 27.58% of the Company's entire lease payments. The Company expects this ratio to remain constant in future years. The variable rent expenses are expected to continue in similar proportion for future years.

33.3 The Company has lease arrangements of office premises. The lease term is upto 30 June, 2023.

33.4 The total cash outflow for leases amount to USD 249,303 (include short-term and variable lease payment of USD 20,304 and USD 63,158 respectively).

33.5 The discount rate used is 8.0 % (incremental borrowing rate) for the Company. This rate is applied to lease liabilities recognised in the balance sheet.

Notes to the financial statements for the year ended 31 December 2020

34 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. (till August 20, 2020)	Holding Company
Reliance Industries Limited	Ultimate Holding Company (Control exists)
Reliance Industries Limited (from 21 August, 2020)	Holding company (control exists)
Reliance Eagleford Upstream LLC (from 20 July, 2020)	Member
Reliance Eagleford Upstream LLC (till 19 July, 2020)	Fellow Subsidiary
Reliance Marcellus II LLC	Fellow Subsidiary
Aurora Algae LLC (earlier Aurora Algae Inc.)	Fellow Subsidiary
Affinity USA LLC (earlier Affinity USA Inc.)	Fellow Subsidiary
Reliance Eagleford Upstream GP LLC (from 14 February, 2020)	Subsidiary (control exists)
RIL USA Inc. (from 14 February, 2020)	Subsidiary (control exists)
Reliance Digital Health USA Inc. (earlier Affinity Names Inc.) (from 14 February, 2020)	Subsidiary (control exists)
Reliance Eagleford Upstream Holding LP	Partnership (control exists)
Walter Van de Vijver, CEO	Key Management Person
Thakur Sharma, Director	Key Management Person
Masoud Javadi, General Counsel	Key Management Person

Related Party Transactions

in USD

Name of the related party	Balances as at year end	As at 31 December 2020	As at 31 December 2019
Reliance Holding USA Inc.	Other payables	-	237,115
Reliance Industries Limited	Corporate office support payable	275,771	-
Reliance Eagleford Upstream Holding LP	Other Receivables	495,678	-
Reliance Eagleford Upstream Holding LP	Standby Letter of Credit	28,500,000	-
RIL USA Inc.	Rent receivable	17,424	-
Key Management Perons	Remuneration and benefits payable	128,379	-

in USD

Name of the related party	Nature of transaction	2020	2019
Reliance Industries Limited	Corporate office support received	275,771	-
Reliance Industries Limited	Issue of Preferred Membership Interest	100,000,000	-
Reliance Holding USA Inc.	Transfer of investment in subsidiaries/others from	18,687,550	-
Reliance Holding USA Inc.	Loans novated by	633,000,000	-
Reliance Holding USA Inc.	Net assets assigned by	6,005,821	-
Reliance Holding USA Inc.	Recovery of employee benefit expenses	522,737	1,205,957
Reliance Holding USA Inc.	Loan given by	-	103,620,000
Reliance Holding USA Inc.	Members contribution from	49,977,665	112,100,000
Reliance Holding USA Inc.	Conversion of loan into equity	-	240,829,700
Reliance Holding USA Inc.	Conversion of interest payable into equity	-	158,832,111
Reliance Holding USA Inc.	Interest	-	8,312,672
Reliance Holding USA Inc.	Recovery of other expenses by	149,098	208,700
Reliance Eagleford Upstream LLC	Transfer of invesment in partnership by	1,029,538,872	-
Reliance Eagleford Upstream LLC	Bank balance assigned by	10,481	-
Reliance Eagleford Upstream GP LLC	Investment	277,665	-
Reliance Eagleford Upstream Holding LP	Investment	13,370,000	-
Reliance Eagleford Upstream Holding LP	Recovery of employee benefit expenses	495,680	-
Reliance Eagleford Upstream Holding LP	Recovery of other expenses	323,061	-
RIL USA Inc.	Rent Recovery	98,109	-
RIL USA Inc.	Other costs	24,821	-
RIL USA Inc.	Bandwith charges	14,583	-
RIL USA Inc.	Employee loan transfer	4,800	-
RIL USA Inc.	Security deposit transfer	2,165	-
Key management persons	Remuneration and benefits		
	- Short term benefits	860,866	-
	- Long term benefits	21,290	-

Notes to the financial statements for the year ended 31 December 2020

35 SEGMENT REPORTING

The Company 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.

36 CONTINGENT LIABILITIES AND COMMITMENTS

	2020	*In USD* 2019
Capital commitments	42,278,420	84,560,059

37 The Company signed a definitive purchase and sale agreement (PSA) with Nothern Oil & Gas Inc. ("NOG") on February 3, 2021 for sale of it's entire working interest in the marcellus shale assets, effective July 01, 2020, for an initial total consideration of $267,600,000, of which $250,000,000 is receivable in Cash and the balance $17,600,000 in the form of 3,250,000 warrants of NOG. This initial consideration is adjustable for revenue and expenditure post effective date and subject to certain customary adjustments and closing terms and conditions. The transaction was subject to certain preferential rights by EQT Production Company (“EQT”) for part of the asset, and such right was exercised by EQT at substantially the same terms and condition as NOG. Pursuant to the PSA, during signing and closing; key decisions related to the asset were subject to consent of NOG and as such, the Company effectively relinquished control over the marcellus shale assets effective from 3 February, 2021. Further all the preconditions attached to the PSA were satisfied by both the parties and closing happened on 1 April, 2021 with an adjusted preliminary settlement consideration of $254,563,175 including warrants. The final settlement pursuant to the PSA is likely to happen within 120 days of the Closing.

38 The financial statements are approved for issue by Company's Board of Managers on 19 April, 2021.

For and on behalf of the Board

Walter Van de Vijver
Director

Place: Houston
Date: 19 April, 2021