Reliance Marcellus LLC

Financial Statements
For the year ended 31 December, 2022

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

Report on the Audit of the Special Purpose Standalone Financial Statements

Opinion

We have audited the accompanying special purpose standalone financial statements of Reliance Marcellus LLC. ("the Company"), which comprise the Balance Sheet as at December 31, 2022, 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 special purpose 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, 2022, and its profit, its total comprehensive income, its cash flows and changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the special purpose standalone financial statements in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Our responsibilities under those Standards are further described in the Auditor's Responsibility for the Audit of the special purpose 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 special purpose 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 special purpose standalone financial statements.

Information Other than the Special Purpose Standalone Financial Statements and Auditor's Report Thereon

As informed to us, there is no information other than the special purpose 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 Special Purpose Standalone Financial Statements

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

In preparing the special purpose 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 Special Purpose Standalone Financial Statements

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

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

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.

Restriction on Distribution and Use

These special purpose 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 special purpose 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: 23102912BGXWAE9426

Mumbai: 19 April 2023

RELIANCE MARCELLUS LLC
Balance Sheet as at 31 December, 2022
(amounts in US Dollars)

	Notes	As at 31 December, 2022	As at 31 December, 2021
ASSETS			
Non-Current Assets			
(a) Property, plant and equipment	3	-	-
(b) Right-of-use assets	3A	-	101,295
(c) Other intangible assets	3	-	-
(d) Financial assets			
(i) Investments	4	20,295,388	3,628,721
(ii) Other financial assets	5	-	3,275
Total Non-Current Assets		**20,295,388**	**3,733,291**
Current Assets			
(a) Financial assets			
(i) Cash and cash equivalents	6	3,422,242	8,777,607
(ii) Other financial assets	7	-	985,809
Total Current Assets		**3,422,242**	**9,763,416**
Total Assets		**23,717,630**	**13,496,707**
EQUITY AND LIABILITIES			
Equity			
(a) Member's contribution	8	4,396,228,200	4,396,228,200
(b) Other equity	9	(4,443,333,620)	(4,466,061,354)
Total Equity		**(47,105,420)**	**(69,833,154)**
Liabilities			
Non-Current Liabilities			
(a) Financial liabilities			
(i) Borrowings	10	70,000,000	-
(b) Provisions	11	-	-
Total Non-Current Liabilities		**70,000,000**	**-**
Current Liabilities			
(a) Financial liabilities			
(i) Borrowings	12	450,000	80,000,000
(ii) Lease liabilities	13	-	167,725
(iii) Trade payables	14	351,261	3,159,460
(iv) Other financial liabilities	15	21,789	2,676
Total Current Liabilities		**823,050**	**83,329,861**
Total Equity and Liabilities		**23,717,630**	**13,496,707**
Corporate information and significant accounting policies and notes to the financial statements	**1 - 33**		

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

Abhijit A. Damle
Partner
Membership No. 102912

Date: April 19, 2023

For and on behalf of the board

Walter Van de Vijver
Director

Date: April 18, 2023

RELIANCE MARCELLUS LLC
Statement of Profit and Loss for the year ended 31 December, 2022
(amounts in US Dollars)

	Notes	2022	2021
INCOME			
Revenue from operations (Net)	16	1,500,000	269,061
Other income	17	910,236	23,351,553
Total Income		**2,410,236**	**23,620,614**
EXPENSES			
Share of operating expenses in shale gas operations	18	-	734,383
Employee benefits expense	19	656,525	3,511,901
Finance costs	20	2,055,847	5,794,701
Depletion, depreciation and amortisation expenses	21	101,295	298,457
Other expenses	22	868,465	13,462,703
Total Expenses		**3,682,132**	**23,802,145**
(Loss) before exceptional items and tax		**(1,271,896)**	**(181,531)**
Exceptional Items	23	(3,999,630)	(211,898,358)
Profit before tax		**2,727,734**	**211,716,827**
Tax Expense		-	-
Profit for the year		**2,727,734**	**211,716,827**
Other comprehensive income (OCI)		-	-
Total comprehensive income for the year		**2,727,734**	**211,716,827**
Earnings per membership interest of USD 1 million each.	24	-	-
Corporate information and significant accounting policies and notes to the financial statements	**1 - 33**		

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

For and on behalf of the board

Abhijit A. Damle
Partner
Membership No. 102912

Date: April 19, 2023

Walter Van de Vijver
Director

Date: April 18, 2023

RELIANCE MARCELLUS LLC
Statement of Changes in Equity for the year ended 31 December, 2022
(amounts in US Dollars)

A. MEMBER'S CONTRIBUTION

Balance as at 01 January, 2021	Changes during the year 2021	Balance as at 31 December, 2021	Changes during the year 2022	Balance as at 31 December, 2022
4,396,228,200	-	**4,396,228,200**	-	**4,396,228,200**

B. OTHER EQUITY

Particulars	Instrument classified as equity		Share of net income	Total
	4% Non-Cumulative Optionally Convertible Series A Preferred Interest (OCPS)	7% Non-Cumulative Optionally Convertible Series B Preferred Interest (OCPS)		
Year ended 31 December, 2021				
Balance as at 01 January, 2021	100,000,000	-	(4,777,778,181)	(4,677,778,181)
Profit for the year	-	-	211,716,827	211,716,827
Balance as at 31 December, 2021	**100,000,000**	**-**	**(4,566,061,354)**	**(4,466,061,354)**
Year ended 31 December, 2022				
Balance as at 01 January, 2022	100,000,000	-	(4,566,061,354)	(4,466,061,354)
Issued during the year	-	20,000,000	-	20,000,000
Profit for the year	-	-	2,727,734	2,727,734
Balance as at 31 December, 2022	**100,000,000**	**20,000,000**	**(4,563,333,620)**	**(4,443,333,620)**

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

Abhijit A. Damle
Partner
Membership No. 102912

Date: April 19, 2023

For and on behalf of the board

Walter Van de Vijver
Director

Date: April 18, 2023

RELIANCE MARCELLUS LLC
Statement of Cash Flows for the year ended 31 December, 2022.
(amounts in US Dollars)

	Notes	2022		2021	
Cash flows from operating activities					
Profit before tax as per Statement of Profit and Loss			2,727,734		211,716,827
Adjustments for:					
Exceptional items	23	(3,999,630)		(211,898,358)	
Finance costs recognised in profit or loss	20	2,055,847		5,794,701	
Deposits written off	5	3,275		-	
Dividend received	17	-		(375,000)	
Interest income recognised in profit or loss	17	(11,576)		(18,846)	
Unrealised loss on derivatives (net)	17	-		346,391	
Provisions no longer required written back (net)	17	(835,922)		(2,813,825)	
Gain on sale of warrants	17	-		(20,132,500)	
Gain on modification of lease	17	-		(10,129)	
Loss on discard of property, plant and equipment	22	-		126,234	
Depletion,depreciation and amortisation expense	21	101,295		298,457	
			(2,686,711)		(228,682,875)
Operating Profit / (loss) before working capital changes			**41,023**		**(16,966,048)**
Movements in working capital:					
Decrease in trade and other receivables	7	927,671		12,481,950	
(Decrease) in trade payables and provisions	14,15	(1,972,277)		(3,306,781)	
			(1,044,606)		9,175,169
Cash (used in) operating activities			**(1,003,583)**		**(7,790,879)**
Income taxes paid (net)			-		-
Net cash (used in) from operating activities			**(1,003,583)**		**(7,790,879)**
Cash flows from investing activities					
Investment in subsidiaries	4		(16,666,667)		(148,075,000)
Proceeds from disposal of property, plant and equiment	3, 23		-		232,647,212
Payment for property, plant and equipment	3		-		(68,018)
Repayment of capital by partnership	4		3,999,630		349,967,943
Proceeds from sale of warrants	17		-		37,732,500
Provisions no longer required written back (net)	17		-		-
Dividend received	17		-		375,000
Interest Income	17		11,576		18,846
Receipt from finance lease	5,7,17		58,138		95,949
Net cash (used in) / generated from investing activities			**(12,597,323)**		**472,694,432**
Cash flows from financing activities					
Proceeds from issuance of preferred membership interest	9		20,000,000		-
Proceeds from term borrowings	12		1,450,000		129,500,000
Repayment of term borrowings	12		(11,000,000)		(587,500,000)
Repayment of lease liabilities	10,12,19		(167,725)		(292,334)
Finance costs	20		(2,036,734)		(5,523,173)
Net cash generated from / (used in) financing activities			**8,245,541**		**(463,815,507)**
Net (decrease) / increase in cash and cash equivalents			**(5,355,365)**		**1,088,046**
Cash and cash equivalents at the beginning of the year	6		8,777,607		7,689,561
Cash and cash equivalents at the end of the year	6		**3,422,242**		**8,777,607**

Note:
During the year, the Company has made a investment of USD 16,666,667 in Thrive Capital Holdings LP on behalf of a subsidiary (Reliance Finance and Investments USA LLC). This has been treated as investment by the Company,in the said subsidiary.

RELIANCE MARCELLUS LLC
Statement of Cash Flows for the year ended 31 December, 2022.
(amounts in US Dollars)

Changes in liabilities arising from financing activities	1-Jan-22	Cash flow	Non-Cash Movement	31-Dec-22
Borrowings (Refer note 10 ,12)	80,000,000	(9,550,000)	-	70,450,000
	80,000,000	**(9,550,000)**	**-**	**70,450,000**

Changes in liabilities arising from financing activities	1-Jan-21	Cash flow	Non-Cash Movement	31-Dec-21
Borrowings (Refer note 10 ,12)	538,000,000	(458,000,000)	-	80,000,000
	538,000,000	**(458,000,000)**	**-**	**80,000,000**

Corporate information and significant accounting policies and notes to the financial statements **1 - 33**

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

For and on behalf of the board

Abhijit A. Damle
Partner
Membership No. 102912

Date: April 19, 2023

Walter Van de Vijver
Director

Date: April 18, 2023

RELIANCE MARCELLUS LLC
Notes to the financial statements for the year ended 31 December, 2022.

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 TeeraTech Holdings LLC (formerly known as 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

RELIANCE MARCELLUS LLC
Notes to the financial statements for the year ended 31 December, 2022.

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.

D. 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 happened on 16 September, 2021 with an adjusted final consideration of $241,612,547.

2.1 STATEMENT OF COMPLIANCE

The special purpose standalone financial statements ("financial statements") have been prepared for the limited purpose of consolidation into Reliance Industries Limited, the ultimate holding company, in accordance with the Indian Accounting Standards ('Ind AS'), notified under section 133 of the Companies Act, 2013, read together with 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 policies 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;
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

RELIANCE MARCELLUS LLC
Notes to the financial statements for the year ended 31 December, 2022.

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.

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).

RELIANCE MARCELLUS LLC
Notes to the financial statements for the year ended 31 December, 2022.

(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. In 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. If 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. In 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.

If 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.

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.

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 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.

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.

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.

RELIANCE MARCELLUS LLC
Notes to the financial statements for the year ended 31 December, 2022.

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

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

RELIANCE MARCELLUS LLC
Notes to the financial statements for the year ended 31 December, 2022.

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.

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.

RELIANCE MARCELLUS LLC
Notes to the financial statements for the year ended 31 December, 2022.

(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.

(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.

RELIANCE MARCELLUS LLC

Notes to the financial statements for the year ended 31 December, 2022.

(amounts in US Dollars)

3 PROPERTY, PLANT AND EQUIPMENT

Description	Gross Block				Depletion, Depreciation and Amortisation				Impairment				Net Block
	As at 01 January, 2022	Additions	Deductions	As at 31 December, 2022	As at 01 January, 2022	For the year	Deductions	As at 31 December, 2022	As at 01 January, 2022	For the year	Deductions	As at 31 December, 2022	As at 31 December, 2022
TANGIBLE ASSETS													
Furniture & fixtures	-	-	-	-	-	-	-	-	-	-	-	-	-
Office equipments (includes computer equipments)	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-	-	-	-	-	-	-	-
INTANGIBLE ASSETS (other than internally generated)													
Software	-	-	-	-	-	-	-	-	-	-	-	-	-
Development rights (oil & gas)	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-	-	-	-	-	-	-	-

Description	Gross Block				Depletion, Depreciation and Amortisation				Impairment				Net Block
	As at 01 January, 2021	Additions	Deductions	As at 31 December, 2021	As at 01 January, 2021	For the year	Deductions	As at 31 December, 2021	As at 01 January, 2021	For the year	Deductions	As at 31 December, 2021	As at 31 December, 2021
TANGIBLE ASSETS													
Furniture & fixtures	233,321	-	233,321	-	36,415	70,672	107,087	-	-	-	-	-	-
Office equipments (includes computer equipments)	4,039	-	4,039	-	3,816	223	4,039	-	-	-	-	-	-
Sub-total	**237,360**	**-**	**237,360**	**-**	**40,231**	**70,895**	**111,126**	**-**	**-**	**-**	**-**	**-**	**-**
INTANGIBLE ASSETS (other than internally generated)													
Software	-	-	-	-	-	-	-	-	-	-	-	-	-
Development rights (oil & gas) (Refer note 23)	1,622,671,094	105,447	1,622,776,541	-	655,117,754	25,762	655,143,516	-	**701,343,709**	-	**701,343,709**	-	-
Sub-total	**1,622,671,094**	**105,447**	**1,622,776,541**	**-**	**655,117,754**	**25,762**	**655,143,516**	**-**	**701,343,709**	**-**	**701,343,709**	**-**	**-**
TOTAL	**1,622,908,454**	**105,447**	**1,623,013,901**	**-**	**655,157,985**	**96,657**	**655,254,642**	**-**	**701,343,709**	**-**	**701,343,709**	**-**	**-**

3A RIGHT-OF-USE ASSETS

Description	Gross Block				Amortisation				Net Block
	As at 01 January, 2022	Additions	Deductions	As at 31 December, 2022	As at 01 January, 2022	For the year	Deductions	As at 31 December, 2022	As at 31 December, 2022
Right-of-use assets	407,007	-	407,007	-	305,712	101,295	407,007	-	-
Total	**407,007**	**-**	**407,007**	**-**	**305,712**	**101,295**	**407,007**	**-**	**-**

Description	Gross Block				Amortisation				Net Block
	As at 01 January, 2021	Additions	Deductions	As at 31 December, 2021	As at 01 January, 2021	For the year	Deductions	As at 31 December, 2021	As at 31 December, 2021
Right-of-use assets	623,474	-	216,467	407,007	103,912	201,800	-	305,712	101,295
Total	**623,474**	**-**	**216,467**	**407,007**	**103,912**	**201,800**	**-**	**305,712**	**101,295**

RELIANCE MARCELLUS LLC
Notes to the financial statements for the year ended 31 December, 2022.
(amounts in US Dollars)

4 NON-CURRENT INVESTMENTS

(A) Investment in Subsidiaries / Partnership

Equity Shares / Common Stock / Member's Contribution / Partner's Contribution

	As at 31 December, 2022		As at 31 December, 2021	
Particulars	**Qty.**	**Amount**	**Qty.**	**Amount**
RIL USA Inc.	300	3,000,000	300	3,000,000
Reliance Digital Health USA Inc. (Refer note 4.1)	1,000	619,275	1,000	619,275
Reliance TerraTech Holdings LLC (formerly known as Reliance Eagleford Upstream GP LLC)	-	312,519	-	312,519
Less: Provision for impairment (Refer note 23)		(303,073)		(303,073)
		9,446		9,446
Reliance Eagleford Upstream Holding LP	-	836,641,299	-	840,640,929
Less: Provision for impairment (Refer note 23)		(836,641,299)		(840,640,929)
		-		-
Reliance Finance and Investments USA LLC		16,666,667		-
		16,666,667		-
Total investment in Subsidiaries / Partnership		**20,295,388**		**3,628,721**

(B) Investment in others (unquoted)

	As at 31 December, 2022		As at 31 December, 2021	
Particulars	**Qty.**	**Amount**	**Qty.**	**Amount**
Common units of Terra Power LLC (Refer note 4.2)	445,479.9	15,408,421	4,454,799	15,408,421
Less: Provision for impairment		(15,408,421)		(15,408,421)
		-		-
Total investment in others		**-**		**-**
Total non-current investments		**20,295,388**		**3,628,721**

4.1 Investment in Reliance Digital Health USA Inc.includes additional paid in capital of USD 609,275 (Previous year USD 609,275) as at Balance Sheet date.

4.2 In April 2022, Terra Power LLC effected a 10 for 1 reverse split of its authorized and outstanding Units, such that as of the effective date of the reverse split, every ten outstanding Units are automatically combined in one outstanding Unit.

5 OTHER FINANCIAL ASSETS (NON-CURRENT)

	As at 31 December, 2022	As at 31 December, 2021
Security deposits	-	3,275
TOTAL	**-**	**3,275**

6 CASH AND CASH EQUIVALENTS

	As at 31 December, 2022	As at 31 December, 2021
Balance with banks	88,909	327,607
Investments in Liquid fund	3,333,333	8,450,000
	3,422,242	**8,777,607**

RELIANCE MARCELLUS LLC
Notes to the financial statements for the year ended 31 December, 2022.
(amounts in US Dollars)

7 OTHER FINANCIAL ASSETS (CURRENT)

	As at 31 December, 2022	As at 31 December, 2021
Net investment in sub-lease of right of use asset	-	58,138
Receivable from subsidiary (Refer note 31)	-	23,291
Receivable from partnership (Refer note 31)	-	904,380
TOTAL	**-**	**985,809**

8 MEMBER'S CONTRIBUTION

	As at 31 December, 2022	As at 31 December, 2021
Contribution by Members		
Reliance Industries Limited	3,366,678,847	3,366,678,847
Reliance Eagleford Upstream LLC	1,029,549,353	1,029,549,353
TOTAL	**4,396,228,200**	**4,396,228,200**

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

Name of the Members	As at 31 December 2022		As at 31 December 2021	
	Number of Common Membership Interests (Refer note 24)	% held	Number of Common Membership Interests (Refer note 24)	% held
Reliance Industries Limited	3,367	76.58%	3,367	76.58%
Reliance Eagleford Upstream LLC	1,030	23.42%	1,030	23.42%
	4,397	**100.00%**	**4,397**	**100.00%**

9 OTHER EQUITY

	As at 31 December, 2022		As at 31 December, 2021	
Instruments Classified as Equity				
4% Non-Cumulative Optionally Convertible Series A Preferred Membership Interest of USD 1 million each. (Refer note 9.1 below)				
Opening balance		100,000,000		100,000,000
Instruments Classified as Equity				
7% Non-Cumulative Optionally Convertible Series B Preferred Membership Interest of USD 1 million each.(Refer note 9.2 below)				
Additions during the year		20,000,000		-
Retained earnings				
Opening Balance	(4,566,061,354)		(4,777,778,181)	
Profit for the year	2,727,734	(4,563,333,620)	211,716,827	(4,566,061,354)
TOTAL		**(4,443,333,620)**		**(4,466,061,354)**

9.1 During 2020, Reliance Marcellus LLC ("the Company") amended it's LLC agreement to issue Preferred Membership Interests of $1,000,000 each. The Company issued 100 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.

9.2 During 2022, the Company issued 20 7% Non-Cumulative Optionally Convertible Series B Preferred Membership Interest at par value of $1,000,000 each to RIL in accordance with 3rd Amended and Restated LLC Agreement dated 22 December 2022.

9.3 *Dividend on Preferred Membership Interests:*

The Preferred Membership Interest holder under Series A 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 and shall be noncumulative.

The Preferred Membership Interest holder under Series B shall have preferential rights to receive dividends out of distributable profits in any calendar year. Such dividends shall be atleast 7% of the original issue price, payable only when, and if declared by the board and shall be noncumulative.

9.4 *Terms of conversion/redemption of Preferred Membership Interest:*

Each Series A and Series B 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.

RELIANCE MARCELLUS LLC

Notes to the financial statements for the year ended 31 December, 2022.

(amounts in US Dollars)

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

Series A and Series B 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 and Series B Original Issue Price.

9.5 *Voting rights:*

Each holder of Preferred Membership Interests 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 Interests are not registered under any security laws and Company does not have any present plan to do the same.

10 BORROWINGS (NON- CURRENT)

	As at 31 December, 2022	As at 31 December, 2021
Unsecured		
Term loan from banks (Refer note 12.1)	70,000,000	-
	70,000,000	**-**

11 PROVISIONS (NON-CURRENT)

		As at 31 December 2022		
		Decommissioning provision	Provision for future commitment fees	Total
Beginning balance	A	-	-	**-**
Movements during the year:				
For the year		-	-	**-**
Unwinding of discount		-	-	**-**
Changes in estimates		-	-	**-**
Provision no longer required		-	-	**-**
	B	-	-	**-**
Closing balance	**C=A+B**	**-**	**-**	**-**
Current portion	D	-	-	**-**
Closing balance (Non Current)	**E=C-D**	**-**	**-**	**-**

		As at 31 December 2021		
		Decommissioning provision	Provision for future commitment fees	Total
Beginning balance	A	6,026,943	17,711,600	**23,738,543**
Movements during the year :				
For the year		-	-	**-**
Unwinding of discount		-	289,287	**289,287**
Changes in estimates		-	-	**-**
Provision no longer required (Refer note 23)		(6,026,943)	(18,000,887)	**(24,027,830)**
	B	(6,026,943)	(17,711,600)	**(23,738,543)**
Closing balance	**C=A+B**	**-**	**-**	**-**
Current portion	D	-	-	**-**
Closing balance (Non Current)	**E=C-D**	**-**	**-**	**-**

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)

	As at 31 December, 2022	As at 31 December, 2021
Unsecured		
Term loan from banks (Refer note 12.1)	-	80,000,000
Loan from a related party (Refer note 31)	450,000	-
TOTAL	**450,000**	**80,000,000**

12 As at 31 December 2021, the Company had outstanding unsecured term facility from a bank with aggregate borrowing of USD 80 million. The effective interest rates during the period varied between 1.18% and 1.80%. The maturity of the facility was in fourth quarter of 2022 and as such it was shown as a current Borrowings. This facility has been extended beyond 12 months period and the maturity of the facility is 31 March 2024.,Accordingly it has been presented as non-current borrowings.

13 LEASE LIABILITIES (CURRENT)

	As at 31 December, 2022	As at 31 December, 2021
Lease liabilities	-	167,725
TOTAL	**-**	**167,725**

RELIANCE MARCELLUS LLC

Notes to the financial statements for the year ended 31 December, 2022.

(amounts in US Dollars)

14 TRADE PAYABLES

	As at 31 December, 2022	As at 31 December, 2021
Trade Payables	351,261	3,159,460
TOTAL	**351,261**	**3,159,460**

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

Trade Payable ageing schedule

Particulars	As at 31 December, 2022						Total
	Unbilled	Not Due	Outstanding for following periods from due date of payment				
			less than 1 yr	1-2 years	2-3 years	more than 3 yrs	
(i) Trade payable - others	29,856	321,405	-	-	-	-	**351,261**
(ii) Disputed dues - Others	-	-	-	-	-	-	**-**
Total	**29,856**	**321,405**	**-**	**-**	**-**	**-**	**351,261**

Particulars	As at 31 December, 2021						Total
	Unbilled	Not Due	Outstanding for following periods from due date of payment				
			less than 1 yr	1-2 years	2-3 years	more than 3 yrs	
(i) Trade payable - others	756,007	2,403,453	-	-	-	-	**3,159,460**
(ii) Disputed dues - Others	-	-	-	-	-	-	**-**
Total	**756,007**	**2,403,453**	**-**	**-**	**-**	**-**	**3,159,460**

15 OTHER FINANCIAL LIABILITIES (CURRENT)

	As at 31 December, 2022	As at 31 December, 2021
Interest accrued but not due on borrowings	21,478	2,676
Interest payable to Related Party (Refer note 31)	311	-
TOTAL	**21,789**	**2,676**

RELIANCE MARCELLUS LLC

Notes to the financial statements for the year ended 31 December, 2022.

(amounts in US Dollars)

16 REVENUE FROM OPERATIONS

	2022	2021
Sale of products:		
Gas	-	269,061
Other operating income	1,500,000	-
TOTAL	**1,500,000**	**269,061**

17 OTHER INCOME

	2022	2021
Interest income	10,212	3,900
Gain on sale of warrants	-	20,132,500
Provisions no longer required written back	835,922	2,813,825
Finance income on sub-lease	1,364	14,946
Dividend received	-	375,000
Gain on modification of lease	-	10,129
Miscellaneous Income	62,738	1,253
TOTAL	**910,236**	**23,351,553**

18 SHARE OF OPERATING EXPENSES IN SHALE GAS OPERATIONS

	2022	2021
Midstream expenses	-	61,282
Operating expenses	-	173,101
Marketing expenses	-	500,000
TOTAL	**-**	**734,383**

19 EMPLOYEE BENEFITS EXPENSE

	2022	2021
Salaries and wages (Refer note 31) #	639,135	3,204,392
Defined contribution scheme expenses	17,390	260,989
Staff Welfare Expenses	-	46,520
TOTAL	**656,525**	**3,511,901**

includes allocation of expenses incurred by Holding Company.

20 FINANCE COSTS

	2022	2021
Interest on loans		
From Banks	2,005,030	5,130,375
From Related Party (Refer note 31)	3,089	23,694
Interest on lease liabilities	3,935	45,168
Unwinding of discount on provisions	-	289,287
Other borrowing costs	43,793	306,177
TOTAL	**2,055,847**	**5,794,701**

21 DEPLETION, DEPRECIATION AND AMORTISATION EXPENSES

	2022	2021
Depletion of development rights	-	25,762
Depreciation on property, plant and equipment	-	70,895
Amortisation of right-of-use assets	101,295	201,800
TOTAL	**101,295**	**298,457**

RELIANCE MARCELLUS LLC

Notes to the financial statements for the year ended 31 December, 2022.

(amounts in US Dollars)

22 OTHER EXPENSES

	2022	2021
Legal and professional fees #	582,810	1,402,006
Lease rentals (Refer note 30) *	46,823	111,885
Travelling and conveyance expenses	29,469	1,277,815
General expenses	58,676	703,480
Rates & taxes	687	7,515
Payment to auditors (net)	150,000	408,386
Loss on discard of property, plant and equipment	-	126,234
Loss on commodity derivatives (net)	-	9,425,382
TOTAL	**868,465**	**13,462,703**

includes recharge of expense incurred by Holding Company

*relates to short term lease payment of USD NIL. (Previous year USD 340), and variable lease is USD 46,823 (Previous year USD 111,545)

23 EXCEPTIONAL ITEMS

	2022	2021
(Reversal) for impairment of investment in subsidiary	(3,999,630)	(202,267,943)
Net gain on sale of upstream assets (Refer note 23.1)	-	(9,630,415)
	(3,999,630)	**(211,898,358)**

23.1 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 happened on 16 September, 2021 with an adjusted final consideration of $241,612,547. Accordingly, net gain on sale of these assets of $9,630,415 has been recognised as an exceptional item in the Statement of Profit and Loss. This gain has been computed by adjusting the sale consideration with transaction costs, reversal of provision for future commitment fees, provison for decommissioning expenses, related accumulated depletion and impairment against the cost of these assets.

24 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.

RELIANCE MARCELLUS LLC
Notes to the financial statements for the year ended 31 December, 2022.

25 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, 2022 and 2021. Capital comprises of loans and member's contribution. The Company is not exposed to any externally imposed capital requirements.

<u>Gearing ratio:</u>
The gearing ratio at the end of the year was as follows `

	As at 31 December,	**As at 31 December,**
Debt #	70,450,000	80,000,000
Less: Cash and cash equivalents	3,422,242	8,777,607
Net debt	67,027,758	71,222,393
Total equity	(47,105,420)	(69,833,154)
Net debt to equity ratio	*	*

Debt is defined as long term and short term borrowings excluding derivatives, financial guarantee contracts and contingent contracts.
* Indicates the ratio is not measurable due to negative equity

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 has adopted a policy of only dealing with creditworthy counterparties, where appropriate, as a means of mitigating the risk of financial loss from defaults.

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 has not dealt with any commodity transaction during the year.

RELIANCE MARCELLUS LLC
Notes to the financial statements for the year ended 31 December, 2022.
(amounts in US Dollars)

26 COMPANY'S SHARE OF PROVED RESERVES

	Proved reserves (Million MT)		Proved developed reserves (Million MT)	
OIL:	**2022**	**2021**	**2022**	**2021**
Beginning of the year	-	0.01	-	0.01
Revision of estimates	-	-	-	-
Production	-	-	-	-
Sale during the year (Refer note 1.D)	-	(0.01)	-	(0.01)
Closing balance for the year	**-**	**-**	**-**	**-**

	Proved reserves (Million M^3)		Proved developed reserves (Million M^3)	
Gas:	**2022**	**2021**	**2022**	**2021**
Beginning of the year	-	14,126	-	12,601
Revision of estimates	-	-	-	-
Production	-	(1)	-	(1)
Sale during the year (Refer note 1.D)	-	(14,125)	-	(12,600)
Closing balance for the year	**-**	**-**	**-**	**-**

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

27 CATEGORYWISE CLASSIFICATION OF FINANCIAL INSTRUMENTS

	Note	As at 31 December, 2022	As at 31 December, 2021
Financial assets			
A. Measured at fair value through profit or loss (FVTPL)			
(i) Investment - others	4	-	-
B. Measured at amortised cost (AC)			
(i) Net investment in sublease of right of use asset			
(a) Current	7	-	58,138
(ii) Security deposit	5	-	3,275
(iii) Cash and cash equivalents	6	3,422,242	8,777,607
(iv) Receivable from subsidiary	7	-	23,291
(v) Receivable from partnership	7	-	904,380
Financial liabilities			
A. Measured at amortised cost (AC)			
(i) Borrowings			
(a) Non-Current	10	70,000,000	-
(b) Current	12	450,000	80,000,000
(ii) Trade payables	14	351,261	3,159,460
(iii) Lease liabilities			
(a) Current	13	-	167,725
(iv) Interest accrued but not due on borrowings	15	21,789	2,676

RELIANCE MARCELLUS LLC
Notes to the financial statements for the year ended 31 December, 2022.
(amounts in US Dollars)

28 FAIR VALUE MEASUREMENT

Financial assets / liabilities recognised at fair value through profit or loss	Fair value as at 31 December, 2022	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	-

Financial assets / liabilities recognised at fair value through profit or loss	Fair value as at 31 December, 2021	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	-

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.

29 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 or share holder’s funds. Hence, the accounts are prepared on a going concern basis.

RELIANCE MARCELLUS LLC
Notes to the financial statements for the year ended 31 December, 2022.
(amounts in US Dollars)

30 LEASES

30.1 Lease liabilities - Maturity analysis (Undiscounted basis)

	As at 31 December, 2022	As at 31 December, 2021
Not later than 1 year	-	167,725
Later than 1 year and not later than 5 year	-	-
Later than 5 year	-	-
TOTAL	**-**	**167,725**

30.2 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	**2022**	**2021**
Fixed payments	-	337,502
Variable payments	46,823	111,545
TOTAL	**46,823**	**449,047**

Overall the variable payments constitute up to 100% (2021 - 24.84%) of the Company's entire lease payments.

30.3 The total cash outflow for leases amount to USD 46,823 (include short-term and variable lease payment of USD NIL and USD 46,823 respectively).

RELIANCE MARCELLUS LLC
Notes to the financial statements for the year ended 31 December, 2022.
(amounts in US Dollars)

31 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	Holding Company (Control exists)
Reliance Eagleford Upstream LLC	Member
Reliance Marcellus II LLC	Fellow Subsidiary
Aurora Algae LLC	Fellow Subsidiary
Affinity USA LLC	Fellow Subsidiary
Reliance Terra Tech Holdings LLC (Formerly known as Reliance Eagleford Upstream GP LLC)	Subsidiary (control exists)
RIL USA Inc.	Subsidiary (control exists)
Reliance Finance and Investments USA LLC (from 22nd December, 2022)	Subsidiary (control exists)
Reliance Digital Health USA Inc.	Subsidiary (control exists)
Reliance UbiTek LLC (from 26th September, 2022)	Subsidiary (control exists)
Reliance NeuComm LLC (from 26th September, 2022)	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 (upto 31 December, 2021)	Key Management Person

Related Party Transactions

Name of the related party	Balances as at year end	As at 31 December, 2022	As at 31 December, 2021
Reliance Industries Limited	Corporate office support payable	-	27,355
Reliance Eagleford Upstream Holding LP	Other Receivables	-	904,380
Reliance Eagleford Upstream Holding LP	Interest on Loan	311	-
Reliance Eagleford Upstream Holding LP	Loan from Subsidiary	450,000	-
RIL USA Inc.	Rent receivable	-	23,291
Key Management Persons	Remuneration and benefits payable	-	940,740

Name of the related party	Nature of transaction	2022	2021
Reliance Industries Limited	Corporate office support received	-	501,771
Reliance Industries Limited	Issue of Preferred Membership Interest	20,000,000	-
Reliance Finance and Investments USA LLC	Investment	16,666,667	-
Reliance Eagleford Upstream Holding LP	Investment	-	147,700,000
Reliance Eagleford Upstream Holding LP	Recovery of employee benefit expenses	-	2,327,566
Reliance Eagleford Upstream Holding LP	Recovery of other expenses	3,524	727,355
Reliance Eagleford Upstream Holding LP	Repayment of capital by	3,999,630	349,967,943
Reliance Eagleford Upstream Holding LP	Loan given by	1,450,000	6,500,000
Reliance Eagleford Upstream Holding LP	Loan repaid to	1,000,000	6,500,000
Reliance Eagleford Upstream Holding LP	Interest on loan	3,089	23,694
Reliance Digital Health USA Inc.	Additional paid-in-capital contributed to	-	375,000
RIL USA Inc.	Rent Recovery	83,397	168,902
RIL USA Inc.	Other costs	9,419	92,381
RIL USA Inc.	Bandwith charges	17,500	35,000
RIL USA Inc.	Dividend paid by	-	375,000
Key management persons	Remuneration and benefits		
	- Short term benefits	375,096	2,592,075

32 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.

33 The financial statements are approved for issue by Company's Board of Managers on April 18, 2023.

For and on behalf of the Board

Walter Van de Vijver
Director

Date: April 18, 2023