

# **Reliance Eagleford Upstream GP LLC**

## Independent Auditors' Report

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

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### Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of **RELIANCE EAGLEFORD UPSTREAM GP LLC**. (hereinafter referred to as 'the Company') which comprises of the Balance Sheet as at 31<sup>st</sup> December, 2015, the Profit and Loss Statement, and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the financial statements").

### Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India including Accounting Standards specified under Section 133 of the Companies Act 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records, safeguarding the assets of the Company and preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India (ICAI). Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the company's preparation of the standalone financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

### Opinion

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 accounting principles generally accepted in India, of the state of affairs of the Company as at 31<sup>st</sup> December, 2015, and its loss and its cash flows for the year ended on that date.

### 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 Profit and Loss Statement, and the Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the standalone financial statements.

For **DELOITTE HASKINS & SELLS LLP**  
Chartered Accountants  
(Firm Registration No. 117366W / W - 100018)

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

Mumbai, dated: 31<sup>st</sup> March, 2016

## Balance Sheet as at 31 December 2015

		<i>In USD</i>	
	Note	As at 31st Dec, 2015	As at 31st Dec, 2014
<b>EQUITY AND LIABILITIES</b>			
<b>Member Capital</b>			
Member's contribution	1	36,800	36,800
Share of net income	2	(3,688)	(3,412)
		<u>33,112</u>	<u>33,388</u>
<b>TOTAL</b>		<u><u>33,112</u></u>	<u><u>33,388</u></u>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Non current Investment	3	22,835	22,835
<b>Current Assets</b>			
Cash and Bank balances	4	10,277	10,553
<b>TOTAL</b>		<u><u>33,112</u></u>	<u><u>33,388</u></u>
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As per our report of even date

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

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

Place: MUMBAI  
Date: 31<sup>st</sup> March, 2016

For and on behalf of the Board

Director

Place: HOUSTON  
Date: March 31, 2016

## Profit and Loss Statement for the year ended 31 December 2015

	Note	2015	<i>In USD</i> 2014
<b>EXPENDITURE:</b>			
Finance Costs	5	276	320
<b>Total Expenses</b>		<b>276</b>	<b>320</b>
<b>(Loss) for the year</b>		<b>(276)</b>	<b>(320)</b>
<i>Corporate Information and Significant Accounting Policies and Notes to the financial statements</i>	1-7		

As per our report of even date

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

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

Place: MUMBAI  
Date: 31<sup>st</sup> March, 2016

For and on behalf of the Board

Director

Place: HOUSTON  
Date: March 31, 2016

## Cash Flow Statement for the year ended 31 December 2015

	2015	2014
		<i>USD</i>
<b>A: CASH FLOW FROM OPERATING ACTIVITIES</b>		
(Loss) for the year as per Profit and Loss Statement	(276)	(320)
Operating Loss before Working Capital Changes	(276)	(320)
<b>Net Cash from Operating Activities</b>	<b>(276)</b>	<b>(320)</b>
<b>Net (Decrease) in Cash and Cash Equivalents</b>	(276)	(320)
<b>Opening Balance of Cash and Cash Equivalents</b>	10,553	10,873
<b>Closing Balance of Cash and Cash Equivalents (refer note 4)</b>	<b>10,277</b>	<b>10,553</b>

*Corporate Information and Significant Accounting Policies and Notes to the financial statements*

1-7

As per our report of even date

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

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

Place: MUMBAI  
Date: 31<sup>st</sup> March, 2016

For and on behalf of the Board

Director

Place: HOUSTON  
Date: March 31, 2016

## Corporate Information and Significant Accounting Policies on Financial Statements for the year ended 31 December 2015

### I. CORPORATE INFORMATION

- A. Reliance Eagleford Upstream GPLLC (the Company) was incorporated as a Texas limited liability company on 17 June 2010. The registered office of the Company is situated at 800 Brazos, Suite 400, Austin, Texas 78701, United States of America. The Company is engaged in the business of exploration and production of natural resources, primarily oil and gas from minerals properties and related businesses through its investment in Reliance Eagleford Upstream Holding LP (the Partnership). The Company is a wholly owned subsidiary of Reliance Holding USA, Inc. (the Holding Company). The Company is an indirectly wholly owned subsidiary of Reliance Industries Limited, an Indian listed company. The Company is the general partner of Reliance Eagleford Upstream Holding LP.

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

- B. On 23 June 2010, the Partnership executed definitive agreements to enter into a joint venture with Pioneer Natural Resources USA, Inc. (Pioneer) under which the Partnership acquired a 45% interest in Pioneer's core Eagle Ford Shale acreage position in two separate transactions for a total of \$264 million cash and \$1.05 billion of drilling carry obligations. The drilling carry obligations provided for 75% of the other joint venture partners' capital costs over an anticipated six-year development program. In addition, the Partnership will have to fund its share of the development plan. Pioneer and Newpek LLC, Pioneer's then-current partner in the Eagle Ford Shale, simultaneously conveyed 45% of their respective interests in the Eagle Ford Shale to the Partnership. The Partnership became a partner in 262,683 net acres. Pioneer continues to be the operator, with 46.354% participating interest. In December 2012, the Partnership fully met its \$1.05 billion drilling carry obligation. The Company accounts for its investment in the Partnership using the cost method.

### II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Company have been prepared in accordance with the accounting principles generally accepted in India (Indian GAAP) including Accounting Standards specified under section 133 of the Companies Act 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014. The financial statements are prepared on accrual basis under the Historical cost convention. The previous year figures have been regrouped / reclassified / restated, wherever necessary to conform to the current year presentation.

### III. SIGNIFICANT ACCOUNTING POLICIES

#### A. Use of Estimates:

The preparation of financial statements in conformity with Indian GAAP requires judgements, estimates and assumptions to be made that affect the reported amount of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognized in the year in which the results are known/ materialized.

#### B. Revenue Recognition:

Revenue is recognized only when the risk and reward incidental to ownership are transferred to the customer, it can be reliably measured and it is reasonable to expect ultimate collection. Finance income is recognized as the interest accrues.

#### C. Provisions, Contingent Liabilities and Contingent Assets:

Provision is recognized when there is a present obligation as a result of past event(s) and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

Contingent liabilities are not recognized in the financial statements and are disclosed unless the possibility of outflow of resources is remote.

Contingent assets are neither recognized nor disclosed in the financial statements.

#### D. Income Taxes:

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

## Notes on Financial Statements for the year ended 31 December 2015

### 1. MEMBER CONTRIBUTION

	<i>In USD</i>	
	<u>As at 31st Dec, 2015</u>	<u>As at 31st Dec, 2014</u>
<b>Member Contribution:</b>		
Reliance Holding USA Inc	36,800	36,800
<b>TOTAL</b>	<u><b>36,800</b></u>	<u><b>36,800</b></u>

### 2. SHARE OF NET INCOME

	<i>In USD</i>	
	<u>As at 31st Dec, 2015</u>	<u>As at 31st Dec, 2014</u>
Profit and Loss Account		
As per last Balance Sheet	(3,412)	(3,092)
Add : (Loss) for the year	<u>(276)</u>	<u>(320)</u>
<b>TOTAL</b>	<u><b>(3,688)</b></u>	<u><b>(3,412)</b></u>

### 3. NON-CURRENT INVESTMENTS (Long Term Investments)

#### Investment in others

**In Reliance Eagleford Upstream Holding LP, a Partnership**  
**0.01 % held by Reliance Eagleford Upstream GP LLC;**  
**99.99 % held by Reliance Eagleford Upstream LLC, fellow subsidiary #**

	<i>In USD</i>	
<b>Particulars</b>	<u><b>As at 31st December, 2015</b></u>	<u><b>As at 31st December, 2014</b></u>
Capital contribution	22,835	22,835
<b>Total Non-Current Investment</b>	<u><b>22,835</b></u>	<u><b>22,835</b></u>
# Capital contribution by Reliance Eagleford Upstream LLC	<u>228,327,165</u>	<u>228,327,165</u>

## Notes on Financial Statements for the year ended 31 December 2015

### 4. CASH AND BANK BALANCES

	<i>In USD</i>
	<i>As at</i>
	<i>31st Dec, 2015</i>
	<i>As at</i>
	<i>31st Dec, 2014</i>
Balance with bank	10,277
<b>TOTAL</b>	<b>10,277</b>
	<b>10,553</b>

### 5. FINANCE COSTS

	<i>In USD</i>
	<i>2015</i>
	<i>2014</i>
Bank charges	276
<b>TOTAL</b>	<b>276</b>
	<b>320</b>

### 6. RELATED-PARTY DISCLOSURES

#### (i) List of related parties where control exists and related parties where transactions have taken place:

Name of the related party	Relationship
Reliance Holding USA Inc	Holding company (control exists)
Reliance Industries Ltd	Ultimate Holding company (control exists)
Reliance Eagleford Upstream Holding LP	Partner company

#### (ii) Related-Party Transactions

There were no transaction during the year.

### 7. SEGMENT REPORTING

The Company is engaged in the business of exploration and production of natural resources, primarily oil and gas from minerals properties and related businesses through its investment. Consequently, there is a single business and geographical segment.