

Reliance Eagleford Upstream LLC

Independent Auditors' Report

TO THE BOARD OF DIRECTORS OF RELIANCE EAGLEFORD UPSTREAM LLC.

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of **RELIANCE EAGLEFORD UPSTREAM LLC**. (hereinafter referred to as 'the Company') which comprises of the Balance Sheet as at 31st 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 31st 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: 31st March, 2016

Balance Sheet as at 31 December 2015

		<i>In USD</i>	
	Note	As at 31st Dec, 2015	As at 31st Dec, 2014
EQUITY AND LIABILITIES			
Member Capital			
Member's contribution	1	228,407,150	228,395,150
Share of net income	2	(68,366)	(52,574)
		228,338,784	228,342,576
Non-Current Liabilities			
Long Term Borrowings	3	2,644,682,250	1,817,182,250
		2,644,682,250	1,817,182,250
Current Liabilities			
Other Current Liabilities	4	53,344	26,261,871
		53,344	26,261,871
TOTAL		<u>2,873,074,378</u>	<u>2,071,786,697</u>
ASSETS			
Non-Current Assets			
Loans and Advances	5	2,644,682,250	1,817,182,250
Non Current Investment	6	228,327,165	228,327,165
		2,873,009,415	2,045,509,415
Current Assets			
Cash and Bank balance	7	19,968	15,010
Other Current Assets	8	44,995	26,262,272
		64,963	26,277,282
TOTAL		<u>2,873,074,378</u>	<u>2,071,786,697</u>

Corporate information and significant Accounting Policies and Notes to the financial statements.

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As per our report of even date

For and on behalf of the Board of Managers

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

Abhijit A. Damle
Partner
Membership No. 102912

Manager

Place: MUMBAI
Date: 31st March, 2016

Place: NEW YORK, NY
Date: March 31, 2016

Profit and Loss Statement for the year ended 31 December 2015

	Note	2015	<i>In USD</i> 2014
INCOME:			
Other Income	9	103,592,350	105,907,175
Total Income		103,592,350	105,907,175
EXPENDITURE:			
Employee Benefits Expense	10	7,843	7,862
Finance Costs	11	103,592,903	105,907,568
Other Expenses	12	7,396	3,400
Total Expenses		103,608,142	105,918,830
(Loss) for the year		(15,792)	(11,655)
<i>Corporate Information and Significant Accounting Policies and Notes to the financial statements</i>	1-14		

As per our report of even date

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

Abhijit A. Damle
Partner
Membership No. 102912

Place: MUMBAI
Date: 31st March, 2016

For and on behalf of the Board of Managers

Manager

Place: NEW YORK, NY
Date: March 31, 2016

Cash Flow Statement for the year ended 31 December 2015

	2015	<i>In USD</i> 2014
A: CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) for the year as per Profit and Loss Statement	(15,792)	(11,655)
Adjusted for:		
Interest Income	(103,592,350)	(105,907,175)
Finance Costs	103,592,903	105,907,568
	<u>553</u>	<u>393</u>
Operating Profit before Working Capital Changes	(15,239)	(11,262)
Adjusted for:		
Short-Term Loans & Advances and Other Current Assets	26,217,277	(26,253,722)
Trade payables and other current liabilities	(26,208,527)	26,257,122
	<u>8,750</u>	<u>3,400</u>
Net Cash from Operating Activities	(6,489)	(7,862)
B: CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Long Term Borrowings	827,500,000	(11,900,000)
Loan to Partnership	(827,500,000)	11,900,000
Members Contribution	12,000	12,500
Finance Costs	(103,592,903)	(105,907,568)
Interest Income	103,592,903	105,907,175
Net Cash Generated from Financing Activities	12,000	12,107
Net increase in Cash and Cash Equivalents	5,511	4,245
Opening Balance of Cash and Cash Equivalents	15,010	10,765
Closing Balance of Cash and Cash Equivalents (refer note 7)	20,521	15,010

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

1-14

As per our report of even date

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

Abhijit A. Damle
Partner
Membership No. 102912

Place: MUMBAI
Date: 31st March, 2016

For and on behalf of the Board of Managers

Manager

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

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 limited partner of Reliance Eagleford Upstream Holding LP.

Company	Country of Incorporation	Percentage Ownership	Principal Business Activities
Reliance Eagleford Upstream Holding LP	USA	99.99 %	Exploration & production of oil & 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 revenue is recognized as the interest accrues.

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

C. Borrowing Costs:

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized 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 Profit and Loss Statement in the year in which they are incurred.

D. 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.

E. 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.

F. Investments:

Current Investments are carried at lower of cost and quoted/fair value computed category wise. Non-current investments are stated at cost. Provision for diminution in the value of non-current investments is made only if such a decline is other than temporary.

Notes on Financial Statements for the year ended 31 December 2015

1. MEMBERS CONTRIBUTION

	<i>In USD</i>	
	<u>As at 31st Dec, 2015</u>	<u>As at 31st Dec, 2014</u>
Members Contributions:		
Reliance Holding USA Inc	228,407,150	228,395,150
TOTAL	<u>228,407,150</u>	<u>228,395,150</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	(52,574)	(40,919)
Add: (Loss) for the year	<u>(15,792)</u>	<u>(11,655)</u>
	(68,366)	(52,574)
TOTAL	<u>(68,366)</u>	<u>(52,574)</u>

3. LONG TERM BORROWINGS

	<i>In USD</i>	
	<u>As at 31st Dec, 2015</u>	<u>As at 31st Dec, 2014</u>
Unsecured		
Loan from Holding Company (refer Note 13)	2,644,682,250	1,817,182,250
TOTAL	<u>2,644,682,250</u>	<u>1,817,182,250</u>

The Company borrows funds from the Holding Company @ 5.5% per annum as per loan agreement.

4. OTHER CURRENT LIABILITIES

	<i>In USD</i>	
	<u>As at 31st Dec, 2015</u>	<u>As at 31st Dec, 2014</u>
Other payables	3,599	3,399
Interest payable to Holding Company (refer Note 13)	49,745	26,258,472
TOTAL	<u>53,344</u>	<u>26,261,871</u>

Notes on Financial Statements for the year ended 31 December 2015

5. LONG TERM LOANS AND ADVANCES

	<i>In USD</i>	
	As at 31st Dec, 2015	As at 31st Dec, 2014
Loans to related party (refer Note 13)	2,644,682,250	1,817,182,250
TOTAL	2,644,682,250	1,817,182,250

6. NON-CURRENT INVESTMENTS

(Long Term Investments)

Investment in others

In Reliance Eagleford Upstream Holdiing LP, a Partnership

99.99 % held by Reliance Eagleford Upstream LLC;

0.01 % held by Reliance Eagleford Upstream GP LLC, fellow subsidiary #

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

7. CASH AND BANK BALANCES

	<i>In USD</i>	
	As at 31st Dec, 2015	As at 31st Dec, 2014
Balance with bank	19,968	15,010
TOTAL	19,968	15,010

8. OTHER CURRENT ASSETS

	<i>In USD</i>	
	As at 31st Dec, 2015	As at 31st Dec, 2014
Interest receivable from Partnership (refer note 13)	44,995	26,253,722
Other advances (refer note 13)	-	8,550
TOTAL	44,995	26,262,272

Notes on Financial Statements for the year ended 31 December 2015

9. OTHER INCOME

	<i>In USD</i>	
	2015	2014
Interest Income (refer Note 13)	103,592,350	105,907,175
TOTAL	103,592,350	105,907,175

10. EMPLOYEE BENEFIT EXPENSE

	<i>In USD</i>	
	2015	2014
Salaries and wages	7,843	7,862
TOTAL	7,843	7,862

11. FINANCE COST

	<i>In USD</i>	
	2015	2014
Interest expenses (refer Note 13)	103,592,350	105,907,175
Other borrowing costs	553	393
TOTAL	103,592,903	105,907,568

12. OTHER EXPENSES

	<i>In USD</i>	
	2015	2014
Rent	7,088	3,400
General expenses	308	-
TOTAL	7,396	3,400

Notes on Financial Statements for the year ended 31 December 2015

13. 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 Limited	Ultimate holding company (control exists)
Reliance Eagleford Upstream Holding LP	Partnership

(ii) Related-Party Transactions

Name of the related party	Balances as at year end	<i>In USD</i>	
		As at 31 December	
		2015	2014
Reliance Holding USA Inc	Loan from Holding company	2,644,682,250	1,817,182,250
Reliance Eagleford Upstream Holding LP	Loan to Partnership	2,644,682,250	1,817,182,250
Reliance Eagleford Upstream Holding LP	Other advances	-	8,550
Reliance Eagleford Upstream Holding LP	Interest receivable	44,995	26,253,722
Reliance Holding USA Inc	Interest payable	49,745	26,258,472

(iii) Related-Party Transactions

Name of the related party	Nature of transaction	<i>In USD</i>	
		Year ended	
		2015	2014
Reliance Eagleford Upstream Holding LP	Interest Income	103,592,350	105,907,175
Reliance Holding USA Inc	Interest expenses	103,592,350	105,907,175

14. SEGMENT REPORTING

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