

RELIANCE MARCELLUS LLC

Reliance Marcellus LLC

Independent Auditors' Report

The Member
Reliance Marcellus LLC

We have audited the accompanying financial statements of Reliance Marcellus LLC (the "Company"), which comprise the statement of financial position as of 31 December 2014, and the related statement of comprehensive loss, changes in member's equity, and cash flows for the one year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Reliance Marcellus LLC as of 31 December 2014, and the results of its operations and its cash flows for the one year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Predecessor Auditors' Opinion on 2013 Financial Statements

The financial statements of the Company as of and the year ended 31 December 2013 were audited by other auditors whose report, dated 8, April 2014, expressed an unmodified opinion on those statements.

Member of
Deloitte Touche Tohmatsu

Deloitte & Touche LLP
17 April, 2015

Statements of Comprehensive Loss
For the years ended 31 December 2014 and 2013
(In US dollars)

	Notes	2014	2013
Revenue		\$ 141,265,944	\$ 114,272,389
Cost of sales	3	<u>(224,939,828)</u>	<u>(120,768,059)</u>
Gross loss		(83,673,884)	(6,495,670)
General and administrative expenses	4	<u>(2,049,306)</u>	<u>(1,938,647)</u>
Operating loss		(85,723,190)	(8,434,317)
Finance costs	5	(54,812,742)	(37,355,156)
Finance income	6	<u>-</u>	<u>149</u>
Total comprehensive loss		\$ <u>(140,535,932)</u>	\$ <u>(45,789,324)</u>

See notes to financial statements.

Statements of Financial Position
As of December 31 2014 and 2013
(In US dollars)

	Notes	2014	2013
Assets			
Noncurrent assets:			
Exploration and evaluation assets	7	\$ 1,377,048,494	\$ 1,174,822,284
Oil and gas properties - net	8	1,259,684,093	1,023,762,150
Total noncurrent assets		<u>2,636,732,587</u>	<u>2,198,584,434</u>
Current assets:			
Accrued revenue and other current assets	10	18,864,008	20,591,536
Cash and cash equivalents	11	31,621	255,811
Total current assets		<u>18,895,629</u>	<u>20,847,347</u>
Total assets		<u>\$ 2,655,628,216</u>	<u>\$ 2,219,431,781</u>
Equity and liabilities			
Equity:			
Member contributions		\$ 351,046,000	\$ 184,546,000
Accumulated deficit		(224,287,219)	(83,751,287)
Total equity		<u>126,758,781</u>	<u>100,794,713</u>
Noncurrent liabilities:			
Loans from Holding Company	14	2,039,359,700	1,644,509,700
Term loan	14	345,209,703	343,807,438
Decommissioning provisions	9	4,315,607	3,029,526
Total noncurrent liabilities		<u>2,388,885,010</u>	<u>1,991,346,664</u>
Current liabilities:			
Accrued interest	13	9,802,381	98,254
Accounts payable and accrued liabilities	13	130,182,044	127,192,150
Total current liabilities		<u>139,984,425</u>	<u>127,290,404</u>
Total liabilities		<u>2,528,869,435</u>	<u>2,118,637,068</u>
Total equity and liabilities		<u>\$ 2,655,628,216</u>	<u>\$ 2,219,431,781</u>

See notes to financial statements.

Statements of Cash Flows

For the Years Ended 31 December, 2014 and 2013

(In US Dollars)

	Notes	2014	2013
Operating activities			
Total comprehensive loss		\$ (140,535,932)	\$ (45,789,324)
Adjustments for:			
Depletion of oil and gas properties	8	84,431,920	66,526,507
Impairment Loss	3	80,590,877	-
Amortization of debt discount on a term loan and debt issue costs	5	1,402,265	815,375
Unwinding discount on decommissioning provision	5	152,142	-
Finance income	6	-	(149)
		<u>26,041,272</u>	<u>21,552,409</u>
Working capital adjustment:			
Change in accrued revenue and other current assets	10	1,727,528	(9,863,453)
Change in current liabilities	13	4,904,585	7,570,775
Net cash provided by (used in) operating activities		<u>32,673,385</u>	<u>19,259,731</u>
Investing activities			
Investment in exploration and evaluation assets and oil and gas properties	7,8	(594,247,575)	(746,025,809)
Interest received		-	149
Net cash used in investing activities		<u>(594,247,575)</u>	<u>(746,025,660)</u>
Financing activities			
Members contribution		66,500,000	-
Proceeds from term loan		-	350,000,000
Proceeds from loans from Holding Company	14	494,850,000	383,600,000
Debt issuance cost		-	(7,007,937)
Net cash provided by financing activities		<u>561,350,000</u>	<u>726,592,063</u>
Change in cash and cash equivalents		(224,190)	(173,866)
Cash and cash equivalents - beginning of year		255,811	429,677
Cash and cash equivalents - end of year	11	<u>\$ 31,621</u>	<u>\$ 255,811</u>

Notes to Financial Statements

As of and for the year ended 31 December, 2014 and 2013

1. Corporate Information

Reliance Marcellus LLC (the “Company”) was formed 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.

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, the ultimate parent.

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-a-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 is the operator, with 60% interest in the joint venture. Atlas was acquired by Chevron Corporation on 17 February 2011. Remaining drilling carry obligation as of 31 December 2014 is \$286.2 million.

The Company accounted for the initial acquisition of interests in shale properties at cost, which included the purchase price and other costs directly attributable to the asset acquisition. The acquisition costs were allocated to exploration and evaluation assets. Subsequently, the interests in shale properties are accounted for as joint operations.

2.1. Basis of Preparation

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The financial statements have been presented in United States dollars (“USD”), which is the functional currency of the Company.

Subsequent event has been evaluated for purposes of analysis and disclosure through 17 April 2015, the date the financial statements were available for issuance.

Interests in Joint Ventures

Under IFRS 11, Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Company has assessed the nature of its joint arrangements and determined them to be joint operations. We consider this a critical judgment in the application of accounting policy. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. The Company’s interest in a joint operation, would be recognized as follows:

- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from the sale of its share of the output arising from the joint operation
- Share of the revenue from the sale of the output by the joint operation
- Expenses, including its share of any expenses incurred jointly

2.2. Summary of Significant Accounting Policies

Revenue Recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding royalties, discounts, and rebates.

Revenue from the sale of oil, natural gas, and other hydrocarbons is recognized when the significant risks and rewards of ownership have been transferred, which is when title passes to the customer. This generally occurs when product is physically delivered and the customer has assumed the risks and rewards of ownership. Revenue from the production of oil and gas in which the Company has an interest with other producers is recognized based on the Company’s working interest (the entitlement method).

Finance revenue is recognized as the interest accrues.

Notes to Financial Statements

As of and for the year ended 31 December, 2014 and 2013

2.2. Summary of Significant Accounting Policies (continued)

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets are added to the cost of those assets until such time as the assets are substantially ready for their intended use; i.e., when they are capable of commercial production. Where funds are borrowed specifically to finance a project, the amount capitalized represents the actual borrowing costs incurred. All other borrowing costs are recognized as finance costs in the statement of comprehensive loss in the period in which they are incurred.

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.

Exploration and Evaluation and Oil and Gas Properties

The Company initially capitalizes leasehold property acquisition costs and geological and geophysical costs as intangible exploration and evaluation assets. The costs of exploration and evaluation assets are transferred to oil and gas properties ratably based on the drilling progress made under the overall capital expenditure program.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount, and immediately before reclassification into oil and gas properties.

Oil and gas properties include cumulative capital expenditures incurred and transfers from exploration and evaluation assets. Oil and gas properties are stated at cost, less accumulated depletion and accumulated impairment losses.

Depletion of Oil and Gas Properties

Costs capitalized under oil and gas properties are depleted using the unit-of-production method based upon proved oil and natural gas reserves, taking into account expenditures incurred to date and approved future development expenditures required to develop reserves.

Impairment of Oil and Gas Properties and Exploration and Evaluation Assets

Oil and gas properties are tested for impairment in accordance with IAS 36 whenever fact and circumstances indicate impairment. An impairment loss is recognized for the amount by which the property's carrying amount exceeds the recoverable amount. The recoverable amount is the higher of the property's estimated fair value less cost to sell or the estimated value in use. In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments 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. We consider the determination of the pre-tax discount rate is a critical judgment in application of accounting policy.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

For the purpose of assessing impairment, the oil and gas properties are subject to testing are grouped with existing cash-generating units of producing fields.

Exploration and evaluation assets, comprising of leasehold, tangible, and intangible costs, are reviewed regularly for indicators of impairment following the guidance in IFRS 6, *Exploration for and Evaluation of Mineral Resources*, and tested for impairment where such indicators exist and before reclassification of exploration and evaluation assets to oil and gas properties.

Notes to Financial Statements

As of and for the year ended 31 December, 2014 and 2013

2.2. Summary of Significant Accounting Policies (continued)

The carrying amount of Oil and Gas Properties was \$1.4 billion (31 December 2013: \$1.1 billion) after an impairment loss of \$80.6 million was recognized during 2014 (2013: nil). Details of the impairment loss calculation are set out in note 8.

Carrying Values of Oil and Gas Properties

Oil and gas properties are depleted using the unit-of-production method over proved mineral reserves. The calculation of the unit-of-production rate of depletion could be affected to the extent that actual production in the future is different from current forecast production based on proved reserves. This would generally result from changes in any of the factors or assumptions used in estimating reserves. These factors could include:

- Changes in proved reserves
- The effect on proved reserves of differences between actual commodity prices and commodity price assumptions
- Unforeseen operational issues

Impairment Indicators

The recoverable amounts of cash-generating units and individual assets are determined based on the 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 the oil and gas price assumptions may change, which may then affect the estimated life of the field and require a material adjustment to the carrying value of exploration and evaluation assets or oil and gas properties. The Company monitors internal and external indicators of impairment relating to its tangible and intangible assets.

Proved Reserves Base

Oil and gas development and production properties are depleted on a unit-of-production basis at a rate calculated by reference to the proved reserves. Proved reserves are those quantities of oil and gas that, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs and under existing economic conditions, operating methods and government regulations.

Proved developed reserves are those reserves that can be expected to be recovered through existing wells and with existing equipment and operating methods. Proved undeveloped reserves comprise total proved reserves less total proved developed reserves. Proved undeveloped reserves incorporate the estimated future cost of developing and extracting those reserves. Future development costs are estimated using assumptions as to the number of wells required to produce the proved reserves, the cost of such wells and associated production facilities, and other capital costs. Future development costs are considered a key source of estimation uncertainty.

Expected Reserves Base

Expected oil and gas reserves are the estimated remaining, commercially recoverable quantities, based on management's judgment of future economic conditions, from projects in operation or justified for development. Recoverable oil and gas quantities are always uncertain. Expected oil and gas reserves may materially impact the financial statements, as changes in the expected reserves, for instance as a result of changes in prices, will impact decommissioning provisions and impairment testing of exploration and evaluation assets and oil and gas properties, which in turn may lead to changes in impairment charges affecting operating income. Expected oil and gas reserves are therefore typically larger than what is referred to as proved reserves. Expected oil and gas reserves have been estimated by internal qualified professionals and are used for impairment testing purposes. Reserves estimates are based on subjective judgments involving geological and engineering assessments of in-place hydrocarbon volumes, the historical production, and operating limits. The reliability of these estimates at any point in time depends on both the quality and quantity of the technical and economic data and the efficiency of extracting the hydrocarbons.

Accounts Receivable

Accounts receivable is stated at original invoice amounts less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Notes to Financial Statements

As of and for the year ended 31 December, 2014 and 2013

2.2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and bank balances in current accounts.

Accounts Payable and Accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Decommissioning Provision

Decommissioning provision is recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. Decommissioning costs are provided at the present value of expected costs to settle the obligation using the estimated cash flows and are recognized as part of that particular asset. The cash flows are discounted at current pretax rates that reflect the risks specific to the decommissioning provision. Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to the cost of the asset.

Decommissioning costs will be incurred by the Company at the end of the operating life of certain facilities and properties. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to relevant legal requirements, the emergence of new restoration techniques, or experience at other production sites. The expected timing and amount of expenditure can also change, for example, in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the provisions established, which would affect future financial results.

Provisions and Contingent Liabilities

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, 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.

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

By their nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgment and the use of estimates regarding the outcome of future events.

Interest-Bearing Loans and Borrowings

All interest-bearing loans and borrowings are initially recognized at the fair value of the consideration received, gross of issue costs directly attributable to the borrowing. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument. Issue cost associated with obtaining loans and borrowings are amortized over the term of the loan.

Estimates and Assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of assets and liabilities at the end of the reporting period and amounts of revenues and expenses recognized during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, uncertainty about the following assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in future periods.

Reserve Disclosures (Unaudited)

For the years ended 31 December 2014 and 2013, the Company engaged an independent petroleum engineering firm to perform reserve audit services. The following proved reserves, net of royalty, have been agreed to the results of their work:

Notes to Financial Statements

As of and for the year ended 31 December, 2014 and 2013

2.3 New and Amended Standards and Interpretations (continued)

Nature of Hydrocarbon	UOM	Opening Balance	Change during the Period		Total	Produced During the Period	Closing Balance
			Proved Developed	Proved Undeveloped			
31 December 2014							
Natural gas	Bcf	971.2	103.6	69.1	172.7	42.4	1,101.5
31 December 2013							
Natural gas	Bcf	542.4	155.1	305.5	460.6	31.8	971.2

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as of 1 January 2014:

IAS 32 Offsetting Financial Assets and Financial Liabilities—Amendments to IAS 32

These amendments clarify the meaning of “currently has a legally enforceable right to set-off.” The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The application of the amendments has had no impact on disclosures or on the amounts recognized in the Company’s financial statements.

2.4. Standards Issued But Not Yet Effective

Standards issued but not yet effective up to the date of issuance of the Company’s consolidated financial statements are disclosed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures and financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 issued in November 2009 introduced new requirements for classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a ‘fair value through other comprehensive income’ measurement category for certain simple debt instruments. The standard is effective for annual periods beginning on or after 1 January 2018. A reasonable estimate of the effect of IFRS 9 will be determined upon a detailed review by the Company.

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective on or after 1 January 2017. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Prescriptive guidance has been added in IFRS 15 to deal with certain scenarios as well as guidance on required disclosures. A reasonable estimate of the effect of IFRS 15 will be determined upon a detailed review by the Company.

IFRS 11 Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 *Business Combinations*. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation. The amendments to IFRS 11 apply prospectively for annual period beginning on or after 1 January 2016. We do not anticipate that the application of these amendments to IFRS 11 will have a material impact on the Company’s financial statements.

Notes to Financial Statements

As of and for the year ended 31 December, 2014 and 2013

3. Cost of Sales

	Years Ended 31 December	
	2014	2013
	<i>(In USD)</i>	
Operating expenses	\$ 55,813,213	\$ 49,997,763
Production taxes	4,103,818	4,243,789
Impairment loss (Note 8)	80,590,877	-
Depletion of oil and gas properties (Note 8)	84,431,920	66,526,507
	<u>\$ 224,939,828</u>	<u>\$ 120,768,059</u>

4. General and Administrative Expenses

	Years Ended 31 December	
	2014	2013
	<i>(In USD)</i>	
Other operating costs	\$ 793,272	\$ 792,742
Staff cost	1,256,034	1,145,905
	<u>\$ 2,049,306</u>	<u>\$ 1,938,647</u>

5. Finance Cost

	Years Ended 31 December	
	2014	2013
	<i>(In USD)</i>	
Bank charges	\$ 943	\$ 4,449
Other finance charges		250
Guarantee fees:		
Gross guarantee fees incurred	6,774,071	10,305,132
Less : amount capitalized	-	(3,379,231)
		6,925,901
Interest:		
Gross interest incurred	111,565,405	84,029,867
Less : amount capitalized	(65,082,084)	(54,420,686)
	<u>46,483,321</u>	<u>29,609,181</u>
Amortisation of debt discount and debt issue costs	1,402,265	815,375
Discount unwinding in decommissioning provision	152,142	
	<u>\$ 54,812,742</u>	<u>\$ 37,355,156</u>

The total finance cost paid in 2014 and 2013, was \$107.2 million and \$ 101.2 million, respectively.

Interest costs and guarantee fees in respect of capital expenditure attributable to assets which become ready for commercial production are expensed. The remainder of interest costs and guarantee fees incurred are capitalized.

6. Finance Income

	Years Ended 31 December	
	2014	2013
	<i>(In USD)</i>	
Interest income on bank balances	\$ -	\$ 149
	<u>\$ -</u>	<u>\$ 149</u>

Notes to Financial Statements

As of and for the year ended 31 December, 2014 and 2013

7. Exploration and Evaluation Assets

	Leasehold Interest	Tangible	Intangible	Total
	<i>(In USD)</i>			
Costs:				
At 31 December 2012	\$ 856,238,445	\$ 2,880,971	\$ 84,677,594	\$ 943,797,010
Additions during the period	346,972,940	42,337,043	344,635,364	733,945,347
Less transferred to oil and gas properties	(166,135,983)	(38,850,132)	(297,933,958)	(502,920,073)
At 31 December 2013	\$ 1,037,075,402	\$ 6,367,882	\$ 131,379,000	\$ 1,174,822,284
Additions during the period	269,424,258	34,311,859	298,300,894	602,037,011
Less transferred to oil and gas properties	(145,264,063)	(29,708,793)	(224,837,945)	(399,810,801)
At 31 December 2014	<u>\$ 1,161,235,597</u>	<u>\$ 10,970,948</u>	<u>\$ 204,841,949</u>	<u>\$ 1,377,048,494</u>

Borrowing costs capitalized within exploration and evaluation properties during 2014 and 2013, were \$65.1 million and \$57.8 million, respectively.

8. Oil and Gas Properties

	Leasehold Interest	Tangible	Intangible	Total
	<i>(In USD)</i>			
Costs:				
At 1 January 2013	\$ 113,154,607	\$ 45,905,841	\$ 465,695,213	\$ 624,755,661
Additions during the period	-	-	-	-
Add: transferred from exploration and evaluation assets	166,135,983	38,850,132	297,933,958	502,920,073
Add: decommissioning provision	-	-	2,764,141	2,764,141
At 31 December 2013	<u>\$ 279,290,590</u>	<u>\$ 84,755,973</u>	<u>\$ 766,393,312</u>	<u>1,130,439,875</u>
Depletion:				
At 1 January 2013				(40,151,218)
Charge for the period				(66,526,507)
At 31 December 2013				<u>(106,677,725)</u>
Net carrying amount at 31 December 2013				<u>\$1,023,762,150</u>

	Leasehold Interest	Tangible	Intangible	Decommissioning Provision Property	Total
	<i>(In USD)</i>				
Costs:					
At 1 January 2014	\$ 279,290,590	\$ 84,755,973	\$ 766,393,312	\$ -	\$ 1,130,439,875
Allocation of decommissioning provision asset			(3,042,844)	3,042,844	-
Transferred from exploration & evaluation assets	145,264,063	29,708,793	224,837,945		399,810,801
Decommissioning provision asset for the year				1,133,939	1,133,939
At 31 December 2014	<u>\$ 424,554,653</u>	<u>\$ 114,464,766</u>	<u>\$ 988,188,413</u>	<u>\$ 4,176,783</u>	<u>1,531,384,615</u>

Notes to Financial Statements

As of and for the year ended 31 December, 2014 and 2013

Impairment:

At 1 January 2014	
Charge for the period	(80,590,877)
At 31 December 2014	<u>(80,590,877)</u>

Depletion:

At 1 January 2014	(106,677,725)
Charge for the period	<u>(84,431,920)</u>
At 31 December 2014	<u>(191,109,645)</u>
Net carrying amount at 31 December 2014	<u>\$ 1,259,684,093</u>

In line with its practice of testing Oil and Gas Properties for impairment when reclassified from exploration and evaluation assets, or whenever fact and circumstances indicate impairment, the Company carried out an impairment review in 2014. The review led to the recognition of an impairment loss of \$80.6 million, which is recognized in the Statement of Comprehensive Loss. The recoverable amount of the relevant assets has been determined on the basis of their value in use, which amounted to \$1.4 billion as at 31 December 2014. The discount rate used in measuring value in use was 7% per annum. The value in use is less than the carrying value of \$1.5 billion, resulting in an impairment of \$80.6 million. There was no impairment in 2013.

9. Decommissioning Provision

	<u>As at 31 December</u>	
	2014	2013
	(In US dollars)	
Beginning balance	\$ 3,029,526	\$ 265,385
Movements during the year:		
For the year	1,133,939	3,042,844
Liability settled during the year	-	(13,318)
Unwinding of discount	152,142	
Changes in estimates	-	(265,385)
Closing balance	<u>\$ 4,315,607</u>	<u>\$ 3,029,526</u>

10. Other Current Assets

	<u>31 December</u>	
	2014	2013
	(In USD)	
Revenue receivable	\$ 18,802,763	\$ 19,658,075
Other advances	-	824,612
Prepayments	61,245	108,849
	<u>\$ 18,864,008</u>	<u>\$ 20,591,536</u>

Revenue receivable includes revenue accrued based on November and December 2014 production estimates to be trueed up in subsequent months.

11. Cash and Cash Equivalents

	<u>31 December</u>	
	2014	2013
	(In USD)	
Cash in Bank	\$ 31,621	\$ 255,811
	<u>\$ 31,621</u>	<u>\$ 255,811</u>

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12. Non-Cash Transactions

During the current year, the Company entered into the following non-cash investing and financing activities which are not reflected in the statement of cash flows:

- The Company accrued for investment in Exploratory and Evaluation assets that resulted in a change in liabilities from 2013 to 2014 of \$7.8 million (corresponding for 2013 \$ (11.9) million).
- The Holding Company converted outstanding loan with the Company into Equity that resulted in a decrease in outstanding Loan from Holding Company and corresponding increase in Member Contribution - Capital by \$ 100 Million. There was no impact in 2013.

13. Accounts Payable and Accruals

	2014	31 December 2013
		<i>(In USD)</i>
Joint interest payables and accruals – capital expenditures	\$ 123,132,892	\$ 115,343,456
Interest on term loan	-	98,254
Interest on Holding Company Loan	9,802,381	
Other payable to Holding Company	1,030,980	391,924
Joint interest payables and accruals – operating expenses	6,018,172	11,456,770
	\$ 139,984,425	\$ 127,290,404

The table below summarizes the maturities of the Company's trade payables and accruals due to unrelated third parties, based on contractual payment dates and current market interest rates:

	< 3 Months	3 to 12 Months	1 to 5 Years	> 5 Years	Total
			<i>(In USD)</i>		
At 31 December 2013					
Joint interest payables and accruals	\$ 126,800,226	\$ -	\$ -	\$ -	\$ 126,800,226
At 31 December 2014					
Joint interest payables and accruals	\$ 129,151,064	\$ -	\$ -	\$ -	\$ 129,151,064

14. Long-Term Debts

	As at 31 December 2014	2013
		<i>(In US dollars)</i>
Loan from Holding Company	\$ 2,039,359,700	\$ 1,644,509,700
Term loan	350,000,000	350,000,000
Less : Expenses in connection with term loan incurred during 2013	(7,007,937)	(7,007,937)
Less : Amortization of discount - current period	1,402,265	815,375
Less : Amortization of discount - previous periods	815,375	-
	(4,790,297)	(6,192,562)
	345,209,703	343,807,438
Carrying value of long-term debt	\$ 2,384,569,403	\$ 1,988,317,138

The Company has an unsecured loan facility agreement in which the Holding Company grants loans to the Company up to a maximum amount of \$2.5 billion. Simple interest is charged at a rate per annum equal to the greater of applicable one-year London Interbank Offered Rate ("LIBOR") plus 350 basis points or 2% plus 350 basis points per annum, as determined by the lender two business days

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prior to the first day of an interest period, which is generally one year but can be of other duration as the borrower and lender may agree. Interest is due on the date which is later of 5 days from date of invoice or the end of an interest period, and principal is due on the final maturity date of the facility agreement. The facility agreement has an original term of 120 months (originated April 2010), which can be extended by the lender at its sole discretion and option, upon request from the borrower. The borrower can prepay the outstanding amount of the facility in full or in part, including accrued interest.

The applicable interest rate on the drawdowns is 5.5% in 2014 and 2013.

On 31 December 2014, the Holding Company converted \$100 million out of the outstanding loan of \$2.1 billion into equity. Consequently, at 31 December 2014 and 2013, the Company has outstanding drawdowns of \$2.0 billion and \$1.6 billion, respectively. Accrued interest of \$9,802,381 under the facility is due within the 12 months following 31 December 2014 (Nil for corresponding period as on 31 December 2013).

Unsecured Term Loan Facility

On 23 May 2013, the Company executed an unsecured term loan facility with a syndicated bank group (the "Chevron Credit Facility") with a final maturity of 60 months from the first loan date. The Chevron Credit Facility has a maximum commitment of \$350 million which is fully utilized as on 31 December 2013.

Borrowings under the Chevron Credit Facility bear interest at the applicable interest margin of 260 basis points per annum plus LIBOR. The LIBOR rate is defined as the applicable British Bankers' Association London Interbank Offered Rate ("LIBOR") for deposits in U.S. Dollars.

For the year ended 31 December 2014, the weighted average interest rate was 2.80% (2013: 2.68%). As of 31 December 2014, the outstanding advances was \$350.0 million, and accrued interest was \$ Nil.

The agreement for the Chevron Credit facility contains financial and other covenants, including leverage test and net worth test. Reliance Marcellus LLC is in compliance with the covenants.

15. Capital Commitments

	As at 31 December	
	2014	2013
	<i>(In USD)</i>	
Capital commitment:		
Drilling carry obligation to Chevron Northeast Upstream LLC under the Participation and Development Agreement	\$ 225,449,465	\$ 485,499,243

16. Fair Values of Financial Instruments

Presented below is a comparison by category of carrying amounts and fair values of all of the Partnership's financial instruments that are carried in the financial statements:

	2014		2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	<i>(In USD)</i>			
Financial assets:				
Cash and cash equivalents	\$ 31,621	\$ 31,621	\$ 255,811	\$ 255,811
Revenue receivable	18,802,763	18,802,763	19,658,075	19,658,075
Financial liabilities:				
Accounts payable and accrued liabilities	129,151,064	129,151,064	126,800,226	126,800,226
Term loan	345,209,703	345,209,703	343,807,438	343,807,438
Loan from Holding Company	2,039,359,700	2,122,934,234	1,644,509,700	1,722,967,230

The fair values of the financial assets and liabilities are included at the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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The following methods and assumptions were used to estimate the fair values:

Cash and cash equivalents, accrued revenue, accounts payable and accrued liabilities, approximate their carrying amounts largely due to the short-term maturities of these instruments. The fair values of these financial instruments are not materially different from the carrying values.

Carrying amount of term loan approximates fair value because their interest rate are variable and reflective of market rates.

The fair value related to the loan from Holding Company and the related interest is determined based on a discount rate that is reflective of current market rates for debt.

17. Related-Party Disclosures

The following describes the related parties to the Company and the transactions among them:

Related Parties

Name of the Company/Firm/ Associate/Affiliate	Country of Incorporation	Relation	Equity Interest
Reliance Industries Limited	India	Ultimate Parent	0 %
Reliance Holding USA, Inc.	USA	Parent	100%

Related-Party Transactions

Name of the Company/Firm/ Associate/Affiliate	Nature of Transaction (Refer to Statements of Financial Position)	As at 31 December	
		2014	2013
		(In USD)	
Reliance Industries Limited	Guarantee – refer to note (i)	\$ 286,230,305	\$ 542,999,536
Reliance Holding USA, Inc.	Member contribution	351,046,000	184,546,000
Reliance Holding USA, Inc.	Loan	2,039,359,700	1,644,509,700
Reliance Holding USA, Inc.	Other advances	1,030,981	391,924
Reliance Holding USA, Inc.	Interest payable	9,802,381	-

Name of the Company/Firm/ Associate/Affiliate	Nature of Transaction (Refer to Statements of Comprehensive Loss)	Years ended 31 December	
		2014 Amount	2013 Amount
		(In USD)	
Reliance Holding USA, Inc.	Staff cost	\$ 2,219,543	\$ 1,793,425
Reliance Industries Limited	Guarantee commission	34,109	67,216
Reliance Holding USA, Inc.	Interest on loans paid	101,781,387	79,255,476
Reliance Holding USA, Inc.	Guarantee commission	6,739,962	10,237,916
Reliance Holding USA, Inc.	Other cost	453,968	573,320

Reliance Industries Limited has provided the following guarantees on behalf of the Company:

- (i) To Chevron Northeast Upstream LLC for an amount of \$286 million as of 31 December 2014 and \$543 million as of 31 December 2013 toward the Company's drilling carry obligation under the Participation and Development Agreement (as defined).

Notes to Financial Statements

As of and for the year ended 31 December, 2014 and 2013

18. Financial Risk Management Objectives and Policies

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 ultimate parent, will ensure that sufficient liquidity is available to meet all of its operating commitments by raising loans or arranging other facilities as and when required.

Commodity Price Risk

The Company is exposed to the risks of fluctuations in prevailing market prices on the mix of oil and gas products it produces. In 2014 and 2013, the Company did not enter into any derivative commodity contracts to manage the commodity price risk. However, as the inventory of the proved hydrocarbons increases going forward, the Company may manage the commodity price risk by entering into derivative commodity contracts.

Capital Management

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 company value.

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies, or processes during the years ended 31 December 2014 and 2013.