

# **Reliance Eagleford Upstream GP LLC**

## Independent Auditors' Report

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The Member

Reliance Eagleford Upstream GP LLC:

We have audited the accompanying financial statements of Reliance Eagleford Upstream GP 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 from 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 audit 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 entity'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 Eagleford Upstream GP LLC at 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.

Member of  
Deloitte Touche Tohmatsu

### 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.

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
General and administration expenses	3	\$ -	\$ (120)
Operating loss			(120)
Finance costs	4	(320)	(607)
Total comprehensive loss		<u>\$ (320)</u>	<u>\$ (727)</u>

*See notes to financial Statements.*

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

	Notes	2014	2013
<b>Assets</b>			
Noncurrent asset:			
Investment in partnership	5	\$ 22,835	\$ 22,835
Total noncurrent asset		22,835	22,835
Current asset:			
Cash and cash equivalents	6	10,553	10,873
Total current asset		10,553	10,873
Total assets		\$ 33,388	\$ 33,708
<b>EQUITY AND LIABILITIES</b>			
<b>Equity :</b>			
Member contributions	7	\$ 36,800	\$ 36,800
Accumulated deficit		(3,412)	(3,092)
Total equity		33,388	33,708
Total equity and liabilities		\$ 33,388	\$ 33,708

*See notes to financial Statements.*

**Statements of Changes in Member's Equity**  
**For the years ended 31 December 2014 and 2013**  
(In US dollars)

	<b>Member Contributions</b>	<b>Accumulated Deficit</b>	<b>Total</b>
Balance - 31 December 2012	\$ 26,800	\$ (2,365)	\$ 24,435
Addition during the year	10,000	-	10,000
Comprehensive loss	-	(727)	(727)
Balance - 31 December 2013	36,800	(3,092)	33,708
Comprehensive loss	-	(320)	(320)
Balance - 31 December 2014	<u>\$ 36,800</u>	<u>\$ (3,412)</u>	<u>\$ 33,388</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
<b>Operating activity</b>			
Total Comprehensive loss		\$ (320)	\$ (727)
Change in accrued general and administration expenses	3	-	(120)
Cash used in operating activity		(320)	(847)
Financing activity - Member contributions	7	-	10,000
Cash provided by financing activity		-	10,000
Change in cash and cash equivalents		(320)	9,153
Cash and cash equivalents - beginning of year		10,873	1,720
Cash and cash equivalents - end of year	6	\$ 10,553	\$ 10,873

*See notes to financial statements.*

# Notes to Financial Statements

## As of and for the years ended 31 December 2014 and 2013

(In US dollars)

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### 1. Corporate Information

Reliance Eagleford Upstream GP LLC (the “Company”) was formed 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 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, India the ultimate parent.

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

Reliance Eagleford Upstream Holding LP is a limited partnership organized under the laws of Texas.

On 23 June 2010, Reliance Eagleford Upstream Holding LP (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 commitments. The drilling carry commitments 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 approximately 262,683 net acres. Pioneer continues to be the operator, with 46.354% participating interest. In December 2012, the \$1.05 billion drilling carry commitment was fulfilled.

The Company accounts for its investment in the Partnership using the cost method.

#### 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 events have been evaluated for purposes or analysis and disclosure through 17 April 2015, the date the financial statements were available for issuance.

#### 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.

##### 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.

##### 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.

## Notes to Financial Statements As of and for the years ended 31 December 2014 and 2013 (In US dollars)

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### 2.2. Summary of Significant Accounting Policies (Continued)

#### 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.

#### 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 these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of an asset or liability in future periods.

### 2.3 New and Amended Standards and Interpretations

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.

#### *Amendments to IFRS 10, IFRS 12, and IAS 27 - Investment Entities*

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. As the Company is not an investment entity (based on the criteria set out in IFRS 10 as at 1 January 2014), the application of the amendments has had no impact on the disclosures or 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 financial statements are disclosed below. This listing of standards and interpretations issued are those that the Group 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 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



## Notes to Financial Statements

### As of and for the years ended 31 December 2014 and 2013

(In US dollars)

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.

#### 3. General and Administration Expenses

	Years Ended 31 December	
	2014	2013
Miscellaneous office expenses	\$ -	\$ 120
	<u>\$ -</u>	<u>\$ 120</u>

#### 4. Finance Costs

	Years Ended 31 December	
	2014	2013
Bank charges	\$ 320	\$ 607
	<u>\$ 320</u>	<u>\$ 607</u>

#### 5. Investment in Partnership

	31 December	
	2014	2013
Reliance Eagleford Upstream Holding LP	\$ 22,835	\$ 22,835
	<u>\$ 22,835</u>	<u>\$ 22,835</u>

Summarized statement of operations information for Reliance Eagleford Upstream Holding LP is set below:

(In US dollars)

	Years Ended 31 December	
	2014	2013
Total revenues	\$ 776,857,703	\$ 649,330,991
Total loss	227,787,751	173,735,198

Summarized balance sheet information for Reliance Eagleford Upstream Holding LP is set below:

	31 December	
	2014	2013
Total assets	\$ 3,369,486,952	\$ 3,046,698,439
Total liabilities	\$ 2,488,019,091	2,422,018,329

## Notes to Financial Statements As of and for the years ended 31 December 2014 and 2013 (In US dollars)

### 6. Cash and Cash Equivalents

	<u>31 December</u>	
	<u>2014</u>	<u>2013</u>
Bank balance	<u>\$ 10,553</u>	<u>\$ 10,873</u>
	<u>\$ 10,553</u>	<u>\$ 10,873</u>

### 7. Member Contributions

	<u>31 December</u>	
	<u>2014</u>	<u>2013</u>
Reliance Holding USA, Inc.	<u>\$ 36,800</u>	<u>\$ 36,800</u>

(In US dollars)

### 8. Fair Values of Financial Instruments

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

	<u>2014</u>		<u>2013</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets:				
Cash and cash equivalents	<u>\$ 10,553</u>	<u>\$ 10,553</u>	<u>\$ 10,873</u>	<u>\$ 10,873</u>

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

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

The fair values of cash and cash equivalent are not materially different from the carrying values.

### 9. Related-Party Disclosures

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

#### Related Parties

Name of the Company/Partnership/ Associate /Affiliate	Country of Incorporation	Relation	Equity Interest
Reliance Industries Limited	India	Ultimate parent	
Reliance Holding USA, Inc.	USA	Parent	100%
Reliance Eagleford Upstream LLC	USA	Partner company	
Reliance Eagleford Upstream Holding LP	USA	Partnership	0.01%

## Notes to Financial Statements

### As of and for the years ended 31 December 2014 and 2013

(In US dollars)

Related-Party Transactions		31 December	
Name of the Company/ Partnership/Associate/Affiliate	Nature of Transaction (Refer to Statements of Financial Position)	2014	2013 (In US dollars)
Reliance Holding USA, Inc.	Cumulative-member contribution received	\$ 36,800	\$ 36,800
Reliance Eagleford Upstream Holding LP	Cumulative-contribution to partnership	22,835	22,835

#### 10. 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.

##### 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 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 years ended 31 December 2014 and 2013.