

RELIANCE MARCELLUS II LLC
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2017

INDEPENDENT AUDITOR'S REPORT

TO THE DIRECTORS OF RELIANCE MARCELLUS II LLC.

Report on the Ind AS Financial Statements

We have audited the accompanying Ind AS financial statements of Reliance Marcellus II LLC. ("the Company"), which comprise the Balance Sheet as at December 31, 2017, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Ind AS Financial Statements

The Company's Board of Directors is responsible for the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and statement of changes in equity of the Company in accordance with the accounting principles generally accepted in India including Indian Accounting Standards ('Ind AS'), prescribed under section 133 of the Companies Act, 2013 ("the Act").

This responsibility also includes maintenance of adequate accounting records for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; the 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 Ind AS 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 Ind AS financial statements based on our audit.

We conducted our audit of the Ind AS financial statements 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 Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS 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 Ind AS 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 Ind AS 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 Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS 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 December 31, 2017, and its profit, total comprehensive income, its cash flows and the statement of changes in equity 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 Ind AS financial statements.
- (b) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the Ind AS financial statements.

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

Abhijit A. Damle
(Partner)
Membership No. 102912

Mumbai, dated : 16th April, 2018

Balance Sheet as at 31 December, 2017

	Notes	As at 31 December, 2017	<i>In USD</i> As at 31 December, 2016
ASSETS			
Non-Current Assets			
(a) Other intangible assets	3	-	118,859,824
Total Non-Current Assets		-	118,859,824
Current Assets			
(a) Financial assets			
(i) Cash and cash equivalents	4	14,032	29,206
(ii) Other financial assets	5	176,995	5,870,917
(b) Other current assets	6	-	27,740
Total Current Assets		191,027	5,927,863
Total Assets		191,027	124,787,687
EQUITY AND LIABILITIES			
Equity			
(a) Member's contribution	7	525,605,000	525,605,000
(b) Other equity	8	(529,510,121)	(709,121,912)
Total Equity		(3,905,121)	(183,516,912)
Liabilities			
Non-Current Liabilities			
(a) Financial liabilities			
(i) Borrowings	9	-	298,390,000
(b) Provisions	10	-	1,920,553
Total Non-Current Liabilities		-	300,310,553
Current Liabilities			
(a) Financial liabilities			
(i) Trade payables	11	1,829,864	3,327,866
(ii) Other financial liabilities	12	2,266,284	4,666,180
Total Current Liabilities		4,096,148	7,994,046
Total Equity and Liabilities		191,027	124,787,687
Corporate information and significant accounting policies and notes to the financial statements	1-29		

As per our report of even date

For and on behalf of the Board

For Deloitte Haskins & Sells LLP
Chartered Accountants

Abhijit A. Damle
Partner
Membership No. 102912

Walter Van de Vijver
Director

Place: Mumbai
Date: 16 April, 2018

Place : Houston
Date : 13 April, 2018

Statement of Profit and Loss for the year ended 31 December, 2017

	Notes	2017	<i>In USD</i> 2016
INCOME:			
Revenue from operations (Net)	13	31,653,217	21,199,243
Other income	14	184,141,761	50,202
Total income		215,794,978	21,249,445
EXPENSES:			
Share of operating expenses in shale gas operations	15	6,094,890	8,485,656
Employee benefits expense	16	175,251	393,785
Finance costs	17	15,800,971	17,923,976
Depletion expense	18	13,994,808	18,728,851
Other expenses	19	117,267	120,365
Total expenses		36,183,187	45,652,633
Profit / (loss) for the year		179,611,791	(24,403,188)
Other comprehensive income (OCI)		-	-
Total comprehensive income / (loss) for the year		179,611,791	(24,403,188)
Corporate information and significant accounting policies and notes to the financial statements	1-29		

As per our report of even date

For and on behalf of the Board

For Deloitte Haskins & Sells LLP
Chartered Accountants

Abhijit A. Damle
Partner
Membership No. 102912

Place: Mumbai
Date: 16 April, 2018

Walter Van de Vijver
Director

Place : Houston
Date : 13 April, 2018

Statement of changes in equity for the year ended 31 December, 2017

A. MEMBER'S CONTRIBUTION

In USD

Balance at 1 January, 2016	Changes during the year 2016	Balance at 31 December, 2016	Changes during the year 2017	Balance at 31 December, 2017
525,605,000	-	525,605,000	-	525,605,000

B. OTHER EQUITY

In USD

Year ended 31 December 2016	
Balance as at 1 January, 2016	(684,718,724)
(Loss) for the year	(24,403,188)
Balance as at 31 December, 2016	(709,121,912)
Year ended 31 December 2017	
Balance as at 1 January, 2017	(709,121,912)
Profit for the year	179,611,791
Balance as at 31 December, 2017	(529,510,121)

Statement of Cash Flows for the year ended 31 December, 2017

		<i>In USD</i>	
	Notes	2017	2016
Cash flows from operating activities			
Profit / (Loss) before tax as per Statement of Profit and Loss		179,611,791	(24,403,188)
Adjustments for:			
Finance costs recognised in profit or loss	17	15,800,971	17,923,976
Interest income recognised in profit or loss	14	(168)	-
Gain on sale of assets	14	(6,352,858)	-
Depletion expense	18	13,994,808	18,728,851
Loan and interest liability written back	14	(176,364,095)	-
Unwinding of discount on provisions	14	(159,817)	-
Sundry credit balance written back	14	(865,860)	-
		<u>(153,947,019)</u>	<u>36,652,827</u>
Operating profit before working capital changes		<u>25,664,772</u>	<u>12,249,639</u>
Movements in working capital:			
Decrease / (increase) in trade and other receivables	5, 6	5,721,662	(3,974,013)
Increase in trade and other payables	11,12	1,517,495	2,772,510
		<u>7,239,157</u>	<u>(1,201,503)</u>
Cash generated from operating activities		<u>32,903,929</u>	<u>11,048,136</u>
Cash flows from investing activities			
Interest income	14	168	-
Proceeds from disposal of property, plant and equipment	3	110,923,325	-
Payments for property, plant and equipment	3	(2,847,438)	(423,770)
Net cash generated from / (used in) investing activities		<u>108,076,055</u>	<u>(423,770)</u>
Cash flows from financing activities			
Proceeds of loan from Holding Company	9	10,000	3,340,000
Repayment of loan from Holding Company	9	(123,323,000)	-
Finance costs	17	(17,682,158)	(14,907,808)
Net cash (used in) financing activities		<u>(140,995,158)</u>	<u>(11,567,808)</u>
Net (decrease) in cash and cash equivalents		(15,174)	(943,442)
Cash and cash equivalents at the beginning of the year	4	29,206	972,648
Cash and cash equivalents at the end of the year	4	<u>14,032</u>	<u>29,206</u>
Corporate information and significant accounting policies and notes to the financial statements	1-29		

As per our report of even date

For and on behalf of the Board

For Deloitte Haskins & Sells LLP

Chartered Accountants

Abhijit A. Damle
Partner
Membership No. 102912

Walter Van de Vijver
Director

Place: Mumbai
Date: 16 April, 2018

Place : Houston
Date : 13 April, 2018

Notes to the financial statements for the year ended 31 December, 2017

1. GENERAL INFORMATION

A. Reliance Marcellus II LLC (the Company) was incorporated as a limited liability company on 28 June 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, an Indian Listed Company.

B. On 4 August 2010, the Company executed definitive agreements to enter into a joint venture with Carrizo Oil & Gas Inc. (Carrizo) and ACP Marcellus II LLC under which the Company acquired a 60% interest in the existing joint venture's Marcellus Shale acreage position for \$340 million in cash and \$52 million of drilling carry obligation. The drilling carry obligation provide for 75% of Carrizo's share of development costs over an anticipated two-year development program. In addition, the Company funds its share of the development plan. Carrizo conveyed 20% of its acreage and Avista conveyed 100% of its acreage. In November 2012, the Company fully met its \$52 million drilling carry commitment. The Company held 60% of the acreage of the joint venture, the net acreage of which was 104,376 net acres. Carrizo was the operator, with 40% participating interest.

The Company signed a Purchase and Sale Agreement ("PSA") on 5 October, 2017 with BKV Chelsea, LLC for sale of its assets in Susquehanna, Clearfield and Wyoming counties effective 1 April, 2017, for an initial consideration of \$126 million adjustable for revenue and expenditure post effective date and subject to closing conditions being met. Additionally, the Company would be entitled to receive additional contingent consideration of upto \$11.25 million upon certain conditions being met as per PSA (presently estimated at Nil). The transaction closed on 21 November, 2017 (closing date) and the Company received an initial adjusted consideration of \$110.32 million. The final settlement will take place on or before 150 days from the closing date.

2.1 STATEMENT OF COMPLIANCE

The financial statements of the Company have been prepared in accordance with the Indian Accounting Standards ('Ind AS'), notified under section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules, 2015.

2.2 BASIS OF PREPARATION AND PRESENTATION

The financial statements have been prepared on the historical cost convention and on accrual basis of accounting except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. The accounting policies have been applied consistently over all period presented in these financial statement.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

In addition, for financial reporting purposes, fair value measurement are categorised within the fair value hierarchy into Levels 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- i. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- ii. Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- iii. Level 3 inputs are unobservable inputs for the asset or liability.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Intangible Assets under Development and Intangible Assets - Development Rights (Oil and Gas):

The Company has adopted Successful Efforts Method (SEM) of accounting for its' Oil and Gas activities. Costs incurred on acquisition of interest in oil and gas blocks and on exploration and evaluation are accounted for as intangible assets under development. Upon a well is ready to commence commercial production, the costs accumulated in intangible assets under development are capitalised to intangible assets ratably based on the drilling progress made under the overall capital expenditure program. The drilling progress determines the technical feasibility and commercial viability of the assets. Development costs incurred thereafter are capitalised to the said intangible asset. All costs relating to production and the exploration and evaluation expenditure which does not result in discovery of proved developed oil

Notes to the financial statements for the year ended 31 December, 2017 (Contd.)

and gas reserve are charged as expenses in Statement of Profit and Loss.

The costs of development rights (leasehold interest costs) are depleted using the unit of production method in proportion of oil and gas production achieved vis-à-vis Proved Reserves on developing the reserves as per technical evaluation. The development costs (which include integrated drilling and other cost) are depleted in proportion of oil and gas production achieved vis-à-vis Proved developed reserves.

B. Leases:

Operating lease payments are recognised as an expense in the Statement of Profit and Loss on a straight-line basis with reference to the lease terms and other consideration.

C. Borrowing Costs:

Borrowing costs directly attributable to the acquisition or construction of qualifying assets are capitalised as a part of cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to the Statement of Profit and Loss in the year in which they are incurred.

D. Impairment of Non-Financial Assets:

Impairment indicators

The recoverable amounts of cash-generating units or individual assets as applicable are determined based on higher of value-in-use calculations or fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that oil and gas price assumption may change, which may then impact the estimated life of the field and require a material adjustment to the carrying value of intangible assets under development and development rights (oil and gas).

Oil and Gas assets

Intangible assets under development and intangible assets-development rights (oil and gas) are treated as impaired when the carrying cost of asset exceeds its recoverable value. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. For the purpose of assessing impairment, oil and gas property subject to testing, are grouped within the joint venture for determining the cash generating unit. For the purpose of calculating the value in use, future cash flows emanating from proved, unproved and contingent resources are discounted at differential rates calculated based on the weighted average cost of capital of the Holding Company. An impairment loss is charged to the Statement of Profit and Loss in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

E. Provisions, Contingent Liabilities and Contingent Assets:

Provisions are recognised when the Company has a present obligation as a result of past event(s) and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Contingent liabilities are disclosed unless the possibility of outflow of resources is remote. Contingent assets are not recognised but disclosed in the financial statements only where inflow of economic benefit is probable.

Decommissioning liability:

The Company records a provision for decommissioning costs towards site restoration activity. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the particular assets.

F. Taxation:

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 to the financial statements for the year ended 31 December, 2017 (Contd.)

G. Revenue Recognition:

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

Revenue is recognised net of royalties.

Revenue from sale of products is recognised only if following conditions are satisfied:

- i. When the risk and reward of ownership have been transferred, which is when title passes to the customer. Revenue from the production of oil and gas in which the Company has an interest with other producers is recognised based on the Company's working interest (the entitlement method);
- ii. The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- iii. It is probable that the economic benefit associated with the transaction will flow to the Company; and
- iv. It can be reliably measured and it is reasonable to expect ultimate collection

H. Interest in joint operations:

Oil and Gas Joint Ventures are in the nature of joint operations. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a Company undertakes its activities under joint operations, the Company as a joint operator recognises in relation to its interest in a joint operation:

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

I. Financial Instruments:

I. Non-derivative financial instruments

i. Financial Assets.

a. Initial recognition and measurement

All financial assets are initially recognised at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets, which are not at fair value through profit or loss, are added to the fair value on initial recognition. Regular way purchase and sale of financial assets are recognised using trade date accounting.

b. Subsequent measurement

Financial assets carried at amortised cost (AC)

A financial asset is subsequently measured at amortised cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through other comprehensive income (FVTOCI)

A financial asset is subsequently measured at fair value through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through profit or loss (FVTPL)

A financial asset which is not classified in any of the above categories are subsequently fair valued through profit or loss.

Notes to the financial statements for the year ended 31 December, 2017 (Contd.)

c. Impairment of financial assets

The Company assesses impairment based on expected credit loss (ECL) model to the following:

- (a) Financial assets at amortised cost
- (b) Financial assets measured at fair value through Other Comprehensive Income

The Company follows 'simplified approach' for recognition of impairment loss allowance. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

The Company uses historical loss experience to determine the impairment loss allowance on the portfolio of trade receivables. At every reporting date, the historical observed default rates are updated and changes in the forward looking estimates are analysed.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

ii. Financial liabilities

a. Initial recognition and measurement

All financial liabilities are recognised initially at fair value and in case of loans and borrowings and payables, net of directly attributable cost. Fees of recurring nature are directly recognised in Statement of Profit and Loss as finance cost.

b. Subsequent measurement

Financial liabilities are subsequently carried at amortised cost using the effective interest method. For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

II. Derivative financial instruments (not designated as hedges)

Derivative financial instruments arising out of derivative contracts which are not designated as hedges by the Company, changes in fair value of such open derivatives instruments and gains / losses on derivative transaction settled within the year are accounted through Statement of Profit and Loss.

All financial instruments are measured at valuation techniques, as applicable.

III. De-recognition of financial instruments

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition under Ind AS 109. On derecognition of a financial asset, the difference between the carrying amount and the consideration received is recognised in the Statement of Profit and Loss. A financial liability (or a part of a financial liability) is derecognised from the Company's balance sheet when the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid is recognised in the Statement of Profit and Loss.

IV. Fair value of financial instruments

In determining the fair value of its financial instruments, the Company uses a variety of methods and assumptions that are based on market conditions and risks existing at each reporting date. The methods used to determine fair value include discounted cash flow analysis, available quoted market prices. All methods of assessing fair value result in general approximation of value, and such value may vary from actual realization on future date.

2.4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY:

In the application of the Company's accounting policies, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amount of the assets and liability that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Notes to the financial statements for the year ended 31 December, 2017 (Contd.)

(a) Estimation of oil and gas reserve

The determination of the Company's estimated oil and natural gas reserves requires significant judgements and estimates to be applied and these are regularly reviewed and updated. Factors such as the availability of geological and engineering data, reservoir performance data, acquisition and divestment activity, drilling of new wells, and commodity prices all impact on the determination of the Company's estimates of its oil and natural gas reserves. The Company assumes that it would develop its proved reserves within a period of five years. Though the Company estimates its proved reserves at the end of every quarter, proved reserves estimates as at the year-end are reviewed and certified by independent external reserve auditors.

Estimates of oil and natural gas reserves are used to calculate depletion charge for the Company's oil and gas properties. The impact of changes in estimated proved reserves is dealt with prospectively by amortizing the remaining carrying value of the asset over the expected future production. Oil and natural gas reserves also have a direct impact on the assessment of the recoverability of asset carrying values reported in the financial statements. If proved reserves estimates are revised downwards, profitability could be affected by changes in depletion expense or an immediate write-down of the property's carrying value.

(b) Provisions

Provisions and liabilities are recognised in the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events and the amount of cash outflow can be reliably estimated. The timing of recognition and quantification of the liability require the application of judgement to existing facts and circumstances, which can be subject to change. Since the cash outflows can take place many years in the future, the carrying amounts of provisions and liabilities are reviewed regularly and adjusted to take account of changing facts and circumstances.

The provision for decommissioning represents the present value of expenditure required to settle the obligation at the end of useful life of respective wells (maximum 50 years). The future cost of decommissioning a well is determined by applying appropriate long term inflation to current cost. Such future costs are then discounted at the Holding Company's Weighted Average Cost of Capital to arrive at the present value of the provision.

(c) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or a group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transaction are taken into account, if no such transactions can be identified, an appropriate valuation model is used.

(d) Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected cash loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

2.5 NEW AND REVISED Ind AS IN ISSUE BUT NOT EFFECTIVE YET

The Company has not applied the following new and revised Ind AS that have been issued but are not yet effective:

Ind AS 115 - Revenue from Contracts with Customers (Effective for accounting periods beginning on or after April 01, 2018).

Ind AS 115 Revenue from Contracts with Customers

In April 2017, the ICAI issued an Exposure Draft on Clarifications to Ind AS 115, applicable for accounting periods beginning on or after April 01, 2018. On March 28, 2018, Ministry of Corporate Affairs (MCA) has notified that Ind AS 115 will be effective for accounting periods beginning on or after April 01, 2018. Ind AS 115 will supersede the current revenue recognition guidance including Ind AS 18 Revenue, Ind AS 11 Construction Contracts and the related interpretations when it becomes effective.

Notes to the financial statements for the year ended 31 December, 2017 (Contd.)

The core principles of Ind AS 115 is that an entity should recognise 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. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Company is evaluating the provisions and application of Ind AS 115 and will appropriately implement the same in the next financial year.

Notes to the financial statements for the year ended 31 December, 2017 (Contd.)

3. PROPERTY, PLANT AND EQUIPMENT

Description	Gross Block				Depletion				Net Block
	As at 1 January, 2017	Additions	Deductions	As at 31 December, 2017	As at 1 January, 2017	For the Year	Deductions	As at 31 December, 2017	As at 31 December, 2017
INTANGIBLE ASSETS (other than internally generated) Development rights (oil & gas)	247,034,700	98,180	247,132,880	-	128,174,876	13,994,808	142,169,684	-	-
Total	247,034,700	98,180	247,132,880	-	128,174,876	13,994,808	142,169,684	-	-

Description	Gross Block				Depletion				Net Block
	As at 1 January, 2016	Additions	Deductions	As at 31 December, 2016	As at 1 January, 2016	For the Year	Deductions	As at 31 December, 2016	As at 31 December, 2016
INTANGIBLE ASSETS (other than internally generated) Development rights (oil & gas)	246,181,920	852,780	-	247,034,700	109,446,025	18,728,851	-	128,174,876	118,859,824
Total	246,181,920	852,780	-	247,034,700	109,446,025	18,728,851	-	128,174,876	118,859,824

Notes to the financial statements for the year ended 31 December, 2017 (Contd.)

4 CASH AND CASH EQUIVALENTS	<i>In USD</i>	
	<u>As at 31 December, 2017</u>	<u>As at 31 December, 2016</u>
Balance with banks	14,032	29,206
TOTAL	<u>14,032</u>	<u>29,206</u>
5 OTHER FINANCIAL ASSETS (CURRENT)	<i>In USD</i>	
	<u>As at 31 December, 2017</u>	<u>As at 31 December, 2016</u>
Revenue receivable	176,995	5,870,917
TOTAL	<u>176,995</u>	<u>5,870,917</u>
6 OTHER CURRENT ASSETS (Unsecured and considered good)	<i>In USD</i>	
	<u>As at 31 December, 2017</u>	<u>As at 31 December, 2016</u>
Advances - others #	-	27,740
TOTAL	<u>-</u>	<u>27,740</u>
# includes prepaid expenses.		
7 MEMBER'S CONTRIBUTION	<i>In USD</i>	
	<u>As at 31 December, 2017</u>	<u>As at 31 December, 2016</u>
Contribution by Holding Company	525,605,000	525,605,000
TOTAL	<u>525,605,000</u>	<u>525,605,000</u>
8 OTHER EQUITY	<i>In USD</i>	
	<u>As at 31 December, 2017</u>	<u>As at 31 December, 2016</u>
Opening balance	(709,121,912)	(684,718,724)
Profit / (Loss) for the year	179,611,791	(24,403,188)
	<u>(529,510,121)</u>	<u>(709,121,912)</u>
TOTAL	<u>(529,510,121)</u>	<u>(709,121,912)</u>
9 BORROWINGS (NON CURRENT)	<i>In USD</i>	
	<u>As at 31 December, 2017</u>	<u>As at 31 December, 2016</u>
Unsecured - at amortised cost		
Loan from Holding Company (Refer note 9.1 & 26)	-	298,390,000
TOTAL	<u>-</u>	<u>298,390,000</u>

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

Notes to the financial statements for the year ended 31 December, 2017 (Contd.)

10 PROVISIONS (NON CURRENT)

	As at 31 December, 2017	As at 31 December, 2016	<i>In USD</i>
Decommissioning provision			
Beginning balance	1,920,553		1,373,830
Movements during the year			
For the year	-	27,134	
Provision no longer required	(1,760,736)	-	
Unwinding of discount	(159,817)	63,895	
Changes in estimates	-	455,694	546,723
Closing balance	-		1,920,553

10.1 The provision for decommissioning represents the present value of future probable obligations required to be settled on account of retirement of oil and gas assets at the end of its useful life (maximum 50 years). The future cost is determined by applying appropriate long term inflation to current cost. Such future costs are then discounted at the Holding Company's WACC to arrive at the present value of the provision.

11 TRADE PAYABLES

	As at 31 December, 2017	As at 31 December, 2016	<i>In USD</i>
Trade payables	1,829,864		3,327,866
TOTAL	1,829,864		3,327,866

The average credit period in respect of trade payables ranges between 5 days to 30 days.

12 OTHER FINANCIAL LIABILITIES (CURRENT)

	As at 31 December, 2017	As at 31 December, 2016	<i>In USD</i>
Creditors for capital expenditure	-		1,381,251
Interest accrued but not due on borrowings (Refer Note 26)	-		3,029,865
Guarantee commission payable (Refer Note 26)	-		138,417
Other payables to Related Party (Refer Note 26)	-		116,647
Others	2,266,284		-
TOTAL	2,266,284		4,666,180

13 REVENUE FROM OPERATIONS (NET)

	2017	2016	<i>In USD</i>
Sale of products:			
Gas	31,653,217		21,199,243
TOTAL	31,653,217		21,199,243

Notes to the financial statements for the year ended 31 December, 2017 (Contd.)

14 OTHER INCOME

	2017	2016	<i>In USD</i>
Interest income	168		-
Miscellaneous Income	398,963		50,202
Gain on sale of upstream assets	6,352,858		-
Loan and interest liability written back (Refer Note 26)	176,364,095		-
Sundry credit balance written back	865,860		-
Unwinding of discount on provisions	159,817		-
TOTAL	184,141,761		50,202

15 SHARE OF OPERATING EXPENSES IN SHALE GAS OPERATIONS

	2017	2016	<i>In USD</i>
Midstream expenses	777,997		274,522
Operating expenses	4,024,783		6,466,030
Operator's general and administrative expenses	1,003,351		1,166,667
Marketing expenses	33,958		16,202
Production taxes	254,801		562,235
TOTAL	6,094,890		8,485,656

16 EMPLOYEE BENEFITS EXPENSE

	2017	2016	<i>In USD</i>
Salaries and wages #	175,251		393,785
TOTAL	175,251		393,785

represents allocation of expenses incurred by Holding Company.

17 FINANCE COSTS

	2017	2016	<i>In USD</i>
Interest on loan from Holding Company (Refer note 26)	14,428,973		16,359,531
Guarantee commission (Refer note 26)	1,367,827		1,496,219
Unwinding of discount on provisions	-		63,895
Other borrowing costs	4,171		4,331
TOTAL	15,800,971		17,923,976

18 DEPLETION EXPENSE

	2017	2016	<i>In USD</i>
Depletion of development rights	13,994,808		18,728,851
TOTAL	13,994,808		18,728,851

Notes to the financial statements for the year ended 31 December, 2017 (Contd.)

19 OTHER EXPENSES

	2017	2016	<i>In USD</i>
Legal and professional fees #	98,750		96,019
General expenses	1,417		1,246
Operating lease rentals (Refer note 25)	17,100		22,800
Rates & taxes	-		300
TOTAL	117,267		120,365

including recharge of expenses incurred by Holding Company

20. FINANCIAL RISK MANAGEMENT OBJECTIVES

The Company's financial liabilities comprise mainly of borrowings, trade payables and other payables. The Company's financial assets comprise mainly of cash and cash equivalents and other receivables.

The following disclosures summarize the Company's exposure to financial risks and information regarding measures employed to manage exposure to such risks.

Liquidity Risk:

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company, with the support of its parent, will ensure that sufficient liquidity is available to meet all of its commitments by raising loans or arranging other facilities as and when required.

Capital Management Risk:

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies, or processes during the years ended 31 December 2017 and 2016. Capital comprises of loans and member's contribution. The Company is not exposed to any externally imposed capital requirements.

Net gearing ratio:

The net gearing ratio at the end of the period was as follows

	As at 31 December, 2017*	As at 31 December, 2016
Debt #	-	298,390,000
Less: Cash and cash equivalents	-	29,206
Net debt	-	298,360,794
Total equity	-	(183,516,912)
Net debt to equity ratio	-	-163%

Debt is defined as long term and short term borrowings excluding derivatives, financial guarantee contracts and contingent contracts.

* There is no debt as at 31 December, 2017 and hence ratio is not calculated

Credit risk management:

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties, where appropriate, as a means of mitigating the risk of financial loss from defaults.

Notes to the financial statements for the year ended 31 December, 2017 (Contd.)

21. COMPANY'S SHARE OF PROVED RESERVES

	Proved reserves (Million M ³)		Proved developed reserves (Million M ³)	
	2017	2016	2017	2016
Gas:				
Beginning of the year	5,758	6,015	4,489	4,817
Revision of estimates	-	334	-	263
Sale during the year (Refer note 1B)	(5,221)	-	(3,952)	-
Production	(537)	(591)	(537)	(591)
Closing balance for the year	-	5,758	-	4,489

Note: 1 Cubic meter (M³) = 35.315 cubic feet, 1 cubic feet = 1000 BTU and 1 MT = 7.5 bbl

The movement in proved reserves is due to sale of assets.

Reserve 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. Company estimates its proved reserves at the end of every quarter, proved reserves estimates as at the year-end are reviewed and certified by independent external reserve auditors.

22. CATEGORYWISE CLASSIFICATION OF FINANCIAL INSTRUMENTS

	Note	<i>In USD</i>	
		As at 31 December, 2017	As at 31 December, 2016
Financial assets			
A. Measured at amortised cost (AC)			
(i) Cash and cash equivalents	4	14,032	29,206
(ii) Revenue receivable	5	176,995	5,870,917
Financial liabilities			
A. Measured at amortised cost (AC)			
(i) Borrowings			
(a) Non-current	9	-	298,390,000
(ii) Trade payables	11	1,829,864	3,327,866
(iii) Creditors for capital expenditure	12	-	1,381,251
(iv) Interest accrued but not due on borrowings	12	-	3,029,865
(v) Guarantee commission payable	12	-	138,417
(vi) Other payable	12	2,266,284	116,647

23. DISCLOSURE OF THE COMPANY'S INTEREST IN OIL AND GAS VENTURES (JOINT OPERATION)

The Company has assessed the nature of its joint arrangements and determined them to be joint operations. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement.

Name of the unincorporated Joint Venture	Company's % interest		Partners and their participating interest	Country
	2017	2016		
Carrizo Marcellus Joint Venture	- (Refer note 1B)	60%	Carrizo Marcellus LLC - 40% (Operator)	USA

Notes to the financial statements for the year ended 31 December, 2017 (Contd.)

24. GOING CONCERN CONSIDERATIONS:

The accumulated losses have fully eroded the net worth of the Company. The management has evaluated and concluded on the ability of the Company to continue as a going concern in the foreseeable future basis the continued support from the Holding Company and Reliance Industries Limited (RIL), the ultimate holding company as evidenced from the fact that RIL has guaranteed the outstanding bond liability of the Holding Company. The Company continues to have positive operating cash flows as well as positive EBITDA. RIL through its subsidiary has also been steadily infusing equity into the Holding Company over the years and hence the accounts are prepared on a going concern basis.

25. LEASES

Non-cancellable operating lease commitments:

The Company had taken premises on non-cancellable operating lease basis upto 1 November, 2017. There is no future commitment for the same.

	As at	As at
	31 December, 2017	31 December, 2016
		<i>In USD</i>
Not later than 1 year	-	19,000
Later than 1 year and not later than 5 year	-	-
Later than 5 year	-	-
TOTAL	-	19,000

Lease payments recognised in the Statement of Profit and Loss in connection with the above for the year 2017 & 2016 are USD 17,100 and USD 22,800 respectively.

26. RELATED PARTY

As per Ind AS 24, list of related parties where control exists and related parties with whom transactions have taken place and relationships are given below:

Name of the related party	Relation
Reliance Holding USA Inc.	Holding Company (Control exists)
Reliance Industries Limited	Ultimate Holding Company (Control exists)

Related Party Transactions		As at	As at
Name of the related party	Balances as at year end	31 December 2017	31 December 2016
Reliance Holding USA Inc.	Standby Letter of Credit given by	-	282,663
Reliance Holding USA Inc.	Borrowings	-	298,390,000
Reliance Holding USA Inc.	Guarantee commission payable	-	138,417
Reliance Holding USA Inc.	Other payable	-	116,647
Reliance Holding USA Inc.	Interest accrued but not due on borrowings	-	3,029,865

In USD

Notes to the financial statements for the year ended 31 December, 2017 (Contd.)

Name of the related party	Nature of transaction	For the years ended	
		31 December 2017	31 December 2016
Reliance Holding USA Inc.	Guarantee commission	1,367,827	1,496,219
Reliance Holding USA Inc.	Allocated salaries and wages	175,251	393,785
Reliance Holding USA Inc.	Loan given by	10,000	3,340,000
Reliance Holding USA Inc.	Loan repaid to	123,323,000	-
Reliance Holding USA Inc.	Loan written back	175,077,000	-
Reliance Holding USA Inc.	Interest written back	1,287,095	-
Reliance Holding USA Inc.	Interest cost	14,428,973	16,359,531
Reliance Holding USA Inc.	Other costs	85,000	14,928

27. CONTINGENT LIABILITIES AND COMMITMENTS

	<i>In USD</i>	
	As at 31 December, 2017	As at 31 December, 2016
Capital commitments	-	1,544,000

28. SEGMENT REPORTING

The Company is in the business of development and production of oil and gas from shale reservoirs in the United States of America. Consequently, there is a single business and geographical segment.

29. The financial statements are approved for issue by Holding Company's Board of Directors on 13 April, 2018.

For and on behalf of the Board

Walter Van de Vijver
Director

Place : Houston
Date : 13 April, 2018