

**Reliance Marcellus II LLC**  
**Financial Statements**  
**For The Year ended 31 December, 2019**

## Independent Auditors' Report

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### TO THE BOARD OF DIRECTORS OF RELIANCE MARCELLUS II LLC.

#### Report on the Audit of the Standalone Financial Statements

##### Opinion

We have audited the accompanying standalone financial statements of Reliance Marcellus II LLC. ("the Company"), which comprise the Balance Sheet as at December 31, 2019, the Statement of Profit and Loss including other comprehensive income, Statement of Cash Flows and Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Companies Act, 2013 ("the Act") read with the Companies (Indian Accounting Standards) Rules, 2015, as amended ('Ind AS') and other accounting principles generally accepted in India, of the state of affairs of the Company as at December 31, 2019, and its loss, its total comprehensive loss, its cash flows and changes in equity for the year ended on that date.

##### Basis for Opinion

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibility for the Audit of the standalone Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the standalone financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements and ICAI's Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

##### Information Other than the Financial Statements and Auditor's Report Thereon

As informed to us, there is no information other than the standalone financial statements. Consequently, in our opinion, the reporting requirement under SA 720 "The Auditor's Responsibilities Relating to Other Information" are not applicable.

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

The Company's Board of Directors is responsible for the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the Ind AS and other accounting principles generally accepted in India.

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; 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 standalone financial statements that give a true and fair view and free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are also responsible for overseeing the Company's financial reporting process.

##### Auditor's Responsibility for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the standalone financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the standalone financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the standalone financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

### **Other Reporting Requirements**

We further report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid standalone financial statements.
- b) The Balance Sheet, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows and Statement of Changes in Equity, and dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the standalone financial statements.

**For Deloitte Haskins & Sells LLP**  
Chartered Accountants  
(Firm's Registration No: 117366W/W-100018)

**(Abhijit A. Damle)**  
Partner

Membership No: 102912

UDIN: 20102912AAAADA9391

Mumbai: June 6, 2020

## Balance Sheet as at 31 December, 2019

	Notes	As at 31 December, 2019	<i>In USD</i> As at 31 December, 2018
<b>ASSETS</b>			
<b>Current Assets</b>			
(a) Financial assets			
(i) Cash and cash equivalents	3	41,405	70,336
<b>Total Current Assets</b>		<b>41,405</b>	<b>70,336</b>
<b>Total Assets</b>		<b>41,405</b>	<b>70,336</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
(a) Member's contribution	4	530,305,000	525,605,000
(b) Other equity	5	(530,263,595)	(530,200,309)
<b>Total Equity</b>		<b>41,405</b>	<b>(4,595,309)</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
(a) Financial liabilities			
(i) Trade payables	6	-	989,577
(ii) Other financial liabilities	7	-	3,676,068
<b>Total Current Liabilities</b>		<b>-</b>	<b>4,665,645</b>
<b>Total Equity and Liabilities</b>		<b>41,405</b>	<b>70,336</b>
Corporate information and significant accounting policies and notes to the financial statements	1-18		

As per our report of even date

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

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

Place: Mumbai  
Date: 6 June, 2020

**For and on behalf of the Board**

**Walter Van de Vijver**  
Director

Place: Houston  
Date: 22 April, 2020

## Statement of Profit and Loss for the year ended 31 December, 2019

	Notes	2019	<i>In USD</i> 2018
<b>INCOME:</b>			
Other income	8	364	358,615
<b>Total income</b>		<b>364</b>	<b>358,615</b>
<b>EXPENSES:</b>			
Share of operating expenses in shale gas operations	9	63,131	45,529
Finance costs	10	469	2,938
Other expenses	11	50	1,000,336
<b>Total expenses</b>		<b>63,650</b>	<b>1,048,803</b>
<b>(Loss) for the year</b>		<b>(63,286)</b>	<b>(690,188)</b>
<b>Other comprehensive income (OCI)</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive (loss) for the year</b>		<b>(63,286)</b>	<b>(690,188)</b>
Corporate information and significant accounting policies and notes to the financial statements	1-18		

As per our report of even date

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

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

Place: Mumbai  
Date: 6 June, 2020

**For and on behalf of the Board**

**Walter Van de Vijver**  
**Director**

Place: Houston  
Date: 22 April, 2020

## Statement of Changes in Equity for the year ended 31 December, 2019

### A. MEMBER'S CONTRIBUTION

*In USD*

Balance at 1 January, 2018	Changes during the year 2018	Balance at 31 December, 2018	Changes during the year 2019	Balance at 31 December, 2019
525,605,000	-	525,605,000	4,700,000	530,305,000

### B. OTHER EQUITY

*In USD*

<b>Year ended 31 December, 2018</b>	
Balance at 1 January, 2018	(529,510,121)
(Loss) for the year	(690,188)
<b>Balance as at 31 December, 2018</b>	<b>(530,200,309)</b>
<b>Year ended 31 December, 2019</b>	
Balance as at 1 January, 2019	(530,200,309)
(Loss) for the year	(63,286)
<b>Balance as at 31 December, 2019</b>	<b>(530,263,595)</b>

As per our report of even date

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

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

Place: Mumbai  
Date: 6 June, 2020

**For and on behalf of the Board**

**Walter Van de Vijver**  
Director

Place: Houston  
Date: 22 April, 2020

## Statement of Cash Flow for the year ended 31 December, 2019

	Notes	2019	2018
<i>In USD</i>			
<b>Cash flows from operating activities</b>			
(Loss) before tax as per Statement of Profit and Loss		(63,286)	(690,188)
Adjustments for:			
Finance costs recognised in profit or loss	10	469	2,938
Interest income recognised in profit or loss	8	-	(9,659)
		469	(6,721)
Operating (loss) before working capital changes		<u>(62,817)</u>	<u>(696,909)</u>
Movements in working capital:			
Decrease in trade and other receivables		-	176,995
(Decrease) / increase in trade and other payables	6, 7	<u>(4,665,645)</u>	<u>569,497</u>
		<u>(4,665,645)</u>	<u>746,492</u>
<b>Cash (used in) / generated from operating activities</b>		<b><u>(4,728,462)</u></b>	<b><u>49,583</u></b>
<b>Cash flows from investing activities</b>			
Interest income	8	-	<u>9,659</u>
<b>Net cash generated from investing activities</b>		<u>-</u>	<u><b>9,659</b></u>
<b>Cash flows from financing activities</b>			
Member's contribution	4	4,700,000	-
Finance costs	10	<u>(469)</u>	<u>(2,938)</u>
<b>Net cash generated from / (used in) financing activities</b>		<b><u>4,699,531</u></b>	<b><u>(2,938)</u></b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(28,931)</b>	<b>56,304</b>
Cash and cash equivalents at the beginning of the year	3	<u>70,336</u>	<u>14,032</u>
<b>Cash and cash equivalents at the end of the year</b>	<b>3</b>	<b><u>41,405</u></b>	<b><u>70,336</u></b>
Corporate information and significant accounting policies and notes to the financial statements	1-18		

As per our report of even date

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

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

Place: Mumbai  
Date: 6 June, 2020

**For and on behalf of the Board**

**Walter Van de Vijver**  
Director

Place: Houston  
Date: 22 April, 2020

## Notes to the Financial Statements for the year ended 31 December, 2019

### 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 pursuant to said PSA took place on 21st March, 2018.

### 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.

#### Changes in accounting policies:

The Company has applied Indian Accounting Standard (Ind AS) 116 leases, to its lease using prospective approach, effective annual reporting period beginning January 01, 2019 and applied the standard to its leases from this date. Ind AS 116 'Leases' is effective for annual periods beginning after 1 April 2019. However, the Company has early adopted the new standard as permitted by the transitional guidance. There is no impact of adoption of Ind AS 116 on the financial statements of the Company.

### 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.

## Notes to the Financial Statements for the year ended 31 December, 2019

### 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 being ready to commence commercial production, the costs accumulated in intangible assets under development are capitalised to intangible assets rateably 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 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:

The Company, as a lessee, recognizes a right-of-use asset and a lease liability for its leasing arrangements, if the contract conveys the right to control the use of an identified asset. The contract conveys the right to control the use of an identified asset, if it involves the use of an identified asset and the Company has substantially all of the economic benefits from use of the asset and has right to direct the use of the identified asset.

The cost of the right-of-use asset shall comprise of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs incurred. The right-of-use assets is subsequently measured at cost less any accumulated amortisation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability.

The right-of-use assets shall be amortised using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset.

The Company measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses incremental borrowing rate.

For short-term (defined as leases with a lease term of 12 months or less) and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### 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

## Notes to the Financial Statements for the year ended 31 December, 2019

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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.

### **G. Revenue Recognition:**

Revenue is recognized based on the delivery of performance obligation and assessment of when control of promised goods / services is transferred to a customer, at an amount that reflects the consideration to which the Group is expected to be entitled to in exchange for those goods / services. Revenue is measured at the amount of the transaction price allocated to that performance obligation. 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).

#### **Sale of products**

Revenue from sale of products is recognised when the control on the goods has been transferred to a customer. The performance obligation in case of sale of products is satisfied at a point in time as per the terms of agreement with the individual customer.

Revenue is recognised net of royalties.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

### **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.

## Notes to the Financial Statements for the year ended 31 December, 2019

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 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.

##### 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

## Notes to the Financial Statements for the year ended 31 December, 2019

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.

### (a) 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.

## Notes to the Financial Statements for the year ended 31 December, 2019

### 3. CASH AND CASH EQUIVALENTS

	<i>In USD</i>	
	As at 31 December, 2019	As at 31 December, 2018
Balance with banks	41,405	70,336
<b>TOTAL</b>	<b>41,405</b>	<b>70,336</b>

### 4. MEMBER'S CONTRIBUTION

	<i>In USD</i>	
	As at 31 December, 2019	As at 31 December, 2018
Contribution by Holding Company	530,305,000	525,605,000
<b>TOTAL</b>	<b>530,305,000</b>	<b>525,605,000</b>

### 5. OTHER EQUITY

	<i>In USD</i>	
	As at 31 December, 2019	As at 31 December, 2018
Opening balance	(530,200,309)	(529,510,121)
(Loss) for the year	(63,286)	(690,188)
	(530,263,595)	(530,200,309)
<b>TOTAL</b>	<b>(530,263,595)</b>	<b>(530,200,309)</b>

### 6. TRADE PAYABLES

	<i>In USD</i>	
	As at 31 December, 2019	As at 31 December, 2018
Trade payables	-	989,577
<b>TOTAL</b>	<b>-</b>	<b>989,577</b>

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

### 7. OTHER FINANCIAL LIABILITIES (CURRENT)

	<i>In USD</i>	
	As at 31 December, 2019	As at 31 December, 2018
Payable to Related Party (Refer Note 15)	-	3,676,068
<b>TOTAL</b>	<b>-</b>	<b>3,676,068</b>

### 8. OTHER INCOME

	<i>In USD</i>	
	2019	2018
Interest income	-	9,659
Miscellaneous Income	364	348,956
<b>TOTAL</b>	<b>364</b>	<b>358,615</b>

## Notes to the Financial Statements for the year ended 31 December, 2019

### 9. SHARE OF OPERATING EXPENSES IN SHALE GAS OPERATIONS

	<i>In USD</i>	
	<u>2019</u>	<u>2018</u>
Midstream expenses	-	46
Operating expenses	<u>63,131</u>	<u>45,483</u>
<b>TOTAL</b>	<b><u>63,131</u></b>	<b><u>45,529</u></b>

### 10. FINANCE COSTS

	<i>In USD</i>	
	<u>2019</u>	<u>2018</u>
Other borrowing costs	<u>469</u>	<u>2,938</u>
<b>TOTAL</b>	<b><u>469</u></b>	<b><u>2,938</u></b>

### 11. OTHER EXPENSES

	<i>In USD</i>	
	<u>2019</u>	<u>2018</u>
General expenses	-	1,000,336
Rates & taxes	<u>50</u>	-
<b>TOTAL</b>	<b><u>50</u></b>	<b><u>1,000,336</u></b>

### 12. FINANCIAL RISK MANAGEMENT OBJECTIVES

The Company's financial assets comprise of cash and cash equivalents.

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

#### **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 2019 and 2018. Capital comprises of loans and member's contribution. The Company is not exposed to any externally imposed capital requirements.

#### **Gearing ratio:**

There is no debt as at 31 December, 2019 and 31 December, 2018 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, 2019

### 13. CATEGORY-WISE CLASSIFICATION OF FINANCIAL INSTRUMENTS

	Note	<i>In USD</i>	
		As at 31 December, 2019	As at 31 December, 2018
<b>Financial assets</b>			
<b>A. Measured at amortised cost (AC)</b>			
(i) Cash and cash equivalents	3	41,405	70,336
<b>Financial liabilities</b>			
<b>A. Measured at amortised cost (AC)</b>			
(i) Trade payables	6	-	989,577
(ii) Other payable	7	-	3,676,068

### 14. GOING CONCERN CONSIDERATIONS:

The accumulated losses have significantly 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. RIL through its subsidiary has also been steadily investing into the Holding Company over the years. The Company also believes that the current volatility in the market is temporary and is not likely to have an adverse impact in the long-term. Hence the accounts are prepared on a going concern basis.

### 15. 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)

		<i>In USD</i>	
Name of the related party	Balances as at year end	As at 31 December 2019	As at 31 December 2018
Reliance Holding USA Inc.	Other payable	-	3,676,068

		<i>In USD</i>	
Name of the related party	Nature of transaction	For the years ended	
		2019	2018
Reliance Holding USA Inc.	Liabilities paid by the Holding Company	-	3,676,068
Reliance Holding USA Inc.	Member's contribution	4,700,000	-

## Notes to the Financial Statements for the year ended 31 December, 2019

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### 16. 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.

17. The outbreak of Coronavirus (COVID-19) pandemic Globally is causing significant disturbance and slowdown of economic activity. U.S. has been significantly hit by Coronavirus pandemic. Further, during March 2020, there has been significant volatility in oil prices, adding to the uncertainty. The Company has determined that these events are non-adjusting subsequent events and therefore an evaluation of the impact, if any, on the balance sheet as at 31 December, 2019 has not been made. While presently, it is not possible to evaluate the impact if any on the Company's operations in the short to medium term, the pandemic could impact Company's earnings, cash flows and financial condition.

18. The financial statements are approved for issue by Holding Company's Board of Directors on 22 April, 2020.

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**For and on behalf of the Board**

**Walter Van de Vijver**  
**Director**

Place: Houston  
Date: 22 April, 2020