RELIANCE EAGLEFORD UPSTREAM HOLDING LP

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER, 2017

INDEPENDENT AUDITOR'S REPORT

TO THE DIRECTORS OF RELIANCE EAGLEFORD UPSTREAM HOLDING LP.

Report on the Ind AS Financial Statements

We have audited the accompanying Ind AS financial statements of Reliance Eagleford Upstream Holding LP. ("the LP"), 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 LP's Management 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 LP 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 LP 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 theInd 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 LP'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 LP 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 LP's Management, 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 loss, total comprehensive loss, 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

In USD

	Notes	As at 31 December, 2017	As at 31 December 2016
ASSETS			
Non-Current Assets			
(a) Other intangible assets	3	1,084,865,635	1,058,926,583
(b) Intangible assets under development	3	43,133,521	91,375,856
Total Non-Current Assets		**1,127,999,156**	**1,150,302,439**
Current Assets			
(a) Inventories	4	3,699,561	1,326,654
(b) Financial assets			
(i) Cash and cash equivalents	5	5,382	8,170
(ii) Other financial assets	6	53,975,050	40,540,842
(c) Other current assets	7	7,911,520	3,339,384
Total Current Assets		**65,591,513**	**45,215,050**
Total Assets		**1,193,590,669**	**1,195,517,489**
EQUITY AND LIABILITIES			
Equity			
(a) Partner's contribution	8	1,728,350,000	228,350,000
(b) Share of net income	9	(2,135,393,533)	(1,853,650,016)
Total Equity		**(407,043,533)**	**(1,625,300,016)**
Liabilities			
Non-Current Liabilities			
(a) Financial liabilities			
(i) Borrowings	10	1,290,497,251	2,708,382,251
(b) Provisions	11	40,075,437	23,844,946
Total Non-Current Liabilities		**1,330,572,688**	**2,732,227,197**
Current Liabilities			
(a) Financial liabilities			
(i) Trade payables	12	115,347,012	61,655,441
(ii) Other financial liabilities	13	154,714,502	26,934,867
Total Current Liabilities		**270,061,514**	**88,590,308**
Total Equity and Liabilities		**1,193,590,669**	**1,195,517,489**
Corporate information and significant accounting policies and notes to the financial statements	1-30		

As per our Report of even date

For Deloitte Haskins & Sells LLP
Chartered Accountants

Abhijit A. Damle
Partner
Membership No. 102912

Place: Mumbai
Date: 16 April, 2018

For and on behalf of the Partnership

Walter Van de Vijver
Director

Place: Houston
Date: 13 April, 2018

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

In USD

	Notes	2017	2016
INCOME:			
Revenue from operations (Net)	14	226,819,075	256,545,472
Other income	15	195,636	96,598
Total income		**227,014,711**	**256,642,070**
EXPENSES:			
Share of operating expenses in shale gas operations	16	206,531,655	172,109,498
Changes in inventories of finished goods	17	(2,372,907)	(1,132,288)
Employee benefits expense	18	2,191,490	2,324,014
Finance costs	19	126,155,631	121,706,817
Depletion expense	20	175,567,441	173,958,945
Other expenses	21	684,918	7,840,762
Total expenses		**508,758,228**	**476,807,748**
(Loss) for the year		**(281,743,517)**	**(220,165,678)**
Other comprehensive income (OCI)		-	-
Total comprehensive (loss) for the year		**(281,743,517)**	**(220,165,678)**
Corporate information and significant accounting policies and notes to the financial statements	1-30		

As per our Report of even date

For Deloitte Haskins & Sells LLP
Chartered Accountants

Abhijit A. Damle
Partner
Membership No. 102912

Place: Mumbai
Date: 16 April, 2018

For and on behalf of the Partnership

Walter Van de Vijver
Director

Place: Houston
Date: 13 April, 2018

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

In USD

A. PARTNER'S CONTRIBUTION

Balance at 1st January, 2016	Changes during the year 2016	Balance at 31st December, 2016	Changes during the year 2017	Balance at 31st December, 2017
228,350,000	-	228,350,000	1,500,000,000	1,728,350,000

B. SHARE OF NET INCOME *In USD*

Year ended 31 December, 2016	
Balance as at 1 January, 2016	(1,633,484,338)
(Loss) for the year	(220,165,678)
Balance as at 31 December, 2016	**(1,853,650,016)**
Year ended 31 December, 2017	
Balance as at 1 January, 2017	(1,853,650,016)
(Loss) for the year	(281,743,517)
Balance as at 31 December, 2017	**(2,135,393,533)**

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

In USD

	Notes	2017		2016	
Cash flows from operating activities					
(Loss) as per Statement of Profit and Loss			(281,743,517)		(220,165,678)
Adjustments for:					
Finance costs recognised in profit or loss	19	126,155,631		121,706,817	
Interest income recognised in profit or loss	15	(195,636)		(96,598)	
Depletion expense	20	175,567,441		173,958,945	
Unrealised loss on derivatives (net)	21	-		11,311,038	
			301,527,436		306,880,202
Operating profit before working capital changes			19,783,919		86,714,524
Movements in working capital:					
(Increase) / Decrease in other receivables and advances	6, 7	(18,006,344)		16,631,262	
(Increase) in inventories	4	(2,372,907)		(1,132,288)	
Increase in trade and other payables	12, 13	53,549,171		33,126,369	
			33,169,920		48,625,343
Net cash generated from operating activities			**52,953,839**		**135,339,867**
Cash flows from investing activities					
Interest income	15		195,636		96,598
Payments for property, plant and equipment	3		(89,753,511)		(56,627,488)
Net cash (used in) investing activities			**(89,557,875)**		**(56,530,890)**
Cash flows from financing activities					
Proceeds from long term borrowings	10		82,115,000		84,900,000
Repayment of long term borrowings	10		-		(21,200,000)
Finance costs	19		(45,513,752)		(143,278,308)
Net cash generated from / (used in) financing activities			**36,601,248**		**(79,578,308)**
Net (decrease) in cash and cash equivalents			(2,788)		(769,331)
Cash and cash equivalents at the beginning of the year	5		8,170		777,501
Cash and cash equivalents at the end of the year	**5**		**5,382**		**8,170**
Non cash item:					
During the year loan from Partner of USD 1.5 billion was converted into Partner's contribution					
Corporate information and significant accounting policies and notes to the financial statements	1-30				

As per our Report of even date

For Deloitte Haskins & Sells LLP
Chartered Accountants

Abhijit A. Damle
Partner
Membership No. 102912

Place: Mumbai
Date: 16 April, 2018

For and on behalf of the Partnership

Walter Van de Vijver
Director

Place: Houston
Date: 13 April, 2018

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

1. GENERAL INFORMATION

A. Reliance Eagleford Upstream Holding LP (the "Partnership", "LP") was formed as a Texas limited liability partnership on 17 June 2010, in the United States. The principal office of the LP is situated at 2000 W. Sam Houston Parkway S, Houston, Texas 77042. The LP is engaged in the business of exploration and production of natural resources, primarily oil and gas from minerals properties, and related businesses. The LP is composed of two partner companies listed in the table below. The LP's ultimate parent is Reliance Industries Limited, an Indian listed Company ("Ultimate Holding Company") .

Company	**Country of Incorporation**	**Percentage Ownership**	**Principle Business Activities**
Reliance Eagleford Upstream LLC	USA	99.99	Exploration and production of oil and gas
Reliance Eagleford Upstream GP LLC	USA	0.01	Exploration and production of oil and gas

B. Reliance Eagleford Upstream LLC and Reliance Eagleford Upstream GP LLC are, respectively, the limited partner and general partner. Reliance Holding USA Inc. is the holding company of the limited partner and general partner (the "Holding Company").

C. On 23 June 2010, the LP executed definitive agreements to enter into a joint venture with Pioneer Natural Resources USA, Inc. (Pioneer) under which the LP acquired a 45% interest in Pioneer's core Eagle Ford Shale acreage position in two separate transactions for a total of $264 million in cash and $1.05 billion of drilling carry obligations. The drilling carry obligation provided for 75% of the other joint venture partners' capital costs over an anticipated six-year development program. In addition, the LP was 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 LP. The LP became a partner in 262,683 net acres. Pioneer continues to be the operator, with 46.354% participating interest. In December 2012, the LP fully met its $1.05 billion drilling carry commitment.

2.1 STATEMENT OF COMPLIANCE

The financial statements of the LP 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 polices 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 LP 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

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

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 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. 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.

C. Inventories:

Inventories of crude oil are stated at lower of cost and net realisable value. The net realisable value of crude oil is based on estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale, at the balance sheet date.

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. ln 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 LP 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.

lf 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.

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

Decommissioning liability:

The LP 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 LP 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 LP's activities is the responsibility of the Holding Company.

G. Revenue Recognition:

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the LP 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 and diversion fees.

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 the title passes to the customer. Revenue from the production of oil and gas in which the LP has an interest with other producers is recognised based on the LP's working interest (the entitlement method);

ii. The LP retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

iii. lt is probable that the economic benefit associated with the transaction will flow to the LP;and

iv. It can be reliably measured and it is reasonable to expect ultimate collection.

Interest Income:

lnterest income from a financial asset is recognised when it is probable that the economic benefits will flow to the LP and the amount of income can be measured reliably. lnterest 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.

When a LP entity undertake its activities under joint operations, the LP as a joint operator recognises in relation to its interest in a joint operation:

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

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

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 LP 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 LP follows 'simplified approach' for recognition of impairment loss allowance. The application of simplified approach does not require the LP 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 LP 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 LP 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 LP, 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 LP 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

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

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 LP'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 LP 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 UNCERTAINITY:

In the application of the LP's accounting policies, the directors of the LP 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) Estimation of oil and gas reserve

The determination of the LP'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 LP's estimates of its oil and natural gas reserves. The LP assumes that it would develop its proved reserves within a period of five years. Though the LP 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 LP'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 LP 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 LP 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.

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

(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 LP uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on LP'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.

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

3. PROPERTY, PLANT AND EQUIPMENT

In USD

Description	Gross block			Depletion			Net block
	As at 1st January, 2017	Additions	**As at 31st December, 2017**	As at 1st January, 2017	For the Year	**As at 31st December, 2017**	**As at 31st December, 2017**
INTANGIBLE ASSETS (other than internally generated)							
Development rights (oil & gas)	2,327,165,679	201,506,493	**2,528,672,172**	1,268,239,096	175,567,441	**1,443,806,537**	**1,084,865,635**
Total	**2,327,165,679**	**201,506,493**	**2,528,672,172**	**1,268,239,096**	**175,567,441**	**1,443,806,537**	**1,084,865,635**
Intangible assets under development (Refer note 1)	91,375,856						43,133,521

Description	Gross block			Depletion			Net block
	As at 1st January, 2016	Additions	**As at 31st December, 2016**	As at 1st January, 2016	For the Year	**As at 31st December, 2016**	**As at 31st December, 2016**
INTANGIBLE ASSETS (other than internally generated)							
Development rights (oil & gas)	2,173,558,953	153,606,726	**2,327,165,679**	1,094,280,151	173,958,945	**1,268,239,096**	**1,058,926,583**
Total	**2,173,558,953**	**153,606,726**	**2,327,165,679**	**1,094,280,151**	**173,958,945**	**1,268,239,096**	**1,058,926,583**
Intangible assets under development (Refer note1)	147,081,740						91,375,856

Notes:
1. Borrowing cost capitalised during 2017 were $42.0 million ($42.6 million in 2016)

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

4 INVENTORIES
(lower of cost and net realizable value)

In USD

	As at 31 December, 2017	As at 31 December, 2016
Finished goods	3,699,561	1,326,654
TOTAL	**3,699,561**	**1,326,654**

5 CASH AND CASH EQUIVALENTS

In USD

	As at 31 December, 2017	As at 31 December, 2016
Balance with banks	5,382	8,170
TOTAL	**5,382**	**8,170**

6 OTHER FINANCIAL ASSETS (CURRENT)

In USD

	As at 31 December, 2017	As at 31 December, 2016
Revenue receivable	53,975,050	40,540,842
TOTAL	**53,975,050**	**40,540,842**

7 OTHER CURRENT ASSETS
(Unsecured and considered good)

In USD

	As at 31 December, 2017	As at 31 December, 2016
Advances to operator	7,911,520	3,339,384
TOTAL	**7,911,520**	**3,339,384**

8 PARTNER'S CONTRIBUTION

In USD

	As at 31 December, 2017	As at 31 December, 2016
Reliance Eagleford Upstream LLC	1,728,327,165	228,327,165
Reliance Eagleford Upstream GP LLC	22,835	22,835
TOTAL	1,728,350,000	228,350,000

9 SHARE OF NET INCOME

In USD

	As at 31 December, 2017		As at 31 December, 2016	
Opening balance	(1,853,650,016)		(1,633,484,338)	
(Loss) for the year	(281,743,517)		(220,165,678)	
		(2,135,393,533)		(1,853,650,016)
TOTAL		(2,135,393,533)		(1,853,650,016)

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

10 BORROWINGS (NON CURRENT)

In USD

	As at 31 December, 2017	As at 31 December, 2016
Unsecured - at amortised cost		
Loan from a Partner (Refer note 10.1 & 27)	1,290,497,251	2,708,382,251
TOTAL	**1,290,497,251**	**2,708,382,251**

10.1 The LP borrows funds from Partner @ 5.5% per annum interest as per loan agreement.

11 PROVISIONS (NON CURRENT)

In USD

	As at 31 December, 2017		As at 31 December, 2016	
Decommissioning provision				
Beginning balance		23,844,946		15,770,061
Movements during the year				
For the year	348,864		1,965,034	
Unwinding of discount	1,114,665		748,338	
Changes in estimates	14,766,962	16,230,491	5,361,513	8,074,885
Closing balance		**40,075,437**		**23,844,946**

11.1 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 discounted at the Holding Company's WACC to arrive at the present value of provision.

12 TRADE PAYABLES

In USD

	As at 31 December, 2017	As at 31 December, 2016
Trade payables	115,347,012	61,655,441
TOTAL	**115,347,012**	**61,655,441**

The average credit period in respect of trade payables ranges between 15 days to 30 days.

13 OTHER FINANCIAL LIABILITIES (CURRENT)

In USD

	As at 31 December, 2017	As at 31 December, 2016
Creditors for capital expenditure	10,272,141	3,910,644
Interest accrued but not due on borrowings (Refer note 27)	131,293,635	21,074,855
Guarantee commission payable (Refer note 27)	12,724,653	1,382,895
Other payables to Related Party (Refer note 27)	424,073	566,473
TOTAL	**154,714,502**	**26,934,867**

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

14 REVENUE FROM OPERATIONS (NET)

In USD

	2017	2016
Sale of products:		
Gas	47,812,253	59,953,017
Natural gas liquids	49,293,152	47,193,416
Condensate	129,713,670	149,399,039
TOTAL	**226,819,075**	**256,545,472**

15 OTHER INCOME

In USD

	2017	2016
Interest income	195,636	96,598
TOTAL	**195,636**	**96,598**

16 SHARE OF OPERATING EXPENSES IN SHALE GAS OPERATIONS

In USD

	2017	2016
Operating expenses	88,304,619	115,437,246
Commitment charges	109,271,266	49,217,609
Production taxes	8,955,770	7,454,643
TOTAL	**206,531,655**	**172,109,498**

17 CHANGES IN INVENTORIES OF FINISHED GOODS

In USD

	2017	2016
Inventories (at close)		
Finished Goods	3,699,561	1,326,654
Inventories (at commencement)		
Finished Goods	1,326,654	194,366
TOTAL	**(2,372,907)**	**(1,132,288)**

18 EMPLOYEE BENEFITS EXPENSE

In USD

	2017	2016
Salaries and wages (Refer note 27) #	2,191,490	2,324,014
TOTAL	**2,191,490**	**2,324,014**

represents allocation of expenses incurred by Holding Company.

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

19 FINANCE COSTS

In USD

	2017	2016
Interest on loan from a partner (Refer note 27) #*	109,683,795	106,010,084
Guarantee commission (Refer note 27) #	15,356,614	14,948,395
Unwinding of discount on provisions	1,114,665	748,338
Other borrowing costs	557	-
TOTAL	**126,155,631**	**121,706,817**

expense pertaining to transaction with related parties
* net of capitalisation

20 DEPLETION EXPENSE

In USD

	2017	2016
Depletion of development rights	175,567,441	173,958,945
TOTAL	**175,567,441**	**173,958,945**

21 OTHER EXPENSES

In USD

	2017	2016
Legal and professional fees #	262,221	376,916
General expenses	-	81,911
Rates & taxes #	422,697	2,957
Loss on derivatives (Net)	-	7,378,978
TOTAL	**684,918**	**7,840,762**

includes recharge of expenses incurred by Holding Company

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

22. FINANCIAL RISK MANAGEMENT OBJECTIVES

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

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

Liquidity Risk:

Liquidity risk is the risk that the Partnership will not be able to meet its obligations as they fall due. The Partnership, with the support of its Holding Company, 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 Partnership's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

The Partnership 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 Partner's contribution. The Partnership is not exposed to any externally imposed capital requirements.

<u>Net gearing ratio:</u>

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

	As at 31 December, 2017	As at 31 December, 2016
Debt #	1,290,497,251	2,708,382,251
Less: Cash and cash equivalents	5,382	8,170
Net debt	1,290,491,869	2,708,374,081
Total equity	(407,043,533)	(1,625,300,016)
Net debt to equity ratio	-317%	-167%

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

Credit risk management:

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Partnership. The Partnership 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

23. PARTNERSHIP'S SHARE OF PROVED RESERVES

	Proved reserves (Million MT)		Proved developed reserves (Million MT)	
OIL:	**2017**	**2016**	**2017**	**2016**
Beginning of the year	10.90	21.26	3.67	5.87
Revision of estimates	0.32	(9.31)	0.45	(1.15)
Production	(0.71)	(1.05)	(0.71)	(1.05)
Closing balance for the year	**10.51**	**10.90**	**3.41**	**3.67**

	Proved reserves (Million M^3)		Proved developed reserves (Million M^3)	
Gas:	**2017**	**2016**	**2017**	**2016**
Beginning of the year	7,587	15,335	2,519	4,040
Revision of estimates	9	(7,032)	134	(805)
Production	(443)	(716)	(443)	(716)
Closing balance for the year	**7,153**	**7,587**	**2,210**	**2,519**

Note: 1 Cubic meter (M^3) = 35.315 cubic feet, 1 cubic feet = 1000 BTU and 1 MT = 7.5 bbl

The movement in proved reserves for both oil and gas is due to improved recovery on account of stronger completion design and optimized spacing off-set by reduced well count for proved undeveloped wells.

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. Partnership 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.

24. CATEGORYWISE CLASSIFICATION OF FINANCIAL INSTRUMENTS

In USD

		Note	As at 31 December, 2017	As at 31 December, 2016
Financial assets				
A.	**Measured at amortised cost (AC)**			
(i)	Cash and cash equivalents	5	5,382	8,170
(ii)	Revenue receivable	6	53,975,050	40,540,842
Financial liabilities				
A.	**Measured at amortised cost (AC)**			
(i)	Borrowings			
	(a) Non-current	10	1,290,497,251	2,708,382,251
(ii)	Trade payables	12	115,347,012	61,655,441
(iii)	Creditors for capital expenditure	13	10,272,141	3,910,644
(iv)	Interest accrued but not due on borrowings	13	131,293,635	21,074,855
(v)	Guarantee commission payable	13	12,724,653	1,382,895
(vi)	Other payables to related party	13	424,073	566,473

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

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

The LP 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
EFS JDA Partnership	45%	Pioneer Natural Resources USA Inc. - 46.354% (Operator) Newpek LLC - 8.646% (Non operator)	USA

Previous year's interests are same as current year.

26. GOING CONCERN CONSIDERATIONS:

The accumulated losses have fully eroded the net worth of the Partnership. The management has evaluated and concluded on the ability of the Partnership to continue as a going concern in the foreseeable future basis the continued support from the Partner, 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 Partnership continues to have positive operating cash flows as well as positive EBITDA. RIL through it 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.

27. 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)
Reliance Eagleford Upstream LLC	Partner
Reliance Eagleford Upstream GP LLC	Partner

Related Party Transactions

In USD

Name of the related party	Balances as at year end	As at 31 December, 2017	As at 31 December, 2016
Reliance Holding USA Inc.	Standby Letter of Credit	30,000,000	30,000,000
Reliance Eagleford Upstream LLC	Interest accrued but not due on borrowings	131,293,635	21,074,855
Reliance Eagleford Upstream LLC	Loan from Partner	1,290,497,251	2,708,382,251
Reliance Holding USA Inc.	Guarantee commission payable	12,724,653	1,382,895
Reliance Holding USA Inc.	Other payable	424,073	566,473

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

In USD

Name of the related party	Nature of transaction	For the years ended 31 December, 2017	31 December, 2016
Reliance Holding USA Inc.	Guarantee commission	15,356,614	14,948,395
Reliance Holding USA Inc.	Allocated salaries and wages	2,191,490	2,324,014
Reliance Eagleford Upstream LLC	Loan given by	82,115,000	84,900,000
Reliance Eagleford Upstream LLC	Loan repaid to	-	21,200,000
Reliance Eagleford Upstream LLC	Conversion of loan into equity	1,500,000,000	-
Reliance Eagleford Upstream LLC	Interest expense	151,717,119	148,606,685
Reliance Holding USA Inc.	Other costs	601,780	352,386

28. CONTINGENT LIABILITIES AND COMMITMENTS

In USD

	As at 31 December, 2017	As at 31 December, 2016
Capital commitments	9,675,000	90,300,000

29. SEGMENT REPORTING

The LP 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.

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

For and on behalf of the Partnership

Walter Van de Vijver
Director

Place: Houston
Date: 13 April, 2018