GAIL GLOBAL (USA) INC.
HOUSTON, TEXAS

3RD ANNUAL REPORT

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3RD ANNUAL REPORT

NOTICE OF THIRD AGM

NOTICE OF THIRD ANNUAL GENERAL MEETING
To be held on June 13, 2014

To: Sole Shareholder – M/s GAIL (India) Limited.

From: Amit Jhalani, Secretary cum Treasurer

Date: May 29, 2014

NOTICE is hereby given that the Third Annual General Meeting of the GAIL GLOBAL (USA) INC. will be held on Friday, the 13th day of June 2014 at 10:00 am Central Daylight Time at 333 Clay Street, Suite 3300, Houston, Texas 77002 to transact the following business:

1. To receive, consider and adopt the audited Balance Sheet as at 31st December 2013, Statement of Operations, Statement of Changes in Shareholder's Equity and Statement of Cash flow for the period ended 31st December 2013, Director's Report and Auditor's Report thereon.

2. To appoint a Chairman in place of Mr. Venkatraman Srinivasan, who retires, and being eligible, offers himself for re-appointment.

3. To appoint a Director in place of Mr. Sanjib Datta, who retires, and being eligible, offers himself for re-appointment.

4. To appoint a Director in place of Mr. Subir Purkayastha, who retires, and being eligible, offers himself for re-appointment.

5. To transact any other ordinary business that may be properly transacted at the Annual General Meeting.

Amit Jhalani

(Amit Jhalani)
Secretary cum Treasurer
GAIL Global (USA) Inc.

333 Clay Street, Suite 3300, Houston, Texas 77002, USA

DIRECTORS' REPORT 2013

3RD ANNUAL REPORT

Dear Shareholder(s),

On behalf of the Board of Directors of GAIL Global (USA) Inc. ("Company"), I am delighted to present the 3rd Annual Report of your Company along with Audited Consolidated Financial Statements of the Company and its Subsidiary for the year ending December 31, 2013.

General Overview

Your Company, was incorporated as a wholly owned subsidiary of GAIL (India) Limited on September 26, 2011 in the State of Texas, USA, to undertake investment in the Eagle Ford shale gas asset and operations related to that asset and any other activities. The Company has its registered office at Houston, Texas, USA.

The Company executed a Purchase and Participation Agreement with M/s Carrizo Oil & Gas Inc., USA on September 28, 2011, to enter into an unincorporated Joint Venture ("JV") in the Eagle Ford Shale asset in Texas. The Company acquired 20% participating interest in the JV. Carrizo (Eagle Ford) LLC ("Carrizo") with participating interest of 80% is the Operator of the JV. The Company acquired net acreage of around 4040 acres in Dimmit, Frio, LaSalle and McMullen Counties in Eagle Ford. Subsequently it acquired around 1100 acres as part of Area of Mutual Interest ("AMI") for operational reasons.

In March 2013, your Company has formed a wholly-owned subsidiary in the State of Delaware, GAIL Global USA LNG LLC ("GGULL") to enter into contractual agreements for booking capacity rights in a LNG liquefaction terminal and related pipelines; to purchase and deliver natural gas to the terminal and to perform any other activities that may be required for sale of LNG. Accordingly GGULL, executed a Terminal Service Agreement ("TSA") and a Pipeline Precedent Agreement ("PPA") with Dominion Cove Point LNG, LP (DCP, Operator) on April 1, 2013 for booking capacity rights of ~330,000 Dth/day (~2.3mtpa) in its proposed brownfield Cove Point LNG liquefaction terminal at Lusby, Maryland and corresponding capacity in the Cove Point Pipeline which links the terminal with other gas transmission pipelines for a period of twenty year.

Board of Directors

Mr. Venkatraman Srinivasan, Chairman

Mr. Sanjib Datta, Director

Mr. Subir Purkayastha, Director

The day to day management is performed by the following two officers of the Company:

Mr. Jayanta Sinha, President.

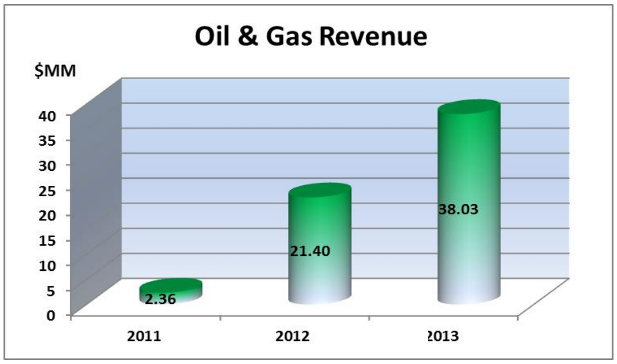
Mr. Amit Jhalani, Secretary cum Treasurer.

Performance Overview

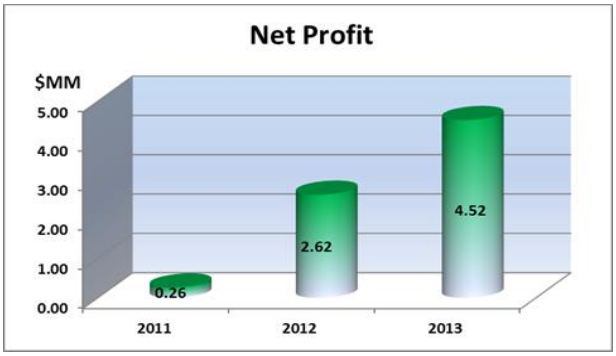
During the year, 32 wells came online making total online wells to 61 as on December 31, 2013. In addition 10 wells were under different stage of Drilling & Completion as on that date. For the financial year 2013 your company achieved a consolidated turnover of $38.03 Million ($21.40 Million in FY2012) with a net income of $4.52 Million ($2.62 Million in FY 2012).

The Financial Highlights for the last two years are as under:

Year	2013	2012
Sales ($ in Million.)	38.03	21.40
Income from Operations ($ in Million.)	7.50	4.38
Net Profit before Tax ($ in Million.)	6.85	3.97
Net Profit after Tax ($ in Million.)	4.52	2.62
Net worth ($ in Million)	43.29	38.77
Capital Employed ($ in Million)*	146.84	123.88
Gross Fixed Assets ($ in Million)	195.07	142.47
Debt Equity Ratio	2.28	2.19
Income from Operation to Sales (%)	19.7%	20.0%
Net Income to Sales (%)	11.9%	12.0%
Return on Net Worth (%)	10.4%	6.8%



2013 total Oil & Gas Revenue of company Million is an increase of 77.7% over 2012.



2013 net profit of company at $4.52 Million is an increase of 72.4% over 2012.

Physical Performance highlights and acreage position is as under:

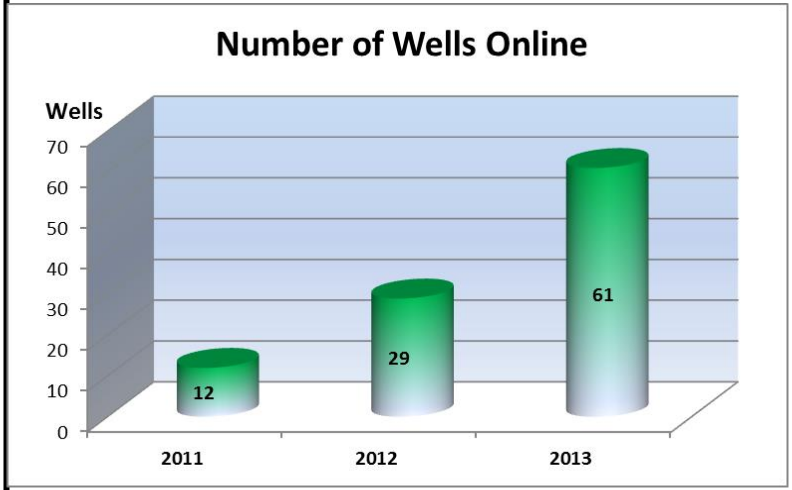
Descriptions	2013	2012
Net Acreage, Acres	5011	4504
No. of Producing wells	61	29
Wells under D&C	10	16
Sales Quantity (MBOE)	475.26	279.35
Proved Remaining Reserves, (MBOE)	4970	4216

During the year, your company acquired additional 640 net acres of acreages through Area of Mutual Interests (AMI) and Acreage Swaps with EOG and Chesapeake, as per the proposal received from Carrizo and relinquished 133.05 net acres under Vester area. As on December 31, 2013, the JV has 25,055 net acres of which GGUI's share is 5,011 net acres of leases.

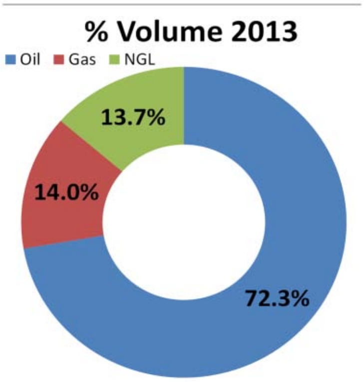
The proved oil and gas reserve estimates as on December 31, 2013 have been prepared by Ryder Scott Company, L.P., an independent third party reserve engineers. A comparison of GGUI's remaining proved reserve as on December 31, 2013 based upon 61 Proved Developed Producing (PDP) wells, 1 Proved Developed Non-Producing (PDNP) and 39 Proved Under Developed (PUD) wells vis-a- vis reserves as on December 31, 2012 as is as under.

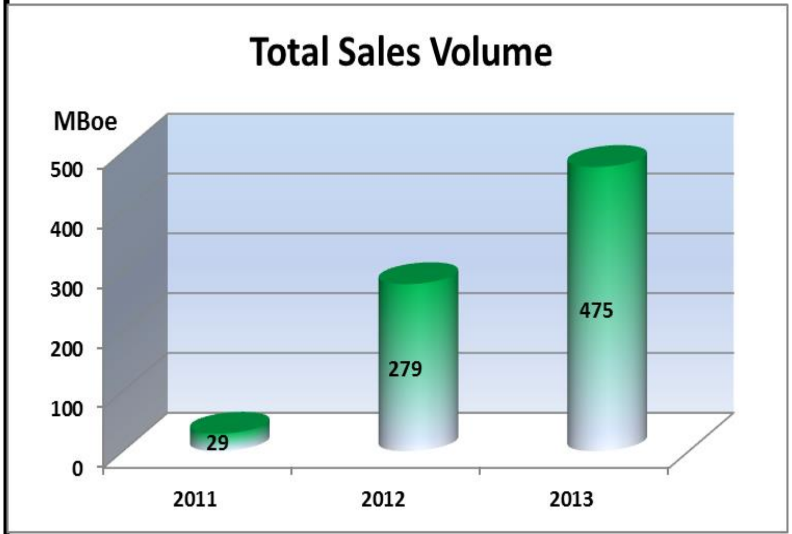
	Remaining Reserves					
Description	As on Dec 2013			As on Dec 2012		
	PDP	PDNP +PUD	Total	PDP	PUD	Total
Well Count	61	40	101	29	51	80
Gas (Bcf)	2.32	2.40	4.716	1.90	3.45	5.35
Oil (MMBbl)	1.69	1.77	3.459	0.93	1.76	2.69
NGL(MMBbl)	0.36	0.37	0.727	0.23	0.41	0.64
Total Reserve (MMBOE)	2.43	2.54	4.971	1.47	2.75	4.21
% Change Dec. 2013 w.r.t Dec. 2012	**18%**					

PHYSICAL HIGHLIGHTS

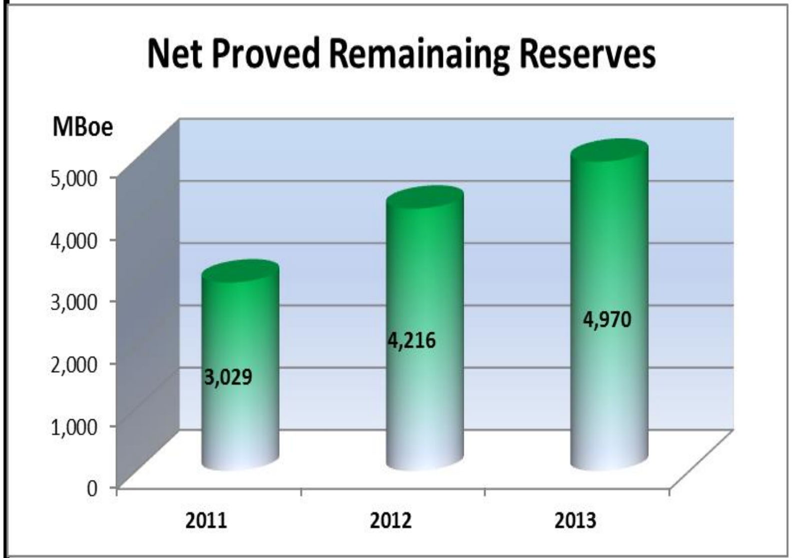


No. of wells online in Eagle Ford JV by end of 2013 was 61 vs 29 wells by 2012.





2013 total net sales volume of company reached to a record of 475 MBoe, an increase of 70% over 2012.



Net Proved oil & gas reserves (remaining) in 2013 increased to 4.97 million Boe, representing an increase of 18% over year 2012.

Drilling & Completion Program

Till December 2013, the Joint Venture had 61 producing wells. The Joint Venture has planned about more 125 wells in the next few years entailing an investment of over US$ 200 Million on the part of the Company. The plan is however subject to review from time to time.

Financing

The authorized share capital and the paid up share capital of the company is $50 Million and $36 Million respectively as on December 31, 2013. The paid up capital is entirely subscribed by GAIL (India) Limited.

In December 2013, your Company entered into a $114,000,000 short term credit facility agreement (the "Line of Credit") for a period of one year from December 20, 2013 with M/s Royal Bank of Scotland Finance (Ireland) (RBSFI) to repay the existing loan and for meeting fund requirement for next year. The facility has a committed facility of $104,000,000 and uncommitted facility of $10,000,000. The outstanding principal is due at maturity on December 20, 2014. The outstanding balance on the credit facility as on December 31, 2013 was $99,000,000. Borrowings under the Line of Credit accrue interest at one-month LIBOR (~0.17% at December 31, 2013) plus 0.49375% and is payable monthly. The Line of Credit is guaranteed by GAIL (India) Limited.

Dividend

It is not proposed to declare any dividend during the current year.

Audit

The independent auditors, M/s Pannell Kerr Forster of Texas, P.C. has carried out the audit of the Financial Statements of the Company ending December 31, 2013 and their report is annexed hereto.

Status of Dominion's Cove Point Liquefaction Project

Particulars	Status
Terminal Capacity Contracted	2.3 Million tonnes per annum with GAIL 2.3 Million tonnes per annum with Sumitomo
Final Investment Decision (FID)	Achieved
EPC Contract	Awarded
Non-FTA Approval by DOE	Approved
FERC Filing / Approval	Environmental Assessment cleared by FERC on May 15, 2014. Final clearance expected by August 2014.
Final Resolution of Sierra Club Issue	Sierra Club lost in lower court and special court of appeal and has now approached Maryland Court of Special Appeals for final appeal.
Full Notice to proceed (NTP) to Construction Contractor	Targeted by Feb, 2015
Expected Commencement of Operations	Targeted by Sep' 2017

As the terminal is expected to be in service in September 2017, GAIL (India) Limited is negotiating with potential suppliers for sourcing of gas for liquefaction and it is expected that GGULL will be executing definitive agreement for such supplies in 2014.

Director's interest in shares or debentures, contractual benefits and responsibility statement.

None of the Directors holding office at the end of the financial year has any interest in the shares or debentures of the Company and no Director has received or become entitled to receive a benefit by reason of a contract made by the Company. Further, during the year, no Director has been indemnified or reimbursed any expenses from the Company.

In the opinion of the Directors,

(a) the financial statements annexed hereto are drawn up in accordance with Generally Accepted Accounting Principles, so as to give a true and fair view of the state of affairs of the Company as at December 31, 2013 and the results of the business, change in equity and cash flows of the Company for the year.

(b) as on the date of the financial statement, there are reasonable grounds to believe that the Company will be able to service its debts as and when they fall due.

Management Discussion and Analysis

The detailed Management Discussion and Analysis forms a part of this report at **Annexure A.**

Acknowledgement

The Board of Directors acknowledge its deep and sincere thanks for the co-operation and assistance received from M/s GAIL (India) Ltd., M/s Carrizo Oil & Gas Inc. (JV partner), Bankers, Financial Institution, Consultants, Vendors and Customers.

For and on Behalf of the Board

5/6/2014

(S Venkatraman)
Chairman

Place: New Delhi
Date: June 5, 2014

MANAGEMENT DISCUSSION AND ANALYSIS

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Annexure - A

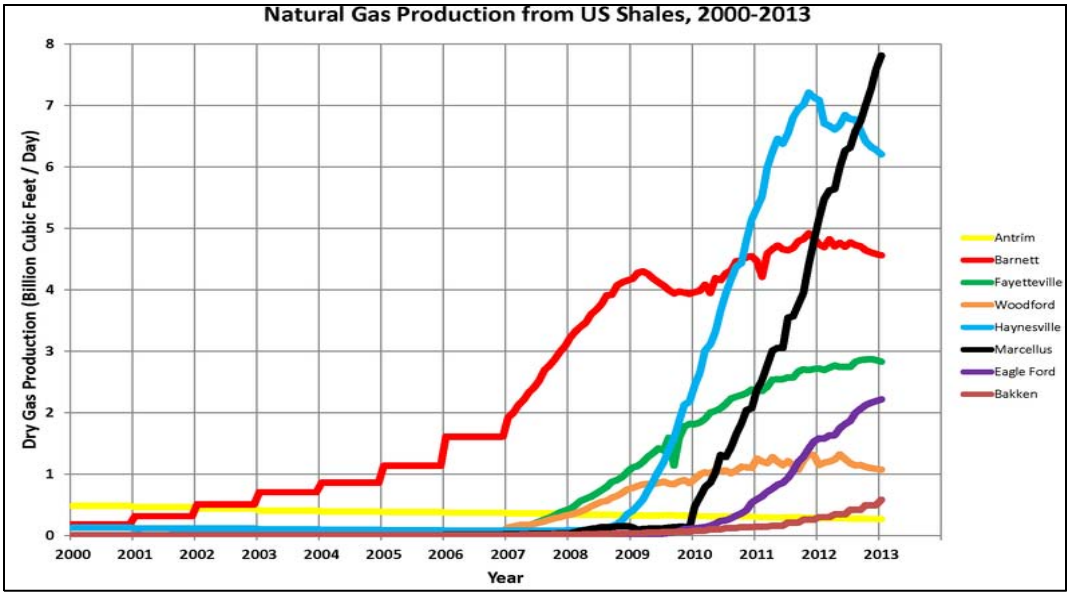
MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL OVERVIEW- SHALE GAS IN US

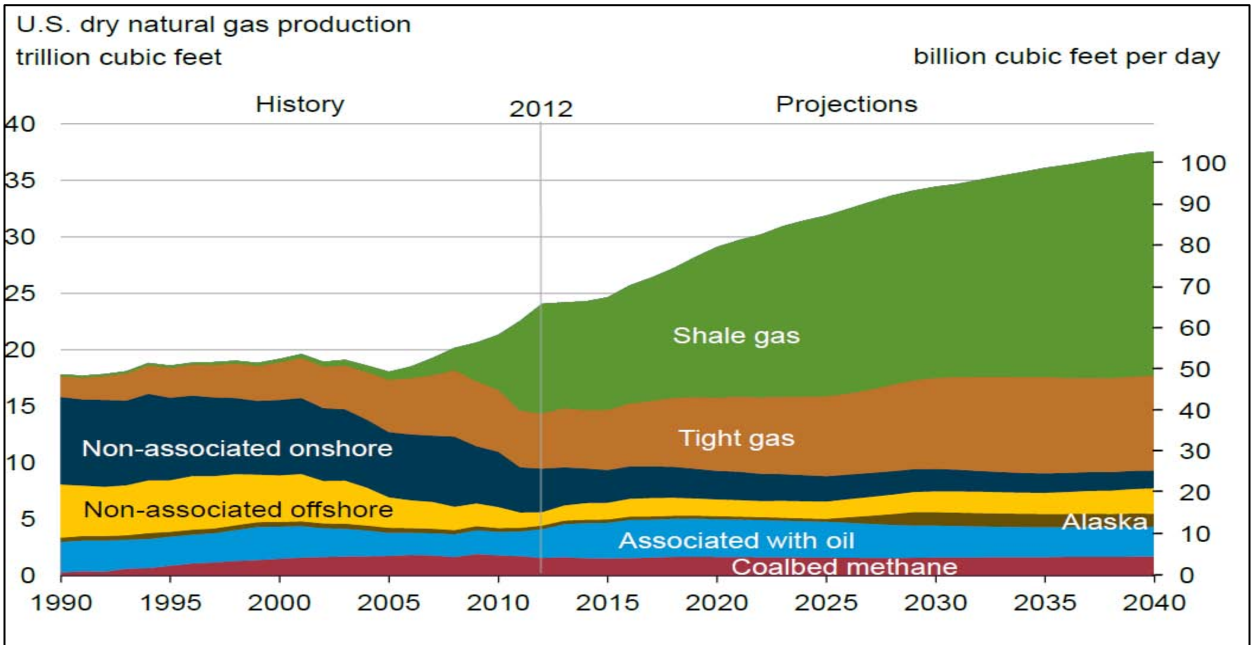
Shale gas is natural gas that is found trapped within shale formations. Shale gas exploration was started long back as a resource in Fredonia, New York, in 1821, in shallow, low-pressure fractures. Later date, horizontal drilling began in the 1930s, and in 1947 a well was first fracked in the US. The Department of Energy later partnered with private gas companies to complete the first successful air-drilled multi-fracture horizontal well in shale in 1986. But commercial shale-gas wells were drilled in 1998 in Mississippian Barnett Shale of US by Mitchell Energy after prolonged experimentations and advancements in drilling and stimulation. George P. Mitchell is regarded as the father of the shale gas industry, by making it commercially viable in the Barnett Shale. Since then, natural gas from shale has been the fastest growing contributor to total primary energy in the United States, and has led many other countries to pursue shale deposits.

Typically shale reservoir is characterized by its large areal extent which is widespread continuous and ultra-low permeability which cannot produce economically without the aid of horizontal drilling and multistage hydraulic fracturing. Led by development of new sources of shale gas has offset declines in production from conventional gas reservoirs, and has led to major increases in reserves of US natural gas.

From 2010 onwards US has experienced a rapid increase in natural gas and oil production from unconventional plays like shale and other tight resources which compensated for declining conventional gas production from conventional fields as shown in the figures below:

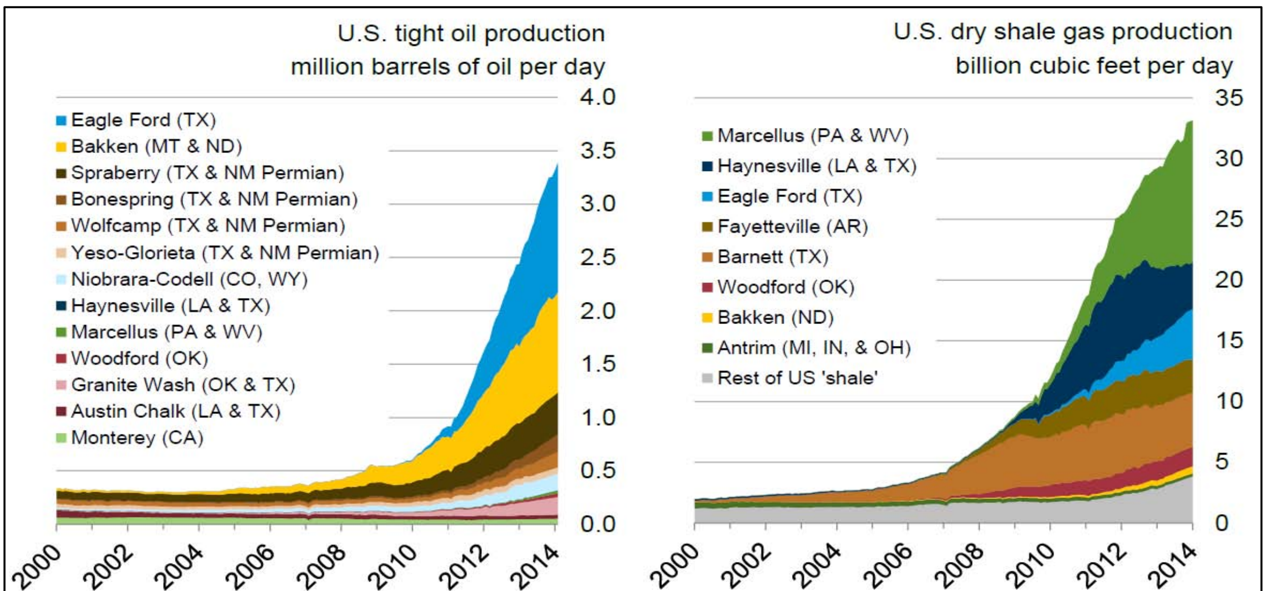


U.S. Shale gas leads growth in total gas production through 2040 to reach half of U.S. output:



Source: EIA, Annual Energy Outlook 2014 Early Release

The production from major US shale plays has been increasing exponentially from virtually nothing to more than 25% in 2013. Leading US shale plays and contribution of oil and gas production is shown below in the figures:



Sources: EIA derived from state administrative data collected by DrillingInfo Inc. Data are through February 2014 and represent EIA's official tight oil & shale gas estimates, but are not survey data. State abbreviations indicate primary state(s).

Prominent US liquid shale/tight plays are Eagle Ford, Bakken, Permian, Niobrara, Granite Wash etc. whereas major gas plays are Marcellus, Haynesville, Fayetteville, Barnett, and dry/associated gas from Eagle Ford, Bakken, Woodford, Antrim etc.

Company's acreages are located in the wet gas / condensate window in the core area of the Eagle Ford mainly in four counties – La Salle, McMullen, Dimmit, Frio shale in South Texas. Eagle Ford asset is one of the most economically attractive unconventional resource plays in North America.

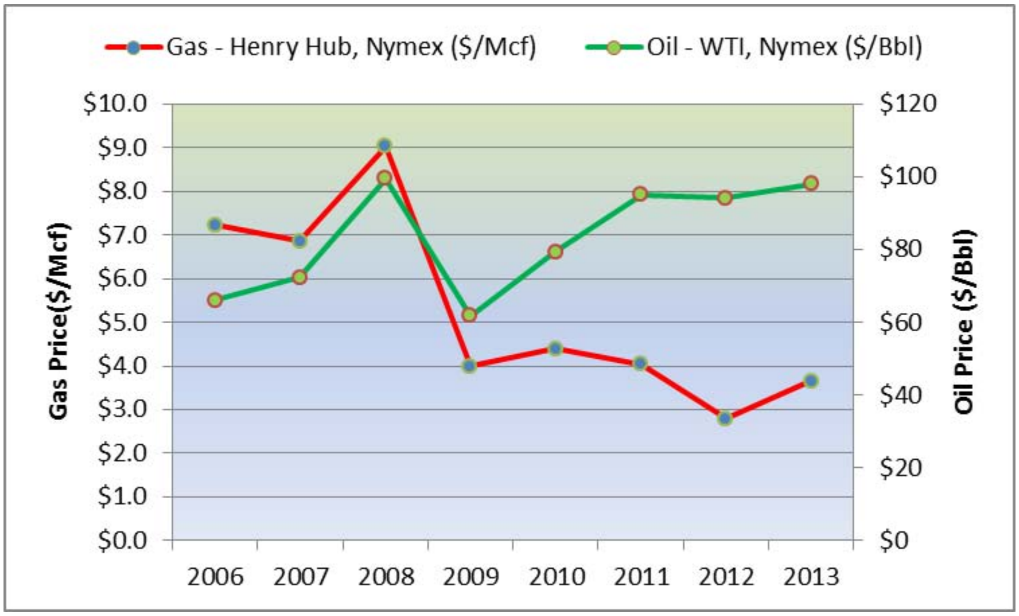
Overview of Oil and Gas prices in United States in last few years:

Due to Unconventional oil and gas revolution and refinement of hydraulic fracturing technology, the Oil and Gas prices in United States has seen drastic changes in last 6-7 years. Yearly average oil and gas prices in last few years are as under:

Year/ Product	Oil - WTI, Nymex ($/Bbl)	Gas - Henry Hub, Nymex ($/Mcf)
2006	66.05	7.23
2007	72.29	6.86
2008	99.59	9.03
2009	61.69	3.99
2010	79.40	4.39
2011	95.05	4.04
2012	94.14	2.79
2013	97.94	3.65

Price realization from the sale of Oil and Gas by the company since commencement of operations (September 2011) is as under:

Year/ Product	Oil ($/Bbl)	Gas ($/Mcf)
2011	$98.27	$3.66
2012	$102.10	$2.69
2013	$101.58	$3.72

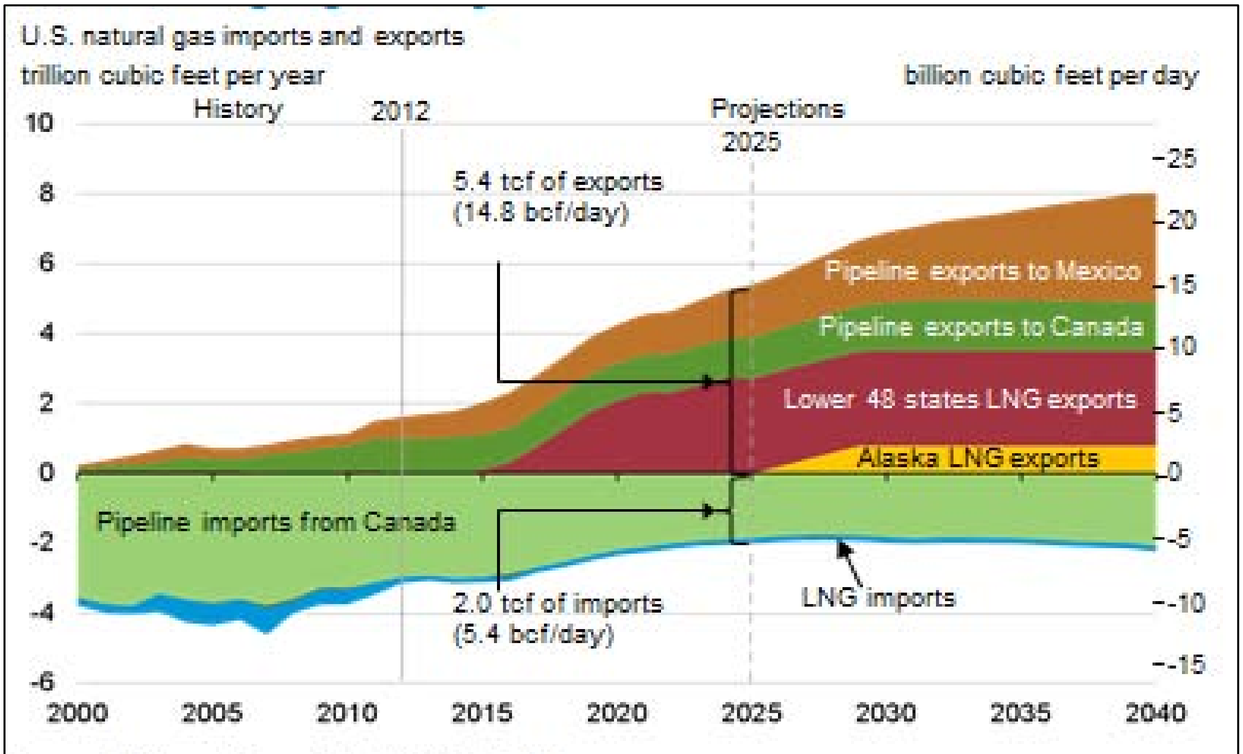


Overview of US LNG

According to the U.S. Energy Information Administration's (EIA), net imports of natural gas into the United States fell 14% in 2013, continuing a decline that began in 2007. Based on preliminary data for 2013, domestic dry natural gas production increased by 1% to 24,282 billion cubic feet (Bcf), a new record. Abundant production of natural gas helped US to reduce reliance on foreign natural gas and to maintain a high price differential between domestic and foreign markets outside of North America thereby increasing interest in the potential export of U.S. liquefied natural gas (LNG).

With the surplus gas production trend from domestic unconventional plays, US plan to export natural gas in near future. The figure below illustrates likely gas availability and gas volume available for exports:

U.S. natural gas gross exports exceed 5 tcf in 2025.



Source: EIA, Annual Energy Outlook 2014 Early Release

Details of various major LNG export terminals in United States and their approval status are given below:

Several companies have applied to US DOE for license to export LNG to Free-Trade Agreement (FTA) and Non-FTA nations through their brownfield expansion and greenfield LNG projects. However, as on date only six projects have been given the authorization to export LNG to Non-FTA countries. The details of these six projects and current status of DOE license for export approval and approval from Federal Energy Regulatory Commission (FERC) are as under:

Project Name	Quantity (Bcf/d)	DOE FTA Export Application Status	DOE Non FTA Export Application Status	FERC Approval Status
Sabine Pass Liquefaction, LLC	2.2	Approved	Approved	Approved
		7-Sep-10	20-May-11	On Apr 16, 2012
Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC	1.4	Approved	Approved	Under review
		10-Feb-11	17-May-13	(Draft EIS Issued by FERC in Mar 2014)
Lake Charles Exports, LLC		Approved	Approved	Under review
		22-Jul-11	7-Aug-13	(Formal Application filed with FERC on Mar 25, 2014)
Dominion Cove Point LNG, LP	1.0 - FTA	Approved	Approved	Under review
	0.77 – Non-FTA	7-Oct-11	11-Sep-13	(Draft EA Issued by FERC on 15 May 2014)
Cameron LNG, LLC	1.7	Approved	Approved	Under review
		17-Jan-12	11-Feb-14	(Draft EIS Issued by FERC on Jan 10, 2014)
Jordan Cove Energy Project, L.P.	1.20 – FTA	Approved	Approved	Under review
	0.8 – Non-FTA	7-Dec-11	24-Mar-14	(Formal Application field with FERC on May 21, 2013)

From the above projects, GAIL (India) Limited has already executed a 20-year deal with Sabine Pass Liquefaction LLC, to import liquefied natural gas of 3.5 million tonnes per annum at prices linked to the US benchmark Henry Hub. As specified above this project has all regulatory approvals in place for LNG exports and is under construction. Further, GAIL Global (USA) LNG LLC, an indirect subsidiary of GAIL (India) Limited has executed a 20-year deal with Dominion Cove Point LNG LP for liquefaction of 2.3 million tonnes per annum of LNG from its Cove Point LNG terminal. The terminal is also a brownfield project. As specified above project has already got approval from DOE to export to Non FTA and FTA Countries. Draft Environmental Assessment (EA) for the project has been completed and the project is expected to have final FERC approval by end of this year. Both the projects are expected to be in-service in 2017.

AUDITOR'S REPORT

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GAIL Global (USA) Inc.
and Subsidiary

Consolidated Financial Statements

December 31, 2013

GAIL Global (USA) Inc. and Subsidiary

December 31, 2013

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Independent Auditors' Report

To the Board of Directors and Stockholder of
GAIL Global (USA) Inc. and Subsidiary

We have audited the accompanying consolidated financial statements of GAIL Global (USA) Inc. (a Texas corporation) and Subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of operations, changes in stockholder's equity and cash flows for the years then ended, and related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of GAIL Global (USA) Inc. and Subsidiary as of December 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The fixed assets rollforward information as of December 31, 2013 and 2012 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to Prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

/s/ Pannell Kerr Forster of Texas, P.C.

Houston, Texas

May 9, 2014

CONSOLIDATED FINANCIAL STATEMENT

3RD ANNUAL REPORT

GAIL Global (USA) Inc. and Subsidiary

A wholly-owned subsidiary of GAIL (India) Limited

Consolidated Balance Sheets

	December 31, 2013	December 31, 2012
Assets		
Current assets		
Cash and cash equivalents	$ 3,639,976	$ 2,491,388
Accounts receivable - oil and natural gas	4,535,907	2,358,087
Accounts receivable - other	34,225	-
Prepaid expenses	25,425	18,540
Total current assets	8,235,533	4,868,015
Oil and natural gas properties		
Proved property		
Leasehold costs	52,209,689	42,730,668
Drilling costs	48,661,443	32,606,916
Completion costs	78,105,348	46,258,423
Production equipment and facilities	7,385,420	3,415,053
Asset retirement obligation asset	591,409	176,782
Capitalized interest	2,192,119	1,523,842
Wells in progress		
Drilling costs	4,479,570	7,210,965
Completion costs	1,327,774	951,332
Production equipment and facilities	925	567,150
Unproved leasehold costs	112,313	7,027,061
	195,066,010	142,468,192
Office equipment	1,914	1,914
Accumulated depletion, depreciation and amortization	(37,282,873)	(14,898,031)
	157,785,051	127,572,075
Deferred loan costs, net	-	115,414
Total assets	$166,020,584	$132,555,504

See accompanying notes to consolidated financial statements.

	December 31, 2013	December 31, 2012
Liabilities and Stockholder's Equity		
Current liabilities		
Accounts payable	$ 19,050,299	$ 6,782,431
Accrued interest	137,286	223,110
Line of credit	99,000,000	85,000,000
Total current liabilities	118,187,585	92,005,541
Deferred tax liability, net	3,812,000	1,484,666
Asset retirement obligation	619,564	183,304
Total liabilities	122,619,149	93,673,511
Commitments and contingencies	-	-
Stockholder's equity		
Common stock, $1 par value; 50,000,000 shares authorized, 36,000,000 shares issued and outstanding	36,000,000	36,000,000
Retained earnings	7,401,435	2,881,993
Total stockholder's equity	43,401,435	38,881,993
Total liabilities and stockholder's equity	$166,020,584	$132,555,504

GAIL Global (USA) Inc. and Subsidiary

A wholly-owned subsidiary of GAIL (India) Limited

Consolidated Statements of Operations

	Year Ended December 31, 2013	Year Ended December 31, 2012
Oil and natural gas sales	$ 38,028,439	$ 21,399,006
Operating expenses		
Lease operating	3,044,602	1,298,585
Expired leases and abandonment expense	1,891,812	-
Production taxes	1,754,629	1,009,432
Marketing and distribution	550,910	508,616
Depletion, depreciation and amortization	22,384,842	13,522,990
General and administrative	878,055	675,474
Accretion expense	21,633	5,545
Total operating expenses	30,526,483	17,020,642
Income from operations	7,501,956	4,378,364
Other income (expense)		
Interest income	5,969	18,106
Interest expense	(1,329,426)	(1,871,001)
Interest expense capitalized	668,277	1,447,199
Total other expense, net	(655,180)	(405,696)
Income before income tax expense	6,846,776	3,972,668
Income tax expense	(2,327,334)	(1,351,788)
Net income	$ 4,519,442	$ 2,620,880

See accompanying notes to consolidated financial statements.

GAIL Global (USA) Inc. and Subsidiary

A wholly-owned subsidiary of GAIL (India) Limited

Consolidated Statements of Changes in Stockholder's Equity

For the Years Ended December 31, 2013 and 2012

	Common Stock	Retained Earnings	Total
Balance, December 31, 2011	$ 36,000,000	$ 261,113	$ 36,261,113
Net income	-	2,620,880	2,620,880
Balance, December 31, 2012	36,000,000	2,881,993	38,881,993
Net income	-	4,519,442	4,519,442
Balance, December 31, 2013	$ 36,000,000	$ 7,401,435	$ 43,401,435

See accompanying notes to consolidated financial statements.

GAIL Global (USA) Inc. and Subsidiary

A wholly-owned subsidiary of GAIL (India) Limited

Consolidated Statements of Cash Flows

	Year Ended December 31, 2013	2012
Cash flows from operating activities		
Net income	$ 4,519,442	$ 2,620,880
Adjustments to reconcile net income to net cash provided by operating activities		
Depletion, depreciation and amortization	22,384,842	13,522,990
Amortization of deferred loan costs	115,414	202,923
Deferred income taxes	2,327,334	1,350,153
Accretion expense	21,633	5,545
Expired leases and abandonment expense	1,891,812	-
Changes in operating assets and liabilities		
Accounts receivable	(2,212,045)	(759,052)
Prepaid expenses	(6,885)	(11,124)
Accounts payable	900,643	319,461
Accrued interest	(85,824)	(90,595)
Net cash provided by operating activities	29,856,366	17,161,181
Cash flows from investing activities		
Additions to oil and natural gas properties	(54,075,003)	(57,035,702)
Change in capital expenditure accrual	11,367,225	3,327,629
Proceeds from sale of oil and natural gas properties	-	768,477
Acquisition of office equipment	-	(1,914)
Advances to operator	-	11,084,390
Net cash used in investing activities	(42,707,778)	(41,857,120)
Cash flows from financing activities		
Proceeds from borrowings on line of credit	112,000,000	116,000,000
Repayments on line of credit	(98,000,000)	(89,000,000)
Deferred loan costs	-	(119,000)
Net cash provided by financing activities	14,000,000	26,881,000
Net increase in cash and cash equivalents	1,148,588	2,185,061
Cash and cash equivalents, beginning of period	2,491,388	306,327
Cash and cash equivalents, end of period	$ 3,639,976	$ 2,491,388
Supplemental cash flow disclosures:		
Cash paid for taxes	$ -	$ 1,635
Cash paid for interest, net of capitalized interest	$ 631,559	$ 311,474
Supplemental schedule of noncash investing and financing activities:		
Capitalized asset retirement obligation costs	$ 414,627	$ 109,777

See accompanying notes to consolidated financial statements.

GAIL Global (USA) Inc. and Subsidiary

A wholly-owned subsidiary of GAIL (India) Limited

Notes to Consolidated Financial Statements

December 31, 2013

NOTE 1 - NATURE OF OPERATIONS

GAIL Global (USA) Inc. ("GGUI") (the "Company") was formed on September 26, 2011 as a Texas Corporation. The Company is a wholly-owned subsidiary of GAIL (India) Limited (the "Parent"). The Company is a United States petroleum exploration and production company engaged in the acquisition, exploration, and development of properties for the production of crude oil and natural gas from underground reservoirs.

On September 28, 2011, the Company entered into a purchase and participation agreement (the "Agreement") with Carrizo Oil & Gas, Inc. and two of its affiliates (collectively "Carrizo") and paid $63,650,000 to acquire a 20% interest in oil and natural gas properties located in the Eagle Ford Shale area in Dimmit, Frio, LaSalle and McMullen Counties of the State of Texas. The Agreement also requires the Company to pay up to an amount not to exceed $31,350,000 (the "carry"), representing 50% of Carrizo's share of all development costs (as defined in the Agreement), through June 30, 2013. The Company fulfilled its carry obligation with Carrizo at December 31, 2012. The Agreement also provides the Company the right of first refusal to acquire a 20% interest in future acquisitions of oil and natural gas leases in the Eagle Ford Shale area made by Carrizo within a defined area of mutual interest (as defined in the Agreement).

During 2013, the Company's Board of Directors approved the formation of a wholly-owned subsidiary to enter into contractual agreements to book capacity rights in a certain liquefied natural gas ("LNG") liquefaction terminal and related pipelines, to purchase and deliver natural gas to the terminal, and to perform any other activities that may be required in the sale of LNG. On March 28, 2013, the Gail Global (USA) LNG LLC ("GGULL") was formed as a Delaware limited liability company.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of GGUI and GGULL. All significant intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with original maturities of three months or less from the date of purchase.

Oil and Natural Gas Properties

The Company uses the successful efforts method of accounting for oil and natural gas producing activities. Costs to acquire mineral interests in oil and natural gas properties, to drill and equip exploratory wells that find proved reserves, to drill and equip development wells, and related asset retirement costs, are capitalized. With respect to amounts paid by the Company for its carry obligation, they are recorded to oil and natural gas properties in cost categories incurred as tangible and intangible drilling costs and completion costs and production equipment and facilities. Additionally, interest costs are capitalized to oil and natural gas properties during the period that unevaluated leasehold costs and costs of wells in progress are undergoing development and preparation for their intended use until reserves have been identified. Interest cost totaling $668,277 and $1,447,199 were capitalized for the years ended December 31, 2013 and 2012, respectively. Costs to drill exploratory wells that do not find proved reserves are expensed when it is determined that the wells are uneconomical and will not be completed. Geological and geophysical costs and costs of carrying and retaining unproved properties are expensed when incurred.

GAIL Global (USA) Inc. and Subsidiary

A wholly-owned subsidiary of GAIL (India) Limited

Notes to Consolidated Financial Statements

December 31, 2013

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Oil and Natural Gas Properties (Continued)

Capitalized costs of producing oil and natural gas properties, after considering estimated residual salvage values, are depreciated and depleted on a field level (common reservoir) using the unit-of-production method using proved producing oil and natural gas reserves. Unproved property costs, costs of wells in progress and related capitalized interest costs are excluded from the base subject to depletion until the related costs are considered developed or until proved reserves are found. Oil and natural gas leasehold costs are depleted using the unit-of-production method based on total proved oil and natural gas reserves.

Upon sale or retirement of a complete unit of a proved property, the cost and related accumulated depreciation, depletion, and amortization are eliminated from the property accounts, and the resulting gain or loss is recognized in the statement of operations. On the retirement or sale of a partial unit of proved property, the cost and related accumulated depreciation, depletion, and amortization apportioned to the interest retired or sold are eliminated from the property accounts, and the resulting gain or loss is recognized in the statement of operations.

Upon sale of an entire interest in an unproved property, gain or loss on the sale is recognized, taking into consideration the amount of any recorded impairment if the property had been assessed individually. If a partial interest in an unproved property is sold, the amount received is treated as a reduction of the cost of the interest retained.

Proved oil and natural gas properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable, which is generally performed at the field level. Assets are grouped at the lowest level for which there is identifiable cash flows that are largely independent of the cash flows of other groups of assets. The Company estimates the future undiscounted cash flows of the affected properties to judge the recoverability of carrying amounts. If the net costs is in excess of the undiscounted future net cash flows then the fair value is determined using the discounted future net cash flows as the new carrying value with any excess net cost recorded as an impairment with a corresponding amount recorded to accumulated depletion, depreciation and amortization. At December 31, 2013 and 2012, no impairment of proved oil and natural gas properties is required.

Unproved oil and natural gas properties are periodically assessed for impairment of value, and a loss is recognized at the time of impairment by providing an impairment allowance. At December 31, 2013 and 2012, no impairment of unproved oil and natural gas properties is required.

Deferred Loan Costs

Deferred loan costs are amortized into interest expense using the straight-line method over the terms of the related debt agreement.

Asset Retirement Obligation

The Company records an asset retirement obligation for the abandonment of oil and natural gas producing properties. The asset retirement obligation is recorded at its estimated fair value on the date that the obligation is incurred and accretion expense is recognized over time as the discounted liability is accreted to its expected settlement value. Fair value is measured using expected future cash outflows which consider an estimate of the cost to plug and abandon wells (excluding salvage), future inflation rates and is discounted at the Company's credit-adjusted risk-free interest rate.

GAIL Global (USA) Inc. and Subsidiary

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Notes to Consolidated Financial Statements

December 31, 2013

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Asset Retirement Obligation (Continued)

The fair value of the estimated asset retirement cost is capitalized as part of the carrying amount of the applicable proved oil and natural gas property and depleted using the unit-of-production method. Periodically the asset retirement obligation is re-measured to determine if a revision to the estimate is necessary with any revisions being recorded as an adjustment to oil and natural gas property cost.

Revenue Recognition and Natural Gas Imbalances

Revenues from the sale of crude oil and natural gas production are recognized when oil and natural gas is sold at a fixed and determinable price, delivery has occurred, title has transferred and collectability is reasonably assured, net of royalties. An accrual is recorded at each reporting period by estimating the oil and natural gas volumes produced and delivered, net of royalties, and corresponding oil and natural gas prices for periods when actual production information is not available. Crude oil that remains within the field tanks that is not sold at each reporting period is considered not produced. The Company follows the sales method of accounting for oil and gas revenues whereby revenue is recognized for all oil and gas sold to purchasers, regardless of whether the sales are proportionate to the Company's ownership interest in the property. Production imbalances, if any, are recognized as an asset or liability to the extent that the Company has an imbalance on a specific property that is in excess of its remaining proved oil and gas reserves. Oil and gas sales volumes are not significantly different from the Company's share of production and as of December 31, 2013 and 2012, the Company did not have any material production imbalances.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the consolidated financial statements.

Significant estimates include volumes of oil and natural gas reserves used in calculating depreciation, depletion and amortization of oil and natural gas properties, future net revenues and abandonment obligations, impairment of developed and undeveloped properties, the collectability of outstanding accounts receivable, contingencies, and the results of current and future litigation. Oil and natural gas reserve estimates, which are the basis for unit-of-production depreciation and depletion, have numerous inherent uncertainties. The accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. Subsequent drilling results, testing, and production may justify revision of such estimates. Accordingly, reserve estimates are often different from the quantities of oil and natural gas that are ultimately recovered. In addition, reserve estimates are sensitive to changes in wellhead prices of crude oil and natural gas. Such prices have been volatile in the past and can be expected to be volatile in the future.

The significant estimates are based on current assumptions that may be materially affected by changes to future economic conditions, such as the market prices received for sales of volumes of oil and natural gas, and are primarily based upon the data and information received from the joint venture operator. Future changes in these assumptions may affect these significant estimates materially in the near term.

GAIL Global (USA) Inc. and Subsidiary

A wholly-owned subsidiary of GAIL (India) Limited

Notes to Consolidated Financial Statements

December 31, 2013

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

Provisions for income taxes are based on taxes payable or refundable for the current period and deferred taxes on temporary differences between the amount of taxable income and pretax financial income and between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets and liabilities are included in the financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

The state of Texas has a gross margin tax that applies to the Company. Taxable margin is defined as total revenue less deduction for costs of goods sold or compensation and benefits in which total calculated taxable margin cannot exceed 70% of total revenue.

The Company will account for interest and penalties assessed as a result of an examination in income tax expense. The Company had no tax-related interest or penalties in 2013 and 2012. Management has evaluated the Company's tax positions and concluded that the Company has taken no uncertain tax positions that require adjustment to the consolidated financial statements. The tax years 2011 through 2013 are open for examination by the U.S. federal or state tax authorities. In November 2013, the Internal Revenue Service ("IRS") commenced examination of the Company's 2011 federal tax return. On a letter dated April 25, 2014, the IRS informed the Company that the 2011 tax examination has been completed and no changes were made to the reported tax.

Sales-Based Taxes

The Company pays certain governmental taxes based on its sales of oil and natural gas to customers. The Company reports its sales at the gross amount and the related taxes, primarily severance taxes, are included in production taxes in the accompanying statement of operations. Total sales-based taxes incurred by the Company during 2013 and 2012 amounted to $1,754,629 and $1,009,432, respectively.

NOTE 3 - DEFERRED LOAN COSTS

The following table represents the Company's deferred loan costs at December 31:

	2013	2012
Beginning of year	$ 115,414	$ 199,337
Costs incurred	-	119,000
Amortization	(115,414)	(202,923)
End of year	$ -	$ 115,414

Amortization expense during the years ended December 31, 2013 and 2012 amounted to $115,414 and $202,923, respectively.

GAIL Global (USA) Inc. and Subsidiary

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Notes to Consolidated Financial Statements

December 31, 2013

NOTE 4 - ASSET RETIREMENT OBLIGATIONS

A summary of the changes in the asset retirement obligation for the periods ending December 31:

	2013	2012
Beginning of year	$ 183,304	$ 67,982
Revisions	219,951	23,686
Liabilities acquired/incurred	194,676	86,091
Accretion expense	21,633	5,545
End of year	$ 619,564	$ 183,304

NOTE 5 - LINE OF CREDIT

The Company entered into a credit facility comprised of a $104,000,000 committed loan and a $10,000,000 uncommitted loan (the "Line of Credit") with a bank in December 2013. The outstanding balance on the credit facility at December 31, 2013 was $99,000,000. Principal is due at maturity on December 20, 2014. Borrowings under the Line of Credit accrue interest at the one-month LIBOR (0.17% at December 31, 2013) plus 0.49375% and is payable monthly. The Line of Credit has a commitment fee equal to (a) 0.05% per annum times (b) the lesser of (i) the average daily amount by which the commitment exceeds the outstanding principal amount of the committed loan and (ii) $104,000,000. The commitment fee will accrue at all times, as defined, and will be due and payable in arrears on the last day of each interest period. The Line of Credit is guaranteed by the Parent for an annual fee of 0.2532% payable quarterly in advance calculated based on the outstanding principal plus unpaid interest of the previous quarter.

In November 2012, the Company entered into a $114,000,000 credit facility (the "Former Line of Credit") with a bank. The outstanding balance on the credit facility at December 31, 2012 was $85,000,000. The outstanding principal of $98,000,000 was paid in full at maturity on December 20, 2013 using proceeds from the above Line of Credit. Borrowings under the Former Line of Credit accrued interest at the one-month LIBOR (0.20% at December 31, 2012) plus 0.60% and was payable monthly. The Former Line of Credit had a commitment fee of 0.20% times the lesser of (a) the average daily amount by which the commitment exceeded the outstanding loans and (b) $20,000,000. The Former Line of Credit was guaranteed by the Parent for an annual provisional fee of 0.25% payable quarterly calculated based on the outstanding principal plus unpaid interest. On October 7, 2013, the provisional fee was increased to an annual rate of 0.50% retroactive to December 20, 2012.

NOTE 6 - INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes using a U.S. Federal statutory corporate rate of 34%. Significant components of the Company's deferred tax liability as of December 31 are as follows:

GAIL Global (USA) Inc. and Subsidiary

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Notes to Consolidated Financial Statements

December 31, 2013

	2013	2012
Differences in depletion, depreciation and amortization of property for tax purposes	$(7,242,950)	$(2,073,290)
Net operating loss carryforward	4,176,207	1,104,514
Capitalized interest expense	(745,257)	(515,890)
Total deferred tax liability	$(3,812,000)	$(1,484,666)

The Company had a net operating loss carryforward available at December 31, 2013 amounting to approximately $12,283,000 which begins to expire in 2031.

NOTE 7 - RELATED PARTY TRANSACTIONS

The Company recorded interest expense related to the Parent's guarantee of bank loans in 2013 and 2012 totaling $459,049 and $806,466, respectively. At December 31, 2013 and 2012, $115,406 and $202,055, respectively, remains unpaid and is included within accrued interest.

The Company incurred general and administrative expenses incurred by its Parent on behalf of the Company of $192,110 and $172,018 in 2013 and 2012, respectively. At December 31, 2013 and 2012, $24,813 and $172,018, respectively, was unpaid and included in accounts payable.

NOTE 8 - CONCENTRATIONS OF CREDIT RISK AND FINANCIAL INSTRUMENTS

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash, accounts receivable and debt. The Company maintains its cash with financial institutions it believes have a high credit quality. The Company at times maintains bank deposits in excess of federally-insured limits. The possibility of a loss exists if the bank holding excess deposits was to fail. All of the Company's accounts receivable is from Carrizo as operator of the Company's properties resulting from oil and natural gas sales. To mitigate this credit risk, the Company closely monitors the payment history and credit worthiness of Carrizo. The carrying value of the debt approximates fair value because the interest rate is based on current market rates commensurate with debt instruments that carry similar credit risk.

NOTE 9 - SUBSEQUENT EVENTS

The Company has evaluated subsequent events through May 9, 2014, the date the financial statements were available to be issued and have determined that there are no other subsequent events to be reported.

Supplementary Information

GAIL Global (USA) Inc. and Subsidiary

A wholly owned subsidiary of GAIL (India) Limited

Consolidated Fixed Assets Rollforward

Year Ended December 31, 2013

	COST				DEPLETION, DEPRECIATION AND AMORTIZATION				NET BOOK VALUE	
	Balance at December 31, 2012	Additions/ Transfers, net	Retirements	Balance at December 31, 2013	Balance at December 31, 2012	Additions/ Transfers	Retirements	Balance at December 31, 2013	December 31, 2012	December 31, 2013
Oil and Natural Gas Properties										
Proved property costs										
Leasehold costs	$ 42,730,668	$ 10,909,461	$ 1,430,440	$ 52,209,689	$ 920,121	$ 1,456,802	$ -	$ 2,376,923	$ 41,810,547	$ 49,832,766
Drilling costs	32,606,916	16,461,566	407,039	48,661,443	12,377,092	603,343	-	12,980,435	20,229,824	35,681,008
Completion costs	46,258,423	31,867,639	20,714	78,105,348	1,371,234	18,179,962	-	19,551,196	44,887,189	58,554,152
Production equipment and facilities	3,415,053	4,003,986	33,619	7,385,420	-	1,711,158	-	1,711,158	3,415,053	5,674,262
ARO and capitalized interest	1,700,624	1,082,904	-	2,783,528	229,398	433,205	-	662,603	1,471,226	2,120,925
Total proved property costs	126,711,684	64,325,556	1,891,812	189,145,428	14,897,845	22,384,470	-	37,282,315	111,813,839	151,863,113
Unproved leasehold cost	7,027,061	(6,914,748)	-	112,313	-	-	-	-	7,027,061	112,313
Total	133,738,745	57,410,808	1,891,812	189,257,741	14,897,845	22,384,470	-	37,282,315	118,840,900	151,975,426
Wells in progress										
Drilling costs	7,210,965	(2,731,395)	-	4,479,570	-	-	-	-	7,210,965	4,479,570
Completion costs	951,332	376,442	-	1,327,774	-	-	-	-	951,332	1,327,774
Production equipment and facilities	567,150	(566,225)	-	925	-	-	-	-	567,150	925
Total	8,729,447	(2,921,178)	-	5,808,269	-	-	-	-	8,729,447	5,808,269
Total oil and natural gas properties	142,468,192	54,489,630	1,891,812	195,066,010	14,897,845	22,384,470	-	37,282,315	127,570,347	157,783,695
Other										
Office equipment	1,914	-	-	1,914	186	372	-	558	1,728	1,356
Total	1,914	-	-	1,914	186	372	-	558	1,728	1,356
Grand total	$ 142,470,106	$ 54,489,630	$ 1,891,812	$ 195,067,924	$ 14,898,031	$ 22,384,842	$ -	$ 37,282,873	$ 127,572,075	$ 157,785,051

See independent auditors' report on supplementary information.

GAIL Global (USA) Inc. and Subsidiary

A wholly owned subsidiary of GAIL (India) Limited

Consolidated Fixed Assets Rollforward

Year Ended December 31, 2012

	COST				DEPLETION, DEPRECIATION AND AMORTIZATION				NET BOOK VALUE	
									December 31,	
	Balance at December 31, 2011	Additions/ Transfers, net	Retirements	Balance at December 31, 2012	Balance at December 31, 2011	Additions/ Transfers	Retirements	Balance at December 31, 2012	2011	2012
Oil and Natural Gas Properties										
Proved property costs										
Leasehold costs	$ 28,357,967	$ 14,372,701	$ -	$ 42,730,668	$ 241,890	$ 678,231	$ -	$ 920,121	$ 28,116,077	$ 41,810,547
Drilling costs	16,938,588	16,436,805	768,477	32,606,916	1,057,449	11,319,643	-	12,377,092	15,881,139	20,229,824
Completion costs	12,516,494	33,741,929	-	46,258,423	68,728	1,302,506	-	1,371,234	12,447,766	44,887,189
Production equipment and facilities	450,332	2,964,721	-	3,415,053	-	-	-	-	450,332	3,415,053
ARO and capitalized interest	143,648	1,556,976	-	1,700,624	6,974	222,424	-	229,398	136,674	1,471,226
Total proved property costs	58,407,029	69,073,132	768,477	126,711,684	1,375,041	13,522,804	-	14,897,845	57,031,988	111,813,839
Unproved leasehold cost	19,803,585	(12,776,524)	-	7,027,061	-	-	-	-	19,803,585	7,027,061
Total	78,210,614	56,296,608	768,477	133,738,745	1,375,041	13,522,804	-	14,897,845	76,835,573	118,840,900
Wells in progress										
Drilling costs	6,050,793	1,160,172	-	7,210,965	-	-	-	-	6,050,793	7,210,965
Completion costs	1,744,180	(792,848)	-	951,332	-	-	-	-	1,744,180	951,332
Production equipment and facilities	85,603	481,547	-	567,150	-	-	-	-	85,603	567,150
Total	7,880,576	848,871	-	8,729,447	-	-	-	-	7,880,576	8,729,447
Total oil and natural gas properties	86,091,190	57,145,479	768,477	142,468,192	1,375,041	13,522,804	-	14,897,845	84,716,149	127,570,347
Other										
Office equipment	-	1,914	-	1,914	-	186	-	186	-	1,728
Total	-	1,914	-	1,914	-	186	-	186	-	1,728
Grand total	$ 86,091,190	$ 57,147,393	$ 768,477	$ 142,470,106	$ 1,375,041	$ 13,522,990	$ -	$ 14,898,031	$ 84,716,149	$ 127,572,075

See independent auditors' report on supplementary information.

GAIL Global (USA) Inc.

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