

Adani Solar USA Inc.

Consolidated Financial Report
March 31, 2019

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Independent Auditor's Report

Board of Directors
Adani Solar USA Inc. and Subsidiaries

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Adani Solar USA Inc. and Subsidiaries (the Company), which comprise the consolidated balance sheet as of March 31, 2019, the related consolidated statements of operations, stockholders' deficit and cash flows for the period from inception (August 9, 2018) to March 31, 2019, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Adani Solar USA Inc. and Subsidiaries as of March 31, 2019, and the results of their operations and their cash flows for the period from inception (August 9, 2018) to March 31, 2019 in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Houston, Texas
June 5, 2019

Adani Solar USA Inc.
March 31, 2019

Consolidated Balance Sheet

Assets

Current assets:

Cash and cash equivalents	\$ 772,954
Other current assets	148,919
Total current assets	<u>921,873</u>

Noncurrent assets:

Project assets	1,474,000
Intangibles	6,094,555
Capitalized project costs	3,483,821
Equipment and improvements	47,432
Solar energy system in-progress	6,969,468
Notes receivable, related party	107,300

Total assets	<u><u>\$ 19,098,449</u></u>
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Stockholders' Deficit and Liabilities

Current liabilities:

Accounts payable, trade	\$ 241,207
Accrued expenses	1,764,642
Notes payable, related party	17,552,795
Total current liabilities	<u>19,558,644</u>

Stockholders' deficit:

Common stock, 10,000 shares authorized, issued and outstanding at \$1 par value	10,000
Retained loss	(470,195)
Total stockholders' deficit	<u>(460,195)</u>

Total stockholders' deficit and liabilities	<u><u>\$ 19,098,449</u></u>
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See notes to consolidated financial statements.

Adani Solar USA Inc.
Period from August 9, 2018 to March 31, 2019

Consolidated Statement of Operations

Revenue	\$ -
Expenses:	
Salaries and benefits	120,464
Legal and professional fees	88,296
Operating and other expenses	198,433
Depreciation expense	1,903
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Operating and net loss	\$ (409,096)
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See notes to consolidated financial statements.

Adani Solar USA Inc.**Period from August 9, 2018 to March 31, 2019****Consolidated Statement of Stockholders' Deficit**

	Common Stock	Retained Loss	Shareholders' Deficit
Balance, August 9, 2018	\$ -	\$ -	\$ -
Contribution	10,000	-	10,000
Assumption of Adani Solar USA LLC	-	(61,099)	(61,099)
Net loss	-	(409,096)	(409,096)
Balance, March 31, 2019	<u>\$ 10,000</u>	<u>\$ (470,195)</u>	<u>\$ (460,195)</u>

See notes to consolidated financial statements.

Adani Solar USA Inc.
Period from August 9, 2018 to March 31, 2019

Consolidated Statement of Cash Flows

Cash flows from operating activities:	
Net loss	\$ (409,096)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation expense	1,903
Changes of working capital components:	
Other current assets	(148,919)
Advances on notes receivable, related party	(107,300)
Accounts payable, trade	249,859
Accrued expenses	1,755,990
Net cash provided by operating activities	1,342,437
Cash flows from investing activities:	
Acquired projects	(6,094,555)
Capital expenditures	(12,037,723)
Net cash used in investing activities	(18,132,278)
Cash flows from financing activities:	
Notes payable, related party	17,552,795
Proceeds from issuance of stock	10,000
Net cash provided by financing activities	17,562,795
Net increase in cash and cash equivalents	772,954
Beginning cash balance	-
Ending cash balance	\$ 772,954
Supplemental disclosure of cash flow information:	
Noncash investing activities:	
Assumption of Adani Solar USA LLC	\$ 61,099

See notes to consolidated financial statements.

Adani Solar USA Inc.

Notes to Consolidated Financial Statements

Note 1. Organization and Nature of Operations

Adani Solar USA Inc. (the Company) was formed as a corporation in the state of Delaware on August 9th, 2018. The Company develops, constructs and operates solar-powered electric generation entities that will produce and sell electricity in various states on a wholesale basis. The Company has ownership in the following corporations and limited liability companies which have been consolidated in these financial statements. The summary below includes information about the subsidiaries/project level companies which these entities operate:

Project Entity Name	Project Location	Megawatt Capacity (DC)	Targeted Commerical Operation Date
Midlands Solar LLC	South Carolina	101	Q2, 2020
Sigurd Solar LLC	Utah	110	Q4, 2020
Hunter Solar LLC	Utah	143	Q4, 2020
Hartsel Solar LLC	Colorado	100	Q4,2022

Entity Name	Registration State	Purpose
Adani Solar USA LLC	Delaware	Conduct in-house greenfield solar project development
Oakwood Construction Services Inc.	Delaware	Provide EPC services to solar projects
Adani Finance LLC	Delaware	Provide financial services to solar projects
Oak Stream Holdings Inc.	Delaware	Research alternative financing to solar projects

Liquidity and going concern: The Company does not have any operating projects as of March 31, 2019, is not generating any revenue. The Company has received a commitment from a lender to execute a credit agreement that would provide sufficient funding for the Company's operations and project development. The stockholders may provide additional funding, and have the wherewithal and positive intent to do so.

Note 2. Summary of Significant Accounting Policies

Use of estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Consolidation policy: The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All material inter-company accounts and transactions of the consolidated subsidiaries have been eliminated in consolidation.

Revenue recognition: The Company will earn revenue from the sale of electricity under a long-term power purchase agreement (PPA) with one customer for each entity. The Company will recognize revenues based upon the output delivered at the rates specified under the PPA. Revenues on sales of electricity will be recognized when the product is delivered.

Adani Solar USA Inc.

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents: The Company considers all highly liquid investments with maturities of three months or less to be cash equivalents. The cash held by the Company is only available for Company-related uses and distribution of such cash to its members is restricted by the terms of the Operating Agreement. The Company maintains its cash in bank deposits and investment accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. As of March 31, 2019, the company has no assets classified as cash equivalents.

Trade receivables: Trade receivables are based on contracted prices or estimated receipts. There are no trade receivables as of March 31, 2019 since no project has yet reached Commercial Operation Date (COD). Trade receivables are written off based on individual credit evaluation and specific circumstances of the customer when such treatment is warranted. No allowance for uncollectible accounts was considered necessary at March 31, 2019.

Other current assets: Consists of lease options.

Project assets: Consists of post-acquisition interconnection costs.

Intangibles: Contracted projects acquired from third parties and initial interconnection costs, see Note 4.

Capitalized project costs: Costs related to capitalizable professional fees including legal, engineering, and brokerage services.

Solar energy systems: Solar energy systems will be recorded at cost and depreciated on a straight-line basis over their estimated useful lives of 35 years. Expenditures for major additions, improvements and project development are capitalized, while maintenance and repairs are charged to expense as incurred. Upon disposal or sale, the cost of assets disposed of and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is charged or credited to operations.

Valuation and recoverability of long lived assets (solar energy systems): The Company periodically evaluates the carrying value of property and equipment, if and when events and circumstances warrant such a review. The carrying value of property and equipment is considered impaired when its anticipated undiscounted cash flows are less than its carrying value. A loss is then recognized based on the amount by which the carrying value exceeds the fair value of the assets. The Company will evaluate the recoverability of these assets whenever events or changes in circumstances indicate the carrying value of the assets may not be recoverable. The Company has not recognized any impairment losses on any of its property and equipment from inception through March 31, 2019 because none of our projects are operational.

Solar energy systems in process: The Company has entered into various agreements to develop and construct solar energy systems for its subsidiaries. Solar energy systems in process represent capitalized costs incurred related to solar energy systems that are expected to be placed in service in fiscal 2020 to 2022. Costs capitalized to date and approximate estimated future costs to complete the solar energy system projects as of March 31, 2019 are as follows:

Projects in Process	Project Location	Megawatt Capacity (DC)	Targeted Commercial Operation Date	Estimated Total Cost to Complete
Midlands Solar LLC	South Carolina	101	Q2, 2020	\$107 Million
Sigurd Solar LLC	Utah	110	Q4, 2020	\$125 Million
Hunter Solar LLC	Utah	143	Q4, 2020	\$169 Million
Hartsel Solar LLC	Colorado	100	Q4, 2022	\$110 Million

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Fair value of financial instruments: Financial instruments include cash and cash equivalents, receivables and accounts payable and accrued expenses. The fair value of current financial instruments is estimated to approximate carrying value due to the short-term nature of these instruments.

Income taxes: We record the estimated future tax effects of temporary differences between the tax basis of assets and liabilities and the amounts reported in our consolidated balance sheets, as well as net operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income during the years in which those temporary differences are projected to be recovered or settled. The effect of a rate change on deferred tax assets and liabilities is recognized as income or expense during the period that includes the enactment date.

We evaluate the carrying value of our deferred tax assets to determine if we will be able to generate sufficient future taxable income to realize them. In doing so, we consider both positive and negative evidence related to the likelihood of realization. The weight given to the positive and negative evidence is commensurate with the extent to which the evidence can be objectively verified. As reference to the tax provision section, it is more likely than not that the majority or all of the deferred tax assets will be realized.

Impairment of other tangible assets: We evaluate our long-lived tangible assets including equipment and improvements for impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. We recognize an impairment loss when the book value of such assets exceeds the estimated future undiscounted cash flows attributable to the asset. If impairment is indicated, we write the asset down to its estimated fair value.

During the year ended March 31, 2019, the company has not recorded any impairment of tangible assets.

Equipment and improvements: Equipment and improvements are stated at cost, net of accumulated depreciation and amortization. Minor repairs and maintenance are charged to operations as incurred. All property and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets or the term of the related lease, whichever is shorter. Estimates of useful lives are as follows:

Leasehold improvements	Lesser of remaining term or useful life
Equipment	3-10 years

Recent accounting pronouncements: In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. Under ASU No. 2016-02, an entity will be required to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. ASU No. 2016-02 offers specific accounting guidance for a lessee, a lessor and sale and leaseback transaction. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases.

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

ASU No. 2016-02 is effective for annual reporting periods beginning after December 31, 2019, with early adoption permitted. At adoption, this update will be applied using a modified retrospective approach. The Company is expecting this standard will have a material effect on our consolidated balance sheets starting next fiscal year once our project construction started because of recognizing new right-of-use assets and lease liabilities for existing land leases. We are continuing to evaluate the full impact of the new standard as well as its impact on our business processes, systems and internal controls. The Company expects to adopt this standard effective the year ending March 31, 2021.

In October 2016, the FASB issued ASU No. 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*. ASU No. 2016-16 requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. ASU No. 2016-16 is effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual reporting periods beginning after December 15, 2019. ASU No. 2016-16 must be applied using a modified retrospective basis. Early adoption is permitted. The Company is still evaluating the effect of adopting ASU No. 2016-16.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU No. 2015-14, which defers the effective date of ASU No. 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. The Company has not yet selected a transition method as we have not recorded revenue as of fiscal year ending March 31, 2019 and are currently evaluating the effect the standard will have on the financial statements. However, we do not expect a significant impact to our expected revenue recognition processes, internal controls or systems. We primarily sell electricity to utility companies and recognized revenue at delivery to the utility companies, at which point the earnings process is deemed to be completed. Our performance obligations are clearly identifiable, and we do not anticipate significant changes to the assessment of such performance obligations or the timing of our revenue recognition upon adoption of the new standard.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. The amendments are effective for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early application is permitted. ASU No. 2016-18 must be applied using a retrospective transition method with early adoption permitted. The adoption of ASU No. 2016-18 is not expected to have a material impact on the statement of cash flows.

Adani Solar USA Inc.

Notes to Consolidated Financial Statements

Note 3. Asset Acquisitions

As of March 31, 2019, the Company has acquired the company and projects as described below:

Company/Projects Acquired	Date	Cash Consideration	Reason for Purchase	Assets Acquired	Accounting Treatment
Adani Solar USA LLC	October 12, 2018	Nil	Internal business consolidation	Assumption of related party assets and liabilities	Consolidated to the Company
Midlands Solar LLC	May 18, 2018	2,144,975	Contracted project acquisition	PPA and interconnection	To be capitalized and amortized over the expected useful life
Sigurd Solar LLC	February 4, 2019	3,949,580	Contracted project acquisition	PPA and interconnection	To be capitalized and amortized over the expected useful life

Note 4. Maintenance Agreements and Operating Leases

The Company has engaged in multiple discussions with several third parties to perform routine maintenance after COD on the Company's solar energy systems which renew annually. As of year ended March 31, 2019, the Company has no expense expensed related to the maintenance programs.

As of March 31, 2019, the Company obtained right to use land under operating leases options that give the Company the right to engage the land owners with long-term lease contracts ranging from 15-25 years from Full Notice to Proceed (FNTF) date. Certain lease agreements have extension provisions that extend the lease from 5 to 25 additional years beyond initial term. Under the terms of the agreements, the Company generally has the right to terminate at any time by giving notice. The lessors do not have any rights to terminate prior to the year expiration as defined in the agreements.

The Company currently leases two offices in Texas, one of which has been subleased.

The estimated future rental commitment as of March 31, 2019 under the three land leases (Midlands, Sigurd and Hunter projects) and the two office leases are as follows:

2020	\$ 1,656,726
2021	1,645,510
2022	1,670,724
2023	1,588,377
2024	1,614,477
Thereafter	47,893,610
Total	<u>\$ 56,069,424</u>

As of March 31, 2019, the Company has not executed these lease agreements. The lands under these leases are secured under options and the lease agreements will not be fully executed until COD.

Adani Solar USA Inc.**Notes to Consolidated Financial Statements**

Note 5. Income Taxes

Income tax provision: The components of the income tax expense/(benefit) for the period ended March 31, 2019 are as follows:

Current tax expense (benefit):

Federal	\$	-
State and local		-
Foreign		-
Total current tax expense (benefit)		-

Deferred tax expense (benefit):

Federal		-
State and local		-
Foreign		-
Total deferred tax expense (benefit)		-
Total tax expense (benefit)	\$	-

The differences between the total income tax expense (benefit) and amounts calculated using the federal statutory tax rate were as follows for the period ended March 31, 2019:

Tax expense (benefit) at U.S. statutory rate	\$	(85,910)
State taxes, net of federal benefit		(21,007)
Permanent differences		675
Impact of change in rate		-
Return to provision		(15,968)
Valuation allowance		122,046
Other		165
	\$	-

Adani Solar USA Inc.**Notes to Consolidated Financial Statements****Note 5. Income Taxes (Continued)**

The tax effects of temporary differences that give rise to deferred tax assets and deferred tax liabilities as of the period ended March 31, 2019 are presented below:

Deferred tax assets:		
Accrued liabilities	\$	60,071
Allowance for doubtful accounts		-
Amortization of goodwill		-
Intangible assets—transaction costs capitalized		-
Section 163(j)—interest expense limitation		-
Net operating loss carryforwards		61,826
Other		-
Total deferred tax assets		<u>121,897</u>
Deferred tax liabilities:		
Depreciable assets		149
Accrued expenses		-
Bad debt expense		-
Valuation allowance		(122,046)
Total deferred tax liabilities		<u>(121,897)</u>
Net deferred taxes	\$	<u>-</u>

Note 6. Related Party Transactions

The Company's operations have been supported by loans from parent companies. These loans are non-interest bearing and do not carry a defined repayment term and are due on demand. The details of these related party loans as of March 31, 2019 are as follows:

Company Name	Business Partner Name	Amount
ADANI SOLAR USA INC	ADANI GLOBAL PTE LTD-ICD / SINGAPORE	\$ 8,200,000
ADANI SOLAR USA INC	ADANI GREEN ENERGY PTE LTD - ICD / SINGAPORE	250,000
ADANI SOLAR USA INC	ADANI GREEN ENERGY (US) PTE LTD - ICD / SINGAPORE	4,278,504
ADANI SOLAR USA INC	ADANI NORTH AMERICA INC	693,108
ADANI SOLAR USA LLC	ADANI NORTH AMERICA INC	4,123,683
HARTSEL SOLAR LLC	ADANI NORTH AMERICA INC	7,500
Total		<u>\$ 17,552,795</u>

The Company has loans receivable from employees of \$107,300 as of March 31, 2019. These outstanding loans receivable are scheduled to be received in two years, \$53,560 in June 2019 and \$53,560 in June, 2020.

Note 7. Subsequent Events

Subsequent events have been evaluated through June 5, 2019, the date the financial statements were available for issuance.