

Consolidated Financial Statements and Independent Auditor's Report

Adani Solar USA Inc. and Subsidiaries

March 31, 2020 and March 31, 2019

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Independent Auditors' Report

To,
The Board of Directors
Adani Solar USA Inc. and Subsidiaries

We have audited the accompanying consolidated financial statements of Adani Solar USA Inc. and Subsidiaries ('The Company') which comprise the consolidated balance sheets as of March 31, 2020 and 2019, and the related consolidated statements of comprehensive income, changes in member's equity, and cash flows for the year ended March 31, 2020 and period ended 2019 and the related notes to 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, 2020 and 2019, the results of its operations and its cash flows for the year ended March 31, 2020 and period ended 2019 in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The comparative consolidated balance sheets as of March 31 2019, and the related consolidated statements of comprehensive income, changes in member's equity, and cash flows for the period ended 2019 have been audited by predecessor auditor, whose audit report dated June 5, 2019 was provided to us and had issued unmodified opinion. Our opinion is not qualified in respect of this matter.

Sudhir Pai, CPA
Sudhir Pai, CPA PLLC
Certified Public Accountants
Irving TX, United States
Date: April 29, 2020



ADANI SOLAR USA INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET MARCH 31, 2020 AND 2019

Particulars	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,115,184	\$ 772,954
Accounts receivable, net	9,496,683	-
Other current assets	-	148,919
Notes receivables, related party	50,000	-
Total current assets	11,661,867	921,873
Non-current assets		
Project assets	-	1,474,000
Intangibles	-	6,094,555
Capitalized project costs	456,997	3,483,821
Equipment and improvements	77,661	47,432
Solar energy system in progress	22,959,863	6,969,468
Notes receivables, related party	-	107,300
Total non-current assets	23,494,521	18,176,576
Total assets	35,156,388	19,098,449
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Accounts payable	4,866,138	241,207
Accrued expenses	1,561,183	1,764,642
Advance from customer	1,327,656	-
Retention Money	1,409,453	-
Notes payable, related party	38,345,251	17,552,795
Total current liabilities	47,509,681	19,558,644
Total non-current liabilities	-	-
Total liabilities	47,509,681	19,558,644
Stockholders' deficit	(12,353,293)	(460,195)
Total liabilities and stockholders' deficit	35,156,388	19,098,449

The accompanying notes are an integral part of this statement

ADANI SOLAR USA INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED MARCH 31, 2020 AND PERIOD ENDED 2019

Particulars	2020	2019
Operating revenues	\$ 10,705,785	\$ -
Cost of revenues	5,608,288	-
Gross Profit	5,097,497	-
Operating expenses		
Salary and benefits	6,674,236	120,464
Other operating expense	6,612,706	286,729
Loss on sale of asset	2,621,087	-
Depreciation	20,338	1,903
Total operating expenses	15,928,367	409,096
Operating Loss	(10,830,870)	(409,096)
Other income/(expense), net	(1,114,522)	-
Net loss before income taxes	(11,945,392)	(409,096)
Provision for taxes		
Current tax expense	-	-
Net loss	(11,945,392)	(409,096)

The accompanying notes are an integral part of this statement

ADANI SOLAR USA INC. AND SUBSIDIARIES
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED MARCH 31, 2020 AND 2019

Particulars	Common Stock (\$)	Retained Loss (\$)	Total equity
Balance as on August 9, 2019	-	-	-
Contribution	10,000	-	10,000
Assumption of Adani Solar USA LLC	-	(61,099)	(61,099)
Net Loss	-	(409,096)	(409,096)
Balance as at March 31, 2019	10,000	(470,195)	(460,195)
Net loss on Sale of Midlands released on sale	-	52,294	52,294
Net Loss	-	(11,945,392)	(11,945,392)
Balance as at March 31, 2020	10,000	(12,363,293)	(12,353,293)

The accompanying notes are an integral part of this statement

ADANI SOLAR USA INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2020 AND PERIOD ENDED 2019

	2020	2019
Operating activities:		
Net Income	\$ (11,945,392)	\$ (409,096)
Adjustments to reconcile net loss to net cash generated from operating activities:		
Depreciation	20,338	1,903
Loss on sale of membership interest	2,621,087	-
Changes in operating assets and liabilities:		
(Increase)/decrease in account receivables	(9,496,683)	-
(Increase)/ decrease in other and non-current assets	206,219	(256,219)
Increase/(decrease) in accounts payable	4,624,931	249,859
Increase/(decrease) in other liabilities	1,033,648	1,755,990
Net cash (used in)/ generated from operating activities	(12,935,852)	1,342,437
Investing activities:		
Acquired projects	-	(6,094,555)
Capital expenditures	(46,884,369)	(12,037,723)
Proceeds from sale of Midlands assets	40,369,995	-
Net cash (used in) investing activities	(6,514,374)	(18,132,278)
Financing activities:		
Notes payable, related party, net	20,792,456	17,552,795
Proceeds from issuance of stock	-	10,000
Net cash generated from financing activities	20,792,456	17,562,795
Net increase in cash and cash equivalents	1,342,230	772,954
Cash and cash equivalents at the beginning of the year	772,954	-
Cash and cash equivalents at the end of the year	2,115,184	772,954
Supplemental Disclosure		
Non Cash investing activities:		
Assumption of Adani Solar USA LLC	-	61,099

The accompanying notes are an integral part of this statement

ADANI SOLAR USA INC. AND SUBSIDIARIES
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020 AND PERIOD ENDED 2019

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. As of March 31st, 2020, 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:

<u>Project Entity Name</u>	<u>Project Location</u>	<u>Megawatt Capacity (DC)</u>	<u>Operation Date</u>
Hartsel Solar LLC	Colorado	100	Q4,2022
Sigurd Solar LLC	Utah	104	Q2, 2021
Midlands Solar LLC	South Carolina	101	Sold off in January 2020

<u>Entity Name</u>	<u>Registration State</u>	<u>Purpose</u>
Adani Solar USA LLC	Delaware	Conduct in-house greenfield solar project development
Oakwood Construction Services Inc.	Delaware	Provide EPC services to solar projects

Going Concern: The financial statements have been prepared on going concern basis even after the stockholder's deficit as at March 31, 2020 and current liabilities exceeds current assets, basis the support letter for funding provided by the ultimate parent Company in the group and have the wherewithal and positive intent to do so.

Note 2: Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

The Company recognizes the revenue pertaining to the Engineering, Procurement and Construction (EPC) services provided for the solar projects over the period of time as and when services are provided. The Company currently does not have revenues based upon the output delivered at the rates specified under the PPA. The Company has adopted ASC 606 from April 1, 2019 using modified using the modified retrospective method. The Company has identified and implemented appropriate minor changes to the business policies, processes, and controls to support the adoption, recognition and disclosures under the new standard. As part of this evaluation, the Company has identified EPC services as main stream of revenue and concluded that the adoption of new standard does not have major impact on the revenue recognition of the group. The performance obligation of the Company are not distinct. The retention amounts withhold by the customer are mainly as a security for completion of contract by the Company and are not considered as financing component under the new revenue standard.

ADANI SOLAR USA INC. AND SUBSIDIARIES
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020 AND PERIOD ENDED 2019

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all unrestricted highly-liquid investments with original maturities of three months or less from their purchase date to be cash equivalents. The cash held by the Company is only available for the 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, 2020 the Company has no assets classified as cash equivalents.

Accounts Receivable

Accounts receivable are recorded at net realizable value. The Company provides provisions for uncollectible accounts receivable based upon factors surrounding the credit risk and activity of specific customers, historical trends and other information. The amounts of recording are based on the contracted prices or estimated receipts. There are no allowance for uncollectible accounts was considered necessary as at March 31, 2020.

Other current assets

This consists of lease options.

Project assets

These consists of post-acquisition interconnection cost.

Intangibles

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

Capitalized project costs

Cost 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, 2020 because none of our projects are operational.

ADANI SOLAR USA INC. AND SUBSIDIARIES
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020 AND PERIOD ENDED 2019

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 revenues, costs and 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, 2020 are as follows:

		Megawatt	Targeted Commercial	Estimated Total
<u>Projects in Process</u>	<u>Project Location</u>	<u>Capacity (DC)</u>	<u>Operation Date</u>	<u>Cost to Complete</u>
Sigurd Solar LLC	Utah	110	Q2, 2021	\$125 Million
Hartsel Solar LLC	Colorado	100	Q4, 2022	\$110 Million

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 in 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

Income Taxes

The Company intends to file consolidated tax returns for federal purposes, and in states where permitted. Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. The Company recognizes deferred tax liabilities and deferred tax assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax liabilities and deferred tax assets are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

The Company evaluates the carrying value of deferred tax assets to determine if we will be able to generate enough future taxable income to realize them. In doing so, both positive and negative evidence related to likelihood of realization are given weightage.

The Company periodically evaluates whether there are any uncertain tax positions requiring accounting recognition in the financial statements. Based on this evaluation, the Company has determined that there are no material uncertain tax positions requiring recognition or disclosure for the period ended March 31 2020.

Impairment of other tangible assets

Long-lived tangible assets including equipment and improvements are tested for impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. Impairment loss is recorded when the book value of such assets exceeds the estimated future undiscounted cash flows attributable to the asset. During the year ended March 31, 2020, the Company has not recorded any impairment of tangible assets.

ADANI SOLAR USA INC. AND SUBSIDIARIES
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020 AND PERIOD ENDED 2019

Recent Accounting pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases. The new standard establishes a right-of-use (ROU) model that requires a lessee to record ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. A modified retrospective transition approach is required for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. 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. The Company continues to evaluate the full impact of the new standard as well as its impact on business processes, system and internal controls. The Company expects to adopt this standard effective year ending March 31, 2022.

Note 3: Concentration of credit risk

The Company grants credit to its clients in the normal course of business. Accounts receivable are primarily from construction contracts. The Company performs ongoing credit evaluations of its customers' financial conditions. The Company currently has two ongoing projects with Midlands Solar LLC and Sigurd Solar LLC which consists of the entire revenue during the year ended March 31, 2020.

Note 4: Asset Acquisitions

During the year ended March 31, 2020, the Company has not acquired any further Company and projects. During the period ended March 31, 2019, the Company has acquired following Company and projects:

Company/Project	Date	Cash consideration	Reason for Purchase	Assets Acquired	Accounting Treatment during 2019	Accounting Treatment during 2020
Adani Solar USA LLC	October 12, 2018	Nil	Internal business consolidation	Assumption of related assets and liabilities	Consolidated to the Company	Consolidated to the Company
Midlands Solar LLC	May 18, 2019	2,144,975	Contracted project acquisition	PPA and interconnection	To be capitalized and amortized over the expected useful life	Consolidated into the Company until January 2020 and then de-consolidated due to it sale (Refer Note 8)
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	Consolidated into the Company and not considered as sale due to Put option (Refer Note 9)

ADANI SOLAR USA INC. AND SUBSIDIARIES
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020 AND PERIOD ENDED 2019

Note 5: 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, 2020, the Company has no expense expensed related to the maintenance programs.

As of March 31, 2020, the Company obtained right to use land under operating leases options that give the Company the right to engage the landowners with long-term lease contracts ranging from 25-35 years from Full Notice to Proceed (FNTP) date. Certain lease agreements have extension provisions that extend the lease from 5-10 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 three offices in Texas, two of which has been subleased.

The estimated future rental commitment as of March 31, 2020 under the land leases for Sigurd projects and the three office leases are as follows:

2021	\$ 1,525,998
2022	1,494,601
2023	1,471,569
2024	1,383,324
2025	1,408,169
Thereafter	44,742,404
Total	\$ 52,026,065

As of March 31, 2020, 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.

Note 6: Income Taxes

Income tax provision: The components of the income tax expense/(benefit) for the year ended March 31, 2020 and March 31, 2019 are as under:

	March 31, 2020 (In US\$)	March 31, 2019 (In US\$)
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 Company has not recognized the deferred tax asset on the loss of US\$ 11.95 million for March 31, 2020 and have created 100% valuation allowance against the same considering the losses in past as well. The Company will reassess the position at each year end.

ADANI SOLAR USA INC. AND SUBSIDIARIES
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020 AND PERIOD ENDED 2019

Note 7: Related Party Transactions

The Company's operations have been supported by loans from parent companies. These loans are noninterest 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, 2020 are as follows:

Company Name	Business Partner Name	Outstanding as at March 31, 2020 (In US\$)	Outstanding as at March 31, 2019 (In US\$)
ADANI SOLAR USA INC	ADANI GLOBAL PTE LTD	32,000,000	8,200,000
ADANI SOLAR USA INC	ADANI GREEN ENERGY PTE LTD	250,000	250,000
ADANI SOLAR USA INC	ADANI NORTH AMERICA INC	1,971,568	693,108
ADANI SOLAR USA LLC	ADANI NORTH AMERICA INC	4,123,683	4,123,683
ADANI SOLAR USA INC	ADANI GREEN ENERGY (US) PTE LTD	-	4,278,504
HARTSEL SOLAR LLC	ADANI NORTH AMERICA INC	-	7500
	TOTAL	38,345,251	17,552,795

The Company has loans receivable from employee of \$50,000 as of March 31, 2020. This outstanding loan receivable is scheduled to be received in June 2020.

Note 8: Sale of Membership Interest in Midlands Solar LLC

Midlands group is the wholly owned subsidiaries of Adani Solar USA Inc. During the year, membership in the Midlands group (Including the ongoing project) was sold 100% to Cubico USA Solar Holdings II, LLC for US\$ 40.37 million (After adjustment of closing cost). Accordingly, the Company has deconsolidated the Midlands group as at March 31, 2020 and recognized the resultant loss in the income statement. The transaction got completed on January 24, 2020 on receipt of funds from Cubico. Below is the calculation of loss accounted in the books:

Particulars	Amount in US\$
Assets in Midlands as at Jan 24, 2020 (Includes Capital Work in Progress)	84,757,470
Less: Liabilities in Midlands	35,896,032
Net Assets in Midlands as at Jan 24, 2020	48,861,438
Less: Sales proceeds on sale	40,369,995
Resultant loss	8,491,443
Less: intercompany elimination profit until January 2020	5,870,356
Resultant loss (Net of intercompany elimination profit until January 2020)	2,621,087

ADANI SOLAR USA INC. AND SUBSIDIARIES
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020 AND PERIOD ENDED 2019

Note 9: Covid-19 Impact on the Company

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Company’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

However, the Company believes that the revenues of the Company are from solar projects which are considered as essential business and critical infrastructure projects at this point in time.

Further considering the C-19 impact, the Company has decided to not account the transaction of membership interest sale between Adani Solar USA Inc (Seller) and DESRI Sigurd Development, L.L.C.(Buyer) for sale of 100% membership interest in Sigurd Solar LLC (Project Company) as on February 28, 2020. The agreement has a PUT option right with the buyer for 90 days to revoke the transaction if the seller is unable to enter in module purchase agreement for the Project Company. The Company is currently into discussion with the vendor based out of China, and considering the current C-19 scenario, it is not sure if the transaction of module purchase for project Company will be executed by May 30, 2020. Accordingly, on prudent basis Company has deferred the accounting of sale of membership rights in Sigurd Solar LLC due to the substantial hurdle as at date of financials statements made available for issue.

Note 10: Comparison between periods

The numbers are not comparable between March 2020 and March 2019 since March 2019 was only for the period August 9, 2018 to March 31, 2019 whereas March 2020 is for the full accounting period.

Note 11: Subsequent Events

The Company has evaluated subsequent events through the date of the financial statements till the date financial statements were made available for issuance on April 29, 2020. The Company is not aware of any subsequent events that would require recognition or disclosure in the financial statements.