# AURORA ALGAE, LLC
## (Formerly AURORA ALGAE,INC.)
## Financial Statements
## For the year ended 31st December, 2020

# Independent Auditor's Report

THE BOARD OF DIRECTORS AURORA ALGAE, LLC
Houston, TX

## Report on the Financial Statements

We have audited the accompanying financial statements of **AURORA ALGAE, LLC (the Company)**, which comprise the balance sheet as of December 31, 2020 and 2019, and the related statements of operations, member's equity/stockholders' equity, and cash flows for the years then ended 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.

## Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 Company'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 Company'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 the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. **Emphasis of Matter**

***Conversion and Going Concern***

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. During 2020, the Board of Directors of Aurora Algae, Inc. (Corporation) adopted and approved the conversion of the Corporation from a Delaware corporation to a Delaware limited liability company, named Aurora Algae, LLC (see additional information in Note 1). As discussed in Note 2 to the financial statements, the Corporation's continuing operating losses raised substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2 to the financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

**Hood & Strong LLP**
San Francisco, California
March 5, 2021

## Balance Sheet as at 31st December, 2020

| *December 31,* | 2020 | 2019 |
|---|---|---|
| **Assets** | | |
| **Current Assets:** | | |
| Cash and cash equivalents | $ - | $ 509,434 |
| Receivable from affiliate | | 1,500,000 |
| Prepaid expenses and other current assets | | 4,677 |
| Total current assets | - | 2,014,111 |
| | $ - | $ 2,014,111 |
| **Liabilities and Member's Equity/Stockholders' Equity** | | |
| **Current Liabilities:** | | |
| Accounts payable | $ - | $ 5,676 |
| Accrued liabilities | | 330 |
| Total current liabilities | - | 6,006 |
| **Member's Equity/Stockholders' Equity:** | | |
| Series A-1 convertible preferred stock, $0.001 par value 59,202,967 shares authorized, issued and outstanding at 2019 (aggregate liquidation value, $59,202,967 at 2019) | - | 58,928,442 |
| Series A-2 convertible preferred stock, $0.001 par value 10,722,043 shares authorized, issued and outstanding at 2019 (aggregate liquidation value, $10,722,043 at 2019) | - | 10,722,043 |
| Common stock, $0.001 par value - 75,763,427 shares authorized at 2019; 5,838,417 shares issued and outstanding at 2019 | - | 5,838 |
| Additional paid-in capital | - | 10,386,600 |
| Accumulated deficit | - | (78,034,818) |
| Member's equity | - | - |
| Total member's equity/stockholders' equity | - | 2,008,105 |
| | $ - | $ 2,014,111 |

See accompanying notes to the financial statements.

**Statement of Operations for the year ended 31st December, 2020**

| *Years Ended December 31,* | | 2020 | | 2019 |
|---|---|---|---|---|
| **Revenues** | $ | - | $ | - |
| **Operating Expenses:** | | | | |
| General and administrative | | 48,435 | | 49,726 |
| Total operating expenses | | 48,435 | | 49,726 |
| **Loss from Operations** | | (48,435) | | (49,726) |
| **Other Income:** | | | | |
| Other income | | - | | 43,502 |
| Total other income | | - | | 43,502 |
| **Net Loss** | | (48,435) | | (6,224) |

See accompanying notes to the financial statements.

## Statement of Member’s Equity/Stockholders' Equity for the year ended 31st December, 2020.

*Years Ended December 31, 2020 and 2019*

| | Series A-1 Convertible Preferred Stock | | Series A-2 Convertible Preferred Stock | | Common Stock | | Additional Paid-In Capital | Accumulated Deficit | Total Stockholders’ Equity | Total Member's Equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Shares | Amount | | | | |
| **Balances -** December 31, 2018 | 59,202,967 | $ 58,928,442 | 10,722,043 | $ 10,722,043 | 5,838,417 | $ 5,838 | $ 10,386,600 | $ (78,028,594) | $ 2,014,329 | $ - |
| Net loss | | | | | | | | (6,224) | (6,224) | - |
| **Balances -** December 31, 2019 | 59,202,967 | 58,928,442 | 10,722,043 | 10,722,043 | 5,838,417 | 5,838 | 10,386,600 | (78,034,818) | 2,008,105 | - |
| Net loss | | | | | | | | (48,435) | (48,435) | - |
| Conversion from Corporation to LLC | (59,202,967) | (58,928,442) | (10,722,043) | (10,722,043) | (5,838,417) | (5,838) | (10,386,600) | 78,083,253 | (1,959,670) | 1,959,670 |
| Distribution to member | | | | | | | | | | (1,959,670) |
| **Balances -** December 31, 2020 | - | $ - | - | $ - | - | $ - | $ - | $ - | $ - | $ - |

See accompanying notes to the financial statements.

**Cash Flow Statement for the year ended 31st December, 2020**

| *Years Ended December 31,* | 2020 | 2019 |
|---|---|---|
| **Cash Flows from Operating Activities:** | | |
| Net loss | $ (48,435) | $ (6,224) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | |
| Changes in assets and liabilities: | | |
| Receivable from affiliate | 1,500,000 | - |
| Prepaid expenses and other current assets | 4,677 | (1,737) |
| Accounts payable | (5,676) | 3,482 |
| Accrued liabilities | (330) | (550) |
| Net cash provided by (used in) operating activities | 1,450,236 | (5,029) |
| **Cash Flows from Financing Activities:** | | |
| Distribution to member | (1,959,670) | - |
| Net cash (used) by financing activities | (1,959,670) | - |
| **Net (Decrease) in Cash and Cash Equivalents** | (509,434) | (5,029) |
| **Cash and Cash Equivalents,** Beginning of year | 509,434 | 514,463 |
| **Cash and Cash Equivalents,** End of year | $ - | $ 509,434 |
| **Noncash Investing and Financing Activities:** | | |
| Conversion from corporation to LLC | $ 1,959,670 | $ - |
| **Supplemental Cash Flow Disclosure:** | | |
| Cash refunded (paid) for taxes | $ - | $ 41,378 |

See accompanying notes to the financial statements.

## Notes to Financial Statements for the year ended 31st December, 2020

### Note 1 - Organization and Description of Business:

Aurora Algae, Inc. (the "Corporation"), located in Houston, Texas, was incorporated on April 5, 2006, in the state of California, and reincorporated on December 16, 2006, in the state of Delaware. In 2010 the Corporation formed a subsidiary in Australia to perform research and development activities. In November 2013, the Corporation decided to close its research activities in Australia. In 2013, the Corporation began research and development activities in Texas. In 2015 the Corporation laid-off its entire U.S. workforce, sold a majority of its property and equipment. In 2016, the major stockholder of the Corporation acquired 100% ownership through a reverse triangular merger. The Corporation was the surviving corporation after the merger and continues to be a separate entity. In 2017 the subsidiary in Australia filed for deregistration and had its affairs wound up. On March 3, 2018, the subsidiary in Australia was legally dissolved. The Company had been focusing on the development of high-performance premium algae-based products for the pharmaceutical, nutrition, aquaculture and fuels markets. The Company's activities since inception have consisted principally of acquiring technology rights, raising capital, establishing facilities, and performing research and development.

On July 1, 2020 (conversion date), the Corporation's Board of Directors adopted and approved the conversion of the Corporation from a Delaware corporation to a Delaware limited liability company, named Aurora Algae, LLC (the "Company"). The Company is to be governed in accordance with a limited liability company operating agreement. As a result of the conversion, all outstanding shares of capital stock, additional paid in capital and accumulated deficit were, in the aggregate, converted into and exchanged for one membership unit in the Company.

Following conversion, the Company distributed all of its rights, title and interest in its assets and liabilities, including but not limited to intellectual property (patents) to its sole member, Reliance Holding USA, Inc. (RHUSA). RHUSA immediately contributed such assets and liabilities to Reliance Marcellus LLC (RM LLC). On August 20, 2020, RHUSA merged with and into Reliance Energy Generation and Distribution Limited, an Indian corporation (REGDL), with REGDL surviving, and immediately thereafter, REGDL merged with and into Reliance Industries Limited, an Indian corporation and Ultimate Parent Company (RIL), with RIL surviving. Upon merger, RIL has succeeded RHUSA as a sole member of the Company.

For presentation and disclosure purposes, the corporation and the limited liability company are referred to as the "Company" in the following notes.

### Note 2 - Basis of Presentation:

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Since inception and through the conversion date, the Company had incurred cumulative net losses of $77,846,094 and net negative cash flows from operations. These factors, among others, have raised substantial doubt about the Company's ability to continue as a going concern. As a result of the conversion from a corporation to a limited liability company and the distribution to its sole member, the Company reflects $0 assets and $0 liabilities as of December 31, 2020. Management has yet to determine the type of business that the Company will enter into, and the capital required to fund its operations. The financial statements do not include any adjustments relating to the outcome of this uncertainty. The

Company's continuation as a going concern is dependent upon its parent company's ability to fund future operations so that it may continue assessing the financial value of keeping the Company as a going concern.

As required by Indian authorities, RIL, as the sole member of the Company is required to file consolidated financial statements of its (globally active) subsidiaries. The financial statements of the Company should be read in conjunction with the general purpose financial statements of the consolidated entity.

**Note 3 - Summary of Significant Accounting Policies:**

a. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 expenses during the reporting period. Actual results could differ from those estimates.

b. Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with an original maturity of three months or less at the date of purchase to be cash equivalents. As of December 31, 2019, cash and cash equivalents consisted of cash deposits with high credit-quality financial institutions.

c. Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents. The Company's cash and cash equivalents consist of cash deposits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to significant credit risk related to cash and cash equivalents.

d. Related Party Transactions

In 2016, the Company recognized a receivable of $1.5 million from its major stockholder. The receivable was collected in full during 2020.

e. Research and Development Costs

Research and development expenses consist of personnel costs, depreciation, including salaries, benefits, materials and supplies, licenses, and fees. The Company charges research and development costs to expense when incurred. There were no research and development costs incurred in 2020 and 2019.

f. Income Taxes

During 2019 and through conversion date, the Company accounted for federal and state income taxes using the liability method whereby deferred tax asset and liability account balances were determined based on differences between the financial reporting and tax basis of assets and liabilities and were measured using the enacted tax rates and laws that will be in effect when the differences were expected to reverse. The Company provided a valuation allowance to reduce deferred tax assets to their estimated realizable value.

Effective July 1, 2020, the income and losses of the Company flow through to the limited liability member. Accordingly, the Company does not provide an income tax provision in the financial statements. As of December 31, 2020, the Company had no unrecognized income tax benefits, nor are there any expected within the next fiscal year.

g. Reclassifications

There were certain reclassifications made to the 2019 financial statements to conform with the 2020 presentation which did not significantly impact total stockholders' equity or operations.

h. Subsequent Events

The Company has evaluated subsequent events from December 31, 2020 through [DATE], the date the financial statements were available to be issued, and has determined that there were no material subsequent events that required recognition or additional disclosure in these financial statements.

**Note 4 - Accrued Liabilities:**

At December 31, 2020 and 2019, accrued liabilities consisted of the following:

| | 2020 | 2019 |
|---|---|---|
| Accrued professional services | $ - | $ 330 |
| Accrued liabilities | $ - | $ 330 |

**Note 5 - Convertible Preferred Stock:**

After completion of a reverse triangular merger in 2016, the Company amended and restated its certificate of incorporation to reduce the total number of shares the Company is authorized to issue to 145,688,437, consisting of 75,763,427 shares of common stock, and 69,925,010 shares of preferred stock. The two series of preferred stock are: (1) Series A-1 convertible preferred stock (59,202,967 shares) and (2) Series A-2 convertible preferred stock (10,722,043 shares). As disclosed in Note 1, all outstanding shares of capital stock (convertible preferred and common), additional paid in capital and accumulated deficit were in the aggregate, converted into and exchanged for one membership unit in the Company.

In 2013, the Company amended and restated its certificate of incorporation to increase the total number of shares the Company is authorized to issue to 408,066,473, consisting of 216,000,000 shares of common stock, and 192,066,473 shares of preferred stock. The three series of preferred stock are: (1) Series A-1 preferred stock (91,000,056 shares); (2) Series A2 preferred stock 50,066,417 shares); and (3) Series B-1 preferred stock (51,000,000 shares).

The Company issued 20 million, 16 million and 18 million Series A-1 preferred shares at $1.00 per share to existing investors in September 2012 and February 2013 and December 2013, respectively, under the series A-1 preferred stock agreement resulting in proceeds of $20 million, $16 million and $18 million (excluding related issuance costs), respectively. In April and July 2011, 8,943,090 shares of the Company's Series A-1 preferred stock were issued in two tranches at a purchase price of $1.00 per share. The Company subsequently issued 28,056,966 Series A-1 preferred stock at a purchase price of $1.00 per share to a new investor and currently existing investors in August and December 2011.

During 2011, eligible investors exchanged 22,727,267 shares of Series A preferred stock (on a 4.546 for one basis) and 106,810,844 shares of Series B preferred stock (on a 2.36 for one basis) for shares of the Company's Series A-2 preferred stock. All 581,212 outstanding shares of Series A and Series B preferred stock that were not exchanged for Series A-2 preferred stock automatically converted to 29,050 shares of common stock (reflecting the 1-for-20 reverse stock split). As these transactions were contemplated and executed together, the Company has accounted for them as a single transaction. In accordance with ASC 260-10S99-2, the Company recorded the $72,484 difference between the fair value of the newly issued Series A-1 preferred stock and the carrying value of the Series A and Series B preferred stock immediately prior to the recapitalization as a decrease to additional paid in capital.

Significant terms of the preferred stock at December 31, 2019 and through conversion date, were as follows:

*Voting* – Each holder of shares of the preferred stock shall be entitled to the number of votes equal to the number of shares of common stock into which such shares of preferred stock could be converted and have equal voting rights and powers of the common stock.

*Dividend Rights* – In any calendar year, the holders of outstanding shares of Series A-1 and Series A-2 preferred stock shall be entitled to receive cash dividends, when, as and if declared by the Board of Directors, out of any assets at the time legally available therefor, at the dividend rate specified for such shares of Series A-1 and A-2 preferred stock payable in preference and priority to any declaration or distribution on common stock of the Company. Such dividends shall be noncumulative. No such dividends have been declared or paid since inception.

*Conversion* – Holders of shares of preferred stock are entitled, at any time, to cause their shares to be converted into fully paid and non-assessable shares of common stock. At December 31, 2017, each share of Series A-1 and A-2 preferred stock was convertible into one share of common stock. Additionally, the preferred stock will automatically convert into shares of common stock (i) immediately prior to the closing of a firm commitment underwritten initial public offering, with aggregate gross proceeds to the Company of at least $50,000,000 pursuant to an effective registration statement filed under the Securities Act of 1933, or (ii) upon the receipt by the corporation of a written request for such conversion from the holders of a majority of the preferred stock then outstanding.

*Liquidation* – Upon any liquidation, dissolution, or winding-up of the Company, whether voluntary or involuntary ("Liquidation Event"), before any distribution or payment is made to holders of common stock, holders of Series A-1 and A-2 preferred stock are entitled to be paid, out of the assets of the Company legally available for distribution, or the consideration received in such transaction, for each share of preferred stock held by them, an amount equal to the original issuance price per share, plus all accrued or declared but unpaid dividends. If upon the Liquidation Event, the assets of the Company legally available for distribution to the holders of the Series A-1 and Series A-2 preferred stock are insufficient to permit the payment to such holders of the full amounts specified above, then the entire assets of the Company legally available for distribution shall be distributed with equal priority and pro rata among the holders of the Series A-1 and Series A-2 preferred stock in proportion to the full amounts they would otherwise be entitled to receive. After payment of the full liquidation preference of the preferred stock, the remaining assets of the Company, if any, shall be distributed ratably to the holders of the Series A-1 and A-2 preferred stock and common stock. Notwithstanding the foregoing, the aggregate distributions made with respect to any share of preferred stock shall not exceed an amount equal to three times the applicable liquidation preference for that share of preferred stock, plus any declared or accrued but unpaid dividends.

*Redemption* – The preferred stock was not redeemable.

**Note 6 - Common Stock:**

At December 31, 2019, the Company was authorized to issue 75,763,427 shares of common stock. The Company had reserved the following shares of common stock for any future issuance:

| | |
|---|---|
| Conversion of Series A-1 convertible preferred stock | $ 59,202,967 |
| Conversion of Series A-2 convertible preferred stock | 10,722,043 |
| Total | $ 69,925,010 |

**Note 7 - Member's Equity and Presentation:**

Pursuant to the Company's Operating Agreement, the purposes of the Company are to carry on any lawful business, purpose or activity for which limited liability companies may be formed under the Delaware Limited Liability Company Act. The sole member, RIL, owns one hundred percent (100%) of the membership interests in the Company and is to be allocated 100% of the profits and losses of the Company.

**Note 8 - Income Taxes:**

Due to the Company's ordinary and capital losses, no provision or benefit for income taxes was recorded in 2019 and through the conversion date.

Deferred income taxes reflected the net tax effects of (a) temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes and (b) ordinary and capital losses and tax credit carryforwards.

The components of loss before income taxes were as follows:

| | | 2019 |
|---|---|---|
| Loss – U.S. only | $ | (6,224) |
| Loss before income taxes | $ | (6,224) |

The significant components of the Company's deferred tax assets as of December 31, 2019 were as follows:

| | 2019 |
|---|---|
| Deferred tax assets: | |
| Net ordinary and capital loss carryforwards | $ 34,186,382 |
| Research credits | 4,125,147 |
| Total deferred tax assets | 38,311,529 |
| Valuation allowance | (38,311,529) |
| Net deferred tax assets | $ - |

The tax benefit of net ordinary and capital losses, temporary differences, and credit carryforwards were recorded as an asset to the extent that management assessed that realization was "more likely than not." Realization of the future tax benefits was dependent on the Company's ability to generate sufficient taxable income within the carry-forward period. Because of the Company's history of operating losses since inception, management believed that the deferred tax assets arising from the above-mentioned future tax benefits were currently not likely to be realized and, accordingly, had provided a full valuation allowance as of December 31, 2019.

The conversion from a corporation to a limited liability company was structured by management to be tax-free and resulted in Aurora Algae, Inc. being dissolved, effective July 1, 2020. None of the tax benefits of the corporation were transferable to the limited liability company.