AURORA ALGAE, INC.

Financial Statements

For the year ended 31 December, 2018

Independent Auditor's Report

THE BOARD OF DIRECTORS
AURORA ALGAE, INC.
Houston, TX

Report on the Financial Statements

We have audited the accompanying financial statements of **AURORA ALGAE, INC. (the Company)**, which comprise the balance sheet as of December 31, 2018 and 2017, and the related statements of operations and comprehensive income (loss), 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, 2018 and 2017, 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

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company's operating losses raise 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.

Parent-Only Financial Statements

As discussed in Note 2 to the financial statements, the accompanying financial statements are those of Aurora Algae, Inc. (parent company) only and are not those of the primary reporting entity. The consolidated financial statements of Aurora Algae, Inc. (parent company) and Subsidiary have been issued to the board of directors as the general purpose consolidated financial statements of the reporting entity and should be read in conjunction with the parent-only financial statements. Our opinion is not modified with respect to this matter.

Hood & Strong LLP

San Francisco, California

March 4, 2019

Balance Sheet (Parent-Only)

December 31,	**2018**	**2017**
		In USD
Assets		
Current Assets:		
Cash and cash equivalents	514,463	675,034
Receivable from affiliate	1,500,000	1,500,000
Prepaid expenses and other current assets	2,940	4,341
Total current assets	2,017,403	2,179,375
Other Noncurrent Assets	-	200
	2,017,403	2,179,575
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	2,194	5,184
Accrued liabilities	880	41,430
Total current liabilities	3,074	46,614
Stockholders' Equity:		
Series A-1 convertible preferred stock, $0.001 par value - 59,202,967 shares authorized for 2018 and 2017; 59,202,967 shares issued and outstanding for 2018 and 2017 (aggregate liquidation value, $59,202,967)	58,928,442	58,928,442
Series A-2 convertible preferred stock, $0.001 par value - 10,722,043 shares authorized for 2018 and 2017; 10,722,043 shares issued and outstanding for 2018 and 2017 (aggregate liquidation value, $10,722,043)	10,722,043	10,722,043
Common stock, $0.001 par value - 75,763,427 shares authorized for 2018 and 2017; 5,838,417 shares issued and outstanding for 2018 and 2017	5,838	5,838
Additional paid-in capital	10,386,600	10,386,600
Accumulated other comprehensive (loss) income	(237,159)	(237,159)
Accumulated deficit	(77,791,435)	(77,672,803)
Total stockholders' equity	2,014,329	2,132,961
	2,017,403	2,179,575

See accompanying notes to the financial statements

Statement of Operations and Comprehensive Income (Loss) (Parent-Only)

Years Ended December 31,	**2018**	*In USD* **2017**
Revenues	-	-
Operating Expenses:		
General and administrative	119,801	332,273
Total operating expenses	119,801	332,273
Loss from Operations	(119,801)	(332,273)
Other Income (Expense):		
Interest and other income	368	409,837
Other expense	801	(58,673,436)
Total other income (expense)	1,169	(58,263,599)
Net Loss	(118,632)	(58,595,872)
Other Comprehensive Income (Loss):		
Foreign currency translation adjustments	-	-
Other comprehensive income (loss)	-	-
Net Loss	(118,632)	(58,595,872)

See accompanying notes to the financial statements

Statement of Stockholders' Equity (Parent-Only)

Years Ended December 31, 2018 and 2017 *In USD*

	Series A-1 Convertible Preferred Stock		Series A-2 Convertible Preferred Stock		Common Stock					
	Shares	Amount	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
Balances - December 31, 2016	59,202,967	58,928,442	10,722,043	10,722,043	5,838,417	5,838	10,386,600	(237,159)	(19,076,931)	60,728,833
Net loss									(58,595,872)	(58,595,872)
Balances - December 31, 2017	59,202,967	58,928,442	10,722,043	10,722,043	5,838,417	5,838	10,386,600	(237,159)	(77,672,803)	2,132,961
Net loss									(118,632)	(118,632)
Balances - December 31, 2018	59,202,967	58,928,442	10,722,043	10,722,043	5,838,417	5,838	10,386,600	(237,159)	(77,791,435)	2,014,329

See accompanying notes to the financial statements

Statement of Cash Flows (Parent-Only)

Years Ended December 31,	**2018**	**2017**
		In USD
Cash Flows from Operating Activities:		
Net loss	(118,632)	(58,595,872)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	-	31,747
Loss on disposal of assets	-	159,707
Gain on termination of lease agreement	-	(403,837)
Loss on forgiveness of debt from subsidiary	-	52,548,463
Loss on write-off of investment in subsidiary	-	5,909,308
Changes in assets and liabilities:		
Receivable from subsidiary	-	(42,000)
Prepaid expenses and other current assets	1,401	32,537
Accounts payable	(2,990)	(3,165)
Accrued liabilities	(40,550)	(387,273)
Other noncurrent assets and noncurrent liabilities	200	24,000
Net cash used by operating activities	(160,571)	(726,385)
Net Decrease in Cash and Cash Equivalents	(160,571)	(726,385)
Cash and Cash Equivalents, Beginning of year	675,034	1,401,419
Cash and Cash Equivalents, End of year	514,463	675,034
Supplemental Cash Flow Disclosure:		
Cash paid for taxes	1,069	800

See accompanying notes to the financial statements

Notes to Financial Statements

Note 1 - Organization and Description of Business:

Aurora Algae, Inc. (the "Company"), currently 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 Company formed a subsidiary in Australia to perform research and development activities. In November 2013, the Company decided to close its research activities in Australia. In 2013, the Company began research and development activities in Texas. In 2015 the Company laid-off its entire U.S. workforce, sold a majority of its property and equipment. In 2016, the major stockholder of Aurora acquired 100% ownership through a reverse triangular merger. The Company 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, with only nominal expenses incurred in 2018.

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. The Company had been devoting substantially all of its efforts to establishing a new business, which has yet to commence. To date, the Company's activities have been funded by private equity. Going forward, the Company expects funding for shortfalls, if any, from its parent company.

Note 2 - Basis of Presentation:

The accompanying consolidated 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, the Company has incurred cumulative net losses of $ 77,791,435 and net negative cash flows from operations. These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of assets or the amounts and classification of recorded liabilities that might be necessary should the Company be unable to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to generate sufficient cash flows to meet its obligations on a timely basis. The Company plans to maintain its limited operations (which includes patent prosecution and maintenance) and expects its parent company to fund any shortfalls so that it may continue assessing the financial value of keeping the Company as a going concern.

As required by Indian authorities, the ultimate parent company (Reliance Industries Limited) of Aurora Algae, Inc. is required to file consolidated financial statements of its (globally active) subsidiaries. The financial statements of Aurora Algae, Inc. 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 consolidated financial statements in conformity with accounting principles generally accepted in the United States (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 consolidated financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

b. Foreign Currency Translation

The functional currency of the Company is the local currency. Any gains or losses from foreign currency transactions of the subsidiaries' financial statements are recorded directly into a separate component of stockholders' equity under the caption "accumulated other comprehensive income."

c. 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, 2018 and 2017, cash and cash equivalents consist of cash deposits with high credit-quality financial institutions.

d. 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.

Notes to Financial Statements

e. Property and Equipment, Net

Property and equipment are stated at cost or fair value as of the acquisition date, less accumulated depreciation. Depreciation is computed over the estimated useful lives of the respective assets, which range from three to 15 years, using the straight-line method. Repairs and maintenance costs are expensed as incurred. Upon disposition, the cost and related accumulated depreciation and amortization are removed from the accounts and the resulting gain or loss is reflected in the statement of operations.

The Company periodically performs assessments of the useful lives of assets. In evaluating useful lives, the Company considers how long assets will be used, given levels of technology, competitive factors, and the economic environment. If the assessment indicates that the assets will be used for a shorter period than previously anticipated, the useful life of the assets is revised, resulting in a change in estimate. Changes in estimates are accounted for on a prospective basis by depreciating the assets' current carrying values over their revised remaining useful lives.

All property and equipment were fully disposed by December 31, 2017.

f. Long-Lived Assets

The Company reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. No such impairment occurred in 2018 and 2017.

g. Related Party Transactions

In 2016, the Company recognized a receivable of $1.5 million from its major stockholder. As with any receivable, management has reviewed the collectability of this receivable and has determined that as of December 31, 2018 and 2017, there is no need to provide for an allowance for doubtful accounts as the receivable is expected to be fully recoverable. The receivable is classified as a current asset, as management believes it is collectable upon demand.

In connection with the deregistration of the Australian subsidiary in 2017, the Company recorded losses from the forgiveness of debt and the write-off of investment from the subsidiary of $52,548,463 and $5,909,308, respectively, which are classified as non-operating other expense in the statement of operations.

h. 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 2018 and 2017.

i. Income Taxes

The Company accounts for income taxes using the liability method whereby deferred tax asset and liability account balances are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company provides a valuation allowance, if necessary, to reduce deferred tax assets to their estimated realizable value. Also, the Company accounts for uncertain tax positions and management has concluded that the Company has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of current tax guidance.

j. Stock-Based Compensation

Compensation costs related to all equity instruments granted are recognized at the grant-date fair value of the awards. Additionally, the Company is required to include an estimate of the number of awards that will be forfeited in calculating compensation costs, which are recognized over the requisite service period of the awards based on months vested. The Company estimates the fair value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in the Company's consolidated statements of operations.

In accordance with the reverse triangular merger mentioned in Note 1, all outstanding and unexercised stock options were terminated without consideration during 2016. Therefore, there was no stock-based compensation recognized in 2018 and 2017.

Notes to Financial Statements

k. Subsequent Events

The Company has evaluated subsequent events from December 31, 2018 through March 4, 2019, 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, 2018 and 2017, accrued liabilities consist of the following:

In USD

	2018	2017
Accrued professional services	880	41,430
Accrued expenses	880	41,430

During 2017, the Company entered into a lease termination agreement wherein it agreed to make a full and final rent payment of $520,000, as full and final settlement of any rents (and other related expenses) through March 2017. The Company recognized other non-operating income of $403, 837 in 2017.

Note 5 - Commitments and Contingencies:

Leases

The Company leased office space, and equipment. Rent expense for the years ended December 31, 2018 and 2017 was $0 and $137,400, respectively. The related lease agreements were terminated during 2017.

Note 6 - 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).

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 A-2 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 260-10-S99-2, 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, 2018, 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.

Notes to Financial Statements

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 is not redeemable.

Note 7 - Common Stock:

At December 31, 2018, the Company is authorized to issue 75,763,427 shares of common stock. The Company has reserved the following shares of common stock for future issuance:

	In USD
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 8 - Income Taxes:

Due to the Company's ordinary and capital losses, no provision or benefit for income taxes has been recorded in 2018 and 2017.

Deferred income taxes reflect 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 are as follows:

		In USD
	2018	2017
Loss – U.S. only	(118,632)	(58,595,872)
Loss before income taxes	(118,632)	(58,595,872)

Notes to Financial Statements

The significant components of the Company's deferred tax assets as of December 31, 2018 and 2017 are as follows:

		In USD
	2018	2017
Deferred tax assets:		
Net ordinary and capital loss carryforwards	34,183,838	36,401,513
Research credits	3,647,207	2,518,049
Total deferred tax assets	37,831,045	38,919,562
Valuation allowance	(37,831,045)	(38,919,562)
Net deferred tax assets	-	-

The Tax Cuts and Jobs Act enacted in December 2017 reduced the U.S. corporate income tax rate from 34% to 21% effective January 1, 2018. Ending net deferred tax assets (prior to valuation allowance) have been revalued in 2018 and 2017.

The tax benefit of net ordinary and capital losses, temporary differences, and credit carryforwards is recorded as an asset to the extent that management assesses that realization is "more likely than not." Realization of the future tax benefits is 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 believes that the deferred tax assets arising from the above-mentioned future tax benefits are currently not likely to be realized and, accordingly, has provided a full valuation allowance. The net valuation allowance decreased by $1,088,517 during the year ended December 31, 2018.

Net ordinary and capital losses and tax credit carryforwards as of December 31, 2018, are as follows:

	Amount In USD	Expire in
Net ordinary and capital losses - federal	124,645,000	2023-2038
Net ordinary and capital losses – state	114,673,000	2017-2038
Tax credits – federal	2,063,000	2027-2036
Tax credits - state	2,005,000	No expiration

Utilization of the net ordinary and capital loss carryforwards and credits may be subject to a substantial annual limitation due to the ownership change limitations provided by the Internal Revenue Code (IRC) of 1986, as amended, and similar state provisions. The Company has not performed an analysis to determine whether an ownership change under Section 382 of the IRC has occurred. The effect of an ownership change would be the imposition of an annual limitation on the use of net operating loss carryforwards attributable to periods before the change.

As of December 31, 2018, the Company has unrecognized tax benefits that do not affect the effective tax rate as the tax benefits create a deferred tax asset, which is currently fully offset with a full valuation allowance. However, due to the uncertain and complex application of tax regulations, it is possible that the ultimate resolution of uncertain tax positions may result in liabilities which could be materially different from this estimate. In such an event, the Company will record additional tax expense or benefit in the period in which such resolution occurs.

The Company's policy is to recognize any interest and penalties that might be incurred related to tax positions as a component of income tax expense. As of December 31, 2018, the Company did not accrue any potential interest and penalties related to unrecognized tax benefits.

The Company does not believe it is reasonably possible the unrecognized tax benefits will significantly change within the next twelve months for tax positions taken, or to be taken, for periods through December 31, 2018.

The Company files income tax returns in the United States and California. Tax years 2012 through 2018 remain subject to examination for federal and state purposes.