PUREKANA, LLC

CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine months ended September 30, 2020 and 2019

(Expressed in US Dollars)

(Unaudited)

PUREKANA, LLC

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PUREKANA, LLC
CONDENSED INTERIM BALANCE SHEETS
(EXPRESSED IN US DOLLARS)
(Unaudited)

	Note	September 30, 2020	December 31, 2019
ASSETS			
Current Assets			
Cash		**$ 1,377,968**	**$ 1,061,746**
Accounts receivable, credit card processor, net	*4*	**68,921**	**864,938**
Inventory	*5*	**908,088**	**1,274,943**
Loan receivable		**20,000**	**-**
Prepaid expenses and deposits	*6*	**372,423**	**367,155**
		2,747,400	**3,568,782**
Property and Equipment		**-**	**11,886**
Security Deposits		**10,050**	**10,050**
Right of Use Asset	*7*	**90,708**	**127,815**
Total Assets		**$ 2,848,158**	**$ 3,718,533**
LIABILITIES AND MEMBERS' EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities	*8*	**$ 589,005**	**$ 1,136,151**
Deferred revenue		**13,584**	**45,721**
Lease Short Term	*7*	**11,410**	**42,347**
Total Current Liabilities		**613,999**	**1,224,219**
Long Term Liabilities			
Loan Payable	*9*	**109,500**	
Lease Long Term	*7*	**86,381**	**86,380**
Total Liabilities		**809,880**	**1,310,599**
Members' Equity	*10*	**2,038,278**	**2,407,934**
Total Liabilities and Members' Equity		**$ 2,848,158**	**$ 3,718,533**
NATURE OF OPERATIONS	*1*		
COMMITMENTS AND CONTINGENCIES	*15*		

Approved on Behalf of the Members and authorized for issuance on October 15, 2020:

Heavenly RX	Cody Alt	Jeff Yauck
Mike Beedles	Member	Member
"Signed"	"Signed"	"Signed"

The accompanying notes are an integral part of these condensed interim financial statements.

PUREKANA, LLC
CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(EXPRESSED IN US DOLLARS)
(Unaudited)

	Note	Three months ended September 30		Nine months ended September 30	
		2020	**2019**	**2020**	**2019**
REVENUE		**$2,869,892**	**$6,010,368**	**$10,637,161**	**$20,530,431**
Cost of sales	*5*	**(1,027,154)**	**(1,892,881)**	**(3,758,966)**	**(6,664,678)**
Gross profit		**1,842,738**	**4,117,487**	**6,878,195**	**13,865,753**
EXPENSES					
Marketing expense		896,589	1,848,642	3,632,196	6,218,378
Allowance for bad debts		-	-	-	625,344
Salaries and wages		409,941	191,859	1,093,892	453,662
Professional fees		439,626	424,101	1,131,664	852,415
Customer service support		47,619	117,721	178,439	316,969
Sales tax expense		17,666	13,800	18,136	197,132
General and administrative expenses		114,976	58,314	406,842	186,233
Travel and entertainment		1,008	39,765	8,613	97,221
Interest expense		3,679	-	12,113	-
Amortization expense		12,370	-	37,107	-
		(1,943,474)	**(2,694,2020)**	**(6,519,001)**	**(8,947,354)**
Operating profit (loss)		**(100,736)**	**1,423,285**	**359,194**	**4,918,399**
Other income:					
Other income		-	306	-	864
Total other income		-	**306**	**-**	**864**
Net and comprehensive income (loss)		**$(100,736)**	**$1,423,591**	**$359,194**	**$4,919,263**

The accompanying notes are an integral part of these condensed interim financial statements.

PUREKANA, LLC
CONDENSED INTERIM STATEMENTS OF MEMBERS' EQUITY
(EXPRESSED IN US DOLLARS)
(Unaudited)

Balance - January 1, 2019	**$2,349,299**
Members' distributions	(4,529,916)
Net income	4,919,263
Balance – September 30, 2019	**$ 2,738,646**
Balance – January 1, 2020	**$2,407,934**
Members' distributions	(728,850)
Net Income	359,194
Balance – September 30, 2020	**$ 2,038,278**

The accompanying notes are an integral part of these condensed interim financial statements.

PUREKANA, LLC

CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(EXPRESSED IN US DOLLARS)

(Unaudited)

	Nine months ended September 30	
	2020	**2019**
Cash flows from operating activities:		
Net income	**$359,194**	**$4,919,263**
Adjustments for:		
Allowance for bad debts	-	625,344
Interest expense	12,113	-
Property and Equipment	11,886	-
Amortization Expense from ROU Asset	37,107	-
Changes in non-cash working capital:		
Accounts receivable, credit card processor	796,016	(29,026)
Inventory	366,856	(524,538)
Prepaid expenses and deposits	(5,268)	(885,183)
Loan	(20,000)	-
Accounts payable and accrued liabilities	(547,146)	549,293
Deferred revenue	(32,137)	(164,841)
Cash provided by operating activities	**978,621**	**4,490,312**
Cash flows from financing activities:		
Principal payments on leases	(30,936)	-
PPP Loan	109,500	-
Member distributions	(728,850)	(4,529,916)
Payable to Members	-	1,000,000
Interest on lease liabilities	(12,113)	-
Cash used in financing activities	**(662,399)**	**(3,529,916)**
Net increase in cash	**316,222**	**960,396**
Cash, beginning of the period	**1,061,746**	**1,326,174**
Cash, end of the period	**$1,377,968**	**$2,286,570**

The accompanying notes are an integral part of these condensed interim financial statements.

1. NATURE OF OPERATIONS

Purekana, LLC (the "Company" or "Purekana") was organized as a limited liability company in Arizona on May 31, 2017. The Company converted to a Delaware LLC on December 27th, 2019. On that day, 50.1% controlling interest was sold by the founding members to Heavenly Rx Ltd. The Company's registered and records office is located at 6710 N Scottsdale Road, Paradise Valley, AZ, 85253.

Revenues from sale of cannabidiol related products were principally generated in the United States.

The Company operates in one reportable segment being the sale of hemp-based cannabidiol ("CBD") related products with sales principally generated from the United States. Hemp extracts are produced from Industrial Hemp, which is defined by Cannabis with less than 0.3% THC. The Company works closely with manufacturers who have the licenses required to manufacture CBD consumer products and e-commerce partners for the sale and distribution of its products.

On May 11, 2020, Purekana executed a letter of intent (the "LOI") with Heavenly Rx Ltd. (Heavenly"), Cody J Alt, Jeff Yauck and AF1 Capital Corp. (AF1), pursuant to which it is proposed that Heavenly will sell its indirectly held 50.1% membership interest (the "Interest") in Purekana to AF1 (the "Proposed Transaction"). It is contemplated that the Proposed Transaction is intended to constitute a "Qualifying Transaction" for AF1 under TSX Venture Exchange ("TSXV") Policy 2.4 Capital Pool Companies. The parties to the LOI will prepare and execute a definitive agreement to provide for the purchase and sale of the interest, the terms of which will be negotiated among the parties. In connection with the Proposed Transaction, AF1 will change its name to "Purekana Corp." or such name as is agreed by the parties and it will consolidate its common shares on a 5:1 basis, resulting in a share price of US$1.00 per AF1 common share ("AF1 Shares").

The purchase price for the Interest will be $68,857,500, subject to negotiation and adjustment based on the parties' due diligence investigations and final agreement on the valuations of AF1 and Purekana. The LOI contemplates that at closing of the Proposed Transaction, AF1 shall satisfy the purchase price as follows: (i) payment of $32,000,000 through the issuance of post-consolidation AF1 shares, at a deemed price that will reflect an aggregate valuation of $1,500,000 of all of the issued and outstanding AF1 Shares prior to the Proposed Transaction, (ii) AF1 shall assume Heavenly subsidiary's obligation to pay $22,545,000 in Heavenly common shares pursuant to a membership interest purchase agreement dated December 27, 2019 between Heavenly, Cody J. Alt, Jeff Yauck, Purekana and Heavenly's subsidiary, and (iii) AF1 shall assume secured debts payable by Heavenly's subsidiary to Cody J. Alt and Jeff Yauck in the aggregate principle amount of $14,312,500 pursuant to certain promissory notes made between Heavenly Rx and Cody Alt and Jeff Yauck in December 2019 as part of consideration for the Membership Interest sale. It is also contemplated that AF1 will repay a portion of the assumed secured debts with the issuance of convertible redeemable preferred shares in the capital of AF1.

In connection with the Proposed Transaction, it is contemplated that AF1 will advance to Heavenly a secured loan or refundable deposit of up to $255,000 Canadian dollars (C$) in accordance with the provisions of section 8.5 of TSXV Policy 2.4, on terms to be set between AF1 and Heavenly. In accordance with the policies of the TSX, certain of the AF1 Shares, on closing, will be subject to escrow. The Proposed Transaction is subject to certain customary conditions in favour of each of Heavenly and AF1.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee, effective for the Company's reporting for the nine months ended September 30, 2020 and 2019.

These condensed interim financial statements have been prepared in accordance with the International Financial Reporting

Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), IAS 34 Interim Financial Reporting and interpretations of the International Financial Reporting Interpretations Committee. These condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2019.

These unaudited condensed interim financial statements for the nine months ended September 30, 2020 were approved and authorized for issuance by the Managing Members of the Company on October 15, 2020.

Accounting estimates and judgments

The same accounting estimates, assumptions and judgments are used in the unaudited interim financial statements as were used in the Company's audited financial statements. Additional estimates, assumptions and judgments for 2019 are outlined below:

Critical judgments related to leases under IFRS 16, Leases

The Company applies judgment in reviewing each of its contractual arrangements to determine whether the arrangement contains a lease within the scope of IFRS 16. Leases that are recognized are subject to further judgment and estimation in various areas specific to the arrangement.

When a lease contract contains an option to extend or terminate a lease, the Company must use their best estimate to determine the appropriate lease term. Management must consider all facts and circumstances to determine if there is an economic benefit to exercise an extension option or to not exercise a termination option.

The lease term must be reassessed if a significant event or change in circumstance occurs.

Lease liabilities recognized have been estimated using a discount rate equal to the Company's estimated incremental borrowing rate. This rate represents the rate that the Company would incur to obtain the funds necessary to purchase an asset of a similar value, with similar payment terms and security in a similar economic environment.

3. BASIS OF PRESENTATION

The Company's significant accounting policies are described in note 2, "significant accounting policies," in the Company's annual financial statements for the year ended December 31, 2019.

Basis of Measurement

These condensed interim financial statements have been prepared on a historical cost basis except for cash. Historical cost is generally based upon the fair value of the consideration given in exchange for assets. In addition, these financial statements have been prepared using the accrual basis of accounting.

Functional and presentation currency

The functional currency is the currency of the primary economic environment in which the Company operates. The functional currency of the Company was determined to be the US dollar, by conducting an analysis of the factors identified in IAS 21, *"The Effects of Changes in Foreign Exchange Rates"* ("IAS 21"), based on the relevant economic substance of the transactions.

Future accounting standards issued but not yet effective

(EXPRESSED IN US DOLLARS)

In January 2020, the IASB issued amendments to IAS 1, Presentation of Financial Statements to clarify the requirements for classifying liabilities as current or non-current. The amendments are effective for annual periods beginning on or after January 1, 2022. Adoption thereof is not expected to have a material impact on the presentation of the Company's financial statements.

4. ACCOUNTS RECEIVABLE – CREDIT CARD PROCESSOR

	September 30, 2020	December 31, 2019
Accounts receivable – credit card processor - net	$ 68,921	$ 864,938

		Past Due but not Impaired			
	Total	**Neither Past Due nor Impaired**	**< 90 days**	**91-180 days**	**>180 days**
September 30, 2020	$ 68,921	$ 68,921	-	-	-

		Past Due but not Impaired			
	Total	**Neither Past Due nor Impaired**	**< 90 days**	**91-180 days**	**>180 days**
December 31, 2019	$864,938	$ 864,938	-	-	-

As at September 30, 2020, accounts receivable was comprised almost entirely from amounts from credit card processors for sales made to customers.

Sales processed on credit are remitted to the Company within 2 days from processing.

In February 2019, the Company changed its payment processors for improved access to additional credit cards and lower processing fees. Its previous payment processor ceased remitting payments due to the Company on both current receivables and also for amounts in the reserve fund. The previous payment processor, according to the contract rights, may withhold payments for up to six months. Certain of these amounts have not been remitted to the Company within the required time limits. The Company pursued the amounts owed to it, and in February, 2020 a settlement of $750,000 was reached between the two parties against the outstanding balance owed to the Company of $1,078,328, resulting in a net impairment charge of $328,328 which has been written off. The Company recorded a recovery of $124,656 in 2019 against the impairment charge recorded for the year ended December 31, 2018 of $452,984.

5. INVENTORIES

Inventories are comprised substantially of packaged finished goods ready for sale. Cost of sales is comprised of the cost of inventory sold.

6. PREPAID EXPENSES AND DEPOSITS

Prepaid expenses consist of the following:

(EXPRESSED IN US DOLLARS)

		September 30, 2020		December 31, 2019
Prepaid expenses – vendor deposits	$	372,423	$	367,155

7. LEASE OBLIGATION

On December 1, 2019, Purekana LLC entered into a lease of approximately three years in respect of office space. Upon inception of the lease, The Company recognized a right-of-use asset of $131,938 with an offsetting lease liability of the same amount. The lease obligation was calculated using a discount rate of 14% based on fixed payments required under the lease. We expense annual operating and tax payments as incurred and include them within office and administration. The Company amortizes the right-of-use asset on a straight-line basis over the term of the lease.

		September 30, 2020		December 31, 2019
Current portion	$	11,410	$	42,347
Long-term portion	$	86,381	$	86,380

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Account payable and accrued liabilities consist of the following:

		September 30, 2020		December 31, 2019
Accounts payable	$	252,020	$	733,129
Sales tax payable		325,366		332,777
Direct deposit payable and credit card		11,619		70,245
Accounts payable and accrued liabilities	$	589,005	$	1,136,151

9. BANK LOANS

On March 27, 2020, Congress passed and the President of the United States signed into law the Coronavirus Aid, Relief, and Economic Security Act, which is commonly known as the CARES Act which provides a stimulus package to certain businesses and individuals affected by the novel COVID-19 emergency. The Company is currently evaluating how these provisions in the CARES Act will impact its financial position, results of operations and cash flows. On June 17, 2020, , the Company received an unsecured loan in the amount of $109,500 pursuant to the Paycheck Protection Program (PPP) administered by the United States Small Business Administration and authorized by the Keeping American Workers Employed and Paid Act, which is part of the CARES Act. Section 1106 of the Act provides for forgiveness of up to the full principal amount of qualifying loans guaranteed under the Paycheck Protection Program. Subsequent to September 30, 2020, the company has applied for loan forgiveness.

10. MEMBERS' EQUITY

The Company was organized as a limited liability company. The Company has three operating partners. No class of units have been issued since organization on May 31, 2017.

(EXPRESSED IN US DOLLARS)

11. FINANCIAL RISK MANAGEMENT

The Company’s financial instruments consist of cash, accounts receivable - credit card processor, loan receivable, accounts payable and accrued liabilities, loan payable and lease liability.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below.

Fair value of financial assets and liabilities

IFRS 13 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities,
Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly (i.e.: As prices) or indirectly (i.e.: derived from prices); and
Level 3: Inputs that are not based on observable market data.

As at September 30, 2020 and December 31, 2019, there were no financial assets or liabilities measured and recognized in the statement of financial position at fair value that would be categorized as Level 1, 2 and 3 in the fair value hierarchy above.

The fair value of cash is measured at cost. The carrying values of cash, accounts receivable - credit card processors, loan receivable, accounts payable and accrued liabilities, and loan payable, lease liability approximate their respective fair values due to their short terms to maturity, associated market based interest rates, or based on expected future cash flows and discount rates applicable to the instruments.

The following table summarizes the Company’s financial instruments at September 30, 2020:

	Financial assets at amortized cost	Other financial liabilities at amortized cost	Total
Financial Assets:			
Cash	$ 1,377,968	$ -	$ 1,377,968
Loan receivable	20,000		20,000
Accounts receivable, credit card processor	68,921	-	68,921
	$ 1,466,889	**$ -**	**$ 1,466,889**
Financial Liabilities:			
Accounts payable and accrued liabilities	$ -	$ 589,005	$ 589,005
Loan payable		109,500	109,500
Lease liability	-	97,791	97,791
	$ -	**$ 796,296**	**$ 796,296**

(EXPRESSED IN US DOLLARS)

The following table summarizes the Company's financial instruments at December 31, 2019:

	Financial assets at amortized cost	Other financial liabilities at amortized cost	Total
Financial Assets:			
Cash	$ 1,061,746	$ -	$ 1,061,746
Accounts receivables, credit card processor	864,938	-	864,938
	$ 1,926,684	**$ -**	**$ 1,926,684**
Financial Liabilities:			
Accounts payable and accrued liabilities	$ -	$ 1,136,151	$ 1,136,151
Lease liability	-	128,727	128,727
	$ -	**$ 1,264,878**	**$ 1,264,878**

Financial instrument risk management

The Company's financial instrument exposures and the impact on its financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with a customer's or counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and accounts receivable. Cash is held with reputable United States financial institutions, from which management believes the risk of loss is remote. The Company's maximum credit risk exposure is equivalent to the carrying value of these instruments. The Company has, and intends, to adhere strictly to the state statutes and regulations in its operations.

As at September 30, 2020, the Company's aging of accounts receivable, credit card processor is as follows:

Days	September 30, 2020
0-30[(1)]	$ 68,921
31-90	-
90-180	-
> 180	-
	$ 68,921

(1) Balance was collected in full subsequent to September 30, 2020.

As at December 31, 2019, the Company's aging of accounts receivable, credit card processor is as follows:

Days	December 31, 2019
0-30[(1)]	$ 864,938
31-90	-
90-180	-
> 180	-
	$ 864,938

(1) Balance was collected in full subsequent to December 31, 2019.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2020 the Company's financial liabilities consist of accounts payable and accrued liabilities, and lease liability, which have contractual maturities within one year. The Company manages liquidity risk by reviewing its capital requirements on an ongoing basis. The Company regards liquidity risk to be low as it has sufficient working capital to for at least the next twelve months.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company holds cash in accounts with variable interest rates, and currently does not carry variable interest-bearing debt. It is management's opinion that the Company is not exposed to significant interest rate risk.

The Company's loan payable and lease liability are not subject to interest rate risk as it is not subject to a variable interest rate.

12. CAPITAL RISK MANAGEMENT

The Company defines capital as members' equity. The Company manages its capital structure and makes adjustments in order to have the funds available to support its operating activities.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the development of its business. The Company manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new equity instruments, new debt, or acquire and/or dispose of assets.

Management reviews its capital management approach on an ongoing basis. There were no changes in the Company's approach to capital management during the period presented. The Company is not subject to externally imposed capital requirements.

13. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having the authority and responsibility of planning, directing, and executing the activities of the Company. The Company has determined that its key management personnel consist of the Company's officers and directors.

Key management compensation, including benefits, for the nine months ended September 30, 2020 was $206,894.

14. CUSTOMER AND VENDOR CONCENTRATION

For the nine months ended September 30, 2020 and 2019, four vendors make up over 80% of inventory purchases.

During the nine months ended September 30, 2020 and 2019, there were no significant customers which made up more than 10% of sales.

15. COMMITMENTS AND CONTINGENCIES

Litigation

In the normal course of business, the Company may be involved in legal proceedings, claims, and assessments arising from the ordinary course of business. Such matters are subject to many uncertainties, and outcomes are not predictable with assurance. After consulting legal counsel, the Company does not believe any adverse judgments will have a material effect on the operations of the Company.

16. SUBSEQUENT EVENTS

The outbreak of the corona virus, also known as "COVID-19", has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the corona virus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Company's business activities. To date the corona virus has impacted the Company's offline business activities as retail stores have been partially closed across the United States. The Company’s future performance may be further impacted by future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in the United States and other countries to contain and treat the disease. These events are highly uncertain and as such, the Company cannot determine their financial impact at this time.