AF1 Capital Corp.

(A Capital Pool Company)

Condensed Interim Financial Statements

For the Three and Nine Months Ended September 30, 2019, Three Months Ended September 30, 2018, and the Period from Date of Incorporation (March 19, 2018) to September 30, 2018

(Expressed in Canadian dollars)

(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3(a)), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Vancouver, B.C.
November 26, 2019

AF1 CAPITAL CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2019 AND DECEMBER 31, 2018
(Expressed in Canadian dollars)
(Unaudited)

	Note	SEPTEMBER 30, 2019	DECEMBER 31, 2018 (audited)
ASSETS			
Cash		$ 274,482	$ 79,598
Total Assets		$ 274,482	$ 79,598
LIABILITIES			
Accounts payable and accrued liabilities		$ 602	$ 35,263
Total Liabilities		602	35,263
EQUITY			
Share capital, net of issuance costs	4	339,453	100,000
Contributed Surplus	5,6	53,312	-
Deficit		(118,885)	(55,665)
Total Equity		273,880	44,335
Total Liabilities and Equity		$ 274,482	$ 79,598

Nature of operations and going concern (Note 1)

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

Approved on behalf of the Board on November 26, 2019:

Signed: “Mike Dai”, Director

Signed: "Michael Galloro", Director

AF1 CAPITAL CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE PERIOD FROM DATE OF INCORPORATION (MARCH 19, 2018) TO SEPTEMBER 30, 2018,
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND THREE MONTHS ENDED SEPTEMBER 30, 2018
(Expressed in Canadian dollars)
(Unaudited)

	Note		THREE MONTHS ENDED **SEPTEMBER 30, 2019**	SEPTEMBER 30, 2018		**SIX MONTHS ENDED SEPTEMBER 30, 2019**	DATE OF INCORPORATION TO SEPTEMBER 30, 2018
EXPENSES							
General and administrative		$	**575**	251	$	**845**	297
Professional fees			**1,721**	43,018		**62,375**	43,018
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD		$	**2,296**	43,269	$	**63,220**	43,315
Net loss per share – basic and diluted	7	$	**0.00**	0.02	$	**0.01**	0.03
Weighted average number of shares outstanding – basic and diluted			**5,000,000**	2,000,000		**4,692,308**	1,630,769

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

AF1 CAPITAL CORP.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD FROM DATE OF INCORPORATION (MARCH 19, 2018) TO SEPTEMBER 30, 2018
AND NINE MONTHS ENDED SEPTEMBER 30, 2019
(Expressed in Canadian dollars)
(Unaudited)

	NOTE	NUMBER OF SHARES		COMMON SHARES		CONTRIBUTED SURPLUS		DEFICIT		TOTAL
BALANCE, DECEMBER 31, 2018		2,000,000	$	100,000	$	-	$	(55,665)	$	44,335
Initial public offering	4	3,000,000		255,337		-		-		255,337
Issuance of Agent's warrants	6	-		(15,884)		15,884		-		-
Issuance of stock options	5	-		-		37,428		-		37,428
Net loss for the period		-		-		-		(63,220)		(63,220)
BALANCE, SEPTEMBER 30, 2019		5,000,000	$	339,453		53,312	$	(118,885)	$	273,880
BALANCE, MARCH 19, 2018		1	$	-	$	-	$	-	$	-
Net loss for the period		-		-		-		-		-
BALANCE, SEPTEMBER 30, 2018		1	$	-	$	-	$	-	$	-

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

AF1 CAPITAL CORP.
STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM DATE OF INCORPORATION (MARCH 19, 2018) TO SEPTEMBER 30, 2018
AND NINE MONTHS ENDED SEPTEMBER 30, 2019
(Expressed in Canadian dollars)
(Unaudited)

		SEPTEMBER 30, 2019		SEPTEMBER 30, 2018
CASH FLOW FROM OPERATING ACTIVITIES				
Net loss for the period	$	(63,220)	$	(43,315)
Changes in non-cash working capital items:				
Increase in accounts payable and accrued liabilities		(34,661)		28,328
Share-based compensation		37,428		
CASH FLOW FROM OPERATING ACTIVITIES		(60,453)		(14,987)
CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from issuance of common shares, net		255,337		100,000
CASH FLOW FROM FINANCING ACTIVITIES		255,337		100,000
Increase in cash		194,884		85,013
Cash, beginning of period		79,598		-
Cash, end of period	$	274,482	$	85,013

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

1. Nature of Operations and Going Concern

AF1 Capital Corp. ("the Company") was incorporated pursuant to the provisions of the Business Corporations Act of British Colombia on March 19, 2018. The Company intends to carry on business as a “Capital Pool Corporation” (“CPC”), as such term is defined in TSX Venture Exchange Inc. (the “Exchange”) Policy 2.4 - Capital Pool Companies ("Policy 2.4"). As at September 30, 2019, the Company has no business operations and did not enter into any agreements to acquire an interest in businesses or assets. The Company's principal purpose is the identification, evaluation and acquisition of assets, properties or businesses or participation therein subject, in certain cases, to shareholder approval and acceptance by the Exchange. The Company’s registered head office address is 366 Bay Street, Suite 200, Toronto, Ontario, M5H 4B2.

The Company completed its initial public offering ("IPO") on January 28, 2019. The gross proceeds raised from the IPO may only be used to identify a "Qualifying Transaction", as such term is defined in Exchange Policy 2.4 with the exception that the lesser of 30% of the gross proceeds and $210,000 may be used to cover prescribed costs of issuing the common shares in the capital of the Company (the "Common Shares") or administrative and general expenses of the Company.

Where a Qualifying Transaction is warranted, additional funding may be required. The ability of the Company to fund its potential future operations and commitments is dependent upon the ability of the Company to obtain additional financing. Under Exchange Policy 2.4, the Company must identify and complete a Qualifying Transaction within 24 months from the date the Company’s shares are listed for trading on the Exchange. There is no assurance that the Company will be able to complete a Qualifying Transaction within 24 months of being listed or that it will be able to secure the necessary financing to complete a Qualifying Transaction. The Exchange may suspend or delist the Company’s shares from trading should it not meet these requirements.

Going concern

The Company does not generate revenue from operations. The Company incurred a net loss of $2,296 and $63,220 during the three and nine months ended September 30, 2019 respectively. However, the Company believes that its working capital balance as at September 30, 2019 will provide the Company with sufficient cash resources to meet its obligations for at least twelve months from the end of the reporting period. These financial statements have been prepared on a going concern basis, which presumes realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. As the Company has no revenues, its ability to continue as a going concern is dependent on obtaining additional financing and completing a Qualifying Transaction. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business. Such adjustments could be material.

2. Basis of Presentation

These financial statements are prepared by the Company in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These financial statements have been prepared using the accrual basis of accounting, except for cash flow information. Furthermore, these financial statements are presented in Canadian dollars which is the functional currency of the Company.

Statement of compliance

These interim condensed financial statements as at and for the three and nine months ended September 30, 2019 have been prepared in accordance with International Accounting Standard ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with IFRS. The disclosure contained in these interim condensed financial statements does not include all the requirements in IAS 1 Presentation of Financial Statements. Accordingly, these interim condensed financial statements should be read in conjunction with the Company's annual financial statements as at and for the period ended December 31, 2018, which include information necessary to understand the Company's business and financial statement presentation. These interim condensed financial statements were authorized for issue by the Board of Directors on November 26, 2019.

3. Summary of Significant Accounting Policies

The policies applied in these condensed interim financial statements are based on IFRS's issued and outstanding as of the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these condensed interim financial statements as compared with the most recent annual financial statements as at and for the period ended December 31, 2018. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the period ending December 31, 2019 could result in restatement of these condensed interim financial statements.

New standards and interpretations issued and adopted

In January 2016, the IASB issued IFRS 16, Leases, which will replace IAS 17, Leases. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts. There is an optional exemption for certain short-term leases and leases of low value assets. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier application if IFRS 15 is also applied. The Company has no contractual obligations in the form of operating leases, and as such there were no increase to assets or liabilities upon adoption of IFRS 16, and no changes to the timing of recognition of expenses associated such lease arrangements.

3. Summary of Significant Accounting Policies - continued

New standards and interpretations issued and adopted - Continued

In June 2017, the IASB issued IFRIC 23. IFRIC 23 clarifies the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 and requires an entity to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it uses or plans to use in its income tax filing. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019 and permits early adoption. The adoption of IFRIC 23 did not have a material impact on the consolidated financial statements.

4. Share Capital

Authorized share capital

As at September 30, 2019 and December 31, 2018, the authorized share capital of the Company is an unlimited number of common shares without par value.

	Number of Common Shares		Amount
Balance, March 19, 2018	**1**	**$**	**-**
Share cancelled	(1)		-
Seed share issuance (i)	2,000,000		100,000
Balance December 31, 2018	**2,000,000**		**100,000**
Initial public offering (ii)	3,000,000		239,453
Balance September 30, 2019	**5,000,000**	**$**	**339,453**

(i) Seed share issuance

On April 24, 2018, the Company issued an aggregate of 2,000,000 seed common shares to the directors and officers of the Company at a price of $0.05 per share for gross cash proceeds of $100,000.

(ii) Initial public offering

On January 28, 2019, the Company completed its IPO of a total of 3,000,000 common shares, at a price of $0.10 per share (the “Issue Price”), for aggregate gross proceeds of $300,000. In connection with the IPO, the Company paid cash commissions totaling $30,000 and issued 300,000 non-transferable agent’s warrants (note 6). In addition to agent’s commissions, the Company incurred share issuance costs of $14,663 in the form of agent’s legal fees.

4. Share Capital - Continued

(iii) Shares subject to escrow

The issued and outstanding common shares of 2,000,000 will be held in escrow pursuant to the requirements of the Exchange to be released as to 10% thereof on completion of the Company's Qualifying Transaction, as defined in the policies of the Exchange, and as to 15% thereof on each of the 6th, 12th, 18th, 24th, 30th and 36th months following the initial release.

Subject to certain permitted exemptions, all securities of the Company held by principals of the resulting issuer will also be escrowed.

All common shares acquired on exercise of stock options granted to directors and officers prior to completion of a Qualifying Transaction, must also be deposited in escrow until the final exchange bulletin is issued.

All common shares of the Company acquired in the secondary market prior to the completion of a Qualifying Transaction by a Control Person, as defined in the policies of the Exchange are required to be deposited in escrow.

5. Share Purchase Options

The stock option plan of the Company provides that the Board of Directors of the Company may from time to time, in its discretion and in accordance with the Exchange requirements, grant to directors, officers, consultants and employees of the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the total issued and outstanding common shares of the Company, exercisable for a period of up to ten (10) years from the date of the grant. The following table outlines the Option Plan activity for the nine-month period ended September 30, 2019 and the period from date of incorporation (March 19, 2018) to December 31, 2018:

	Number of Options		Weighted Average Exercise Price	Expiry Date
Balance, March 19, 2018, September 30, 2018, December 31, 2018	**-**	**$**	**-**	
Granted	500,000		0.10	January 29, 2024
Balance September 30, 2019	**500,000**	**$**	**0.10**	

On January 29, 2019, the Company granted options to its directors and officers entitling the purchase of 500,000 common shares at a price of $0.10 per common share. The options are for a five-year term, expiring on January 29, 2024, and vest on the date of grant. Options granted were allocated an estimated fair value using the Black-Scholes option pricing model to estimate the fair value using the weighted average assumptions of an expected forfeiture rate of 0%, a risk free interest rate of 1.86%, an expected dividend yield of 0%, an expected stock price volatility of 100%, and an expected option life of five years. This resulted in a calculated fair value per stock option of $0.075. During the three and nine months ended September 30, 2019, the Company recognized $NIL and $37,428 respectively (September 30, 2018 - $NIL and $NIL respectively) of share-based payments that were recorded as contributed surplus.

6. Share Purchase Warrants

	Number of Warrants		Weighted Average Exercise Price	Expiry Date
Balance, September 30, 2018, December 31, 2018	**-**	**$**	**-**	
Agent’s warrants granted	300,000		0.10	January 28, 2021
Balance September 30, 2019	**300,000**	**$**	**0.10**	

On January 28, 2019, in connection with the IPO, the Company granted on the closing date to the agent, warrants to purchase 300,000 common shares at a price of $0.10 per share. The agent's warrants expire 24 months from the date the common shares of the Company are listed on the Exchange. Warrants issued were allocated an estimated fair value using the Black-Scholes option pricing model to estimate the fair value using the weighted average assumptions of an expected forfeiture rate of 0%, a risk free interest rate of 1.85%, an expected dividend yield of 0%, an expected stock price volatility of 100%, and an expected option life of two years. This resulted in a calculated fair value per warrant of $0.053. During the three and nine months ended September 30, 2019, the Company recognized $NIL and $15,884 respectively (September 30, 2018 - $NIL and $NIL respectively) of share issuance costs that were recorded as contributed surplus.

7. Net Loss per Share

		Three months ended September 30, 2019	Nine months ended September 30, 2019
Numerator:			
Net Loss And Comprehensive Loss For The Period	$	2,296	63,220
Denominator:			
Weighted average number of shares		5,000,000	4,692,308
Basic and diluted loss per share	$	0.00	0.01

The basic and dilutive loss per share are the same as stock options and share purchase warrants were not included in the computation of diluted loss per share as their inclusion would be anti-dilutive. Escrow shares are excluded from calculation of weighted average number of shares as they are considered as contingently cancelable shares.

8. Related Party Transactions

Related parties include the Board of Directors, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions.

9. Financial Instruments and Risk Management

Fair Values

At September 30, 2019, the Company's financial instruments consist of cash and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values due to the relatively short-term maturity of these instruments.

The Company is exposed in varying degrees to a number of risks arising from financial instruments. Management’s involvement in the operations allows for the identification of risks and variances from expectations. The Company does not participate in the use of financial instruments to mitigate these risks. The Board approves the risk management processes. The Board’s main objectives for managing risks are to ensure liquidity, the fulfillment of obligations, the continuation of the Company’s search for a Qualifying Transaction, and limited exposure to credit and market risks.

The types of risk exposure and the way in which such exposures are managed are as follows:

Credit Risk

Credit risk is the risk of loss if a third party to a financial instrument fails to meet its commercial obligations. The Company believes its exposure to credit risk is not significant.

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. None of the Company’s financial instruments bear interest. Therefore, management believes that the Company is not exposed to any significant interest rate risk.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Accounts payable and accrued liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

10. Capital Management

The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern and ensure sufficient liquidity in order to become a CPC and complete a Qualifying Transaction so that it can provide adequate returns for shareholders. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company’s management to sustain future development of the business. The Company defines capital as total equity. The Company is not subject to any externally imposed capital requirements.