

PURATION, INC.

**QUARTERLY FINANCIAL
REPORT**

FOR THE QUARTER
ENDED JUNE 30, 2017

Puration, Inc.
Balance Sheet – Quarter Ending June 30, 2017

Assets

Current Assets:

Cash	\$	20,000
Accounts Receivable		<u>64,000</u>
Total Current Assets	\$	<u>84,000</u>
Equipment and vehicles, net of accumulated depreciation of \$25,816	\$	47,213
Patents, trademarks and brands, net of Accumulated amortization of \$178,850	\$	121,150
Refundable deposits	\$	4,750
Certain Joint Ventures	\$	<u>131,462</u>
Total Assets	\$	388,575

Liabilities and Shareholders Equity

Current Liabilities:

Accounts payable, trade	\$	10,039
Accounts payable-other		17,491
Accrued expenses		379,887
Accrued interest		<u>495,782</u>
Total Current Liabilities	\$	<u>903,199</u>
8% Convertible Debenture – 2JT	\$	125,000
Note payable - 12% SPN#1	\$	40,000
Note payable - 12% SPN#2	\$	461,542
Note payable – 10% PN #3	\$	50,000
Convertible Promissory Note 8% (3)	\$	300,000
Convertible Promissory Note 8% (4)	\$	300,000
JV Debt/Forebearance	\$	<u>275,849</u>
Total Liabilities	\$	2,455,590

Stockholders' Equity:

Preferred stock, Series A, \$0.001 par value, 5,000,000 shares authorized; 100,000 outstanding	\$	100
Preferred stock, Series B, \$0.001 par value, 5,000,000 shares authorized; 0 outstanding		
Common stock, \$0.001 par value, 500,000,000 shares authorized and 373,328,152 outstanding		373,328
Additional paid-in capital		587,000
Retained earnings deficit		<u>(3,027,443)</u>
Total Stockholders' Equity	\$	<u>(2,067,015)</u>
Total Liabilities and Stockholders' Equity	\$	388,575

Puration, Inc.
Statements of Operation
As of June 30, 2017

Revenue:

Sales	\$	84,000
Cost of Sales		<u>(21,000)</u>
Gross Profit	\$	63,000
Operating Expenses:		
General and administrative expenses	\$	(100,000)
Accrued interest		<u>(63,042)</u>
Total Operating Expenses	\$	<u>(163,042)</u>
Loss From Operations	\$	<u>(100,042)</u>
Net Loss	\$	(100,042)
Loss Per Common Share	\$	<u>(.00026)</u>
Number of Common Shares Outstanding		<u>373,328,152</u>

Puration, Inc.
Statements of Cash Flows
As of June 30, 2017

Operating Activities:

Net loss	\$	<u>(100,042)</u>
Adjustments to reconcile net loss:		
Increase in Accounts Receivable	\$	(64,000)
Decrease in Accounts Payable, trade		(100,000)
Increase in Accrued Expenses		100,000
Increase in Accrued Interest		<u>63,042</u>
Total Adjustments	\$	<u>(958)</u>
Net Cash Flows Operations	\$	(101,000)

**Notes to
Financial
Statement
June 30, 2017**

1. Nature of Operations

History of Company

Puration, Inc. was incorporated in the State of Nevada on June 23, 2011 for the purpose of researching, designing, developing, producing, marketing, and distributing products and systems to improve the quality of the water used daily by people around the world. Puration, Inc. has developed, acquired, and licensed proprietary technology in the fields of water filtration and purification, providing a competitive advantage for its various products and systems. Current operations consist of the design, and production of personal-use water filter bottles and other containers. The corporate headquarters is located in Addison (Dallas), Texas.

On December 5, 2011, Puration, Inc. entered into a Stock Acquisition Agreement with Southwest Resources, Inc., a Delaware corporation, whereby 100% of the common stock of Puration was acquired by Southwest. Southwest's acquisition of Puration has been accounted for as a reverse merger. Puration has been in the business of water technology and water purification since its inception as a Nevada corporation on June 23, 2011. Puration has developed and acquired licenses and distribution agreements for water and technology that contribute substantially to the operations planned by the Company. On December 30, 2011, Southwest, the parent company, changed its domicile to the State of Nevada via a statutory merger business combination with Puration.

The Company then planned to develop and/or acquire several new products related to water purification. The Company received \$50,000 in revenues in the first quarter of 2012 in the form of license fees from its distribution agreement for Canada. Accordingly, products were to be manufactured by the Company through outsourced vendors, or purchased from other manufacturers under a number of license and distribution agreements, and sold and delivered to customers around the world from multiple distribution centers. While the Company developed some organic water purification technology and managed to produce an inventory for sale, sales were limited and the Company did not successfully execute on the agreement with the licensee that paid \$50,000. In January 2015, the Company exchanged the licensee agreement for a 10% Promissory Note. Since the Puration reverse acquisition, the Company has maintained operations and continues to market its existing inventory of reusable filtered water bottles.

Current Operations

In 2013, the Company began to explore new business opportunities and potential acquisitions.

On July 28, 2015, the Company entered into a Share Exchange Agreement with North American Cannabis Holdings, Inc. (USMJ), whereas it agreed to acquire all of its wholly owned interests in certain Joint Ventures with World Hemp Oil & NaturesComfortMeds, as well as, certain pledged debts attached by a lien to such interests in exchange for two (2) Convertible Preferred Stock Series to be created and issued by Puration, Inc.. One Series ("A") shall represent fifty-one percent (51%) voting control of Puration, Inc. and the other Series ("B") shall be convertible into a number of common shares equal to the number of North American Cannabis Holdings, Inc. shares issued and outstanding at a date to be determined. Both Convertible Preferred Stock Series has been issued. On December 09, 2016, USMJ converted the Series "B" Preferred Shares into 56,521,149 common shares of PURA and distributed to its shareholders of record as of October 21, 2016.

2. Significant Accounting Policies

Fiscal Year End and Effective Reporting Date

The board of directors of the Company, as provided by the Company's bylaws, and in accordance with generally accepted accounting principles, has established a fiscal year end for accounting purposes for the Company. A fiscal year end of December 31 was designated by the board in its initial board meeting, and remains unchanged.

Management estimates

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

Principles of reporting and basis of presentation

For financial reporting purposes, the reverse acquisition of Puration, Inc. by Southwest Resources, Inc. has been treated as a recapitalization, with Southwest being the legal survivor and Puration being the accounting survivor and the operating entity. That is, the historical financial statements prior to December 28, 2011 are those of Puration and its operations, even though they are labeled as those of the Company. Retained earnings of Puration related to its operations are carried forward after the recapitalization. Operations prior to the recapitalization are those of the accounting survivor,

Puration, which began in June, 2011. Earnings per share for the periods prior to the recapitalization are restated to reflect the equivalent number of shares outstanding for the entire period operations were conducted. Upon completion of the reverse merger, the financial statements become those of the operating company, with adjustments to reflect the changes in equity structure and receipt of the assets and liabilities of the Company.

Business combinations

On December 5, 2011, the Company entered into a Stock Acquisition Agreement to acquire Puration, Inc., a Nevada corporation, for 47,617,236 shares of restricted common stock. As a result of and immediately after this transaction, the shareholders of Puration, Inc. owned approximately 95% of the voting common stock of the Company.

In accordance with the treatment of this acquisition as a reverse merger, the 47,617,236 shares of common stock issued in conjunction with the merger were retroactively applied to the prior year as shares issued and outstanding as of the date of inception (June 23, 2011). Based on the par value of \$0.001 per share, the 47,617,236 shares were allocated as shares issued as additional shares due to the effect of the merger. The Company acquired Puration as a part of its business plan to build an international water technology company.

Cash and cash flows

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. As of June 30, 2017 the Company had no cash balances in excess of the FDIC limits. The Company has not experienced any losses in such accounts and it believes it is not exposed to any significant risks affecting cash. None of the Company's cash is restricted.

For purposes of the statements of cash flows, cash includes demand deposits, time deposits, short-term cash equivalent investments with original maturities of less than three months and cash management money market funds available on a daily basis.

Receivables

Accounts receivable on product sales will initially consist primarily of receivables from the sale of bottled water products. The accounts receivable at June 30, 2017 from product sales was \$64,000.

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Inventories

On December 31, 2016, the Company incurred a write off of prior inventories in the amount of \$164,870.

Furniture, Fixtures, and Equipment

Furniture, Fixtures, and Equipment are recorded at cost. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets, ranging generally from 2 to 10 years. Additions to and major improvements of furniture, fixtures, and equipment are capitalized. Repair and maintenance expenditures are charged to expense as incurred. As furniture, fixtures, and equipment are sold or retired, the applicable cost and accumulated depreciation are eliminated from the accounts and any gain or loss is recorded.

Revenue Recognition

The Company generally recognizes revenues at the time of product sales. The Company had a one-time sale of \$100,000 during the quarter ending December 31, 2016 and sales of \$84,000 for the quarter ending March 31, 2017.

Earnings per share

The Company records shares of common stock as outstanding at the time the Company issues the shares. As of June 30, 2017 there were 500,000,000 shares authorized, 373,328,152 issued and outstanding. Basic earnings per share is calculated by dividing net profit by the number of common shares outstanding during the period.

2. Patents, Trademarks and Brands

Patents, trademarks and brands are recorded at cost, and consist of intellectual property rights purchased from Filter 2GO, Inc., a Texas corporation, on July 5, 2011 in the amount of \$300,000. Terms of the purchase were \$8,000 paid in cash, and a promissory note in the amount of \$292,000 payable over three years, plus interest on the outstanding balance at the rate of 8% per year. Principal payments of \$52,000 and interest payments of \$9,399 were made on the note during 2011. On December 12, 2011, at the option of Filter 2GO, the note was converted into 240,000 shares of Series A Convertible Preferred Stock which were subsequently cancelled.

3. 8% Convertible Debenture – 1JT & 2JT

Effective January 1, 2014, the Company issued an 8% Convertible Debenture (1JT) under a Services Agreement to James D. Tilton, Jr.. Under the original January 1, 2014 agreement the Company issued a second 8% Convertible Debenture(2JT) on January 1, 2015.

4. Notes Payable

On April 01, 2013 the Company issued the following:

12% Secured Promissory Note #1 (SPN#1) in the amount of \$40,000.

12% Secured Promissory Note #2 (SPN#2) in the amount of \$461,542.

Both SPN's were issued as part of Confidential Settlement Agreement referenced below in Footnote #6.

During the Quarter Ending March 31, 2015 the Company issued the following:

10% Promissory Note #3 (PN#3) in the amount of \$50,000 (see No. 1 – Nature of Operations – History of Company).

15% Promissory Note #4 (PN#4) in the amount of \$100,000. As part of the effort to explore new business opportunities and potential acquisitions the Note was issued to an Investor who directly provided working capital funds to the Company.

During the Quarter Ending December 31, 2015 the Company assumed the following:

In conjunction with the Share Exchange Agreement the Company entered into on July 28, 2015 with North American Cannabis Holdings, Inc. (USMJ) certain pledged Debt/Forebearance obligations in the amount of (\$525,849) has been assumed by Puration, Inc.. The amounts were previously listed on the financials of North American Cannabis Holdings, Inc. as Advance payables – prior related parties (1) & (2) in the amounts of (\$30,000) & (\$495,849) respectively. During the quarter ending March 31, 2017 \$100,000 of subject debt was assigned to a third party and \$250,000 was forgiven during the current quarter ending June 30, 2017.

5. Convertible Promissory Note 8%

Effective April 2014, the Company entered into a Consulting Agreement for which it issued a \$300,000 Convertible Promissory Note (1) bearing 8% interest in exchange for services to develop a new business venture. The agreements are automatically renewable on an annual basis. On April 1, 2015, a second \$300,000 Convertible Promissory Note (2) bearing 8% interest was issued in exchange for ongoing services. On April 1, 2016, a third \$300,000 Convertible Promissory Note (3) bearing 8% interest was issued in exchange for ongoing services. On April 01, 2017, a fourth \$300,000 Convertible Promissory Note (4) bearing 8% interest was issued for continued ongoing services.

6. Legal Issues

The lawsuit filed at the quarter ending December 31, 2012 by Regus Advisors, Inc. was settled by all parties to the lawsuit on April 01, 2013 when all parties to the lawsuit entered into a Confidential Settlement Agreement.

7. Subsequent Events

On July 20, 2017, the Company announced the acquisition of a 25-greenhouse grow operation located in East Texas.