

Unaudited Condensed Consolidated Interim Financial Statements of

KURE TECHNOLOGIES, INC.

For the three months ended November 30, 2018 and 2017

NOTICE OF NO AUDIT OR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited 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 Chartered Professional Accountants Canada for a review of interim financial statements by an entity's auditor.

KURE TECHNOLOGIES, INC.

Condensed Consolidated Interim Statements of Financial Position

(In thousands of Canadian dollars)

(Unaudited)

As at

	November 30, 2018	August 31, 2018
Assets		
Current assets		
Cash (note 4)	\$ 59	\$ 15
Accounts receivable and other receivables (note 5)	6	5
Prepaid expenses and deposits (note 7)	12	4
	77	24
Jolian Parties receivable (note 6)	538	519
Investment in ONEnergy Inc. (note 8)	215	215
	\$ 830	\$ 758
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	\$ 381	\$ 200
Accrued liabilities (note 9)	246	368
Short-term loan (note 13)	50	-
	677	568
Shareholders' equity		
Share capital (note 10)	58,533	58,533
Deficit	(58,380)	(58,343)
	153	190
	\$ 830	\$ 758

Subsequent events (note 18)

The accompanying notes are an integral part of the consolidated financial statements.

Approved by the Board of Directors:

(Signed) – *Alex Dolgonos* _____

Director and Interim Chief Executive Officer

(Signed) – *Henry J. Kloepper* _____

Director and Interim Chief Financial Officer

KURE TECHNOLOGIES, INC.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(In thousands of Canadian dollars, except per share amounts)

(Unaudited)

For the three months ended November 30,

	2018	2017
Expenses		
Compensation	\$ 28	\$ 30
General and administrative (note 12)	18	27
	46	57
Loss for the period before the undernoted	(46)	(57)
Interest and finance charges	-	(3)
Interest income	9	-
Net loss and comprehensive loss for the period	\$ (37)	\$ (60)
Loss per share		
Basic and diluted	\$ (0.002)	\$ (0.004)
Weighted average number of shares outstanding		
Basic and diluted	15,097,800	15,097,800

The accompanying notes are an integral part of the consolidated financial statements.

KURE TECHNOLOGIES, INC.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(In thousands of Canadian dollars)

(Unaudited)

	Share Capital			
	Shares	Amount	Deficit	Total
Balance, September 1, 2017	15,097,800	\$ 58,533	\$ (57,485)	\$ 1,048
Net loss for the period	-	-	(60)	(60)
Balance, November 30, 2017	15,097,800	\$ 58,533	\$ (57,545)	\$ 988
Balance, August 31, 2018	15,097,800	58,533	(58,343)	190
Net loss for the period	-	-	(37)	(37)
Balance, November 30, 2018	15,097,800	\$ 58,533	\$ (58,380)	\$ 153

The accompanying notes are an integral part of the consolidated financial statements.

KURE TECHNOLOGIES, INC.

Condensed Consolidated Interim Statements of Cash Flows

(In thousands of Canadian dollars)

(Unaudited)

For the three months ended November 30,

	2018	2017
Cash flows from operating activities		
Loss before comprehensive loss for the period	\$ (37)	\$ (60)
Change in non-cash operating assets and liabilities		
Accounts receivable and other receivables	(1)	31
Jolian Parties receivable	(19)	(20)
Prepaid expenses and deposits	(8)	(25)
Accounts payable and accrued liabilities	59	15
Accrued interest	-	3
Cash used in operating activities	(6)	(56)
Financing activities		
Short-term loans	50	-
Cash provided by financing activities	50	-
Increase (decrease) in cash	44	(56)
Cash, beginning of period	15	77
Cash, end of period	\$ 59	\$ 21

The accompanying notes are an integral part of the consolidated financial statements.

KURE TECHNOLOGIES, INC.

Notes to Condensed Consolidated Interim Financial Statements

(In thousands of Canadian dollars, except per share amounts)

For the three months ended November 30, 2018 and 2017

(Unaudited)

1. Nature of operation and going concern

Kure Technologies, Inc. (the "Company" or "Kure") was incorporated June 1, 1998 under the Business Corporations Act of Ontario.

The Company is currently looking for business opportunities. The Company's shares are listed for trading on the NEX, a separate board of the TSX Venture Exchange, under the symbol of "KUR.H". The address of the Company's head office and registered and records office is 365 Bay Street, Suite 800, Toronto, Ontario Canada M5H 2V1.

References to "Kure" and the "Company" include the legal entity Kure Technologies, Inc. and its wholly owned subsidiary, UBS Wireless Services Inc..

Going concern

These unaudited condensed consolidated interim financial statements were prepared on a going-concern basis of preparation, which assumes that the Company will continue operations for the foreseeable future and be able to realize the carrying value of its assets and discharge its liabilities and commitments in the normal course of business. To date, the Company has an accumulated deficit of \$58,380. The Company's ability to continue as a going concern is dependent on its ability to obtain additional financing and or achieve profitable operations in the future. These unaudited condensed consolidated interim financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

The Company's financing efforts to date, while substantial, are not sufficient in and of themselves to enable the Company to fund all aspects of its operations. Management will pursue funding initiatives if, as and when required to meet the Company's requirements on an ongoing basis. Nevertheless, there is no assurance that these initiatives will be successful or sufficient.

2. Summary of significant accounting policies

These unaudited condensed consolidated interim financial statements were approved for issue by the Board of Directors on January 23, 2019.

(a) Statement of compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"), using accounting policies consistent with International Financial Reporting Standards ("IFRS").

Accounting policies and methods of their application followed in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the annual audited financial statements for the year ended August 31, 2018.

KURE TECHNOLOGIES, INC.

Notes to Condensed Consolidated Interim Financial Statements

(In thousands of Canadian dollars, except per share amounts)

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(Unaudited)

2. Summary of significant accounting policies (continued)

(b) Basis of presentation

These unaudited condensed consolidated interim financial statements have been prepared on a historical cost basis, except for the investment in ONEnergy Inc. ("ONEnergy").

(c) Basis of consolidation

The unaudited condensed consolidated interim financial statements incorporate the financial statements of the Company and its wholly owned subsidiary, USB Wireless Services Inc. which was incorporated in Ontario.

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All intercompany balances, transactions, revenues and expenses have been eliminated.

3. Accounting standards issued but not yet effective

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective under IFRS, and determined that the following may have an impact on the Company:

IFRS 9 "Financial Instruments"

This new standard is a partial replacement of International Accounting Standard ("IAS") 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The effective date of IFRS 9 is annual periods beginning on or after January 1, 2018.

4. Cash

As at November 30, 2018, the Company held \$59 of cash (August 31, 2018 - \$15) and no cash equivalents.

5. Accounts receivable and other receivables

Accounts receivable and other receivables balance as at November 30, 2018 totalling \$6 (August 31, 2018 - \$5) includes mainly GST/HST receivable.

KURE TECHNOLOGIES, INC.

Notes to Condensed Consolidated Interim Financial Statements

(In thousands of Canadian dollars, except per share amounts)

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(Unaudited)

6. Jolian Parties receivable

The Company is continuing its efforts to recover, from former Chief Executive Officer (“CEO”) Gerald McGoey and Jolian Investments Ltd, together referred to as the “Jolian Parties”, cost and disgorgement orders and post-judgment interest (note 18). A summary of the receivable is outlined in the following table:

	November 30, 2018	August 31, 2018
Cost order	\$ 1,384	\$ 1,384
Disgorgement order	200	200
Accrued post-judgement interest	159	150
Jolian Parties recovery	1,743	1,734
Garnishments received	(8)	(8)
Impairment of receivable from Jolian Parties	(1,041)	(1,041)
Estimation of collection costs	(156)	(166)
Net receivable	\$ 538	\$ 519

The Company has continued its efforts to collect amounts owed and believes that it will recover all monies from the Jolian Parties. However, there will be costs incurred to collect the debt which may not be fully recoverable. There is also risk in amount and timing of the cash flows. The Company recorded \$10 in collection costs for the period ended November 30, 2018 and accrued post-judgement interest totalling \$9 (November 30, 2017 - \$20 and \$nil respectively).

During fiscal 2017, Kure received garnished funds from the Jolian Parties totalling \$8.

As at August 31, 2018, the Company had recorded a cumulative impairment of \$1,041, reflecting the uncertainty of the amount and timing of collection.

The ultimate realized value of this asset may be materially different than the amount recorded. While there exists uncertainty as to the timing and collection of this receivable, the Company is vigorously pursuing all available means to fully realize on the receivable and will seek to recover its full costs associated with doing so. If the amount is fully recovered, the difference between the proceeds and the carrying value will be credited to net loss.

On November 24, 2017, the Company received notice that the Jolian Parties had made a proposal (the “Jolian Proposal”) under the *Bankruptcy and Insolvency Act*, and the Company filed a Proof of Claim in response. Qualified creditors refused to approve the Jolian Proposal and the Jolian Parties were each deemed to have thereupon made an assignment in bankruptcy.

The Company is now pursuing its collection efforts through the bankruptcy process (note 18).

KURE TECHNOLOGIES, INC.

Notes to Condensed Consolidated Interim Financial Statements

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(Unaudited)

7. Prepaid expenses and deposits

The Company's prepaid expenses and deposits totalling \$12 as at November 30, 2018 (August 31, 2018 - \$4) include mainly insurance costs.

8. Investment in ONEnergy Inc.

As at August 31, 2018, the Company held 1,075,500 shares in ONEnergy Inc. ("ONEnergy").

Trading in the common shares of ONEnergy was halted on April 26, 2018 while ONEnergy considered a proposed reorganization and a subsequent business combination (note 18).

The value of the Company's 1,075,500 shares of ONEnergy as at November 30, 2018 and August 31, 2018, based on the bid price of its common shares of \$0.20 as at April 26, 2018 (the halt date), was \$215.

9. Accrued liabilities

The Company's accrued liabilities, as at November 30, 2018 and August 31, 2018, are summarized in the following table:

	November 30, 2018	August 31, 2018
HST on cost recoveries	\$ 151	\$ 151
Professional expenses ⁽¹⁾	51	47
Legal expenses	-	18
Compensation accruals ⁽²⁾	-	113
Board fees	40	35
Other	4	4
Total	\$ 246	\$ 368

⁽¹⁾ Includes costs associated with the Company's audit, tax reporting and Annual General Meeting requirements.

⁽²⁾ During fiscal 2019, compensation accruals were reallocated to Accounts Payable.

10. Share capital

(a) Authorized

Unlimited common shares
Unlimited Class A non-voting shares

(b) Issued and outstanding

As at November 30, 2018 and January 23, 2019, approximately 15,097,800 common shares in Kure were issued and outstanding.

KURE TECHNOLOGIES, INC.

Notes to Condensed Consolidated Interim Financial Statements

(In thousands of Canadian dollars, except per share amounts)

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(Unaudited)

10. Share capital (continued)

(c) Stock option incentive plan

Kure's stock option plan (the "Option Plan") provides for the granting of stock options to employees, directors and consultants of Kure. Under the Option Plan, up to 1,976,560 common shares may be issued from treasury. The exercise price of the options is determined by the Board of Directors at the time of the grant of an option but cannot be lower than the closing market price of Kure's shares on the NEX on the business day immediately preceding the day on which an option is granted. In the absence of terms specifying otherwise, options vest annually over a three-year period and are exercisable during a period not to exceed 10 years from such grant.

As at November 30, 2018 and August 31, 2018, no stock options were issued or outstanding.

11. Segment disclosure

There were no recorded revenues for the three months ended November 30, 2018 and 2017.

12. General and administrative

During the three months ended November 30, 2018, the Company recorded general and administrative expenses totalling \$18 (November 30, 2017 - \$27).

13. Related party transactions

(a) Compensation of key management personnel

The Company's key management personnel include members of the executive team and the board of directors of the Company and its wholly owned subsidiaries.

Key management compensation for the three months ended November 30, 2018 totaled \$16, which included \$5 for director fees and \$11 to the former CEO of the Company (November 30, 2017 - \$17, \$5 and \$12 respectively).

The balance of compensation owing to key management personnel totalled:

	November 30, 2018	August 31, 2018
CEO compensation (net of applicable taxes) ⁽¹⁾	\$ 111	\$ 100
Board fees	40	35
Total	\$ 151	\$ 135

⁽¹⁾ Includes consulting fees accrued for services rendered by the former CEO who resigned on November 21, 2018.

There are no ongoing contractual or other commitments arising from these transactions with related parties.

KURE TECHNOLOGIES, INC.

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(Unaudited)

13. Related party transactions (continued)

(b) Short-term loans payable

On November 30, 2018, a director extended interim unsecured funding to the Company totalling \$50 at an annual interest rate of 12% and a maturity date of June 3, 2019.

14. Income taxes

As at November 30, 2018, the Company has approximately \$20,648 in non-capital losses which expire between 2027 and 2038, SRED pool carryforwards of \$11,545, capital loss carryforwards of \$25,530, and non-tax deductible reserves of \$60.

15. Contingencies

In the normal course of its operations, the Company may be subject to other litigation and claims.

The Company indemnifies its directors, officers, consultants, and employees against claims and costs reasonably incurred and resulting from the performance of their services to the Company and maintains liability insurance for its directors and officers.

16. Management of capital

The Company currently has one demand loan outstanding which matures on June 3, 2019 (note 13) and is not subject to any externally imposed capital requirements.

The Company invests its liquid capital in short-term investments to obtain adequate cash returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity, and returns on unused capital and allowing flexibility in holding longer term strategic investments. There were no changes to the Company's strategy management of capital during the three months ended November 30, 2018.

17. Financial instruments and risk management

The Company's activities may expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate and equity price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee, under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The Company's exposure to credit risk relates mainly to the amount owing to the Company by the Jolian Parties (Note 6).

KURE TECHNOLOGIES, INC.

Notes to Condensed Consolidated Interim Financial Statements

(In thousands of Canadian dollars, except per share amounts)

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(Unaudited)

17. Financial instruments and risk management (continued)

Interest rate risk

The Company had no significant exposure to interest rate risk through its financial instruments as at November 30, 2018 and August 31, 2018.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements. The Company coordinates this planning and budgeting process with its financing activities through the capital management process described in note 16, in normal circumstances.

The Company's financial liabilities are comprised of its accounts payable and accrued liabilities.

Other price risk

The Company is exposed to other price risk on its investment in equities quoted in an active market since changes in market prices could result in changes in the fair value of the investment.

18. Subsequent events

Julian Parties update

On November 5, 2018, a motion was heard in the Ontario Superior Court of Justice seeking a declaration that Mr. McGoey's interest in two properties held in joint tenancy with his wife are assets of the estate subject to realization for the benefit of creditors and not held in trust for their children.

On January 4, 2019, the Honourable Justice Penny released his decision, concluding that both trusts are void as being sham trusts. Further, had he not come to this conclusion, he would nevertheless have concluded, on the basis of the same evidence, that the purported trusts were fraudulent conveyances, done with the intention to defeat creditors. The declarations sought by the Trustee were granted and the two properties are considered assets of the estate subject to realization for the benefit of creditors. Costs submissions are pending.

ONEnergy update

On December 3, 2018, ONEnergy announced the sale of its home comfort business.

On January 14, 2019, the letter of intent relating to the proposed reorganization expired and the parties continue to explore mutually beneficial alternatives.

ONEnergy shares are expected to resume trading as soon as disclosure and other regulatory requirements can be completed to the satisfaction of the TSX Venture Exchange.