

Unaudited Condensed Consolidated Interim Financial Statements of

KURE TECHNOLOGIES, INC.

For the three months ended November 30, 2019 and 2018

(In thousands of Canadian dollars)

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, 2019	August 31, 2019
Assets		
Current assets		
Cash	\$ 3	\$ 2
Accounts receivable and other receivables	6	7
Prepaid expenses and deposits	6	10
Current portion of Jolian Parties receivable (note 4)	137	135
	152	154
Jolian Parties receivable (note 4)	7	9
Total assets	\$ 159	\$ 163
Liabilities and Shareholders' Equity (Deficiency)		
Current liabilities		
Accounts payable	\$ 463	\$ 406
Accrued liabilities (note 6)	124	155
Short-term loans (note 7)	78	76
	665	637
Shareholders' equity (deficiency)		
Share capital (note 8)	58,533	58,533
Deficit	(59,039)	(59,007)
	(506)	(474)
Total liabilities and shareholders' equity (deficiency)	\$ 159	\$ 163

Nature of operation and going concern (Note 1)

Subsequent events (notes 7 and 14)

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.

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

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

(Unaudited)

For the three months ended November 30,

	2019	2018
Expenses		
Compensation	\$ 16	\$ 28
General and administrative	14	18
	30	46
Loss for the period before the undernoted	(30)	(46)
Interest income	-	9
Interest expense	(2)	-
Net loss and comprehensive loss for the period	\$ (32)	\$ (37)
Loss per share		
Basic and diluted	\$ (0.00)	\$ (0.00)
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 (Deficiency)

(In thousands of Canadian dollars)

(Unaudited)

	Share Capital			
	Shares	Amount	Deficit	Total
Balance, September 1, 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
Balance, August 31, 2019	15,097,800	58,533	(59,007)	(474)
Net loss for the period	-	-	(32)	(32)
Balance, November 30, 2019	15,097,800	\$ 58,533	\$ (59,039)	\$ (506)

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,

	2019	2018
Cash flows from operating activities		
Net loss for the period	\$ (32)	\$ (37)
Accrued interest	2	-
Change in non-cash operating assets and liabilities		
Accounts receivable and other receivables	1	(1)
Jolian Parties receivable	-	(19)
Prepaid expenses and deposits	4	(8)
Accounts payable and accrued liabilities	26	59
Cash provided by (used in) operating activities	1	(6)
Financing activities		
Short-term loan	-	50
Cash provided by financing activities	-	50
Increase in cash	1	44
Cash, beginning of period	2	15
Cash, end of period	\$ 3	\$ 59

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, 2019 and 2018

(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 consolidated 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 \$59,039 and a working capital deficiency of \$515. 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 consolidated 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 consolidated financial statements were approved for issue by the Board of Directors on January 28, 2020.

(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, 2019.

(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"). The consolidated financial statements are presented in Canadian dollars.

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)

(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:

New standard IFRS 16 "Leases"

This new standard replaces IAS 17 "Leases" and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 15. Overall, the Company does not expect the implementation of IFRS 16 to have a material impact on its consolidated financial statements.

KURE TECHNOLOGIES, INC.

Notes to Condensed Consolidated Interim Financial Statements

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(Unaudited)

4. Jolian Parties receivable

The Company has been seeking 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.

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. In connection with the Jolian Proposal, the Company filed a Proof of Claim in respect of the amounts owing.

In September 2019, the court approved a settlement agreement, whereby the Company would receive \$144 as follows:

- (a) 25% of \$500 on the closing date (\$125 is currently held in the bankruptcy trustee’s trust account); and
- (b) 25% of \$75 by way of 24 consecutive monthly payments of \$3.

As a result, the fair value of the received was \$144, with the remaining balance impaired.

In addition, the Company recorded a reversal of an accrual on cost recoveries (Note 6) to the impairment, resulting in a net impairment charge of \$281.

5. Investment in ONEnergy Inc.

As at November 30, 2019 and August 31, 2019, the Company held 1,075,500 shares in ONEnergy Inc. (“ONEnergy”).

Trading of ONEnergy common shares was halted on May 7, 2019 as a result of a cease trade order due to non-compliance with the Ontario Securities Commission (“OSC”).

The common shares of ONEnergy are expected to remain halted pending provision of additional information relating to a proposed transaction and until ONEnergy complies with OSC filing regulations. Given the significant uncertainty and the fact that ONEnergy’s liabilities exceeded the book value of its assets, management determined that as at August 31, 2019 the fair value of this investment was nominal and reduced the carrying value to \$nil.

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. Accrued liabilities

The Company's accrued liabilities, as at November 30, 2019 and August 31, 2019, are summarized in the following table:

	November 30, 2019	August 31, 2019
Professional expenses ⁽¹⁾	\$ 51	\$ 47
Legal expense	-	42
Board fees	70	63
Other	3	3
	\$ 124	\$ 155

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

7. Short term loans

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 and an additional \$20 on March 29, 2019, at an annual interest rate of 12% and a maturity date of September 27, 2019. The matured loans totalling \$70 remain unpaid by the Company and will continue to accrue interest at the rate of 12% per annum. Interest owing on both loans as at November 30, 2019 totalled \$8.

On November 15, 2019, the Company renewed the above loans to a maturity date of May 15, 2020.

8. Share capital

(a) Authorized

Unlimited common shares

Unlimited Class A non-voting shares

(b) Issued and outstanding

As at November 30, 2019 and January 28, 2020, 15,097,800 common shares in the Company were issued and outstanding.

KURE TECHNOLOGIES, INC.

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8. 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, 2019 and August 31, 2019, no stock options were issued or outstanding.

9. 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, 2019 totalled \$7 for director fees (November 30, 2018 – a total of \$16 which included \$5 for director fees and \$11 to the former CEO of the Company who resigned on November 21, 2018).

The balance of compensation owing to key management personnel is summarized as follows:

	November 30, 2019	August 31, 2019
CEO compensation (net of applicable taxes)	\$ 111	\$ 111
Board fees	70	63
Total	\$ 181	\$ 174

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

(b) Short-term loans payable

During the year ended August 31, 2019, the Company executed two loans payable with a director. As at November 30, 2019, \$78 remained outstanding (August 31, 2019 - \$76).

Refer also to Notes 7 and 14.

KURE TECHNOLOGIES, INC.

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10. Income taxes

As at November 30, 2019 and August 31, 2019, the Company has approximately \$21,168 in non-capital income tax losses with expiry dates between 2027 and 2039, SRED pool carryforwards of \$11,545, capital loss carryforwards of \$25,530, and non-tax deductible reserves of \$65.

Tax attributes are subject to review, and potential adjustment, by tax authorities.

11. 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.

12. Management of capital

As at November 30, 2019, the Company is not subject to any externally imposed capital requirements. The Company defines its capital as shareholders' equity plus short term loans.

From time to time, 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, 2019.

13. 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 4).

Interest rate risk

The Company had no significant exposure to interest rate risk through its financial instruments as at November 30, 2019 and August 31, 2019.

KURE TECHNOLOGIES, INC.

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13. Financial instruments and risk management (continued)

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 12, in normal circumstances.

The Company's financial liabilities are comprised of its accounts payable and accrued liabilities, and short-term loans.

14. Subsequent event

Short-term loans

On December 18, 2019, a director extended additional interim unsecured funding to the Company totalling \$26 at an annual interest rate of 12% and a maturity date of May 15, 2020.