

Unaudited condensed consolidated interim financial statements of

KURE TECHNOLOGIES, INC.

for the three months ended November 30, 2022 and 2021

(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

	Note	November 30, 2022	August 31, 2022
Assets			
Current assets			
Cash		\$ 2	\$ 2
Prepaid expenses and deposits		6	6
Other receivables		3	3
Total assets		\$ 11	\$ 11
Liabilities and shareholders' equity (deficiency)			
Current liabilities			
Accounts payable		\$ 778	\$ 755
Accrued liabilities		245	211
Short-term loans	3, 6	207	203
Interest payable	5	17	14
Convertible debentures	5	128	124
Derivative liability	5	1	1
Total liabilities		1,376	1,308
Shareholders' equity (deficiency)			
Share capital	4	58,533	58,533
Deficit		(59,898)	(59,830)
		(1,365)	(1,297)
Total liabilities and shareholders' equity (deficiency)		\$ 11	\$ 11
Nature of operation and going concern	1		
Subsequent events	11		

Approved by the Board of Directors:

(Signed) – *Alex Dolgonos*

(Signed) – *Igor Keselman*

Alex Dolgonos - Director and Chief Executive Officer

Igor Keselman - Director and Chief Financial Officer

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

KURE TECHNOLOGIES, INC.

Condensed consolidated interim statements of income (loss) and comprehensive income (loss)

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

(Unaudited)

For the three months ended November 30,

	Note	2022	2021
Expenses			
Compensation	6	\$ 46	\$ 46
General and administrative	7	10	24
		56	70
Loss for the period before the undernoted		(56)	(70)
Interest and finance charges	3, 5	(12)	(12)
Change in fair value of derivative liability	5	-	92
Net and comprehensive income (loss) for the period		\$ (68)	\$ 10
Income (loss) per share			
Basic and diluted		(0.01)	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 these unaudited condensed consolidated interim financial statements.

KURE TECHNOLOGIES, INC.

Condensed consolidated statements of changes in shareholders' equity (deficiency)

(In thousands of Canadian dollars)

(Unaudited)

	Share Capital			Total equity
	Shares	Amount	Deficit	(deficiency)
	#	\$	\$	\$
Balance, August 31, 2021	15,097,800	58,533	(59,799)	(1,266)
Net income for the period	-	-	10	10
Balance, November 30, 2021	15,097,800	58,533	(59,789)	(1,256)
Balance, August 31, 2022	15,097,800	58,533	(59,830)	(1,297)
Net loss for the period	-	-	(68)	(68)
Balance, November 30, 2022	15,097,800	58,533	(59,898)	(1,365)

The accompanying notes are an integral part of these unaudited condensed consolidated interim 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,

	2022	2021
Cash flows from operating activities		
Net income (loss) for the period	\$ (68)	\$ 10
Interest expense	11	12
Change in fair value of derivative liability	-	(92)
Change in non-cash operating assets and liabilities		
Prepaid expenses and deposits	-	1
Accounts payable and accrued liabilities	57	(16)
Cash used in operating activities	-	(85)
Decrease in cash	-	(85)
Cash, beginning	2	117
Cash, ending	\$ 2	\$ 32

There were no financing or investing activities during the periods reported.

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

KURE TECHNOLOGIES, INC.

Notes to the unaudited condensed consolidated interim financial statements

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

For the three months ended November 30, 2022 and 2021

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 currently has no business activity. The Company’s shares are listed for trading on the NEX, a separate board of the TSX Venture Exchange, under the symbol “KUR.H”. The address of the Company’s head office and registered and records office is 291 York Hill Blvd, Thornhill Ontario L4J 3L5.

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 \$59,898 and a working capital deficiency of \$1,365. 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 factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. 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, 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 31, 2023.

(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, 2022.

(b) Basis of presentation

These unaudited condensed consolidated interim financial statements have been prepared on a historical cost basis and are presented in Canadian dollars.

KURE TECHNOLOGIES, INC.

Notes to the unaudited condensed consolidated interim financial statements

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

For the three months ended November 30, 2022 and 2021

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. Short-term loans

Between August 31, 2018 and February 12, 2021, interim unsecured demand loans were extended to the Company by a director at an annual interest rate of 12%. Details of the balance on the loans are as follows:

	November 30, 2022	August 31, 2022
Balance, opening	\$ 203	\$ 185
Accrued interest on unsecured loans	4	18
Balance, ending	\$ 207	\$ 203

Interest recorded on the loans during the three months ended November 30, 2022 totaled \$4 (November 30, 2021 - \$5).

4. Share capital

(a) Authorized

Unlimited common shares

Unlimited Class A non-voting shares

(b) Issued and outstanding

As at November 30, 2022 and August 31, 2022, 15,097,800 common shares in the Company were issued and outstanding.

(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, 2022 and August 31, 2022, no stock options were issued or outstanding, and no stock options were granted or expired.

KURE TECHNOLOGIES, INC.

Notes to the unaudited condensed consolidated interim financial statements

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

For the three months ended November 30, 2022 and 2021

5. Convertible debentures

A continuity of the Company's convertible debentures is as follows:

	November 30, 2022	August 31, 2022
Balance, opening	\$ 138	\$ 108
Interest accretion	4	16
Interest accrual	4	14
Balance, ending	\$ 146	\$ 138
Allocated as Current	\$ 146	\$ 138

On July 29, 2021, the Company completed a non-brokered private placement offering of unsecured convertible debentures (the "Debentures") which raised aggregate gross proceeds of \$150.

The Debentures bear interest at a rate of 8.5% per annum and will mature on July 29, 2023. The Debentures are convertible into units of the Company at a price of \$0.15 per unit during the first year and are convertible at the higher of \$0.15 and the trading price of the Company's common shares on the TSX Venture Exchange on the date of conversion. Each unit consists of one common share and one-half common share purchase warrant exercisable at \$0.18 for a period of one year. As the conversion feature may be settled in a variable number of common shares of the Company, it does not meet the fixed for fixed criteria and has been accounted for as a derivative liability. The Company paid cash issuance costs of \$10, of which \$7 has been allocated to the convertible debenture principal and \$3 has been allocated to the derivative liability and included as interest and finance charges in the statement of loss and comprehensive loss during the three months ended August 31, 2021.

The Company has the option to purchase all or any part of the principal amount (the "Repurchase Amount") of the Debentures at any time. Within 20 business days' notice, the holder shall elect to either convert the Repurchase Amount into Units, or to receive the Repurchase Amount plus any accrued interest in cash.

The following table is a continuity of the Company's derivative liability:

	November 30, 2022	August 31, 2022
Balance, beginning	\$ 1	\$ 290
Change in fair value of derivative liability	-	(289)
Balance, ending	\$ 1	\$ 1

The valuation model used to estimate the fair value of the Debentures is a system of two coupled Black-Scholes Option Pricing equations and partial differential equations that are solved simultaneously using finite-difference methods, with the following assumptions:

	November 30, 2022	August 31, 2022
Expected volatility	48%	48%
Expected life	0.66	0.91
Risk free interest rate	3.686%	3.686%
Coupon interest rate	8.5%	8.5%
Expected dividend yield	Nil	Nil
Credit Spread	30%	30%
Underlying share price	\$0.11	\$0.11
Conversion price	\$0.15	\$0.15
Discount for lack of marketability	44.56%	44.56%

KURE TECHNOLOGIES, INC.

Notes to the unaudited condensed consolidated interim financial statements

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

For the three months ended November 30, 2022 and 2021

6. Related party transactions

(a) Compensation of key management personnel

The Company's key management personnel includes members of the executive team and the board of directors of the Company and its wholly owned subsidiaries. Key management compensation is as follows:

	November 30,	
	2022	2021
Chief Executive Officer fees	\$ 14	\$ 14
Chief Financial Officer fees	14	14
Director fees	2	2
	\$ 30	\$ 30

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

(b) Short-term loans payable

The Company executed unsecured demand loans payable with a director between August 31, 2018 and February 12, 2021. As at November 30, 2022, \$207 remained outstanding (August 31, 2022 - \$203) (note 3). During the three months ended November 30, 2022, the Company incurred interest expense of \$4 (November 30, 2021 - \$5).

7. General and administrative

General and administrative expense included mainly professional fees, board of director fees, general occupancy, and other administrative overheads for the Company. The breakdown is as follows:

	November 30,	
	2022	2021
Professional expenses	\$ 9	\$ 23
Office and general	1	1
Total general and administrative	\$ 10	\$ 24

8. Income taxes

As at November 30, 2022, the Company had approximately \$21,437 in non-capital income tax losses with expiry dates between 2027 and 2041, SRED pool carry-forwards of \$3,117, capital loss carry-forwards of \$25,530, and non-tax deductible reserves of \$65.

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

KURE TECHNOLOGIES, INC.

Notes to the unaudited condensed consolidated interim financial statements

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

For the three months ended November 30, 2022 and 2021

9. Management of capital

The Company's main objective when managing capital is to safeguard the Company's ability to continue as a going concern. As at November 30, 2022, the Company was not subject to any externally imposed capital requirements. The Company defines its capital as shareholders' equity plus convertible debentures and short-term loans.

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. There were no significant changes to the Company's approach to capital management during the periods ended November 30, 2022 and August 31, 2022.

10. Financial instruments and risk management

The Company's activities may expose it to a variety of financial risks: fair values, 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.

Fair values

As at November, 2022 and August 31, 2022, financial instruments consist of cash, accounts receivable and other receivables, accounts payable, accrued liabilities, convertible debentures, derivative liabilities, and short-term loans. The fair values of these financial instruments approximate their carrying values due to the relatively short-term maturity of these instruments.

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject to and involve uncertainties and matters of significant judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The Company classifies its financial instruments carried at fair value according to a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The three levels of 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 assets and liabilities, either directly or indirectly;
- Level 3 – Inputs for assets or liabilities that are not based on observable market data.

KURE TECHNOLOGIES, INC.

Notes to the unaudited condensed consolidated interim financial statements

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10. Financial instruments and risk management (continued)

As at November 30, 2022 and August 31, 2022, cash is recorded at fair value under Level 1 within the fair value hierarchy and the derivative liability (Note 5) is classified as Level 3 within the fair value hierarchy.

The following table shows the valuation techniques used in measuring Level 3 fair values for the derivative liability as well as the significant unobservable inputs used.

Type	Valuation technique	Key inputs	Inter-relationship between significant inputs and fair value measurement
Derivative liability	The fair value of derivative liability at initial recognition and at period-end has been calculated using a system of two-coupled Black Scholes Option pricing equations and partial differential equations that are solved simultaneously using finite-difference methods.	<i>Key observable inputs</i> <ul style="list-style-type: none">• Share price• Risk free interest rate• Dividend yield <i>Key unobservable inputs</i> <ul style="list-style-type: none">• Expected volatility• Discount for lack of marketability	The estimated fair value would increase (decrease) if: <ul style="list-style-type: none">• The share price was higher (lower)• The risk-free interest rate was higher (lower)• The dividend yield was lower (higher)• The expected volatility was higher (lower)• The discount for lack of marketability was lower (higher)

For the fair values of the derivative liability, reasonably possible changes to the expected volatility, the most significant unobservable input would have the following effects:

Derivative liability	November 30, 2022	
	Increase	Decrease
Comprehensive Loss		
Expected volatility (20% change vs. model input)	\$ (1)	\$ 1

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 and limit exposure to credit and market risks.

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 is exposed to credit risk through its cash balance which is held at Canadian financial institutions. 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. Management believes the Company had no significant exposure to interest rate risk through its financial instruments as at November 30, 2022 and August 31, 2022.

KURE TECHNOLOGIES, INC.

Notes to the unaudited condensed consolidated interim financial statements

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

For the three months ended November 30, 2022 and 2021

10. 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 9, in normal circumstances.

11. Subsequent events

Trustee receivable

On December 2, 2022, the Company received the final payment totaling \$3 from a bankruptcy trustee in Ontario in which the Company was a claimant.

Convertible Debentures

On December 19, 2022, the Debentures valued at \$150 and accrued interest totaling \$14 were converted to shares at a value of \$0.15 per share. A total of 1,092,659 shares and 546,329 warrants were issued, and the Company's outstanding shares as at December 19, 2022 was 16,190,458.

Short-term loans

During the second quarter of fiscal 2023, unsecured demand loans totaling \$75 were extended to the Company at an effective annual interest rate of 12%, of which \$50 was received from related parties.