

Unaudited condensed consolidated interim financial statements of

KURE TECHNOLOGIES, INC.

for the three and six months ended February 28, 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	February 28, 2022	August 31, 2021
Assets			
Current assets			
Cash		\$ 10	\$ 117
Prepaid expenses and deposits		12	13
Accounts receivable and other receivables	3	1	1
Total current assets		23	131
Total assets		\$ 23	\$ 131
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable		\$ 420	\$ 424
Accrued liabilities	4	428	390
Short-term loans	5	196	185
Interest payable	7	7	1
Derivative liability	7	152	290
Total current liabilities		1,203	1,290
Convertible debentures	7	115	107
Total liabilities		1,318	1,397
Shareholders' equity (deficiency)			
Share capital	6	58,533	58,533
Deficit		(59,828)	(59,799)
		(1,295)	(1,266)
Total liabilities and shareholders' equity		\$ 23	\$ 131

Nature of operation and going concern

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Approved by the Board of Directors:

(Signed) – *Alex Dolgonos*

(Signed) – *Igor Keselman*

Director and Chief Executive Officer

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 February 28,		Six months ended February 28,	
	Note	2022	2021	2022	2021
Expenses					
Compensation	8	\$ 46	\$ 137	\$ 92	\$ 153
General and administrative	9	26	13	50	31
		72	150	142	184
Loss for the period before the undernoted		(72)	(150)	(142)	(184)
Interest and finance charges	5, 7	(13)	(1)	(25)	(4)
Change in fair value of derivative liability	7	46	-	138	-
Net and comprehensive loss for the period		\$ (39)	\$ (151)	\$ (29)	\$ (188)
Loss per share					
Basic and diluted		(0.00)	(0.01)	(0.00)	(0.01)
Weighted average number of shares outstanding					
Basic and diluted		15,097,800	15,097,800	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)

	Share Capital			Total equity
	Shares	Amount	Deficit	(deficiency)
	#	\$	\$	\$
Balance, August 31, 2020	15,097,800	58,533	(59,143)	(610)
Net loss for the period	-	-	(188)	(188)
Balance, February 28, 2021	15,097,800	58,533	(59,331)	(798)
Balance, August 31, 2021	15,097,800	58,533	(59,799)	(1,266)
Net loss for the period	-	-	(29)	(29)
Balance, February 28, 2022	15,097,800	58,533	(59,828)	(1,295)

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 six months ended February 28,

	2022	2021
Cash flows from operating activities		
Net loss for the period	\$ (29)	\$ (188)
Interest expense	25	4
Change in fair value of derivative liability	(138)	-
Change in non-cash operating assets and liabilities		
Accounts receivable and other receivables	-	4
Prepaid expenses and deposits	1	(5)
Accounts payable and accrued liabilities	56	129
Cash used in operating activities	(85)	(56)
Financing activities		
Short-term loan	-	52
Cash provided by financing activities	-	52
Decrease in cash	(85)	(4)
Cash, beginning of period	117	14
Cash, end of period	\$ 32	\$ 10

There were no 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 condensed consolidated interim financial statements

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

For the three and six months ended February 28, 2022 and 2021

(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 finalizing its restructuring process to facilitate a promising business opportunity. 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 120 Spinnaker Way, Unit 2, Concord, Ontario L4K 2P6.

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 \$59,828 and a working capital deficiency of \$1,180. 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, 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.

Novel Coronavirus (“COVID-19”)

The Company’s operations have been significantly adversely affected by the effects of a widespread global outbreak of a respiratory illness caused by COVID-19. The Company cannot accurately predict the ultimate impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, the health crisis could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company’s operations and ability to finance its operations.

KURE TECHNOLOGIES, INC.

Notes to the condensed consolidated interim financial statements

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

For the three and six months ended February 28, 2022 and 2021

(Unaudited)

2. Summary of significant accounting policies

These unaudited condensed consolidated interim financial statements were approved for issue by the Board of Directors on April 29, 2022.

(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, 2021.

(b) Basis of presentation

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

(c) Basis of consolidation

These 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. Accounts receivable and other receivables

Accounts receivable and other receivables as at February 28, 2022 and August 31, 2021 totaling \$1 are owed from a bankruptcy trustee in Ontario in which the Company was a claimant.

4. Accrued liabilities

The Company’s accrued liabilities are summarized as follows:

	February 28, 2022		August 31, 2021
Compensation accruals ⁽¹⁾	\$ 251	\$	194
Professional expenses ⁽²⁾	42		65
Board fees	93		88
Other	43		43
	\$ 428	\$	390

⁽¹⁾ Refer to Chief Executive Officer and Chief Financial Officer fees in note 8.

⁽²⁾ Includes mainly costs associated with the Company’s legal, audit, tax reporting and annual general meeting requirements.

KURE TECHNOLOGIES, INC.

Notes to the condensed consolidated interim financial statements

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

For the three and six months ended February 28, 2022 and 2021

(Unaudited)

5. Short-term loans

Between February 28, 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:

	February 28, 2022	August 31, 2021
Balance, opening	\$ 185	\$ 114
Additional loans received	-	52
Accrued interest on unsecured loans	11	15
Legal fees	-	4
Balance, ending	\$ 196	\$ 185

Interest recorded on the loans during the three and six months ended February 28, 2022 totaled \$6 and \$11 respectively (February 28, 2021 - \$1 and \$4 respectively).

6. Share capital

(a) Authorized

Unlimited common shares

Unlimited Class A non-voting shares

(b) Issued and outstanding

As at February 28, 2022 and August 31, 2021, 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 February 28, 2022 and August 31, 2021, no stock options were issued or outstanding, and no stock options were granted or expired.

KURE TECHNOLOGIES, INC.

Notes to the condensed consolidated interim financial statements

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

For the three and six months ended February 28, 2022 and 2021

(Unaudited)

7. Convertible debentures

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

	February 28, 2022	August 31, 2021
Balance, opening	\$108	\$ -
Issuance of Debentures	-	150
Fair value of derivative liability	-	(37)
Transaction costs	-	(7)
Interest accretion	8	1
Interest accrual	6	1
Balance, ending	\$ 122	\$ 108
Allocated as:		
Current	\$ 7	\$ 1
Non-current	\$ 115	\$ 107

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:

	February 28, 2022	August 31, 2021
Balance, beginning	\$ 290	\$ -
Issuance of convertible debt	-	37
Change in fair value of derivative liability	(138)	253
Balance, ending	\$ 152	\$ 290

KURE TECHNOLOGIES, INC.

Notes to the condensed consolidated interim financial statements

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(Unaudited)

7. Convertible debentures (continued)

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:

	February 28, 2022	August 31, 2021
Expected volatility	60%	60%
Expected life	1.41	1.91
Risk free interest rate	0.416%	0.416%
Coupon interest rate	8.5%	8.5%
Expected dividend yield	Nil	Nil
Credit Spread	25%	25%
Underlying share price	\$0.23	\$0.40
Conversion price	\$0.15	\$0.15
Discount for lack of marketability	10.8%	10.8%

8. Related party transactions

(a) Compensation of key management personnel

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

Key management compensation is as follows:

	Three months ended February 28,		Six months ended February 28,	
	2022	2021	2022	2021
Chief Executive Officer fees	\$ 14	\$ 114	\$ 28	\$ 114
Chief Financial Officer fees	14	8	28	8
Director fees	3	3	5	10
	\$ 31	\$ 125	\$ 61	\$ 132

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 February 28, 2018 and February 12, 2021. As at February 28, 2022, \$196 remained outstanding (August 31, 2021 - \$185) (note 5).

9. 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:

	Three months ended February 28,		Six months ended February 28,	
	2022	2021	2022	2021
Professional expenses	\$ 25	\$ 12	\$ 48	\$ 30
Office and general	1	1	2	1
Total general and administrative	\$ 26	\$ 13	\$ 50	\$ 31

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(Unaudited)

10. Income taxes

As at February 28, 2022 and August 31, 2021, the Company had approximately \$22,000 in non-capital income tax losses with expiry dates between 2027 and 2041, SRED pool carry-forwards of \$11,545, 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.

11. 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 February 28, 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 three and six months ended February 28, 2022 and 2021.

12. 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 February 28, 2022 and August 31, 2021, financial instruments consist of cash, accounts receivable and other receivables, accounts payable, accrued liabilities, convertible debentures, derivative liabilities, short-term loans, and long-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 condensed consolidated interim financial statements

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

For the three and six months ended February 28, 2022 and 2021

(Unaudited)

12. Financial instruments and risk management (continued)

As at February 28, 2022 and August 31, 2021, cash is recorded at fair value under Level 1 within the fair value hierarchy and the derivative liability (Note 7) 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	February 28, 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 February 28, 2022 and August 31, 2021.

KURE TECHNOLOGIES, INC.

Notes to the condensed consolidated interim financial statements

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

For the three and six months ended February 28, 2022 and 2021

(Unaudited)

12. 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 11, in normal circumstances.