

Unaudited Condensed Consolidated Interim Financial Statements of

KURE TECHNOLOGIES, INC.

For the three and nine months ended May 31, 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

	May 31, 2018	August 31, 2017
Assets		
Current assets		
Cash (note 3)	\$ 41	\$ 77
Accounts receivable and other receivables (note 4)	13	38
Prepaid expenses and deposits (note 5)	15	13
	69	128
Jolian Parties receivable (note 6)	640	579
Investment in ONEnergy Inc. (note 7)	215	911
	\$ 924	\$ 1,618
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	\$ 212	\$ 180
Accrued liabilities (note 8)	322	289
Short-term loan (note 12)	-	101
	534	570
Shareholders' equity		
Share capital (note 9)	58,533	58,533
Accumulated other comprehensive loss	(189)	-
Deficit	(57,954)	(57,485)
	390	1,048
	\$ 924	\$ 1,618

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

Approved by the Board of Directors:

(Signed) – Daniel S. Marks _____

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 May 31,		Nine months ended May 31,	
	2018	2017	2018	2017
Expense				
Compensation	\$ 28	\$ 28	\$ 88	\$ 86
General and administrative (note 11)	24	94	100	116
	52	122	188	202
Loss for the period before the undernoted	(52)	(122)	(188)	(202)
Interest income	-	12	-	37
Interest and finance charges	(1)	-	(7)	-
Loss on sale of ONEnergy Inc. shares	(61)	-	(274)	(81)
Net loss for the period	(114)	(110)	(469)	(246)
Fair value adjustment in ONEnergy Inc. (note 7)	42	-	(189)	(598)
Comprehensive loss for the period	\$ (72)	\$ (110)	\$ (658)	\$ (844)
Loss per share				
Basic and diluted	\$ (0.005)	\$ (0.007)	\$ (0.044)	\$ (0.055)
Weighted average number of shares outstanding				
Basic and diluted	15,097,800	15,133,125	15,097,800	15,253,350

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		Share Option Reserve	Accumulated Other Comprehensive		Total
	Shares	Amount		Deficit	Loss	
Balance, September 1, 2016	15,314,459	\$ 58,549	\$ -	\$ (56,172)	\$ -	\$ 2,377
Shares returned to treasury	(216,659)	(51)	-	-	-	(51)
Net loss for the period	-	-	-	(246)	-	(246)
Other comprehensive loss	-	-	-	-	(598)	(598)
Balance, May 31, 2017	15,097,800	\$ 58,498	-	\$ (56,418)	\$ (598)	\$ 1,482
Balance, August 31, 2017	15,097,800	\$ 58,533	\$ -	\$ (57,485)	\$ -	\$ 1,048
Net loss for the period	-	-	-	(469)	-	(469)
Other comprehensive loss	-	-	-	-	(189)	(189)
Balance, May 31, 2018	15,097,800	\$ 58,533	\$ -	\$ (57,954)	\$ (189)	\$ 390

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 May 31,		Nine months ended May 31,	
	2018	2017	2018	2017
Cash flows from operating activities				
Loss before comprehensive loss for the period	\$ (114)	\$ (110)	\$ (469)	\$ (246)
Loss on sale of ONEnergy Inc. shares	61	-	274	81
Accrued interest	-	-	6	-
Change in non-cash operating assets and liabilities				
Accounts receivable and other receivables	5	(20)	25	(15)
Jolian Parties receivable	(4)	(81)	(61)	(115)
Prepaid expenses and deposits	16	31	(2)	(15)
Accounts payable and accrued liabilities	1	185	65	124
Cash provided by (used in) operating activities	(35)	5	(162)	(186)
Financing activities				
Repayment of loan	(100)	-	(100)	-
Interest paid on short-term loans	(7)	-	(7)	-
Shares returned to treasury	-	(16)	-	(16)
Treasury costs	-	(35)	-	(35)
Cash used in financing activities	(107)	(51)	(107)	(51)
Investing activities				
Cash received on sale of ONEnergy Inc. shares	45	-	233	66
Redemption of short-term investments	-	51	-	51
Cash provided by investing activities	45	51	233	117
Increase (decrease) in cash	(97)	5	(36)	(120)
Cash, beginning of period	138	24	77	149
Cash, end of period	\$ 41	\$ 29	\$ 41	\$ 29

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 and nine months ended May 31, 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 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 \$57,954. 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 July 17, 2018.

(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, 2017.

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. Cash

As at May 31, 2018, the Company held \$41 of cash (August 31, 2017 - \$77) and no cash equivalents.

4. Accounts receivable and other receivables

Accounts receivable and other receivables balance as at May 31, 2018 totalling \$13 (August 31, 2017 - \$38) includes mainly GST/HST receivable.

5. Prepaid expenses and deposits

The Company's prepaid expenses and deposits, as at May 31, 2018 and August 31, 2017, are summarized in the following table:

	May 31, 2018	August 31, 2017
Legal retainers ⁽¹⁾	-	8
Other	15	5
Total	\$ 15	\$ 13

⁽¹⁾ Funds were held in trust with law firms for, among other things, legal advice with regard to the Jolian Parties recoveries.

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 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. A summary of the receivable is outlined in the following table:

	May 31, 2018	August 31, 2017
Cost order	\$ 1,384	\$ 1,384
Disgorgement order	200	200
Accrued post-judgement interest	120	120
Jolian Parties Recovery	1,704	1,704
Garnishments received	(8)	(8)
Impairment of receivable from Jolian Parties	(873)	(873)
Estimation of collection costs	(183)	(244)
Net receivable	\$ 640	\$ 579

The Company has begun 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. Accordingly, the Company made an estimate of this impact in the amount of \$400. The Company recorded \$61 in collection costs during the nine months ended May 31, 2018 (May 31, 2017 - \$87).

During the nine months ended May 31, 2017, Kure received garnished funds from the Jolian Parties totalling \$8 and accrued interest on the Jolian Receivable totalling \$36 (fiscal 2018 - \$nil and \$nil respectively). As at August 31, 2017, the Company had recorded an impairment of \$873, 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 income.

On June 26, 2017, the Jolian Parties filed a Notice of Intention to make a proposal under the *Bankruptcy and Insolvency Act* (“BIA”). On Application by the Jolian Parties, the Superior Court of Justice granted orders extending the time within which a proposal could be filed with the Official Receiver. On November 24, 2017, the Company received notice that the Jolian Parties had made a proposal under the BIA (the “Jolian Proposal”). In connection with the Jolian Proposal, the Company filed a Proof of Claim in respect of the amounts owing. At the General Meeting of Creditors held on December 12, 2017, creditors who were qualified to vote at the Meeting refused to approve the Jolian Proposal with the result that 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.

KURE TECHNOLOGIES, INC.

Notes to Condensed Consolidated Interim Financial Statements

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

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(Unaudited)

7. Investment in ONEnergy Inc.

As at August 31, 2017 the Company held 2,428,500 common shares in ONEnergy (TSXV:OEG), and the economic and voting interest of ONEnergy was 10.1%. The Company determined at that time that the decline in the value of the common shares of ONEnergy was significant and not temporary and, accordingly, recorded an impairment of \$667.

Trading in the common shares of ONEnergy ("OEG Shares") was halted on December 21, 2016 pending a transaction which was ultimately terminated on November 13, 2017. On December 20, 2017, OEG shares recommenced trading.

During the three months ended May 31, 2018, the Company sold a total of 284,500 shares for gross proceeds of \$45 (year-to-date – 1,353,000; \$233) and the Company ceased to be classified as an insider.

Trading in the common shares of ONEnergy was again halted on April 26, 2018 while ONEnergy considers a proposed reorganization and a subsequent business combination.

The value of the Company's holdings of 1,075,500 ONEnergy shares as at May 31, 2018, based on the current halt price of \$0.20, was \$215 (August 31, 2017, 2,428,500 shares, based on the December 21, 2016 halt price of \$0.375 - \$911).

8. Accrued liabilities

The Company's accrued liabilities, as at May 31, 2018 and August 31, 2017, are summarized in the following table:

	May 31, 2018	August 31, 2017
HST on cost recoveries	\$ 151	\$ 151
Compensation accruals ⁽¹⁾	87	50
Professional expenses ⁽²⁾	45	48
Board fees ⁽³⁾	30	15
Legal expenses	5	25
Other	4	-
Total	\$ 322	\$ 289

⁽¹⁾ Includes consulting fees accrued for services rendered by the CEO who was appointed May 4, 2015 and re-elected to the Board of Directors on February 28, 2018.

⁽²⁾ Includes mainly costs associated with the Company's audit, tax reporting and Annual General Meeting requirements.

⁽³⁾ Includes accrued director fees for the Board of Directors elected or re-elected February 28, 2018.

KURE TECHNOLOGIES, INC.

Notes to Condensed Consolidated Interim Financial Statements

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(Unaudited)

9. Share capital

(a) Authorized

Unlimited common shares

Unlimited Class A non-voting shares

(b) Issued and outstanding

As at May 31, 2018 and July 17, 2018, approximately 15,097,800 common shares in Kure 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 19,765 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 UBS' 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 May 31, 2018 and August 31, 2017, no stock options were issued or outstanding.

10. Segment disclosure

There were no recorded revenues for the three and nine months ended May 31, 2018 and 2017.

11. General and administrative

During the three and nine months ended May 31, 2018, the Company recorded general and administrative expenses totalling \$24 and \$100 respectively (May 31, 2017 - \$94 and \$116 respectively).

KURE TECHNOLOGIES, INC.

Notes to Condensed Consolidated Interim Financial Statements

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

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(Unaudited)

12. Related party transactions

(a) Short-term loans payable

On August 9, 2017, two directors extended interim funding to the Company totalling \$100 at an annual interest rate of 12% and a maturity date of March 31, 2018. Interest earned at maturity was \$7.

The loan and interest were repaid on maturity.

(b) 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 and nine months ended May 31, 2018 totalled \$17 and \$52, (May 31, 2017 - \$17 and \$52) respectively, which included \$5 and \$15 for director fees (May 31, 2017 - \$5 and \$15) respectively, and \$12 and \$37 to the CEO of the Company (May 31, 2017 - \$12, and \$37 respectively).

As at May 31, 2018, the balance of compensation owing to key management personnel totalled:

	May 31, 2018	August 31, 2017
CEO compensation	87	50
Board fees	30	15
Total	\$ 117	\$ 65

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

13. Income taxes

As at May 31, 2018, Kure had \$20,753 in non-capital income tax losses with expiry dates between 2027 and 2037, SRED pool carryforwards of \$11,545, capital loss carryforwards of \$23,294, and non-tax deductible reserves of \$60.

14. 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.

KURE TECHNOLOGIES, INC.

Notes to Condensed Consolidated Interim Financial Statements

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

For the three and nine months ended May 31, 2018 and 2017

(Unaudited)

15. Management of capital

The Company had one demand loan which was repaid on March 31, 2018 (note 12) 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 and nine months ended May 31, 2018.

16. 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).

Interest rate risk

The Company had no significant exposure to interest rate risk through its financial instruments as at May 31, 2018 and August 31, 2017.

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 15, 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.