

Unaudited Condensed Consolidated Interim Financial Statements of

**KURE TECHNOLOGIES, INC.**

For the three and nine months ended May 31, 2019 and 2018

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**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.

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# KURE TECHNOLOGIES, INC.

## Condensed Consolidated Interim Statements of Financial Position

(In thousands of Canadian dollars)

(Unaudited)

As at

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	May 31, 2019	August 31, 2018
<b>Assets</b>		
Current assets		
Cash (note 4)	\$ 4	\$ 15
Funds held in trust (note 6)	93	-
Accounts receivable and other receivables (note 5)	6	5
Prepaid expenses and deposits (note 7)	14	4
	<b>117</b>	<b>24</b>
Julian Parties receivable (note 6)	466	519
Investment in ONEnergy Inc. (note 8)	64	215
<b>Total assets</b>	<b>\$ 647</b>	<b>\$ 758</b>

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## Liabilities and Shareholders' Equity

Current liabilities		
Accounts payable	\$ 388	\$ 200
Accrued liabilities (note 9)	255	368
Short-term loan (note 13)	73	-
	<b>716</b>	<b>568</b>
Shareholders' equity (deficiency)		
Share capital (note 10)	58,533	58,533
Accumulated other comprehensive loss	(151)	-
Deficit	(58,451)	(58,343)
	<b>(69)</b>	<b>190</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 647</b>	<b>\$ 758</b>

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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. Kloeppe*

Director and Interim Chief Financial Officer

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# 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,	
	2019	2018	2019	2018
Expense				
Compensation	\$ 15	\$ 28	\$ 59	\$ 88
General and administrative (note 11)	22	24	76	100
	37	52	135	188
Loss for the period before the undernoted	(37)	(52)	(135)	(188)
Interest and finance charges	(1)	(1)	(3)	(7)
Interest income	8	-	30	-
Loss on sale of ONEnergy Inc. shares	-	(61)	-	(274)
Net loss for the period	(30)	(114)	(108)	(469)
Fair value adjustment in ONEnergy Inc. (note 7)	(6)	42	(151)	(189)
Comprehensive loss for the period	\$ (36)	\$ (72)	\$ (259)	\$ (658)
Loss per share				
Basic and diluted	\$ (0.002)	\$ (0.005)	\$ (0.017)	\$ (0.044)
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 the consolidated financial statements.

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# KURE TECHNOLOGIES, INC.

## Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(In thousands of Canadian dollars)

(Unaudited)

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	Share Capital				
	Shares	Amount	Deficit		Total
Balance, September 1, 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
<b>Balance, August 31, 2018</b>	<b>15,097,800</b>	<b>58,533</b>	<b>(58,343)</b>		<b>190</b>
Net loss for the period	-	-	(108)		(108)
Other comprehensive loss	-	-	-	(151)	(151)
<b>Balance, May 31, 2019</b>	<b>15,097,800</b>	<b>\$ 58,533</b>	<b>\$ (58,451)</b>	<b>\$ (151)</b>	<b>\$ (69)</b>

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

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# 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,	
	2019	2018	2019	2018
Cash flows from operating activities				
Loss before comprehensive loss for the period	\$ (30)	\$ (114)	\$ (108)	\$ (469)
Loss on sale of ONEnergy Inc. shares	-	61	-	274
Accrued interest	1	-	3	6
Change in non-cash operating assets and liabilities				
Accounts receivable and other receivables	(2)	5	(1)	25
Jolian Parties receivable	(8)	(4)	(40)	(61)
Prepaid expenses and deposits	(11)	16	(10)	(2)
Accounts payable and accrued liabilities	20	1	75	65
Cash used in operating activities	(30)	(35)	(81)	(162)
Financing activities				
Short-term loans payable (repaid)	20	(100)	70	(100)
Interest paid on short-term loans	-	(7)	-	(7)
Cash provided by (used in) financing activities	20	(107)	70	(107)
Investing activities				
Cash received on sale of ONEnergy Inc. shares	-	45	-	233
Cash provided by investing activities	-	45	-	233
Increase (decrease) in cash	(10)	(97)	(11)	(36)
Cash, beginning of period	14	138	15	77
Cash, end of period	\$ 4	\$ 41	\$ 4	\$ 41

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

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# 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, 2019 and 2018

*(Unaudited)*

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### 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 \$58,451. 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 26, 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.

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# 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, 2019 and 2018

*(Unaudited)*

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### 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 May 31, 2019, the Company held \$4 of cash (August 31, 2018 - \$15) and no cash equivalents.

### 5. Accounts receivable and other receivables

The accounts receivable and other receivables balance as at May 31, 2019, totalling \$6 (August 31, 2018 - \$5) includes mainly GST/HST receivable.



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# 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, 2019 and 2018

*(Unaudited)*

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### 6. Jolian Parties receivable

The Company is continuing its efforts to recover cost and disgorgement orders and post-judgment interest from former Chief Executive Officer (“CEO”) Gerald McGoey and Jolian Investments Ltd., together referred to as the “Jolian Parties”. During fiscal 2017, the Jolian Parties were each deemed to have made an assignment in bankruptcy and the Company has maintained its collection efforts through the bankruptcy process.

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 were then considered assets of the estate subject to realization for the benefit of creditors.

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

	May 31, 2019	August 31, 2018
Cost order	\$ 1,384	\$ 1,384
Disgorgement order	200	200
Accrued post-judgement interest	180	150
Jolian Parties recovery	1,764	1,734
Garnishments received in fiscal 2017	(8)	(8)
Impairment of receivable from Jolian Parties	(1,041)	(1,041)
Estimation of collection costs	(117)	(166)
Funds held by bankruptcy Trustee	(132)	-
Net receivable	\$ 466	\$ 519

The Company recorded \$49 in collection costs for the year-to-date ended May 31, 2019 and accrued post-judgement interest totalling \$30 (May 31, 2018 - \$174 and \$nil respectively). As at May 31, 2019, the Company had recorded a cumulative impairment of \$1,041. During the third quarter of fiscal 2019, one property was sold, resulting in the Company’s estimated proportionate recovery of approximately \$116, and an additional estimated \$16 of earnings have been garnished on the Company’s behalf. All funds are currently held in trust by the Trustee pending distribution to creditors.

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. There is, however, risk in the amount of collections and the timing of the cash flows. If the amount is fully recovered, the difference between the proceeds and the carrying value will be credited to net loss.

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# 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, 2019 and 2018

*(Unaudited)*

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### 7. Prepaid expenses and deposits

The Company's prepaid expenses and deposits totalling \$14 as at May 31, 2019 (August 31, 2018 - \$4) include mainly insurance payments.

### 8. Investment in ONEnergy Inc.

As at May 31, 2019 and August 31, 2018, the Company held 1,075,500 shares in ONEnergy Inc. ("ONEnergy").

Trading of the common shares of ONEnergy was halted from April 26, 2018 until February 11, 2019 while ONEnergy considered a proposed reorganization and a subsequent business combination which were both eventually abandoned.

Trading of common shares of ONEnergy was again halted on May 7, 2019 as a result of a Cease Trade Order issued by the Ontario Securities Commission ("OSC"). The Cease Trade Order was due to non-filing of their 2018 Audited Financial Statements, the management discussion and analysis and related officer certificates.

The Cease Trade Order is expected to remain in place until ONEnergy complies with OSC filing regulations (note 18).

The value of the Company's 1,075,500 shares of ONEnergy as at May 31, 2019, based on the halt price of its common shares of \$0.06, was \$64 (August 31, 2018 based on the then halt price of \$0.20 - \$215).

### 9. Accrued liabilities

The Company's accrued liabilities, as at May 31, 2019 and August 31, 2018, are summarized in the following table:

	May 31, 2019	August 31, 2018
HST on cost recoveries (note 6)	\$ 151	\$ 151
Professional expenses <sup>(1)</sup>	45	47
Legal expenses	-	18
Compensation accruals <sup>(2)</sup>	-	113
Board fees (note 13)	55	35
Other	4	4
<b>Total</b>	<b>\$ 255</b>	<b>\$ 368</b>

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

<sup>(2)</sup> During fiscal 2019, compensation accruals were reallocated to Accounts Payable.

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# 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, 2019 and 2018

*(Unaudited)*

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### 10. Share capital

#### (a) Authorized

Unlimited common shares

Unlimited Class A non-voting shares

#### (b) Issued and outstanding

As at May 31, 2019 and July 26, 2019, 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 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 May 31, 2019 and August 31, 2018, no stock options were issued or outstanding.

### 11. Segment disclosure

There were no recorded revenues for the three and nine months ended May 31, 2019 and 2018.

### 12. General and administrative

During the three and nine months ended May 31, 2019, the Company recorded general and administrative expenses totalling \$22 and \$76 respectively (May 31, 2018 - \$24 and \$100 respectively).

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# 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, 2019 and 2018

*(Unaudited)*

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### 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 nine months ended May 31, 2019 totalled \$31, which included \$20 for director fees and \$11 to the former CEO of the Company (May 31, 2018 - \$53, \$15 and \$38 respectively).

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

	May 31, 2019	August 31, 2018
CEO compensation (net of applicable taxes) <sup>(1)</sup>	\$ 111	\$ 100
Board fees	55	35
Total	\$ 166	\$ 135

<sup>(1)</sup> 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.

#### (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 (note 18), and an additional \$20 on March 29, 2019, at an annual interest rate of 12% and a maturity date of September 27, 2019.

Interest owing on both loans as at May 31, 2019 totalled \$3.

### 14. Income taxes

As at May 31, 2019, 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.

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# 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, 2019 and 2018

*(Unaudited)*

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### 16. Management of capital

As at May 31, 2019, the Company has two demand loans outstanding (note 13) which do not require fixed payments of interest and principal due to the lack of cash flow from current operations and is not subject to any externally imposed capital requirements.

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 nine months ended May 31, 2019.

### 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).

#### Interest rate risk

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

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# 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, 2019 and 2018

*(Unaudited)*

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### 18. Subsequent events

#### Short-term loan

The initial \$50 loan from a director which matured on June 3, 2019 remains unpaid by the Company and will continue to accrue interest at the rate of 12% per annum.

#### ONEnergy update

On June 25, 2019, ONEnergy announced a proposed acquisition of GaiaCann Inc., a full spectrum, discovery focused medical Cannabis Company (the "Proposed Transaction").

The common shares of ONEnergy are expected to remain halted pending provision of additional information relating to the Proposed Transaction.

For further information on the Proposed Transaction, please refer to ONEnergy's filings on SEDAR at [www.sedar.com](http://www.sedar.com).