

Unaudited condensed consolidated interim financial statements of

KURE TECHNOLOGIES, INC.

For the three and nine months ended May 31, 2020 and 2019

(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

| | May 31, 2020 | August 31, 2019 |
|--|-----------------|--------------------|
| Assets | | |
| Current assets | | |
| Cash | \$ 15 | \$ 2 |
| Accounts receivable and other receivables | 4 | 7 |
| Prepaid expenses and deposits | 11 | 10 |
| Current portion of Jolian Parties receivable (note 4) | 10 | 135 |
| | 40 | 154 |
| Jolian Parties receivable (note 4) | 4 | 9 |
| Total assets | \$ 44 | \$ 163 |
| Liabilities and Shareholders' Equity (Deficiency) | | |
| Current liabilities | | |
| Accounts payable | \$ 328 | \$ 406 |
| Accrued liabilities (note 6) | 132 | 155 |
| Short-term loans (note 7) | 110 | 76 |
| | 570 | 637 |
| Shareholders' equity (deficiency) | | |
| Share capital (note 8) | 58,533 | 58,533 |
| Deficit | (59,059) | (59,007) |
| | (526) | (474) |
| Total liabilities and shareholders' equity (deficiency) | \$ 44 | \$ 163 |

Nature of operation and going concern (Note 1)

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

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

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 | | Nine months ended | |
|--|--------------------|-----------------|-------------------|-----------------|
| | May 31, 2020 | May 31, 2019 | May 31, 2020 | May 31, 2019 |
| Expense | | | | |
| Compensation | \$ 16 | \$ 15 | \$ 48 | \$ 59 |
| General and administrative (note 11) | 16 | 22 | 61 | 76 |
| | 32 | 37 | 109 | 135 |
| Loss for the period before the undernoted | (32) | (37) | (109) | (135) |
| Interest and finance charges | (3) | (1) | (8) | (3) |
| Interest income | - | 8 | - | 30 |
| Reversal of Impairment of receivable from Jolian Parties | - | - | 65 | - |
| Net loss for the period | (35) | (30) | (52) | (108) |
| Fair value adjustment in ONEnergy Inc. (note 7) | - | (6) | - | (151) |
| Comprehensive loss for the period | (35) | (36) | (52) | (259) |
| Loss per share, Basic and diluted | \$(0.002) | \$(0.002) | \$(0.003) | \$(0.017) |
| 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 unaudited condensed consolidated interim financial statements.

KURE TECHNOLOGIES, INC.

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

(In thousands of Canadian dollars)

(Unaudited)

| | Share Capital | | Deficit | Other Comprehensive loss | Total |
|---------------------------------|-------------------|------------------|--------------------|--------------------------------|-----------------|
| | Shares | Amount | | | |
| Balance, September 1, 2018 | 15,097,800 | \$ 58,533 | \$ (58,343) | \$ - | \$ 190 |
| Net loss for the period | - | - | (108) | - | (108) |
| Other comprehensive loss | - | - | - | (151) | (151) |
| Balance, May 31, 2019 | 15,097,800 | \$ 58,533 | \$ (58,451) | \$ (151) | \$ (69) |
| Balance, August 31, 2019 | 15,097,800 | 58,533 | (59,007) | - | (474) |
| Net loss for the period | - | - | (52) | - | (52) |
| Balance, May 31, 2020 | 15,097,800 | \$ 58,533 | \$ (59,059) | \$ - | \$ (526) |

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

KURE TECHNOLOGIES, INC.

Condensed consolidated interim statements of cash flows

(In thousands of Canadian dollars)

(Unaudited)

For the nine months ended May 31,

| | 2020 | 2019 |
|---|---------|----------|
| Cash flows from operating activities | | |
| Net loss for the period | \$ (52) | \$ (108) |
| Accrued interest | 12 | 3 |
| Change in non-cash operating assets and liabilities | | |
| Accounts receivable and other receivables | (3) | (1) |
| Jolian Parties receivable | 130 | (40) |
| Prepaid expenses and deposits | 1 | (10) |
| Accounts payable and accrued liabilities | (101) | 75 |
| Cash provided by (used in) operating activities | (13) | (81) |
| Financing activities | | |
| Short-term loan | 26 | 70 |
| Cash provided by financing activities | 26 | 70 |
| Increase (decrease) in cash | 13 | (11) |
| Cash, beginning of period | 2 | 15 |
| Cash, end of period | \$ 15 | \$ 4 |

The accompanying notes are an integral part of the 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 nine months ended May 31, 2020 and 2019

(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 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 \$59,059 and a working capital deficiency of \$530. 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.

Novel Coronavirus ("COVID-19")

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the 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 ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that 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 nine months ended May 31, 2020 and 2019

(Unaudited)

2. Summary of significant accounting policies

These consolidated financial statements were approved for issue by the Board of Directors on July 22, 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. The consolidated financial statements are presented in Canadian dollars.

(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. Change in accounting policy

On January 1, 2020, the Company adopted the amendments to IAS 1 – Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8"). These standards were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments did not have any material impact on the Company's 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 nine months ended May 31, 2020 and 2019

(Unaudited)

4. Jolian Parties settlement

The Company sought to recover costs, disgorgement orders and post-judgment interest from a former Chief Executive Officer (“CEO”) and his consulting firm, together referred to as the “Jolian Parties”. On November 24, 2017, the Jolian Parties made a proposal under the Bankruptcy and Insolvency Act and the Company filed a proof of claim in respect of amounts owing by the Jolian Parties to the Company.

On December 2, 2019, a settlement agreement between the bankruptcy trustee and the Jolian Parties was approved by the Ontario Superior Court of Justice and the Company was awarded \$141 as follows:

- (a) 21% of \$500 on the closing date, and
- (b) 21% of \$75 by way of 24 consecutive monthly payments of \$3.

On January 30, 2020, the Company received \$35 after disbursements and fees were paid.

The Company reversed accrued costs pertaining to the Jolian Parties totalling \$65 to professional fees.

5. Investment in ONEnergy Inc.

As at May 31, 2020 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.

6. Accrued liabilities

The Company’s accrued liabilities, as at May 31, 2020 and August 31, 2019, are summarized in the following table:

| | May 31, 2020 | August 31, 2019 |
|--------------------------------------|-----------------|--------------------|
| Professional expenses ⁽¹⁾ | \$ 44 | \$ 47 |
| Legal expense | - | 42 |
| Board fees | 85 | 63 |
| Other | 3 | 3 |
| | \$ 132 | \$ 155 |

⁽¹⁾ Includes mainly costs associated with the Company’s 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)

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(Unaudited)

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

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.

The matured loans remain unpaid by the Company and will continue to accrue interest at the rate of 12% per annum.

Interest accrued on these loans as at May 31, 2020 totalled \$14.

8. Share capital

(a) Authorized

Unlimited common shares

Unlimited Class A non-voting shares

(b) Issued and outstanding

As at May 31, 2020 and July 22, 2020, 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 May 31, 2020 and August 31, 2019, no stock options were issued or outstanding.

KURE TECHNOLOGIES, INC.

Notes to the condensed consolidated interim financial statements

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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 nine months ended May 31, 2020 totalled \$22 for director fees (2019 – a total of \$31, which included \$20 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:

| | May 31, 2020 | August 31, 2019 |
|--|-----------------|--------------------|
| CEO compensation (net of applicable taxes) | \$ 111 | \$ 111 |
| Board fees | 85 | 63 |
| Total | \$ 196 | \$ 174 |

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

(b) Short-term loans payable

the Company executed loans payable with a director during fiscal 2019 and 2020. As at May 31, 2020, \$110 remained outstanding (August 31, 2019 - \$76). Refer also to Note 7.

10. Income taxes

As at May 31, 2020 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.

KURE TECHNOLOGIES, INC.

Notes to the condensed consolidated interim financial statements

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(Unaudited)

12. 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 May 31, 2020, the Company is not subject to any externally imposed capital requirements. The Company defines its capital as shareholders' equity plus 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 nine months ended May 31, 2020 and 2019.

13. 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 May 31, 2020 and August 31, 2019, financial instruments consist of cash, accounts receivable and other receivables, accounts payable, accrued 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.

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 May 31, 2020 and 2019.

KURE TECHNOLOGIES, INC.

Notes to the condensed consolidated interim financial statements

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

For the three and nine months ended May 31, 2020 and 2019

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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.