

Unaudited condensed consolidated interim financial statements of

KURE TECHNOLOGIES, INC.

Three and nine months ended May 31, 2021 and 2020

(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	May 31, 2021	August 31, 2020
Assets			
Current assets			
Cash		\$ 13	\$ 14
Accounts receivable and other receivables		-	4
Prepaid expenses and deposits		8	8
Current portion of settlements receivable	3	5	7
		26	33
Settlements receivable	3	-	2
Total assets		\$ 26	\$ 35
Liabilities and shareholders' equity (deficiency)			
Current liabilities			
Accounts payable		\$ 389	\$ 348
Accrued liabilities	4	316	183
Short-term loans	5	180	114
		885	645
Shareholders' equity (deficiency)			
Share capital	6	58,533	58,533
Deficit		(59,392)	(59,143)
		(859)	(610)
Total liabilities and shareholders' equity (deficiency)		\$ 26	\$ 35
Nature of operation and going concern	1		
Subsequent events	12		

Approved by the Board of Directors:

(Signed) – Alex Dolgonos

Director and Interim Chief Executive Officer

(Signed) – Igor Keselman

Director and Interim 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 loss and comprehensive loss

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

(Unaudited)

For the

	Note	Three months ended May 31,		Nine months ended May 31,	
		2021	2020	2021	2020
Expense					
Compensation	7	\$ 41	\$ 16	\$ 194	\$ 48
General and administrative	8	20	16	51	61
		61	32	245	109
Loss for the period before the undernoted		(61)	(32)	(245)	(109)
Interest and finance charges	5	(4)	(3)	(8)	(8)
Adjustment to settlements receivable	3	4	-	4	65
Comprehensive income (loss) for the period		(61)	(35)	(249)	(52)
Income (loss) per share					
Basic and diluted		\$ (0.004)	\$ (0.002)	\$ (0.016)	\$ (0.003)
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 interim statements of changes in shareholders' equity (deficiency)

(In thousands of Canadian dollars)

(Unaudited)

	Share Capital			
	Shares	Amount	Deficit	Total
Balance, September 1, 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)
Balance, August 31, 2020	15,097,800	58,533	(59,143)	(610)
Net loss for the period	-	-	(249)	(249)
Balance, May 31, 2021	15,097,800	\$ 58,533	\$ (59,392)	\$ (859)

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 nine months ended May 31,

	2021	2020
Cash flows from operating activities		
Net loss for the period	\$ (249)	\$ (52)
Accrued interest	12	12
Change in non-cash operating assets and liabilities		
Accounts receivable and other receivables	4	(3)
Settlements receivable	4	130
Prepaid expenses and deposits	-	1
Accounts payable and accrued liabilities	180	(101)
Cash used in operating activities	(53)	(13)
Financing activities		
Short-term loan	52	26
Cash provided by financing activities	52	26
(Decrease) increase in cash	(1)	13
Cash, beginning of period	14	2
Cash, end of period	\$ 13	\$ 15

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 nine months ended May 31, 2021 and 2020

(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 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 \$59,392 and a working capital deficiency of \$859. 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 (note 12). 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 nine months ended May 31, 2021 and 2020

(Unaudited)

2. Summary of significant accounting policies

These unaudited condensed consolidated interim financial statements were approved for issue by the Board of Directors on July 27, 2021.

(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, 2020.

(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. Settlement agreement

On December 2, 2019, a settlement agreement between a former Chief Executive Officer (“CEO”) and a bankruptcy trustee in Ontario (“Trustee”), in which the Company was a claimant, was approved by the Ontario Superior Court of Justice. The Company was awarded an estimated \$144 as settlement of its claim against the former CEO. During fiscal 2020, \$41 was received after disbursement of \$94 in accrued legal expenses, and the balance of funds will be received over a 24-month period ending in December 2021. Funds are held by the Trustee and disbursed at their discretion.

Funds totaling \$8 were received from the Trustee during the three months ended May 31, 2021, and an increase of \$4 to settlements receivable was recorded.

During the quarter ended May 31, 2020, the Company reversed accrued legal costs totaling \$65 to professional fees.

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, 2021 and 2020

(Unaudited)

4. Accrued liabilities

The Company's accrued liabilities are summarized as follows:

	May 31, 2021	August 31, 2020
Compensation accruals ⁽¹⁾	\$ 166	\$ -
Professional expenses ⁽²⁾	52	47
Board fees ⁽³⁾	86	93
Other	12	43
	\$ 316	\$ 183

⁽¹⁾ Refer to Note 7.

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

⁽³⁾ Board fees accrued for the current CEO for the period from November 21, 2018 to November 30, 2020 inclusive were reversed during the quarter ended February 28, 2021.

5. Short-term loans

Between November 30, 2018 and December 18, 2019, interim unsecured loans were extended to the Company by a director totaling \$105 inclusive of earned interest and legal fees associated with the loan execution. The loans were consolidated and renewed on December 18, 2019 at an annual interest rate of 12%.

During the quarter ended February 28, 2021, the Company executed additional unsecured loans payable with a director totaling \$37 at an annual interest rate of 12%.

Details of the balance on the loans are as follows:

	May 31, 2021	August 31, 2020
Loan principal	\$ 148	\$ 96
Accrued interest on unsecured loans	27	16
Legal fees	5	2
	\$ 180	\$ 114

Interest recorded on the loans during the three and nine months ended May 31, 2021 totaled \$4 and \$8 respectively (May 31, 2020 - \$3 and \$8 respectively).

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, 2021 and 2020

(Unaudited)

6. Share capital

(a) Authorized

Unlimited common shares

Unlimited Class A non-voting shares

(b) Issued and outstanding

As at May 31, 2021 and July 27, 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 May 31, 2021 and 2020, no stock options were issued or outstanding, and no stock options were granted or expired.

7. 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:

	Three months ended		Nine months ended	
	May 31,		May 31,	
	2021	2020	2021	2020
Chief Executive Officer fees ⁽¹⁾	\$ 12	\$ -	\$ 126	\$ -
Chief Financial Officer fees ⁽²⁾	12	-	20	-
Director fees ⁽³⁾	3	7	(7)	22
	<u>\$ 27</u>	<u>\$ 7</u>	<u>\$ 139</u>	<u>\$ 22</u>

⁽¹⁾ CEO fees earned, net of applicable taxes and/or withholdings, are payable to the interim CEO who was appointed on November 21, 2018. Fees were adjusted during the quarter ended February 28, 2021 to include the period from November 21, 2018 to February 28, 2021.

⁽²⁾ Chief Financial Officer ("CFO") fees earned, net of applicable taxes and/or withholdings, are payable to the interim CFO who was appointed on December 30, 2020.

⁽³⁾ Director fees payable to the interim CEO for the period from November 21, 2018 to November 30, 2020 totaling \$20 were reversed during the quarter ended February 28, 2021.

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, 2020 and 2021. As at May 31, 2021, \$180 remained outstanding (August 31, 2020 - \$114) (note 5).

KURE TECHNOLOGIES, INC.

Notes to the condensed consolidated interim financial statements

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

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8. General and administrative

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

	Three months ended		Nine months ended	
	May 31,		May 31,	
	2021	2020	2021	2020
Professional expenses	\$ 19	\$ 15	\$ 48	\$ 58
Office and general	1	1	3	3
Total general and administrative	\$ 20	\$ 16	\$ 51	\$ 61

9. Income taxes

As at May 31, 2021 and August 31, 2020, 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.

10. 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, 2021, the Company was 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 periods ended May 31, 2021 and August 31, 2020.

11. 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.

KURE TECHNOLOGIES, INC.

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11. Financial instruments and risk management (continued)

Fair values

As at May 31, 2021 and August 31, 2020, financial instruments consist of cash, accounts receivable and other receivables, settlements receivable, 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, 2021 and 2020.

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 10, in normal circumstances.

12. Subsequent events

Proposed non-brokered private placement

On July 21, 2021, the Company announced a proposed offering of unsecured convertible debentures (the "Offering") to be issued in \$1 increments in order to raise aggregate gross proceeds of up to \$150. Kure intends to use the net proceeds of the Offering to cover the costs of its upcoming Annual General Meeting and for general working capital purposes.