Consolidated Financial Statements of

KURE TECHNOLOGIES, INC.

For the years ended August 31, 2019 and 2018

(In thousands of Canadian dollars)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Kure Technologies, Inc. (the "Company") and its subsidiaries and all the information in Management's Discussion and Analysis are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards. The consolidated financial statements include certain amounts that are based on the best estimates and judgments of management and in their opinion present fairly, in all material respects, the Company's financial position, results of operations and cash flows. Management has prepared the financial information presented elsewhere in Management's Discussion and Analysis and has ensured that it is consistent with the consolidated financial statements.

Management of the Company is responsible for the internal controls that provide reasonable assurance that transactions are properly authorized and recorded, financial records are reliable and form a proper basis for the preparation of consolidated financial statements and that the Company's assets are properly accounted for and safeguarded.

The Board of Directors is responsible for overseeing management's responsibility for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility through its Audit and Corporate Governance Committee (the "Audit Committee").

The Audit Committee meets periodically with management, as well as with external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues; to satisfy itself that each party is properly discharging its responsibilities; and to review Management's Discussion and Analysis, the consolidated financial statements and the external auditors' report. The Audit Committee reports its findings to the Board of Directors for consideration when approving the consolidated financial statements for issuance to the shareholders. The Audit Committee also considers, for review by the Board of Directors and approval by the shareholders, the engagement or re-appointment of the external auditors.

The consolidated financial statements have been audited by Dale Matheson Carr-Hilton Labonte LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. Dale Matheson Carr-Hilton Labonte LLP has full and free access to the Audit Committee.

(Signed) – *Alex Dolgonos*
Director and Interim Chief Executive Officer

(Signed) – *Henry J. Kloepper*
Director and Interim Chief Financial Officer

January 3, 2020

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Kure Technologies, Inc.

Opinion

We have audited the consolidated financial statements of Kure Technologies, Inc. (the "Company"), which comprise the consolidated statements of financial position as at August 31, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively, the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that as of August 31, 2019, the Company has accumulated deficit of $59,007,000 and a working capital deficiency of $483,000. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is David Goertz.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC
January 3, 2020

MOORE

An independent firm
associated with Moore
Global Network Limited

KURE TECHNOLOGIES, INC.

Consolidated Statements of Financial Position
(In thousands of Canadian dollars)

As at August 31,

	2019	2018
Assets		
Current assets		
Cash	**$ 2**	$ 15
Accounts receivable and other receivables	**7**	5
Prepaid expenses and deposits	**10**	4
Current portion of Jolian Parties receivable (note 4)	**135**	-
	154	24
Jolian Parties receivable (note 4)	**9**	519
Investment in ONEnergy Inc. (note 5)	**-**	215
Total assets	**$ 163**	$ 758
Liabilities and Shareholders' Equity (Deficiency)		
Current liabilities		
Accounts payable	**$ 406**	$ 200
Accrued liabilities (note 6)	**155**	368
Short-term loans (note 7)	**76**	-
	637	568
Shareholders' equity (deficiency)		
Share capital (note 8)	**58,533**	58,533
Deficit	**(59,007)**	(58,343)
	(474)	190
Total liabilities and shareholders' equity (deficiency)	**$ 163**	$ 758

Nature of operation and going concern (Note 1)
Subsequent events (notes 7 and 14)

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 consolidated financial statements.

KURE TECHNOLOGIES, INC.

Consolidated Statements of Loss and Comprehensive Loss

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

For the years ended August 31,

	2019	2018
Expenses		
Compensation	**$ 75**	$ 116
General and administrative	**135**	135
	210	251
Loss for the year before the undernoted	**(210)**	(251)
Interest income	**48**	30
Interest expense	**(6)**	(7)
Loss on sale of ONEnergy Inc. shares (note 5)	**-**	(273)
Impairment of receivable from Jolian Parties (note 4)	**(281)**	(168)
Impairment of investment in ONEnergy Inc. (note 5)	**-**	(189)
Fair value adjustment in ONEnergy Inc. (note 5)	**(215)**	-
Net loss for the year	**(664)**	(858)
Fair value adjustment in ONEnergy Inc. (note 5)	**-**	(189)
Unrealized loss recognized in net loss (Note 5)	**-**	189
Comprehensive loss for the year	**$ (664)**	$ (858)
Loss per share		
Basic and diluted	**$ (0.04)**	$ (0.06)
Weighted average number of shares outstanding		
Basic and diluted	**15,097,800**	15,097,800

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

KURE TECHNOLOGIES, INC.

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
(In thousands of Canadian dollars)

	Share Capital			
	Shares	**Amount**	**Deficit**	**Total**
Balance, September 1, 2017	15,097,800	$ 58,533	$ (57,485)	$ 1,048
Net loss for the year	-	-	(858)	(858)
Balance, August 31, 2018	**15,097,800**	**58,533**	**(58,343)**	**190**
Net loss for the year	-	-	(664)	(664)
Balance, August 31, 2019	**15,097,800**	**$ 58,533**	**$ (59,007)**	**$ (474)**

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

KURE TECHNOLOGIES, INC.

Consolidated Statements of Cash Flows
(In thousands of Canadian dollars)

For the years ended August 31,

	2019	2018
Cash flows from operating activities		
Net loss for the year	**$ (664)**	$ (858)
Loss on sale of ONEnergy Inc. shares	**-**	273
Impairment of receivable from Jolian Parties	**281**	168
Fair value adjustment in ONEnergy Inc.	**215**	-
Impairment of investment in ONEnergy	**-**	189
Accrued interest	**6**	6
Change in non-cash operating assets and liabilities		
Accounts receivable and other receivables	**(50)**	(74)
Prepaid expenses and deposits	**(6)**	9
Accounts payable and accrued liabilities	**135**	99
Cash used in operating activities	**(83)**	(188)
Financing activities		
Short-term loan (repayment)	**70**	(100)
Interest paid on short-term loans	**-**	(7)
Cash provided by (used in) financing activities	**70**	(107)
Investing activities		
Cash received on sale of ONEnergy Inc. shares	**-**	233
Cash provided by investing activities	**-**	233
Decrease in cash	**(13)**	(62)
Cash, beginning of year	**15**	77
Cash, end of year	**$ 2**	$ 15

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

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 consolidated 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 $59,007 and a working capital deficiency of $483. 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.

2. Summary of significant accounting policies

These consolidated financial statements were approved for issue by the Board of Directors on January 3, 2020.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

(b) Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis, except for the investment in ONEnergy Inc. ("ONEnergy"). The consolidated financial statements are presented in Canadian dollars.

2. Summary of significant accounting policies (continued)

(c) Basis of consolidation

The consolidated 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.

(d) Newly adopted accounting standards

The Company adopted all of the requirements of IFRS 9 Financial Instruments on September 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 utilizes a revised model for recognition and measurement of financial instruments in a single, forward-looking "expected loss" impairment model.

The following is the Company's new accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at September 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original Classification IAS 39	New Classification IFRS 9
Cash and cash equivalents	FVTPL	FVTPL
Accounts receivable	Amortized cost	Amortized cost
Julian Parties receivable	Amortized cost	Amortized cost
Investment in ONEnergy Inc.	Available for sale	FVTPL
Accounts payable	Amortized cost	Amortized cost
Short term loan	Amortized cost	Amortized cost

2. Summary of significant accounting policies (continued)

(d) Newly adopted accounting standards (continued)

The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive income on September 1, 2018.

(ii) Measurement

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise.

Debt investments at FVTOCI
These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss

Equity investments at FVTOCI
These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

2. Summary of significant accounting policies (continued)

(d) Newly adopted accounting standards (continued)

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

(e) Income taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income (loss) or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute deferred tax assets and liabilities are measured at future anticipated tax rates which have been enacted or substantively enacted at the reporting date. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

With certain exceptions, deferred tax assets and liabilities are provided on all qualifying temporary differences at the end of the reporting period between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are only recognized to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future and future taxable profit will be available against which the temporary difference can be utilized.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

2. Summary of significant accounting policies (continued)

(f) Provisions and contingencies

Provisions are recognized when a legal or constructive obligation exists, as a result of past events, and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation. Where the effect is material, the provision is discounted using an appropriate current market-based pre-tax discount rate. The increase in the provision due to passage of time is recognized as interest expense.

When a contingency substantiated by confirming events can be reliably measured and is likely to result in an economic outflow, a liability is recognized as the best estimate required to settle the obligation. A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events, or where the amount of a present obligation cannot be measured reliably or will likely not result in an economic outflow. Contingent assets are only disclosed when the inflow of economic benefits is probable. When the economic benefit becomes virtually certain, the asset is no longer contingent and is recognized in the consolidated financial statements.

(g) Basic and diluted loss per share

Basic loss per share is computed by dividing the net loss applicable by the weighted average number of shares outstanding during the reporting period. Diluted earnings per share is calculated in a similar manner, except that the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of common share purchase options and warrants, if dilutive. The number of additional shares included in the calculation is based on the treasury stock method for options and warrants.

(h) Share-based payments

Equity-settled share-based payments for directors, officers and employees are measured at fair value at the date of grant and recorded as compensation expense in the consolidated financial statements. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period based on the Company's estimate of shares that will eventually vest. The number of forfeitures likely to occur is estimated on grant date. Any consideration paid by directors, officers and employees on exercise of equity-settled share-based payments is credited to share capital. Shares are issued from treasury upon the exercise of equity-settled share-based instruments.

Compensation expense on stock options granted to non-employees is measured at the fair value of the goods and services on the date when the goods or services are received and is recorded as an expense in the same period as if the Company had paid cash for the goods or services received. When the fair value of the goods or services received from non-employees in exchange for the share-based payment cannot be reliably estimated, the fair value of the shares issued is measured by use of a Black-Scholes option pricing model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. No share-based payments were made during fiscal 2019 and 2018.

2. Summary of significant accounting policies (continued)

(i) Significant accounting judgments and estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences.

Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Significant management estimation is required in determining accrued liabilities and accrued restructuring liabilities due to related parties.

Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable income together with future tax planning strategies. Factors considered in the assessment of the likelihood and value of the realizable deferred tax assets include the Company's forecast of the amount and timing of future net income before taxes, available tax planning strategies that could be implemented to realize the deferred tax assets and the remaining period of loss carry forwards. Significant judgment and estimates are also required in assessing the carrying value of accounts receivable and other receivables. Factors considered in assessment of carrying value included the ability of the counterparty to pay and the actions available to the Company to enforce collection. Estimation uncertainty relating to the receivable from the Jolian Parties is disclosed in note 4.

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:

<u>New standard IFRS 16 "Leases"</u>

This new standard replaces IAS 17 "Leases" and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 15. Overall, the Company does not expect the implementation of IFRS 16 to have a material impact on its consolidated financial statements.

4. Jolian Parties receivable

The Company has been 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.

On November 24, 2017, the Company received notice that the Jolian Parties had made a proposal (the "Jolian Proposal") under the Bankruptcy and Insolvency Act. In connection with the Jolian Proposal, the Company filed a Proof of Claim in respect of the amounts owing.

In September 2019, the court approved a settlement agreement, whereby the Company would receive $144 as follows:

i. 25% of $500 on the closing date ($125 is currently held in the bankruptcy trustee's trust account); and
ii. 25% of $75 by way of 24 consecutive monthly payments of $3.

As a result, the fair value of the received was $144, with the remaining balance impaired.

In addition, the Company recorded a reversal of an accrual on cost recoveries (Note 6) to the impairment, resulting in a net impairment charge of $281.

5. 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%.

During fiscal 2018, the Company sold a total of 1,353,000 shares for gross proceeds of $233 resulting in a loss of $273 and the Company ceased to be classified as an insider.

As at August 31, 2019 and 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 ONEnergy common shares was again 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 the 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 has determined that the fair value of this investment is nominal and reduced the carrying value to $nil.

As at August 31, 2018, the Company had determined the decline in the value of the common shares of ONEnergy to be significant and not temporary and, accordingly, recorded an impairment of $189 for the year ended August 31, 2018.

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

6. Accrued liabilities

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

		August 31, 2019		August 31, 2018
HST on cost recoveries (note 4)	**$**	**-**	$	151
Professional expenses [(1)]		**47**		47
Legal expense		**42**		18
Compensation accruals [(2)]		**-**		113
Board fees		**63**		35
Other		**3**		4
	$	**155**	$	368

(1) Includes mainly costs associated with the Company's audit, tax reporting and Annual General Meeting requirements.
(2) During fiscal 2019, compensation accruals were reallocated to Accounts Payable.

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. The initial $50 loan which matured on June 3, 2019 remains unpaid by the Company and will continue to accrue interest at the rate of 12% per annum. Interest owing on both loans as at August 31, 2019 totalled $6.

Subsequent to year ended August 31, 2019, the Company renewed the above loans to a maturity date of May 15, 2020.

8. Share capital

(a) Authorized

Unlimited common shares – No par value. Entitled to one vote for each share.

Unlimited Class A non-voting shares – Class A shares can be converted into common shares on a one-for-one basis in accordance with the Articles of the Company. The Class A shares are identical to the common shares in all material respects with the exception of the right to vote at meetings of the Company's shareholders.

(b) Issued and outstanding

As at August 31, 2019, 15,097,800 common shares in the Company were issued and outstanding.

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

8. Share capital (continued)

(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 August 31, 2019 and 2018, no stock options were issued or outstanding.

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 year ended August 31, 2019 totalled $39, which included $28 for director fees and $11 to the former CEO of the Company (2018 - $70, $20 and $50 respectively).

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

	August 31, 2019	August 31, 2018
CEO compensation (net of applicable taxes)[1]	**$111**	$ 100
Board fees	**63**	35
Total	**$ 174**	$ 135

[1] 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

During the year ended August 31, 2019, the Company executed two loans payables with a director. As at August 31, 2019, $76,000 (August 31, 2018 - $nil) remains outstanding (Note 7).

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

10. Income taxes

The effective income tax rate differs from the statutory rate that would be obtained by applying the combined Canadian basic federal and provincial income tax rate to loss before income taxes. These differences result from the following items:

	2019	2018
Loss before income taxes	**$ (664)**	$ (858)
Combined basic federal and provincial tax rates	**27%**	26.5%
Computed expected tax recovery	**(179)**	(227)
Increase resulting from:		
Current year loss and other differences not recognized	**(67)**	(263)
Change in unrecognized deferred assets	**246**	490
	$ -	$ -

The significant components of the Company's deductible temporary differences that have not been included on the consolidated statement of financial position are as follows:

	2019	2018
Non-capital loss carry forwards	**$ 5,686**	$ 5,500
SRED pool carry forwards	**3,117**	3,100
Capital loss carry forwards	**3,447**	3,400
Share issuance costs	**11**	20
Non-tax deductible reserves	**65**	60
	12,326	12,080
Unrecognized deferred tax assets	**(12,326)**	(12,080)
	$ -	$ -

As at August 31, 2019, the Company has approximately $21,059 in non-capital losses, which expire between 2027 and 2039.

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.

12. Management of capital

As at August 31, 2019, the Company is not subject to any externally imposed capital requirements. The Company defines its capital as shareholders' equity plus short term loans.

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 year ended August 31, 2019.

13. 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 4).

Interest rate risk
The Company had no significant exposure to interest rate risk through its financial instruments as at August 31, 2019 and 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 12, in normal circumstances.

The Company's financial liabilities are comprised of its accounts payable and accrued liabilities, and short-term loans.

14. Subsequent event

Short-term loans
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.