

Management's Discussion and Analysis of Financial Condition  
and Results of Operations of

**KURE TECHNOLOGIES, INC.**

Three months ended November 30, 2019 and 2018

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# KURE TECHNOLOGIES, INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS of the Financial Condition and Results of Operations

(In thousands, except shares and per share amounts)

For the three months ended November 30, 2019 and 2018

January 28, 2020

### 1. INTRODUCTION

This management's discussion and analysis ("MD&A") of financial condition and result of operations of Kure Technologies, Inc. ("Kure" or "the Company") is supplementary to, and should be read in conjunction with, the Company's unaudited condensed consolidated interim financial statements for the three months ended November 30, 2019 and 2018.

The Company's consolidated financial statements and the notes thereto have been prepared on the basis of accounting principles applicable to a going concern. This assumes that the Company will operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities, other than in the normal course of business and at amounts different from those in the financial statements.

Unless specifically stated, the references to "Kure" or "the Company" include the legal entity Kure Technologies, Inc. and its wholly-owned subsidiary, UBS Wireless Services Inc. ("UBS Wireless").

### 2. 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 International Financial Reporting Standards ("IFRS"), and determined that the following may have an impact on the Company:

#### New standard IFRS 16 "Leases"

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.

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### 3. CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This MD&A includes forward-looking statements and information concerning expected future events, the future performance of the Company, its operations, and its financial performance and condition. These forward-looking statements and information include, among others, statements with respect to the Company's objectives and strategies to achieve those objectives, as well as statements with respect to its beliefs, plans, expectations, anticipations, estimates, and intentions. When used in this MD&A, the words "believe", "anticipate", "may", "should", "intend", "estimate", "expect", "project", and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such words.

These forward-looking statements and information are based on current expectations. The Company cautions that all forward-looking statements and information are inherently uncertain and actual future results, conditions, actions or events may differ materially from the targets, assumptions, estimates, or expectations reflected or contained in the forward-looking statements and information, and that actual future results, conditions, actions, events, or performance will be affected by a number of factors including economic conditions and competitive factors, many of which are beyond the Company's control.

New risks and uncertainties arise from time to time, and it is impossible for the Company to predict these events or the effect that they may have on the Company. Certain statements in this MD&A, other than statements of historical fact, may include forward-looking information that involves various risks and uncertainties. This may include, without limitation, statements based on current expectations involving a number of risks and uncertainties. These risks and uncertainties include, but are not restricted to: (i) tax-related matters, (ii) financial risk related to short-term investments (including credit risks and reductions in interest rates), (iii) human resources developments, (iv) business integrations and internal reorganizations, (v) process risks, (vi) health and safety, (vii) the outcome of litigation and legal matters, (viii) any prospective acquisitions or divestitures, (ix) other risk factors related to the Company's historic business, and (x) risk factors related to the Company's future operations.

More specifically, Kure faces risks and uncertainties in connection with the outcome of litigation described under the section entitled "Overview – Significant current events – Jolian Parties update". In particular, there can be no assurance that Kure will be able to recover any of the amounts awarded it in the litigation.

For a more detailed discussion of factors that may affect actual results or cause actual results to differ materially from any conclusion, forecast or projection in these forward-looking statements and information, see the section entitled "Overview – Significant current events" below.

Therefore, future events and results may vary significantly from what the Company currently foresees. Readers are cautioned that the forward-looking statements and information made by the Company in this MD&A are stated as of the date of this MD&A, are subject to change after that date, are provided for the purposes of this MD&A and may not be appropriate for other purposes. We are under no obligation to update or alter the forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by National Instrument 51-102, and we expressly disclaim any other such obligation.

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## 4. OVERVIEW

### Significant current events

#### 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 matured loans totalling \$70 remain unpaid by the Company and will continue to accrue interest at the rate of 12% per annum. Interest owing on both loans as at November 30, 2019 totalled \$8.

On November 15, 2019, the Company renewed the above 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.

#### Jolian Parties update

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:

- (a) 25% of \$500 on the closing date (\$125 is currently held in the bankruptcy trustee’s trust account); and
- (b) 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 to the impairment, resulting in a net impairment charge of \$281.

### **The Company**

Kure Technologies, Inc. is a publicly listed Canadian company, trading on the NEX, which is a separate board of the TSX Venture Exchange, under the symbol KUR.H. Kure’s head office is located in Toronto, Ontario.

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### Going concern

The going concern basis of presentation assumes that Kure will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is some doubt about Kure's use of the going concern assumption as a result of the Jolian Parties bankruptcy proposal and the Company's current investment in ONEnergy Inc. ("ONEnergy").

Notwithstanding the above, the Company's unaudited condensed consolidated interim financial statements for the three months ended November 30, 2019 and 2018 have been prepared on a going concern basis and do not include any adjustments to the carrying values and classification of assets and liabilities and reported revenue and expenses that would be necessary if the going concern basis was not appropriate. Such adjustments could be material.

### **Strategy**

The Company's operating strategy is to preserve its cash, monitor its investment in ONEnergy, and explore opportunities to maximize shareholder value.

The Company is reviewing a variety of business plans and, while subject to change, is currently focusing its strategic efforts in the connected intelligent device sector which it believes has the most attractive opportunities.

### **Investment in ONEnergy**

As at November 30, 2019 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.

## **5. BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The unaudited condensed consolidated interim financial statements for the three months ended November 30, 2019 and 2018 include the accounts of Kure's wholly owned subsidiary, UBS Wireless. All significant intercompany balances and transactions have been eliminated upon consolidation.

## **6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Management's discussion and analysis of operating results and financial condition are made with reference to the Company's unaudited condensed consolidated interim financial statements and notes thereto for the three months ended November 30, 2019 and 2018, which have been prepared in accordance with IFRS. The Company's significant accounting policies are summarized in detail in note 2 of the Company's consolidated annual financial statements for the year ended August 31, 2019.

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## 7. RESULTS OF OPERATIONS

Highlights of the results for the three months ended November 30, 2019 include the following:

- Kure recorded a loss from operations of \$32 (November 30, 2018 - \$37).
- As at November 30, 2019, Kure held cash of \$3 (November 30, 2018 - \$2).

### Operating expense

	Three months ended November 30,	
	2019	2018
Compensation	\$ 16	\$ 28
General and administrative	14	18
Total operating expense	\$ 30	\$ 46

### Compensation

Compensation expense includes mainly wages, salaries and benefits.

During the three months ended November 30, 2019, the Company expensed \$16 in compensation (November 30, 2018 - \$28) (refer to the section "Related party transactions – Compensation of key management personnel").

### General and administrative expense

General and administrative expense includes professional fees, board of director fees, general occupancy, and other administrative overheads for the Company. A summary of the general and administrative key components is set out below:

	Three months ended November 30,	
	2019	2018
Professional expenses	\$ 13	\$ 17
Office and general	1	1
Total general and administrative expenses	\$ 14	\$ 18

### Professional fees

Professional fees include mainly corporate legal, audit, accounting, filing fees, general shareholder meeting costs and insurance.

During the three months ended November 30, 2019, the Company recorded \$13 (November 30, 2018 - \$17).

## Interest and financing charges

No interest income was earned during the three months ended November 30, 2019. Interest income for the three months ended November 30, 2018 totalling \$9 was earned mainly on the Jolian Parties receivable (refer to the section entitled “Overview – Significant current events – Jolian Parties update”).

Interest expense for the three months ended November 30, 2019, totalling \$2 (November 30, 2018 - \$NIL) arose from unsecured short-term loans outstanding, as discussed in the section entitled “Related party transactions – Short-term loans payable”.

## Income taxes

As at November 30, 2019 and August 31, 2019, the Company had \$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, share issuance costs of \$11 and non-tax deductible reserves of \$65.

Tax attributes are subject to review, and potential adjustment, by tax authorities.

## Loss and comprehensive loss

For the three months ended November 30, 2019, the loss before comprehensive loss, and the loss and comprehensive loss amounted to \$32 or a weighted average loss per share of \$0.00, basic and diluted (November 30, 2018 - \$37 and \$0.00 respectively).

## 8. QUARTERLY FINANCIAL RESULTS

The table below sets out financial information for the past eight quarters:

	Fiscal 2020	Fiscal 2019				Fiscal 2018		
	Nov 30	Aug 31	May 31	Feb 28	Nov 30	Aug 31	May 31	Feb 28
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating expense before interest	30	75	37	52	46	63	52	79
Interest expense (income), net	2	(15)	(7)	(11)	(9)	(30)	1	3
Loss (Income) on sale of ONEnergy shares	-	-	-	-	-	(1)	61	213
Impairment of accounts receivable	-	281	-	-	-	168	-	-
Impairment of investment in ONEnergy	-	-	-	-	-	189	-	-
Fair value adjustment in ONEnergy <sup>(1)</sup>	-	215	-	-	-	-	-	-
Loss before comprehensive loss	(32)	(556)	(30)	(41)	(37)	(389)	(114)	(295)
Fair value adjustment in ONEnergy <sup>(1)</sup>	-	-	-	-	-	-	42	(231)
Unrealized loss recognized in net loss	-	-	-	-	-	189	-	-
Loss and comprehensive loss for the period	\$ (32)	\$ (556)	\$ (36)	\$ (186)	\$ (37)	\$ (189)	\$ (72)	\$ (526)
Loss per share from operations – basic and diluted	\$(0.00)	\$(0.04)	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.02)	\$(0.01)	\$(0.02)
Comprehensive income (loss) per share – basic and diluted	\$(0.00)	\$(0.04)	\$(0.00)	\$(0.01)	\$ 0.00	\$ 0.01	\$ 0.00	\$(0.01)
<b>Income (loss) per share</b>								
Basic and diluted	\$(0.00)	\$(0.04)	\$(0.00)	\$(0.01)	\$ (0.00)	\$ (0.01)	\$(0.01)	\$(0.03)

<sup>(1)</sup> The Company accounts for its investment in ONEnergy using the fair value method.

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## 9. LIQUIDITY AND CAPITAL RESOURCES

Kure held cash of \$3 as at November 30, 2019 (August 31, 2019 - \$2).

Cash provided by operating activities for the three months ended November 30, 2019 was \$1, compared to cash used of \$ for the comparative quarter ended November 30, 2018.

There were no financing activities recorded during the three months ended November 30, 2019. Cash provided by financing activities totalling \$50 for the three months ended November 30, 2018 resulted from receipt of an unsecured loan from a related party to the Company (refer to the section entitled "Related party transactions – Short-term loan payable").

There were no investing activities during the three months ended November 30, 2019 and 2018.

Kure has incurred operating losses and negative cash flows from operations in recent years. Kure will need to raise cash and/or reduce its outstanding commitments in order to meet the needs of its existing operations and commitments, giving rise to doubt about Kure's use of the going concern.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its current liabilities when due.

## 10. SHARE CAPITAL

As at November 30, 2019 and January 28, 2020, approximately 15,097,800 common shares in Kure were issued and outstanding.

## 11. STOCK BASED COMPENSATION

As at November 30, 2019 and August 31, 2019, no stock options were issued or outstanding, and no stock options were granted or expired.

## 12. 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 three months ended November 30, 2019 totalled \$7 for director fees (November 30, 2018 – a total of \$16 which included \$5 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:

	November 30, 2019	August 31, 2019
CEO compensation (net of applicable taxes)	\$ 111	\$ 111
Board fees	70	63
Total	\$ 181	\$ 174

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

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**(b) Short-term loans payable**

During the year ended August 31, 2019, the Company executed two loans payable with a director. As at November 30, 2019, \$78,000 remained outstanding (August 31, 2019 - \$76).

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

**13. 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.

**14. OPERATING RISKS AND UNCERTAINTIES****Management of capital**

The Company's overall strategy with respect to management of capital is to provide the financial capacity and flexibility in order to preserve its ability to meet its strategic objectives and financial obligations and continue as a going concern. This is effected by offsetting less liquid strategic investment holdings with low-risk highly-liquid cash accounts and, from time to time, short-term deposits.

As at November 30, 2019, the Company is not subject to any externally imposed capital requirements. The Company defines its capital as shareholders' equity plus short term loans.

The Company invests its liquid capital in short-term investments to obtain adequate cash returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity, and returns on unused capital and allowing flexibility in holding longer term strategic investments. There were no changes to the Company's strategy management of capital during the three months ended November 30, 2019.

**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 (refer to the section entitled "Overview – Significant current events – Jolian Parties update").

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### Interest rate risk

The Company had no significant exposure to interest rate risk through its financial instruments as at November 30, 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 the section entitled “Operating risks and uncertainties – Management of capital”, 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.

## **16. PROPOSED TRANSACTIONS & OFF BALANCE SHEET ARRANGEMENTS**

There are no proposed transactions or off balance sheet arrangements.

## **17. ADDITIONAL INFORMATION**

Additional information regarding the Company’s financial statements and corporate documents is available on SEDAR at [www.sedar.com](http://www.sedar.com).

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# **KURE TECHNOLOGIES, INC.**

Shareholder Information

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## **Board of Directors and Officers**

Henry J. Kloepper (Chairman of the Board and Interim Chief Financial Officer)

Alex Dolgonos (Interim Chief Executive Officer)

Nicholas T. Macos

## **Auditors**

Dale Matheson Carr-Hilton Labonte LLP  
Vancouver, British Columbia

## **Shareholder inquiries**

Kure Investor Relations  
PO Box 223, Station Main  
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## **Transfer agent**

TSX Trust Company  
200 University Avenue, Suite 300  
Toronto, Ontario  
M5H 4H1  
Tel: (416) 361-0930  
Fax: (416) 361-0470  
email: [TMXEInvestorservices@tmx.com](mailto:TMXEInvestorservices@tmx.com)

## **Common shares**

The common shares of the Company are listed on the NEX under the symbol KUR.H.