

Management's discussion and analysis of the financial condition  
and results of operations of

## **KURE TECHNOLOGIES, INC.**

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

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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 and nine months ended May 31, 2020 and 2019

July 22, 2020

### **1. INTRODUCTION**

This management's discussion and analysis ("MD&A") of the 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 and nine months ended May 31, 2020 and 2019.

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. 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.

### **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.

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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.

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.

#### **4. OVERVIEW**

##### **Significant current events**

###### 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.

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### 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.

### 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 and the Company reversed accrued costs pertaining to the Jolian Parties of \$65 to professional fees.

### **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.

### 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 Company’s current investment in ONEnergy Inc. (“ONEnergy”).

Notwithstanding the above, the Company’s unaudited condensed consolidated interim financial statements for the three and nine months ended May 31, 2020 and 2019 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.

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## Strategy

The Company's operating strategy is to preserve its cash and explore restructuring 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 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.

## 5. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements for the three and nine months ended May 31, 2020 and 2019 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 and nine months ended May 31, 2020 and 2019, 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.

## 7. RESULTS OF OPERATIONS

Highlights of the results for the three months ended May 31, 2020 include the following:

- Kure recorded a loss from operations totaling \$35, (2019 – \$30);
- As at May 31, 2020, Kure held cash of \$15 (August 31, 2019 - \$2).

### Operating expense

	Three months ended May 31,		Nine months ended May 31,	
	2020	2019	2020	2019
Compensation	\$ 16	\$ 15	\$ 48	\$ 59
General and administrative	16	22	61	76
Total operating expense	\$ 32	\$ 37	\$ 109	\$ 135

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## Compensation

Compensation expense includes mainly wages, salaries and benefits.

During the three and nine months ended May 31, 2020, the Company expensed \$16 and \$48 respectively in compensation (2019 - \$15 and \$59 respectively) (refer also to the section "Related party transactions – Compensation of key management personnel").

## General and administrative expense

General and administrative expense includes mainly 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 May 31,		Nine months ended May 31,	
	2020	2019	2020	2019
Professional fees	\$ 15	\$ 21	\$ 58	\$ 73
Office and general	1	1	3	3
Total general and administrative expenses	\$ 16	\$ 22	\$ 61	\$ 76

## Professional fees

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

During the three and nine months ended May 31, 2020, the Company recorded \$15 and \$58 respectively (2019 - \$21 and \$73 respectively).

## Interest and financing charges

No interest income was earned during the three and nine months ended May 31, 2020. Interest income for the three and nine months ended May 31, 2019 totaling \$8 and \$30 respectively, was earned mainly on the Jolian Parties receivable (refer to the section entitled "Overview – Significant current events – Jolian Parties settlement").

Interest expense for the three and nine months ended May 31, 2020, totaling \$3 and \$8 respectively (2019 - \$1 and \$3 respectively) arose from unsecured short-term loans outstanding, as discussed in the section entitled "Related party transactions – Short-term loans payable".

## Income taxes

As at May 31, 2020 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 May 31, 2020, the loss and comprehensive loss amounted to \$35 or \$0.002 per share, basic and diluted (2019 – loss before comprehensive loss of \$30 or \$0.002 per share, basic and diluted; loss and comprehensive loss of \$36 or \$0.002 per share, basic and diluted).

For the nine months ended May 31, 2020, the loss and comprehensive loss totaled \$52 or \$0.003 per share, basic and diluted (2019 – loss before comprehensive loss of \$108 or \$0.007 per share, basic and diluted; loss and comprehensive loss of \$259 or \$0.017 per share, basic and diluted).

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## 8. QUARTERLY FINANCIAL RESULTS

	Fiscal 2020			Fiscal 2019			Fiscal 2018	
	May 31	Feb 29	Nov 30	Aug 31	May 31	Feb 28	Nov 30	Aug 31
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating expense before interest	32	47	30	75	37	52	46	63
Interest expense (income), net	3	3	2	(15)	(7)	(11)	(9)	(30)
Loss on sale of ONEnergy shares	-	-	-	-	-	-	-	(1)
Impairment of accounts receivable	-	(65)	-	281	-	-	-	168
Impairment of investment in ONEnergy	-	-	-	215	-	-	-	189
Income (Loss) before comprehensive income (loss)	(35)	15	(32)	(556)	(30)	(41)	(37)	(389)
Fair value adjustment in ONEnergy <sup>(1)</sup>	-	-	-	(64)	(6)	(145)	-	-
Unrealized loss recognized in net loss	-	-	-	215	-	-	-	189
Income (loss) and comprehensive income (loss) for the period	\$ (35)	\$ 15	\$ (32)	\$ (405)	\$ (36)	\$ (186)	\$ (37)	\$ (189)
Income (loss) per share from operations – basic and diluted	\$(0.002)	\$ 0.001	\$(0.002)	\$(0.037)	\$(0.002)	\$(0.003)	\$(0.002)	\$(0.026)
Comprehensive income (loss) per share – basic and diluted	\$ 0.000	\$ 0.000	\$ 0.000	\$ 0.010	\$ 0.000	\$(0.009)	\$ 0.000	\$ 0.026
<b>Income (loss) per share</b>								
Basic and diluted	\$ (0.002)	\$ 0.001	\$(0.002)	\$(0.027)	\$(0.002)	\$(0.012)	\$(0.002)	\$(0.013)

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

## 9. LIQUIDITY AND CAPITAL RESOURCES

Kure held cash of \$15 as at May 31, 2020 (August 31, 2019 - \$2).

Cash used in operating activities for the nine months ended May 31, 2020 was \$13, compared to \$81 for the nine months ended May 31, 2019.

Financing activities recorded during the nine months ended May 31, 2020 totalled \$26 (2019 - \$70) resulted from receipt of unsecured loans from a related party to the Company (refer to the section entitled “Related party transactions – Short-term loans payable”).

There were no investing activities during the nine months ended May 31, 2020 and 2019.

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 May 31, 2020 and July 22, 2020, approximately 15,097,800 common shares in Kure were issued and outstanding.

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## 11. STOCK BASED COMPENSATION

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

## 12. RELATED PARTY TRANSACTIONS

### 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.

### 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 the section entitled "Overview – Significant current events – Loans payable".

## 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 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.

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## 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 limited 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.

### 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 "Management of Capital", in normal circumstances.

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

## 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  
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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.