

YUNTONE CAPITAL CORP.
Management's Discussion and Analysis
Year Ended December 31, 2016

The following discussion and analysis of the results of operations and financial condition ("MD&A") for Yuntone Capital Corp. ("the Company") should be read in conjunction with the audited financial statements for the year ended December 31, 2016 and related notes thereto. The financial information in this MD&A is derived from the Company's audited financial statements for the years ended December 31, 2016 and December 31, 2015 prepared in accordance with IFRS (International Financial Reporting Standards). The effective date of this MD&A is May 31, 2017.

This MD&A may contain forward looking statements based on assumptions and judgments of management regarding events or results that may prove to be inaccurate as a result of exploration or other risk factors beyond its control. Actual results may differ materially from the expected results.

DESCRIPTION OF BUSINESS

Yuntone Capital Corp. (the "Company") was incorporated on March 6, 2008 pursuant to the *Business Corporations Act* of British Columbia and is classified as a Capital Pool Company as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4. The principal business of the Company is the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities.

On February 17, 2009, the Company received final receipt to its prospectus from the British Columbia and Alberta Securities Commissions offering 2,000,000 common shares at \$0.10 per share as an initial public offering ("IPO"). Pursuant to an Agency Agreement with Canaccord Capital Corporation (the "Agent"), the Agent received a commission of \$20,000 and was issued 200,000 compensation options (the "Agent's Options"), which were expired on May 20, 2011. The Company also paid the Agent \$10,000 as an administration fee and \$10,500 to reimburse its reasonable expenses and legal fees.

The initial public offering was completed on May 15, 2009. The common shares of the Company commence trading on TSX Venture Exchange at the opening of May 20, 2009.

Effective at the opening on August 23, 2011, the Company's listing was transfer to NEX Board of TSX Venture Exchange and trading was reinstated in the securities of the Company. The trading symbol for the Company changed from YTC.P to YTC.H. There is no change in the Company's CUSIP number and no consolidation of capital.

Company shares were halted from trading at the request of the company on October 9, 2015, as the Company entered into a Letter of Intent for a proposed Qualifying Transaction. The Qualifying Transaction did not occur. Company shares were suspended from trading on April 14, 2016, for failing to maintain the services of a transfer agent.

The Company entered into a Letter of Intent for a proposed Qualifying Transaction in September 2016. The Qualifying Transaction did not occur.

SELECTED ANNUAL FINANCIAL DATA

The following chart summarizes selected annual financial information.

		Fiscal Year Ended December 31, 2016	Fiscal Year Ended December 31, 2015	Fiscal Year Ended December 31, 2014
<i>Balance Sheet</i>				
Total Assets		\$7,857	\$2,445	\$3,299
Total Liabilities		\$67,827	\$59,311	\$42,530
<i>Operations</i>				
Net Loss		\$(13,867)	\$(17,635)	\$(22,451)
Basic and Diluted Loss per Share		\$(0.00)	\$(0.01)	\$(0.01)

RESULTS OF OPERATIONS

The Company is a CPC and has no business operations. The Company has no sales revenue. Until such time as the Company completes a Qualifying Transaction as required by the Exchange, corporate expenditures will be restricted to costs of raising equity financing, administrative costs to maintain the Company in good standing and costs to identify and evaluate potential business opportunities.

For the year ended December 31, 2016, the Company reported a loss of \$13,867 compared with a loss of \$17,635 the year ended December 31, 2015. The decrease in loss was mainly due to reduction in General and Administrative Expenses. The basic and diluted loss per share was \$0.00 for the year ended December 31, 2016 compared with \$0.01 for the year ended December 31, 2015.

FOURTH QUARTER

For the quarter ended December 31, 2016, the Company reported a loss of \$345 compared with a loss of \$7,847 for the quarter ended December 31, 2015. The basic and diluted loss per share was \$0.00 for the period ended December 31, 2016 compared with \$0.00 for the period ended December 31, 2015.

FINANCIAL CONDITION, LIQUITY AND CAPITAL RESOURCES

The Company's working capital position at December 31, 2016 was negative \$70,733 compared to negative \$56,866 at December 31, 2015.

The Company does not currently have an active business generating positive cash flows. The Company is reliant on equity financing to provide the necessary cash to acquire or participate in an active business. There can be no assurance that equity financings will be available to the Company in the future that will be obtained on terms satisfactory to the Company.

SELECTED QUARTERLY INFORMATION

The following selected financial data has presented the Company's results for the last eight quarters and should be read in conjunction with the Company's annual and interim financial statements. All dollar amounts are in Canadian dollars.

Quarter Ended	Administrative Expenses (recovery)	Share-Based Payments	Net Income (Loss)	Basic & Diluted Loss/Share
March 31, 2015	5,057	-	(5,057)	(0.00)

June 30, 2015	2,382	-	(2,382)	(0.00)
September 30, 2015	2,348	-	(2,348)	(0.00)
December 31, 2015	7,847	-	(7,847)	(0.00)
March 31, 2016	805	-	(805)	(0.00)
June 30, 2016	11,881	-	(11,881)	(0.00)
September 30, 2016	846	-	(846)	(0.00)
December 31, 2016	(335)		(335)	(0.00)

The loss reported for the quarter to quarter was mainly due to expenditures incurred for maintaining the Company's operations.

RELATED PARTY TRANSACTIONS

As at December 31, 2016, the Company has \$9,883 due to the Chief Executive Officer of the Company. The loan is unsecured, interest free and is due on demand.

OUTSTANDING SHARE DATA

As at December 31, 2016 and December 31, 2015, the Company had 3,411,200 outstanding shares. The Company has 1,400,000 escrow shares remaining as of December 31, 2016.

As at December 31, 2016 the Company had no stock options outstanding.

OFF-BALANCE SHEET ARRANGEMENTS

As at December 31, 2016 and December 31, 2015, the Company had no off-balance sheet arrangements.

RISKS AND UNCERTAINTIES

The Company does not currently have an operating business. Where an acquisition or participation is warranted, funding in addition to the IPO funding may be required. These additional funds may not be available on terms acceptable to the Company. There is no assurance that the Company will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the TSX-V, at which time the TSX-V may suspend or de-list the Company's shares from trading.

SIGNIFICANT ACCOUNTING POLICIES

(a) Financial Assets

All financial assets are initially recorded at fair value and classified upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss (“FVTPL”).

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized in comprehensive income or loss.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income or loss.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

The Company classified its cash as FVTPL.

(b) Financial Liabilities

All financial liabilities are initially recorded at fair value and classified upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized costs using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in comprehensive income or loss.

The Company classified its accounts payable, convertible loan payable, amounts due to related party and promissory note payable as other financial liabilities.

(c) Income taxes

Income tax expense comprises current and deferred income tax. Tax is recognized in the income statement except to the extent that it relates to items recognized directly into equity, in which case the related tax effect is recognized in equity.

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax expense is calculated using tax rates, laws and government policies that were enacted or substantively enacted at the statement of financial position date.

Deferred tax is accounted for using a temporary difference approach and is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable income. Deferred tax is calculated based on the expected manner in which temporary differences related to the carrying amounts of assets and liabilities and are expected to reverse using tax rates and laws enacted or substantively enacted at the statement of financial position date which are expected to apply in the period of

reversal.

(c) Income taxes (continued)

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination and which do not affect accounting or taxable profit or loss at the time of the transaction.

(d) Share-based compensation transactions

The Company records all share-based compensation at fair value. Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive income or loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the good or services received in the statement of comprehensive income or loss. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

Options or warrants granted related to the issuance of shares are recorded as a reduction of share capital. Warrants issued as consideration in connection with common share placements are recorded at their fair value on the date of issuance as share issuance costs. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options expected to vest. On the exercise of stock options, agents' options and warrants, share capital is recorded for the consideration received and for the fair value amounts previously recorded to share-based compensation reserve. The Company uses Black-Scholes option pricing model to estimate the fair value of share-based compensation.

(e) Loss per share

The Company presents basic and diluted loss per common share at each reporting period. The basic loss per common share is calculated by dividing the loss available to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive. The weighted average number of common shares outstanding is adjusted retrospectively for changes in capitalization such as share splits, reverse splits, or cancellations without consideration.

(f) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation that has arisen as a result of a past event where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions for environmental restoration, legal claims, onerous leases and other onerous commitments are recognized at the best estimates of the expenditure required to settle the Company's liability at the reporting date.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax interest rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

(g) Significant accounting judgments and estimates

The preparation of these financial statements in conformity with IFRS requires management to make judgement and estimates and form assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets/liabilities at the date of the financial statements and reported amount of revenues and expenses during the reporting period. Actual outcomes could differ from these estimates.

On an on-going basis, management evaluates its estimates underlying various assumptions. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustments to the carrying amounts of assets and liabilities, include the following:

Critical accounting estimates

- Determination of accrued liabilities
- Measurement of equity/debt portion of convertible loan payable

Critical accounting judgments

- Recognition of deferred tax assets and liabilities
- Going concern
- Use of measurement technique for convertible loan payable

(h) Adoption of new pronouncements

There were no new or revised accounting standards scheduled for mandatory adoption on January 1, 2016 that affected the Company's financial statements.

NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods noted below. Some updates that are not applicable or are not consequential to the Company have been excluded from the list below.

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning January 1, 2017 or later years.

The following accounting policies will be adopted by the Company effective January 1, 2017:

IAS 7 'Statement of Cash Flows': In January 2016, the IASB issued an amendment to IAS 7 Statement of Cash Flows. The amendment to IAS 7 requires additional disclosures for changes in liabilities arising from financing activities. This includes changes arising from cash flows, such as drawdowns and repayments of borrowings, and non-cash changes, such as acquisitions, disposals and unrealized exchange differences. The amendment is effective for fiscal years beginning on or after January 1, 2017, and is applied on a prospective basis. The adoption of this standard is not expected to have a material impact on the Company's financial statements.

The following accounting policies will be adopted by the Company effective January 1, 2018:

IFRS 2 'Share-based payments' In June 2016, the IASB issued the final amendments to IFRS 2 Share-based payments that clarify the classification and measurement of share-based payment transactions. This includes the effect of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations, and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments are to be applied prospectively and are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company is currently assessing the impact of this standard.

IFRS 9, *Financial Instruments*, addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit and loss or at fair value through other comprehensive income. The adoption of this standard is not expected to have a material impact on the Company's financial statements.

IFRS 15 Revenue from Contracts with Customers - In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The adoption of this standard is not expected to have a material impact on the Company's financial statements.

The following standard will be adopted by the Company effective January 1, 2019:

IFRS 16 'Leases': IFRS 16 will be effective for accounting periods beginning on or after January 1, 2019. Early adoption will be permitted, provided the Company has adopted IFRS 15. This standard sets out a new model for lease accounting. The adoption of this standard is not expected to have a material impact on the Company's financial statements.

The extent of the impact of adoption of these standards and interpretations on the financial statements of the Company has not been determined.

FINANCIAL INSTRUMENTS AND RISK

International Financial Reporting Standards 7, *Financial Instruments: Disclosures*, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair Value of Financial Instruments

The Company's financial instruments include cash, accounts payable and amounts due to related party. The carrying values of these instruments approximate their fair values due to the relatively short periods of maturity of these instruments.

As at December 31, 2016, the classification of the financial instruments, as well as their carrying values and fair values, with comparative figures for December 31, 2015, are shown in the table below:

	December 31, 2016		December 31, 2015	
	Fair Value \$	Carrying Value \$	Fair Value \$	Carrying Value \$
Financial asset				
Cash	7,107	7,107	1,945	1,945
Financial liabilities				
Accounts payable	47,832	47,832	49,428	49,428
Convertible note payable	10,000	10,000	-	-
Due to related party	9,995	9,995	9,883	9,883

Promissory note payable	10,763	10,763	-	-
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The fair values of the Company's financial instruments measured at December 31, 2016, constitute Level 1 measurements for its cash within the fair value hierarchy.

Risk Management

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash, accounts payable and due from related parties. The Company limits its exposure to credit risk on liquid financial assets through maintaining its cash and equivalents with high-credit quality financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company's objective to managing liquidity risk is to ensure that it has sufficient liquidity available to meet liabilities when due. As at December 31, 2016, the Company had a cash balance of 7,107 (2015 - \$1,945) to settle current liabilities of 67,827 (2015 - \$59,311). All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

(a) Interest rate risk

The Company has no interest-bearing debt. Accordingly, there is minimal interest rate risk.

(b) Foreign currency exchange rate risk

The Company does not have assets or liabilities in foreign currency and therefore is not exposed to foreign currency risk.

A sensitivity analysis has not been presented as the Company currently has no significant exposure to fluctuations in interest or foreign exchange rates.

SUBSEQUENT EVENTS

The are no subsequent events. ADDITIONAL INFORMATION

Additional information is available on SEDAR at www.sedar.com.