

YUNTONE CAPITAL CORP.

FINANCIAL STATEMENTS
(Expressed in Canadian dollars)

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015



INDEPENDENT AUDITORS' REPORT

To the Shareholders of Yuntone Capital Corp.

We have audited the accompanying financial statements of Yuntone Capital Corp., which comprise the statements of financial position as at December 31, 2016 and 2015, and the statements of comprehensive loss, changes in equity (deficiency) and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained based on our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Yuntone Capital Corp. as at December 31, 2016 and 2015, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Yuntone Capital Corp. to continue as a going concern.

Manning Elliott LLP

YUNTONE CAPITAL CORP.
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016 and 2015
(Expressed in Canadian dollars)

	2016	2015
ASSETS		
Current assets		
Cash	\$ 7,107	\$ 1,945
Amounts receivable	750	500
Total assets	\$ 7,857	\$ 2,445
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 47,832	\$ 49,428
Convertible loan payable (Note 10)	10,000	-
Due to related party (Note 6)	9,995	9,883
	67,827	59,311
Promissory note (Note 11)	10,763	-
	78,590	59,311
Shareholders' deficiency		
Share capital (Note 5)	290,444	290,444
Share-based compensation reserve	44,160	44,160
Deficit	(405,337)	(391,470)
	(70,733)	(56,866)
Total liabilities and shareholders' deficiency	\$ 7,857	\$ 2,445

Nature of operations and going concern (Note 1)

Authorized for issuance on behalf of the Board on May 31, 2017:

"Stuart Wooldridge" Director

"Xiang Xia" Director

The accompanying notes are an integral part of these financial statements.

YUNTONE CAPITAL CORP.
STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in Canadian dollars)

	2016	2015
Expenses		
Accounting and audit	\$ 5,000	\$ 7,000
Agency fees	-	3,000
Bank charges and interest	419	632
Filing fees	7,648	7,003
Office expense (Note 6)	800	-
Net loss and comprehensive loss for the year	\$ (13,867)	\$ (17,635)
Basic and diluted loss per common share	\$ (0.00)	\$ (0.01)
Weighted average number of common shares outstanding – basic and diluted	3,411,200	3,411,200

The accompanying notes are an integral part of these financial statements.

YUNTONE CAPITAL CORP.
STATEMENTS OF CHANGES IN DEFICIENCY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in Canadian dollars)

	Share Capital		Share-Based Compensation Reserve	Deficit	Total
	Shares	Amount			
Balance, December 31, 2014	3,411,200	\$ 290,444	\$ 44,160	\$ (373,835)	\$ (39,231)
Comprehensive loss	-	-	-	(17,635)	(17,635)
Balance, December 31, 2015	3,411,200	\$ 290,444	\$ 44,160	\$ (391,470)	\$ (56,866)
Comprehensive loss	-	-	-	(13,867)	(13,867)
Balance, December 31, 2016	3,411,200	\$ 290,444	\$ 44,160	\$ (405,337)	\$ (70,733)

The accompanying notes are an integral part of these financial statements.

YUNTONE CAPITAL CORP.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in Canadian dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	\$ (13,867)	\$ (17,635)
Changes in non-cash working capital items:		
Amounts receivable	(250)	2,190
Accounts payable and accrued liabilities	(1,596)	11,898
Cash used in operating activities	(15,713)	(3,547)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from convertible loan payable	10,000	-
Advances from promissory note	10,763	-
Advances from a related party (Note 6)	112	4,883
Cash received from financing activities	20,875	4,883
Change in cash	5,162	1,336
Cash, beginning	1,945	609
Cash, ending	\$ 7,107	\$ 1,945
Cash held in trust	7,107	-

The accompanying notes are an integral part of these financial statements.

YUNTONE CAPITAL CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015
(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Yuntone Capital Corp. (the “Company”) was incorporated under the Business Corporations Act (British Columbia) on March 6, 2008 and is classified as a Capital Pool Company as defined in the TSX Venture Exchange (“TSX-V”) Policy 2.4. The Company’s planned principal activity is to use its capital to investigate and acquire a business or group of assets (the “Qualifying Transaction”). The head office and principal address of the Company is located at 750-625 Howe Street, Vancouver, BC, V6C 2T6.

The Company does not currently have operations or assets capable of generating ongoing revenues or cash flows and it did not complete a Qualifying Transaction (“QT”) within the time specified by TSX Venture Exchange Policy 2.4., which is generally 24 months from the date its shares are listed for trading on the TSX Venture Exchange.

Effective at the opening on August 23, 2011, the Company's listing was transferred to the NEX Board of the 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.

At December 31, 2016, the Company had incurred a net loss of \$13,867 (2015: \$17,635) and had an accumulated deficit of \$405,337 (2015: \$391,470) which has been funded by the issuance of equity. The Company’s ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing or maintaining continued support from its shareholders and creditors, and generating profitable operations in the future. Although these financial statements have been prepared and presented on a going concern basis, the factors outlined above raise significant doubt about the ability of the Company to continue as a going concern, in which case this basis of presentation will not be appropriate. These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

2. BASIS OF PREPARATION

a) Statement of Compliance

The financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

These financial statements were authorized for issue by the Board of Directors on May 31, 2017.

b) Basis of Measurement

These financial statements are prepared on the historical cost basis except for certain financial instruments, which are measured at fair value as explained in the accounting policies set out in Notes 3(a) and 3(b). In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All amounts are expressed in Canadian dollars unless otherwise stated.

c) Functional Currency

The functional and presentation currency of the Company is the Canadian dollar.

3. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

4. 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.

4. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

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.

5. SHARE CAPITAL

Authorized

Unlimited common shares, without par value
Unlimited preferred shares, without par value

Issued and outstanding

As at December 31, 2016, there were 3,411,200 common shares issued and outstanding.

Escrow Shares

The Company originally had 2,800,000 common shares held in escrow that were to be released pro-rata to the shareholders, as to 10% of the escrow shares upon issuance of a Final Exchange Bulletin by the TSX-V upon completion of a Qualifying Transaction and as to the remainder in six equal tranches of 15% every six months thereafter for a period of 36 months. Upon being transferred to the NEX Board, the Company was required to cancel half of the escrow shares, leaving 1,400,000 escrow shares to ultimately be released based on these percentages after it completes a Qualifying Transaction. These escrow shares may not be transferred, assigned or otherwise dealt without the consent of the regulatory authorities. If a Final Exchange Bulletin is not issued the shares will not be released from escrow and if the Company is delisted, the shares will be cancelled. 1,400,000 common shares remained in escrow as at December 31, 2016 and 2015.

Stock options

The Company adopted a stock option plan (the "Stock Option Plan") under which it can grant options to directors, officers, employees, and consultants for up to 10% of the issued and outstanding common shares. Under the plan, the exercise price of an option may not be less than the closing market price during the trading day immediately preceding the date of the grant of the option, less any applicable discount allowed by the TSX-V. The options can be granted for a maximum term of 5 years and vest at the discretion of the board of directors.

Any common shares acquired pursuant to the exercise of options prior to the completion of the Qualifying Transaction must be deposited in escrow and will be subject to escrow until the final exchange bulletin is issued.

YUNTONE CAPITAL CORP.
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(Expressed in Canadian dollars)

6. RELATED PARTY TRANSACTION

As at December 31, 2016, the Company has \$9,995 (2015 - \$9,883) due to the Chief Executive Officer of the Company. The amount is unsecured, interest free and is due on demand.

During the year ended December 31, 2016, the Company paid \$800 in office expenses to the Chief Executive Officer of the Company.

7. 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, convertible loan payable, promissory note 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 loan payable	10,000	10,000	-	-
Due to related party	9,995	9,995	9,883	9,883
Promissory note	10,763	10,763	-	-

The fair values of the Company's cash measured at December 31, 2016, constitute Level 1 measurements 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 in cash. The Company limits its exposure to credit risk on liquid financial assets through maintaining its cash and equivalents with high-credit quality financial institutions.

7. FINANCIAL INSTRUMENTS AND RISK (continued)

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 current liabilities of \$67,827 and non-current liability of \$10,763 and cash balance of \$7,107. All of the Company's current financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. The non-current financial liability is due for repayment on February 1, 2018.

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.

8. CAPITAL MANAGEMENT

The Company's objective is to safeguard its ability to continue as a going concern in order to identify and complete a Qualifying Transaction.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk of characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company issues new shares through private placements.

The Company currently does not have sufficient cash for operations and must rely on equity financing or advances from officers, directors or shareholders to finance operations or any Qualifying Transaction.

As at December 31, 2016, the Company's capital structure consists of all components of shareholder's equity. The Company does not pay dividends. The Company will be subject to, among other things, a \$50,000 ongoing net working capital requirement after it is qualified to move from NEX and re-list on the TSX-V.

YUNTONE CAPITAL CORP.
NOTES TO THE FINANCIAL STATEMENTS
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9. INCOME TAXES

The following table reconciles the amount of deferred income tax expense on application of the combined statutory Canadian federal and provincial income tax rates:

	2016	2015
Canadian statutory income tax rate	26%	26%
Income tax recovery at statutory rate	\$ (3,605)	\$ (4,585)
Change in tax benefit not recognized	3,605	4,585
Provision for income taxes	\$ -	\$ -

Significant components of the Company's unrecognized deferred tax assets are as follows:

	2016	2015
Non capital losses carried forward	\$ 109,882	\$ 106,277
Deferred tax assets not recognized	(109,882)	(106,277)
Net deferred tax asset	\$ -	\$ -

The Company has Canadian non-capital loss carry forwards of \$422,625 that may be available for tax purposes (2015 - \$408,758). The losses expire in as follows:

Expiry	\$
2028	51,528
2029	79,652
2030	43,476
2031	54,749
2032	91,503
2033	47,764
2034	22,450
2035	17,636
2036	13,867
	<u>422,625</u>

10. LOAN PAYABLE

On April 14, 2016, the Company entered into an agreement to borrow \$10,000 from a lender in exchange for an assignment of certain agreements by the Company to the lender. The loan is non-interest bearing and without fixed terms of repayment, but it contains conditions whereby:

- (a) The lender may convert the loan into common shares at a price equal to the lesser of (i) \$0.01 per common share, and (ii) the price approved by either the TSX Venture Exchange or the NEX, as applicable; and
- (b) The lender will pay an additional \$5,000 to the Company contingent on the lender's ability to realize on the agreements assigned to the lender.

The allocation of value between the debt and equity portions of the convertible note payable has been determined by first estimating the fair value of the loan payable, then allocating the residual value to the equity portion. The equity portion was determined to be nil as the conversion feature had no intrinsic value at the time the loan was issued.

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11. PROMISSORY NOTE

During the year ended December 31, 2016, the Company issued a promissory note of \$10,763 for expenses. The note is unsecured, non-interest bearing and due on February 1, 2018.