

YUNTONE CAPITAL CORP.
Management's Discussion and Analysis
For the year ended December 31, 2018

INTRODUCTION

The following management's discussion and analysis of financial condition and results of operations ("MD&A") for the year ended December 31, 2018 prepared as of April 30, 2019, should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2018 and the related notes thereto of Yuntone Capital Corp. ("the Company"). The MD&A is the responsibility of management and has been reviewed and approved by the Board of Directors of the Company.

The referenced financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and related IFRS Interpretations Committee ("IFRIC's") as issued by the International Accounting Standards Board ("IASB"). All dollar amounts are expressed in Canadian dollars unless otherwise indicated.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

The following discussion and analysis may contain forward-looking statements which are subject to known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those implied by the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks as set forth in the following discussion.

COMPANY OVERVIEW

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 ("CPC") 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.

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-V Policy 2.4., which is generally 24 months from the date its shares are listed for trading on the TSX-V.

Effective at the opening on August 23, 2011, the Company's listing was transferred to NEX Board of TSX-V and trading was reinstated in the securities of the Company. The trading symbol for the Company changed from YTC.P to YTC.H.

TERMINATED QUALIFYING TRANSACTION

On May 3, 2018, the Company entered into a definitive agreement with GrowX Global Corp. ("GrowX") and 1160015 B.C. Ltd. ("Subco"), a wholly owned subsidiary of the Company which was incorporated on April 10, 2018, whereby the Company was to acquire all of the issued and outstanding shares of GrowX, in consideration of which the Company was to issue to the shareholders of GrowX one postsplit common share of the Company for each share of GrowX. The transaction was to proceed by a three-cornered amalgamation by the parties, whereby GrowX and Subco would amalgamate to form GrowX Cannabis Inc. ("Amalco"), resulting in Amalco being a wholly owned subsidiary of the Company. The transaction would constitute the Company's qualifying transaction under the policies of the TSX-V.

On November 21, 2018, the Company announced that GrowX and Subco have mutually agreed to terminate the definitive agreement.

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SELECTED ANNUAL INFORMATION

	December 31, 2018 \$	December 31, 2017 \$	December 31, 2016 \$
Total assets	573,422	51,689	7,857
Working capital (deficiency)	567,036	(98,346)	(70,733)
Loss and comprehensive loss	(88,547)	(27,613)	(13,867)
Net loss per share⁽¹⁾⁽²⁾	(0.01)	(0.02)	(0.01)

⁽¹⁾The basic and fully diluted calculations result in the same value due to the anti-dilutive effect of outstanding stock options and warrants if any.

⁽²⁾Post 3:1 share consolidation

The Company is a CPC and has no business operations. The Company has no sales revenue, paid no dividends and had no long-term liabilities during the year ended December 31, 2018. 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.

RESULTS OF OPERATIONS

The Company recorded a net loss of \$88,547 (\$0.01 per share) for the year ended December 31, 2018 as compared to a net loss of \$27,613 (\$0.02 per share) for the year ended December 31, 2017.

The increase in net loss in the current year was mainly due to the increases in the general corporate activities as the Company focused on identifying a qualifying transaction, compared with the 2017 fiscal year when the Company mainly stayed dormant.

SUMMARY OF SELECTED QUARTERLY RESULTS (UNAUDITED)

The following table sets forth selected financial information from the Company's unaudited quarterly financial statements for each of the eight most recently completed quarters.

	THREE MONTHS ENDED			
	Dec 31, 2018 \$	Sep 30, 2018 \$	Jun 30, 2018 \$	Mar 31, 2018 \$
Total assets	573,422	583,664	607,577	638,627
Working capital (deficiency)	567,036	580,449	587,964	625,595
Net loss	(13,413)	(7,515)	(37,631)	(29,988)
Net loss per share ⁽¹⁾⁽²⁾	(0.00)	(0.00)	(0.00)	(0.00)

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	THREE MONTHS ENDED			
	Dec 31,	Sep 30,	Jun 30,	Mar 31,
	2017	2017	2017	2017
	\$	\$	\$	\$
Total assets	51,689	1,305	903	7,857
Working capital (deficiency)	(98,346)	(89,667)	(69,572)	(59,970)
Net loss	(8,679)	(9,333)	(9,601)	nil
Net loss per share ⁽¹⁾⁽²⁾	(0.01)	(0.01)	(0.01)	nil

⁽¹⁾The basic and fully diluted calculations result in the same value due to the anti-dilutive effect of outstanding stock options and warrants if any.

⁽²⁾Post 3:1 share consolidation

The net loss in the quarter ended June 30, 2018 and March 31, 2018 were higher compared to other recent periods mostly due to the charges in professional fees, accounting and auditing fees, and office expenses, which increased as a result of the increases in the general corporate activities compared to other quarters. Changes in total assets and working capital are a function of equity financings, less operating costs of the Company.

FINANCING ACTIVITIES

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

During the year ended December 31, 2017, the Company issued a separate promissory note of \$20,000 to an unrelated party. The note was unsecured, bore interest at a rate of 5% per annum, compounded annually and was due on demand. During the year ended December 31, 2018, the outstanding balance of the promissory note including interest accrued was repaid in full.

On February 2, 2018, the Company completed a non-brokered private placement financing of 15,220,000 post-Consolidation common shares at a price of \$0.05 per common share for gross proceeds of \$761,000. Share issue costs of \$7,071 were incurred in connection with the private placement.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2018, the Company had cash of \$572,810 and a working capital of \$567,036 (2017 - cash of \$50,228 and working capital deficit of \$98,346). During the year ended December 31, 2018, net cash used in operating activities was \$185,290, and net cash provided by financing activities was \$707,872, which consisted of proceeds of \$761,000 received from the private placement, offset by share issuance costs of \$7,071, repayment of loans from related party of \$14,995 and repayment of promissory note of \$31,062.

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and to maintain a flexible capital structure that optimizes the costs of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity as well as cash. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash. The Company is dependent on the capital markets as its primary source of operating working capital and the Company's capital resources are largely determined by its ability to compete for investor support of its projects.

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TRANSACTIONS WITH RELATED PARTIES

As at December 31, 2017, the Company had \$14,995 due to the former Chief Executive Officer of the Company. The loan was unsecured, interest free and was due on demand. During the year ended December 31, 2018, the loan was repaid in full.

During the year ended December 31, 2018, the Company paid \$30,000 (2017 - \$1,500) in consulting fees to the former Chief Executive Officer of the Company.

CURRENT SHARE DATA

As at the date of this MD&A, the Company has 16,357,066 common shares issued and outstanding, has 466,666 escrow shares remaining and no stock options outstanding.

SIGNIFICANT ACCOUNTING POLICIES

Reference should be made to the Company's significant accounting policies contained in Note 2 of the Company's audited consolidated financial statements for the year ended December 31, 2018. These accounting policies can have a significant impact on the Company's financial performance and financial position of the Company.

CRITICAL ACCOUNTING POLICIES 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

Critical accounting judgments

- Recognition of deferred tax assets and liabilities
- Going concern

NEW STANDARD AND INTERPRETATIONS NOT YET ADOPTED

New and amended standards adopted by the Company

IFRS 9, *Financial Instruments* ("IFRS 9") as issued, reflects the first phase of the IASB's work on the replacement of IAS 39, *Financial Instruments: Recognition and Measurement* and applies the classification and measurement of financial assets and liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after January 1, 2013, but the complete version of IFRS 9, issued July 2014, moved the mandatory effective date to January 1, 2018. The adoption of this standard did not have a material measurement or disclosure impact on the Company's financial statements.

The IASB issued IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") in May 2014. The new standard provides a comprehensive five-step revenue recognition model for all contracts with customers and requires management to exercise judgment and make estimates that affect revenue recognition. IFRS 15 is effective for annual periods commencing on or after January 1, 2018. The adoption of this standard did not have a material measurement or disclosure impact on the Company's financial statements.

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New standards and interpretations not yet adopted

IFRS 16, *Leases* ("IFRS 16") specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The standard was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact that the new guidance is expected to have on its financial statements.

FINANCIAL INSTRUMENTS AND RISK

IFRS 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 accrued liabilities, 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, 2018, the classification of the financial instruments, as well as their carrying values and fair values, with comparative figures for December 31, 2017, are shown in the table below:

	December 31, 2018		December 31, 2017	
	Fair Value \$	Carrying Value \$	Fair Value \$	Carrying Value \$
Financial assets				
Cash	572,810	572,810	50,228	50,228
Financial liabilities				
Accounts payable and accrued liabilities	6,386	6,386	103,978	103,978

The fair values of the Company's cash measured at December 31, 2018, constitute Level 1 measurements within the fair value hierarchy.

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.

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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, 2018, the Company had current liabilities of \$6,386 and cash balance of \$572,810. 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.

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.

Interest rate risk

As at December 31, 2018, the Company does not have any interest-bearing liabilities. Accordingly there is minimal interest rate risk.

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.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized, and reported within the time periods specified by securities regulations and that the information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the financial statements for the year ended December 31, 2018 and this accompanying MD&A (together, the "Annual Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Annual Filings on SEDAR at www.sedar.com.

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.

OTHER INFORMATION

Additional information relating to the Company can be found on SEDAR at www.sedar.com.