
YUNTONE CAPITAL CORP.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in Canadian Dollars)



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Yuntone Capital Corp.

Opinion on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Yuntone Capital Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive loss, consolidated statements of changes in equity (deficiency) and consolidated statements of cash flows for the years then ended, and the related notes, including a summary of significant accounting policies and other explanatory information (collectively referred to as the "consolidated financial statements").

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the accompanying consolidated financial statements, which indicates that the Company incurred a net loss of \$88,547 for the year ended December 31, 2018 and, as of that date, the Company had an accumulated deficit of \$521,497. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information, which comprises the information included in the Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the consolidated financial statements does not cover the other information and does not and will not express any form of assurance or conclusion thereon. In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, and remain alert for indicators that the other information appears to be materially misstated.

We obtained the Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of the other information, we are required to report that fact in the auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the consolidated financial statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of the users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Alden Aumann.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
April 30, 2019

YUNTONE CAPITAL CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31
(Expressed in Canadian Dollars)

	Note	2018 \$	2017 \$
ASSETS			
Current assets			
Cash		572,810	50,228
GST recoverable		612	1,461
<hr/>			
Total assets		573,422	51,689
<hr/>			
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		6,386	103,978
Due to related party	3	-	14,995
Promissory notes	4	-	31,062
		6,386	150,035
<hr/>			
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	5	1,044,373	290,444
Contributed surplus	5	44,160	44,160
Deficit		(521,497)	(432,950)
		567,036	(98,346)
<hr/>			
Total liabilities and shareholders' equity (deficiency)		573,422	51,689

Nature of operations and going concern (Note 1)

Approved and authorized on behalf of the Board of Directors on April 30, 2019

“Gunther Roehlig” Director

“Xiang Xia” Director

YUNTONE CAPITAL CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the years ended December 31
(Expressed in Canadian Dollars)

	Note	2018 \$	2017 \$
EXPENSES			
Accounting and auditing fees		18,153	7,430
Consulting fees	3	30,000	-
Filing fees		8,084	10,202
Interest expense		351	299
Office expenses	3	1,298	2,009
Professional fees		20,028	6,131
Transfer agent fees		10,633	1,542
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR		(88,547)	(27,613)
NET LOSS PER SHARE – BASIC AND DILUTED		(0.01)	(0.02)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		14,897,614	1,137,066

YUNTONE CAPITAL CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)
(Expressed in Canadian dollars, except for share figures)

	Note	Number of Shares	Share Capital \$	Contributed Surplus \$	Deficit \$	Total \$
Balance, December 31, 2016	1	1,137,066	290,444	44,160	(405,337)	(70,733)
Net and comprehensive loss for the year		-	-	-	(27,613)	(27,613)
Balance, December 31, 2017	1	1,137,066	290,444	44,160	(432,950)	(98,346)
Shares issued in consideration for:						
Cash, pursuant to private placement		15,220,000	761,000	-	-	761,000
Less: Share issue costs		-	(7,071)	-	-	(7,071)
Net and comprehensive loss for the year		-	-	-	(88,547)	(88,547)
Balance, December 31, 2018	1	16,357,066	1,044,373	44,160	(521,497)	567,036

YUNTONE CAPITAL CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

	2018	2017
	\$	\$
Operating activities:		
Net loss for the year	(88,547)	(27,613)
Item not involving cash:		
Interest expense	-	299
	(88,547)	(27,314)
Changes in non-cash working capital related to operations:		
GST recoverable	849	(711)
Accounts payable and accrued liabilities	(97,592)	56,146
Net cash (used in) provided by operating activities	(185,290)	28,121
Financing activities:		
Advances from (repayment of) related party	(14,995)	5,000
Proceeds from (repayment of) promissory notes	(31,062)	20,000
Repayment of convertible loan	-	(10,000)
Issuance of common shares	761,000	-
Share issuance costs	(7,071)	-
Net cash provided by financing activities	707,872	15,000
Increase in cash during the year	522,582	43,121
Cash – beginning of the year	50,228	7,107
Cash – end of the year	572,810	50,228
Supplemental information:		
Interest paid	650	-

YUNTONE CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017
(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”). On April 10, 2018, the Company incorporated a wholly-owned subsidiary, 1160015 B.C. Ltd. The trading symbol for the Company is YTC.H. The head office and principal address of the Company is located at 410-1040 West Georgia Street, Vancouver, BC, V6E 4H1.

On May 3, 2018, the Company and 1160015 B.C. Ltd. entered into an agreement with GROWX Global Corp. (“GrowX”) whereby the Company and 1160015 B.C. Ltd. agreed to acquire all the issued and outstanding common shares of GrowX on a one to one basis. The acquisition was to be completed by way of a three cornered amalgamation whereby 1160015 B.C. Ltd. would amalgamate with GrowX, and the resulting entity would become a wholly-owned subsidiary of the Company. The number of common shares of the Company to be issued to GrowX was 51,778,325 based on the Company’s shares being split on a two for one basis immediately prior to the acquisition. In November 2018, all three parties agreed to terminate the agreement with GrowX with no future claims against each other, see Note 9.

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 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.

The Company incurred a net loss of \$88,574 for the year ended December 31, 2018. As at December 31, 2018, the Company has a cumulative deficit of \$521,497. 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 consolidated 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 consolidated 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 consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

YUNTONE CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at revalued amounts or fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These consolidated financial statements were approved and authorized for issue by the Board of Directors on April 30, 2019.

b) Consolidation

These consolidated financial statements include the financial statements of the Company and its wholly-owned and controlled subsidiary, 1160015 B.C. Ltd.

Control is achieved when the Company has the power to, directly or indirectly, govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is obtained, and continue to be consolidated until the date that such control ceases. Intercompany balances, transactions and unrealized intercompany gains and losses are eliminated upon consolidation.

c) Functional currency

The presentation currency of the Company is the Canadian dollar. The functional currency of the Company and 1160015 B.C. Ltd. is the Canadian dollar.

d) Financial instruments

Recognition and Classification

The Company recognized a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument.

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics.

Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

YUNTONE CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

Measurement

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company recognizes in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversals) that are required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in profit or loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial

YUNTONE CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

e) 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.

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.

f) 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

YUNTONE CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

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.

g) 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 (see Note 1).

h) 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.

i) Critical accounting estimate, judgments and assumptions

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

YUNTONE CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

j) Accounting changes and recent pronouncements

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.

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.

3. RELATED PARTY TRANSACTIONS

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

During the year ended December 31, 2018, the Company paid \$30,000 in consulting fees to the former Chief Executive Officer (“CEO”) of the Company. The Company also incurred \$2,000 in office expenses to the former CEO of the Company.

4. PROMISSORY NOTES

During the year ended December 31, 2017, the Company issued a 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 Company had repaid the principal amounts and accrued interest related to the \$20,000 promissory note, as well as the principal and accrued interest related to a

YUNTONE CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

second promissory note that was issued in the year ended December 31, 2016. The total repayment of \$31,062 discharged both promissory notes.

5. SHARE CAPITAL

a) Authorized share capital

As at December 31, 2018, the authorized share capital of the Company was an unlimited number of common shares and preferred shares without par value.

b) Issued and outstanding share capital

As at December 31, 2018, the issued and outstanding share capital of the Company was 16,357,066 common shares.

Transaction during the year

On February 2, 2018, the Company closed a private placement financing by issuing a total of 15,220,000 common shares for gross proceeds of \$761,000. Share issue costs of \$7,071 were incurred in connection with the private placement.

c) Escrowed shares

The Company originally had 933,333 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. After the Company's listing was transferred to the NEX Board of TSX-V, the Company has 466,666 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. As at December 31, 2018, there were 466,666 (2017 – 466,666) common shares remaining in escrow.

d) 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.

YUNTONE CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

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. As at December 31, 2018, the Company had no stock options outstanding.

6. 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, promissory notes 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:

	2018		2017	
	Fair Value \$	Carrying Value \$	Fair Value \$	Carrying Value \$
Financial assets				
Cash	572,810	572,810	50,228	50,228
Financial liabilities				
Accounts payable	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.

YUNTONE CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

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 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, 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.

7. 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 is not subject to any external capital requirement.

YUNTONE CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

As at December 31, 2018, the Company's capital structure consists of share capital, contributed surplus and deficit.

8. INCOME TAXES

The following table reconciles the expected income taxes expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the statements of loss and comprehensive loss for the years ended December 31, 2018 and 2017:

	2018	2017
Statutory tax rate	27%	27%
	\$	\$
Loss before income taxes	(88,547)	(27,613)
Expected income tax recovery at statutory rate	(23,908)	(7,179)
Change in rate and others	(1,909)	(4,502)
Change in deferred tax asset not recognized	25,817	11,681
Income tax recovery	-	-

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes. The significant components of the Company's net deferred income tax assets as at December 31, 2018 and 2017 are as follows:

	2018	2017
	\$	\$
Non-capital loss carry forward	145,854	121,563
Unrecognized deferred income tax assets	(145,854)	(121,563)
Net deferred tax asset	-	-

Non-capital losses carryforward

As at December 31, 2018, the Company has not recognized a deferred tax asset in respect of non-capital losses carryforward of approximately \$540,199 (2017 – \$450,238) which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in 2028 to 2038.

YUNTONE CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

	\$
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
2037	27,613
2038	89,961
	540,199

The deferred tax assets have not been recognized because at this stage of the Company's development, it is not determinable that deferred taxable profit will be available against which the Company can utilize such deferred tax assets.

9. TERMINATED QUALIFYING TRANSACTION

On May 3, 2018, the Company entered into a definitive agreement with GrowX Global Corp. ("GrowX") and 1160015 B.C. Ltd., 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 Company expected to issue 51,788,325 post split common shares. The transaction was to proceed by a way of three-cornered amalgamation by the parties, whereby GrowX and 1160015 B.C. Ltd. were to amalgamate to form GrowX Cannabis Inc. ("Amalco"), which would be a wholly owned subsidiary of the Company. The transaction was to constitute the Company's qualifying transaction under the policies of the TSX-V.

On November 19, 2018, GrowX and 1160015 BC Ltd. have mutually agreed to terminate the definitive agreement.