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# **YUNTONE CAPITAL CORP.**

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019  
(Unaudited – Expressed in Canadian Dollars)

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## **NOTICE TO READER**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

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**YUNTONE CAPITAL CORP.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Unaudited – Expressed in Canadian Dollars)

|   | Note | September 30,<br>2020<br>\$ | December 31,<br>2019<br>\$ |
|---|------|-----------------------------|----------------------------|
| <b>ASSETS</b>                                     |      |                             |                            |
| Current assets                                    |      |                             |                            |
| Cash  |      | 450,708                     | 498,077                    |
| GST recoverable                                   |      | 1,899                       | 2,693                      |
| Promissory note receivable                        | 3    | 1                           | 1                          |
| <b>Total assets</b>                               |      | <b>452,608</b>              | <b>500,771</b>             |
| <b>LIABILITIES</b>                                |      |                             |                            |
| Current liabilities                               |      |                             |                            |
| Accounts payable and accrued liabilities          |      | 12,737                      | 23,478                     |
| <b>SHAREHOLDERS' EQUITY</b>                       |      |                             |                            |
| Share capital                                     | 4    | 1,044,373                   | 1,044,373                  |
| Contributed surplus                               | 4    | 44,160                      | 44,160                     |
| Deficit   |      | (648,662)                   | (611,240)                  |
|   |      | 439,871                     | 477,293                    |
| <b>Total liabilities and shareholders' equity</b> |      | <b>452,608</b>              | <b>500,771</b>             |

Nature of operations and going concern (Note 1)  
Subsequent events (Note 6)

**Approved and authorized on behalf of the Board of Directors on November 25, 2020**

\_\_\_\_\_  
**"Gunther Roehlig"** Director

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**"Peter Hughes"** Director

**YUNTONE CAPITAL CORP.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
For the three and nine months ended September 30, 2020 and 2019  
(Unaudited – Expressed in Canadian Dollars)

|   | For the three months<br>ended September 30, |                   | For the nine months<br>ended September 30, |                   |
|---|---|-------------------|--|-------------------|
|   | 2020  | 2019              | 2020                                       | 2019              |
| Note  | \$  | \$                | \$   | \$                |
| <b>EXPENSES</b>   |   |                   |  |                   |
| Accounting and auditing fees                              | 5,501                                       | 2,741             | 12,884                                     | 16,712            |
| Consulting fees   | -   | 300               | -  | 300               |
| Filing fees   | 1,370                                       | 120               | 6,261                                      | 821               |
| Office expenses   | 309   | 96                | 630  | 313               |
| Professional fees   | 8,964                                       | 14,130            | 14,884                                     | 15,778            |
| Transfer agent fees                                       | 2,763                                       | 750               | 2,763                                      | 2,738             |
| <b>NET LOSS AND COMPREHENSIVE LOSS FOR<br/>THE PERIOD</b> | <b>(18,907)</b>                             | <b>(18,137)</b>   | <b>(37,422)</b>                            | <b>(36,662)</b>   |
| <b>NET LOSS PER SHARE – BASIC AND DILUTED</b>             | <b>(0.00)</b>                               | <b>(0.00)</b>     | <b>(0.00)</b>                              | <b>(0.00)</b>     |
| <b>WEIGHTED AVERAGE NUMBER OF SHARES<br/>OUTSTANDING</b>  | <b>15,890,403</b>                           | <b>15,890,403</b> | <b>15,890,403</b>                          | <b>15,890,403</b> |

**YUNTONE CAPITAL CORP.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(Unaudited – Expressed in Canadian dollars, except for share figures)

|   | Number of<br>Shares<br># | Share<br>Capital<br>\$ | Contributed<br>Surplus<br>\$ | Deficit<br>\$ | Total<br>\$ |
|---|--------------------------|------------------------|------------------------------|---------------|-------------|
| Balance, December 31, 2018                | 16,357,069               | 1,044,373              | 44,160                       | (521,497)     | 567,036     |
| Net and comprehensive loss for the period | -                        | -                      | -                            | (36,662)      | (36,662)    |
| Balance, September 30, 2019               | 16,357,069               | 1,044,373              | 44,160                       | (558,159)     | 530,374     |
| Net and comprehensive loss for the period | -                        | -                      | -                            | (53,081)      | (53,081)    |
| Balance, December 31, 2019                | 16,357,069               | 1,044,373              | 44,160                       | (611,240)     | 477,293     |
| Net and comprehensive loss for the period | -                        | -                      | -                            | (37,422)      | (37,422)    |
| Balance, September 30, 2020               | 16,357,069               | 1,044,373              | 44,160                       | (648,662)     | 439,871     |

**YUNTONE CAPITAL CORP.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the nine months ended September 30, 2020 and 2019  
(Unaudited – Expressed in Canadian Dollars)

|   | <b>2020</b>     | <b>2019</b>     |
|---|-----------------|-----------------|
|   | <b>\$</b>       | <b>\$</b>       |
| <b>Operating activities:</b>                                      |                 |                 |
| Net loss for the period   | (37,422)        | (36,662)        |
| <b>Changes in non-cash working capital related to operations:</b> |                 |                 |
| GST recoverable   | 794             | (717)           |
| Accounts payable and accrued liabilities                          | (10,741)        | 1,869           |
| <b>Net cash used in operating activities</b>                      | <b>(47,369)</b> | <b>(35,510)</b> |
| <b>Investing activity:</b>  |                 |                 |
| Promissory note receivable  | -               | (25,000)        |
| <b>Net cash used in investing activity</b>                        | <b>-</b>        | <b>(25,000)</b> |
| Decrease in cash during the period                                | (47,369)        | (60,510)        |
| Cash – beginning of the period                                    | 498,077         | 572,810         |
| <b>Cash – end of the period</b>                                   | <b>450,708</b>  | <b>512,300</b>  |
| <b>Supplemental information:</b>                                  |                 |                 |
| Tax paid  | -               | -               |
| Interest paid   | -               | -               |

**YUNTONE CAPITAL CORP.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
For the three and nine months ended September 30, 2020 and 2019  
(Unaudited – Expressed in Canadian Dollars)

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Yuntone Capital Corp. (the “Company” or “Yuntone”) 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 trading symbol for the Company is YTC.H. The head office and principal address of the Company is located at 200 - 550 Denman Street , Vancouver, BC, Canada.

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. As a result, the company’s shares are currently listed on the NEX board of the TSX Venture Exchange.

The Company incurred a net loss of \$37,422 for the nine months ended September 30, 2020. As at September 30, 2020, the Company has a cumulative deficit of \$648,662. The Company’s ability to continue its operations and to realize its assets at their carrying values is dependent upon finding and completing a qualifying transaction, obtaining additional financing or maintaining continued support from its shareholders and creditors and generating profitable operations in the future. On March 11, 2020, various authorities declared a pandemic related to COVID 19 resulting in restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. These restrictions are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Company operates. The pandemic could have a negative impact on the stock market, including trading prices of the Company’s shares and its ability to complete a Qualifying Transaction and raise new capital. The Company believes that these potential delays are temporary and it expects to resume its pursuits as restrictions are alleviated. The duration and effects of the restrictions are not currently determinable and no provision has been made in these financial statements for any effects that the Company may experience if the restrictions are other than temporary.

Although these condensed interim 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 condensed interim 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 financial statements.

**YUNTONE CAPITAL CORP.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
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**2. SIGNIFICANT ACCOUNTING POLICIES**

**a) Basis of presentation**

These condensed consolidated interim financial statements have been prepared in conformity with International Accounting Standard (“IAS”) 34, Interim Financial Reporting, using the same accounting policies as detailed in the Company’s audited annual consolidated financial statements for the year ended December 31, 2019. They do not include all the information required for complete annual financial statements in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) and therefore should be read together with the audited annual consolidated financial statements for the year ended December 31, 2019.

These condensed interim consolidated financial statements are prepared on the historical cost basis except for certain financial instruments, which are measured at fair value. In addition, these condensed interim consolidated 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.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on November 25, 2020.

**b) Consolidation**

These condensed interim 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.

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**d) Critical accounting estimate, judgments and assumptions**

The preparation of these condensed interim consolidated 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***

- Variables used in determining expected credit losses;

***Critical accounting judgments***

- Recognition of deferred tax assets and liabilities
- Going concern
- Impairment assessment of promissory note receivable

**e) Accounting changes and recent pronouncements**

***Accounting standards and amendments issued but not yet adopted***

A number of new standards and amendments to existing standards have been issued by the IASB that are mandatory for accounting periods beginning on or after January 1, 2020, or later periods. These new standards are either not applicable or are not expected to have a significant impact on the Company's financial statements.

**3. PROMISSORY NOTE RECEIVABLE**

On August 28, 2019, the Company advanced \$25,000 to GrowX Global Corp. ("GrowX") in exchange for a promissory note issued by GrowX. The promissory note bears interest at a rate of 5% per annum, and was due and payable on August 28, 2020. The promissory note is now past due.

The Company determines that GrowX does not have assets or sources of income that could generate sufficient cash flows to repay the debt. As a result, the promissory note receivable was written down by \$24,999 to a nominal amount during the year ended December 31, 2019.

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**4. SHARE CAPITAL**

**a) Authorized share capital**

As at September 30, 2020, 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 September 30, 2020, the issued and outstanding share capital of the Company was 16,357,069 (December 31, 2019 – 16,357,069) common shares. There were no share capital activities for the nine months ended September 30, 2020 and the year ended December 31, 2019.

**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 September 30, 2020, 466,666 (December 31, 2019 – 466,666) common shares remained 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.

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 September 30, 2020 and December 31, 2019, the Company had no stock options outstanding.

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**5. TERMINATED QUALIFYING TRANSACTION**

On August 11, 2019, the Company entered into an arm's length business combination agreement with GrowX and 1160015 B.C. Ltd. ("Subco"), a wholly owned subsidiary of the Company, whereby the Company would acquire all of the issued and outstanding shares of GrowX (the "Transaction"). 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 was to constitute the Company's qualifying transaction under the policies of the TSX-V.

On August 28, 2019, the Company advanced \$25,000 to GrowX in exchange for a promissory note issued by GrowX. The promissory note bears interest at a rate of 5% per annum, and is now past due (Note 3).

On April 1, 2020 the Company announced that it had terminated its previously announced proposed qualifying transaction as GrowX failed to satisfy custom closing conditions.

**6. SUBSEQUENT EVENTS**

On October 23, 2020, the Company entered into an amalgamation agreement (the "Definitive Agreement") with Mantaro Silver Corp. ("Mantaro"), a private British Columbian company, whereby the Company will acquire all of the issued and outstanding shares of Mantaro (the "Transaction"). Mantaro holds a 100% interest in five silver-focused Peruvian mineral properties, consisting of its flagship, Santos Gloria Silver and the San Jose Silver Properties as well as the La Purisima, Cerro Luque and Huaranay Properties (the "Silver Properties"). The Company intends the Transaction to constitute a Qualifying Transaction under the TSX-V Policy 2.4. Upon successful completion of the Transaction, the Company will be a Tier 2 mining issuer.

**The Transaction**

Under the terms of the Definitive Agreement, the Company has agreed to acquire all of the issued and outstanding shares of Mantaro, in consideration of which, the Company will issue to the shareholders of Mantaro one post-Consolidation share of the Company for every share held of Mantaro. All outstanding convertible securities of Mantaro, including share purchase warrants and stock options, will be exchanged or replaced with convertible securities of the Company based on a one-to-one basis and on the same economic terms and conditions as previously issued. Upon completion of the Transaction, Mantaro will become a wholly-owned subsidiary of the Company.

The Company will complete a share consolidation on the basis of two pre-consolidation common share of the Company for every one post-consolidation common share of the Company (the "Consolidation"). The Company also plans to change its name to "Mantaro Silver Corp." and list the common shares under a new stock symbol. Mantaro currently has 25,239,000 common shares issued and outstanding and 5,907,000 share purchase warrants exercisable at \$0.35 per share for a period of one year from the date of issue. Upon closing of the Transaction and the Offering, the Company anticipates it will have 47,703,249 common shares issued and outstanding and 13,049,857 share purchase warrants issued and outstanding.

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The Transaction is subject to TSX Venture Exchange approval, shareholder approval of Mantaro, completion of the Offering and other customer conditions for the Transaction.

**Private Placement Financing**

Mantaro will carry out a private placement financing of 14,285,714 subscription receipts (the "Subscription Receipts") at a price of \$0.35 per Subscription Receipt for gross proceeds of \$5,000,000 (the "Offering"). Each Subscription Receipt, prior to the closing of the Transaction, will automatically convert into one common share of Mantaro and one-half of one share purchase warrant of Mantaro (each a "Mantaro Warrant"), with each whole Mantaro Warrant exercisable into one common share of Mantaro at an exercise price of \$0.55 per share for a period of one year, for no additional consideration upon the satisfaction of certain escrow release conditions.