
YUNTONE CAPITAL CORP.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in Canadian Dollars)



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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors 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, 2019 and 2018, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes, including a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, 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 audit 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.

Emphasis of Matter - 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 \$89,743 for the year ended December 31, 2019 and, as of that date, the Company had an accumulated deficit of \$611,240. 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 we do not express any form of assurance conclusion thereon.

In connection with our audit 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 in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. 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 the 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.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 consolidated 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 auditors' report to the related disclosures in the consolidated 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 auditors' 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 auditors' report is Alden Aumann.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
June 11, 2020

YUNTONE CAPITAL CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Note	December 31, 2019 \$	December 31, 2018 \$
ASSETS			
Current assets			
Cash		498,077	572,810
GST recoverable		2,693	612
Promissory note receivable	4	1	-
Total assets		500,771	573,422
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		23,478	6,386
SHAREHOLDERS' EQUITY			
Share capital	5	1,044,373	1,044,373
Contributed surplus	5	44,160	44,160
Deficit		(611,240)	(521,497)
		477,293	567,036
Total liabilities and shareholders' equity		500,771	573,422

Nature of operations and going concern (Note 1)

Proposed Qualifying Transaction (Note 9)

Subsequent events (Note 10)

Approved and authorized on behalf of the Board of Directors on June 11, 2020

“Gunther Roehlig” Director

“Alex McAulay” Director

YUNTONE CAPITAL CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the years ended December 31, 2019 and 2018
(Expressed in Canadian Dollars)

	Note	2019 \$	2018 \$
EXPENSES			
Accounting and auditing fees		24,667	18,153
Consulting fees	3	600	30,000
Filing fees		10,596	8,084
Interest expense		-	351
Office expenses	3	412	1,298
Professional fees		25,731	20,028
Transfer agent fees		2,738	10,633
LOSS BEFORE OTHER ITEMS		(64,744)	(88,547)
OTHER ITEMS			
Promissory note receivable write-off	4	(24,999)	-
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR		(89,743)	(88,547)
NET LOSS PER SHARE – BASIC AND DILUTED		(0.01)	(0.01)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		15,890,403	14,030,948

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

	Number of Shares #	Share	Capital \$	Contributed Surplus \$	Deficit \$	Total \$
Balance, December 31, 2017	1,137,069		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	16,357,069		1,044,373	44,160	(521,497)	567,036
Net and comprehensive loss for the year	-		-	-	(89,743)	(89,743)
Balance, December 31, 2019	16,357,069		1,044,373	44,160	(611,240)	477,293

YUNTONE CAPITAL CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2019 and 2018
(Expressed in Canadian Dollars)

	2019	2018
	\$	\$
Operating activities:		
Net loss for the year	(89,743)	(88,547)
Promissory note receivable write-off	24,999	-
Changes in non-cash working capital related to operations:		
GST recoverable	(2,081)	849
Accounts payable and accrued liabilities	17,092	(97,592)
Net cash used in operating activities	(49,733)	(185,290)
Investing activity:		
Promissory note receivable	(25,000)	-
Net cash used in investing activity	(25,000)	-
Financing activities:		
Repayment of related party loan	-	(14,995)
Repayment of promissory notes payable	-	(31,062)
Issuance of common shares	-	761,000
Share issuance costs	-	(7,071)
Net cash provided by financing activities	-	707,872
(Decrease) increase in cash during the year	(74,733)	522,582
Cash – beginning of the year	572,810	50,228
Cash – end of the year	498,077	572,810
Supplemental information:		
Tax paid	-	-
Interest paid	-	650

YUNTONE CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018
(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 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.

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 \$89,743 for the year ended December 31, 2019. As at December 31, 2019, the Company has a cumulative deficit of \$611,240. 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. The March 2020 pandemic outbreak of COVID-19 could result in delays finding, completing a qualifying transaction and continue to have a negative impact on the stock market, including trading prices of the Company’s shares and its ability to raise new capital. 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 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”).

These consolidated financial statements are prepared on the historical cost basis except for certain financial instruments, which are measured at fair value. In addition, these 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 consolidated financial statements were approved and authorized for issue by the Board of Directors on June 11, 2020.

YUNTONE CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Financial instruments (Continued)

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). The Company has classified its cash as FVTPL. The Company does not designate any financial liabilities at FVTPL.

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). The Company has not designated any financial assets at FVOCI.

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 using the effective interest method less any impairment. The Company has classified its promissory note receivable and accounts payable as amortized cost.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses (ECL) 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 ECL 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 12-month ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information. The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Financial instruments (Continued)

ECLs are a probability-weighted estimate of credit losses. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECL's that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

The Company recognizes in profit 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.

Write-off

The gross carrying amount of financial assets is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

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).

YUNTONE CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Financial instruments (Continued)

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 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.

YUNTONE CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Share-based compensation transactions (Continued)

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.

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.

YUNTONE CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Lease

The Company recognizes a right-of-use asset and a lease liability based on the present value of the future lease payments at the commencement date. The commencement date is when the lessor makes the leased asset available for use by the Company, typically the possession date. The discount rate used in the present value calculation for lease payments is the incremental borrowing rate for each leased asset or portfolio of leased assets with similar characteristics by reference to the Company's creditworthiness, the original term of the lease, the quality of the underlying leased asset, and the economic environment where the leased asset is located. The lease term is determined as the non-cancellable periods of a lease, together with periods covered by a renewal option if the Company is reasonably certain to exercise that option and a termination option if the Company is reasonably certain not to exercise that option.

Lease payments for short-term leases with a term of 12 months or less and leases of low-value assets are treated as operating leases, with rent expense recognized in cost of sales or selling, general and administrative expenses on a straight-line or other systematic basis.

Lease liabilities are measured at the present value of future lease payments, discounted using the Company's incremental borrowing rates, and include the fixed payments, variable lease payments that depend on an index or a rate, less any lease incentives receivable. Subsequent to initial measurement, the Company measures lease liabilities at amortized cost using the effective interest rate method. Lease liabilities are remeasured when there are changes to the lease payments, a change in lease term, a change in the assessment of an option to purchase the underlying asset, a change in expected residual value guarantee, or a change in future lease payments due to a change in index or rate tied to the payment.

Right-of-use assets are measured at the initial amount of the lease liabilities, lease payments made at or before the commencement date less any lease incentives received, initial direct costs if any, and decommissioning costs to restore the site to the condition required by the terms and conditions of the lease. Subsequent to initial measurement, the Company applies the cost model to the right of-use assets and measures the asset at cost less any accumulated depreciation, accumulated impairment losses in accordance with IAS 36, and any remeasurements of the lease liabilities. Assets are depreciated from the commencement date on a straight-line basis over the earlier of the end of the assets' useful lives or the end of the lease terms.

i) Critical accounting estimate, judgments and assumptions

The preparation of these 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.

YUNTONE CAPITAL CORP.
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Critical accounting estimate, judgments and assumptions (Continued)

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

j) Accounting changes and recent pronouncements

New and amended standards adopted by the Company

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 effective for the Company on January 1, 2019.

On adoption of IFRS 16, the Company used the following additional practical expedients:

- Applied a single discount rate to a portfolio of leases with similar characteristics;
- Applied the exemption not to recognize right-of-use assets and lease liabilities for short-term leases with terms less than 12 months and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line or other systematic basis over the lease term;
- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Company chose to adopt the modified retrospective approach on transition to IFRS 16 on January 1, 2019. Accordingly, the comparative information presented for the prior period has not been restated and is presented as previously reported under IAS 17 and related interpretations. As at December 31, 2018, the company did not have any lease. As such the cumulative effect of initial application recognized in deficit at January 1, 2019 is \$nil.

YUNTONE CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Accounting changes and recent pronouncements (Continued)

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. The Company has not early adopted these new standards in preparing these financial statements. These new standards are either not applicable or are not expected to have a significant impact on the Company's financial statements.

3. RELATED PARTY TRANSACTIONS

The Company has identified its Directors, Chief Executive Officer, and Chief Financial Officer as its key management personnel and the compensation costs for key management personnel were recorded at their exchange amounts as agreed upon by transacting parties.

There was no compensation for key management personnel incurred during the year ended December 31, 2019. During the year ended December 31, 2018, the Company paid \$30,000 in consulting fees and \$1,298 in office expenses to the former Chief Executive Officer of the Company.

There was no balance due to related parties as at December 31, 2019 and 2018.

4. 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 is due and payable on August 28, 2020.

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.

5. SHARE CAPITAL

a) Authorized share capital

As at December 31, 2019, the authorized share capital of the Company was an unlimited number of common shares and preferred shares without par value.

YUNTONE CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5. SHARE CAPITAL (Continued)

b) Issued and outstanding share capital

As at December 31, 2019, the issued and outstanding share capital of the Company was 16,357,069 (2018 – 16,357,069) common shares. There was no share capital activity for the year ended December 31, 2019.

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, 2019, 466,666 (2018 – 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 December 31, 2019 and 2018, the Company had no stock options outstanding.

6. FINANCIAL INSTRUMENTS AND RISK

Classification and Fair Value of Financial Instruments

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:

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6. FINANCIAL INSTRUMENTS AND RISK (Continued)

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).

The Company's financial instruments include cash, promissory note receivable and accounts payable. Financial instruments are classified into one of the following categories: FVTPL, FVTOC, or amortized cost. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instrument	Category	December 31, 2019	December 31, 2018
		\$	\$
Cash	FVTPL	498,077	572,810
Promissory note receivable	Amortized cost	1	-
Accounts payable	Amortized cost	23,478	6,386

Cash is carried at fair value using a level 1 fair value measurement. The carrying values of promissory note receivable and accounts payable approximate their fair values due to the relatively short periods of maturity of these instruments.

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 cash and promissory note receivable. The Company limits exposure to credit risk by maintaining its cash with financial institutions. Deposits held with these institutions may exceed the amount of insurance provided on such deposits. The Company's maximum exposure to credit risk at the reporting date is the carrying value of cash and promissory note receivable.

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, 2019, the Company had current liabilities of \$23,478 and cash balance of \$498,077. 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.

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6. FINANCIAL INSTRUMENTS AND RISK (Continued)

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, 2019, 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.

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.

As at December 31, 2019, the Company's capital structure consists of share capital, contributed surplus and deficit.

8. INCOME TAXES

The following table reconciles the expected income taxes 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, 2019 and 2018:

	2019	2018
Statutory tax rate	27%	27%
	\$	\$
Loss before income taxes	(89,743)	(88,547)
Expected income tax recovery at statutory rate	(24,231)	(23,908)
Change in rate and others	(1,527)	(1,909)
Change in deferred tax asset not recognized	25,758	25,817
Income tax recovery	-	-

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8. INCOME TAXES (Continued)

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, 2019 and 2018 are as follows:

	2019	2018
	\$	\$
Non-capital loss carry forward	163,716	145,854
Promissory notes receivable	6,750	-
Share issuance costs	1,146	-
Unrecognized deferred income tax assets	(171,612)	(145,854)
Net deferred tax asset	-	-

Non-capital losses carryforward

As at December 31, 2019, the Company has not recognized a deferred tax asset in respect of non-capital losses carryforward of approximately \$606,357 (2018– \$540,199) 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 2039.

	\$
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
2039	66,158
	606,357

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.

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9. PROPOSED 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 will acquire all of the issued and outstanding shares of GrowX (the "Transaction"). In consideration for which, the Company will issue to the shareholders of GrowX one post-consolidation common share of the Company for each share of GrowX. Under the agreement, the Company was to issue a total of 59,583,121 post-consolidation common shares of the Company. The Transaction was to proceed by a three-cornered amalgamation by the parties, whereby GrowX and Subco will 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 due and payable on August 28, 2020 (Note 4). In addition, subject to TSX-V approval, the Company was to provide GrowX with a loan of \$225,000 (the "Loan"). The Loan will bear interest at a rate of 5% per annum, secured on the assets of GrowX and be due and payable one year from the date of advancement.

In conjunction with closing of the Transaction, the Company planned to (a) complete a share consolidation on the basis of one post-consolidation common share for every two pre-consolidation shares, resulting in the issued and outstanding shares decreasing from 16,357,069 to 8,178,534 common shares immediately prior to, and (b) change its name to GrowX Global Corp. The common shares of the Company will be listed on the TSX-V under a new trading symbol.

Prior to closing the Transaction, the Company was to complete a non-brokered private placement financing of 4,666,666 pre-consolidation share of the Company at a price of \$0.075 per pre-consolidation share for total proceeds of \$350,000.

In conjunction with closing the Transaction, GrowX was to complete a non-brokered private placement convertible note financing (the "Note") in the principal amount of \$5,000,000. The Note will bear interest at a rate of 9% per annum, payable semi-annually, and will mature and be payable 36 months from the date of issuance. The principal amount of the note will be convertible into common shares of GrowX at a price of \$0.35 per share.

The completion of the Transaction was subject to the satisfaction of customary conditions precedent including, but not limited to TSX-V approval and the receipt of all necessary shareholder and board of director approval. (See Note 10).

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10. SUBSEQUENT EVENT

- a) 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.

- b) On April 1, 2020 the Company announced that it had terminated its previously announced Proposed Qualifying Transaction disclosed in Note 9 as GrowX failed to satisfy custom closing conditions.