

**YUNTONE CAPITAL CORP.**  
**Management's Discussion and Analysis**  
**For the year ended December 31, 2019**

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**INTRODUCTION**

The following management's discussion and analysis of financial condition and results of operations ("MD&A") for the year ended December 31, 2019 prepared as of June 15, 2020, should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2019 and the related notes thereto of Yuntone Capital Corp. ("the Company"). The MD&A is the responsibility of management and has been reviewed and approved by the Board of Directors of the Company.

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

**CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS**

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

**COMPANY OVERVIEW**

Yuntone Capital Corp. (the "Company") was incorporated on March 6, 2008 pursuant to the Business Corporations Act of British Columbia and is classified as a Capital Pool Company ("CPC") as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4. The principal business of the Company is the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities.

The Company does not currently have operations or assets capable of generating ongoing revenues or cash flows and it did not complete a Qualifying Transaction 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.

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

**SELECTED ANNUAL INFORMATION**

	<b>December 31, 2019 \$</b>	December 31, 2018 \$	December 31, 2017 \$
<b>Total assets</b>	<b>500,771</b>	573,422	51,689
<b>Working capital (deficiency)</b>	<b>477,293</b>	567,036	(98,346)
<b>Loss and comprehensive loss</b>	<b>(89,743)</b>	(88,547)	(27,613)
<b>Net loss per share<sup>(1)(2)</sup></b>	<b>(0.00)</b>	(0.01)	(0.02)

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

<sup>(2)</sup>Post 3:1 share consolidation

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The Company is a CPC and has no business operations. The Company has no sales revenue, paid no dividends and had no long-term liabilities during the year ended December 31, 2019. Until such time as the Company completes a Qualifying Transaction as required by TSX-V, corporate expenditures will be restricted to costs of raising equity financing, administrative costs to maintain the Company in good standing and costs to identify and evaluate potential business opportunities.

**RESULTS OF OPERATIONS**

The Company recorded a net loss of \$89,743 (\$0.00 per share) for the year ended December 31, 2019, which was consistent as compared to a net loss of \$88,547 (\$0.01 per share) for the year ended December 31, 2018.

The Company incurred less consulting and professional fees in the current year as a result of decreases in general corporate activities compared with the 2018 fiscal year. However, the Company also wrote off \$24,999 of promissory note receivable which increased its net loss to a level similar to the 2018 fiscal year.

The Company had no revenue, paid no dividends and had no long-term liabilities during the year ended December 31, 2019.

**SUMMARY OF SELECTED QUARTERLY RESULTS (UNAUDITED)**

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

	THREE MONTHS ENDED			
	Dec 31,	Sep 30,	Jun 30,	Mar 31,
	2019	2019	2019	2019
	\$	\$	\$	\$
Total assets	500,771	538,629	560,927	566,394
Working capital	477,293	530,374	548,511	557,576
Net loss	(53,081)	(18,137)	(9,065)	(9,460)
Net loss per share <sup>(1)</sup>	(0.00)	(0.00)	(0.00)	(0.00)

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

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

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The net loss in the quarter ended December 31, 2019 was higher compared to other recent periods as a result of the write-off of promissory note receivable for \$24,999. The net losses in the quarters ended June 30, 2018 and March 31, 2018 were higher compared to other recent periods mostly due to the charges in professional fees, accounting and auditing fees, and office expenses, which increased as a result of the increases in the general corporate activities compared to other quarters. Changes in total assets and working capital are a function of equity financings, less operating costs of the Company.

**FINANCING ACTIVITIES**

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

**LIQUIDITY AND CAPITAL RESOURCES**

As at December 31, 2019, the Company had cash of \$498,077 and a working capital of \$477,293 (2018 - cash of \$572,810 and a working capital of \$567,036). During the year ended December 31, 2019, net cash used in operating activities was \$49,733. The Company advanced \$25,000 in exchange for a promissory note receivable as part of the investing activity.

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

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 obtaining additional financing or maintaining continued support from its shareholders and creditors and generating profitable operations in the future. In March 2020, there was a global pandemic outbreak of COVID-19. The pandemic could result in delays in the course of business 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 the Company's 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. The Company's 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.

**TRANSACTIONS WITH RELATED 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.

**CURRENT SHARE DATA**

As at the date of this MD&A, the Company has 16,357,069 common shares issued and outstanding, has 466,666 escrow shares remaining and no stock options outstanding.

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**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)

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.

**SIGNIFICANT ACCOUNTING POLICIES**

Reference should be made to the Company's significant accounting policies contained in Note 2 of the Company's audited consolidated financial statements for the year ended December 31, 2019. These accounting policies can have a significant impact on the Company's financial performance and financial position of the Company.

**CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The preparation of these financial statements in conformity with IFRS requires management to make judgement and estimates and form assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets/liabilities at the date of the financial statements and reported amount of revenues and expenses during the reporting period. Actual outcomes could differ from these estimates.

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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

**NEW STANDARD AND INTERPRETATIONS NOT YET ADOPTED**

***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 retained earnings at January 1, 2019 is \$nil.

***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.

**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:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

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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:

<b>Financial Instrument</b>	<b>Category</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
		\$	\$
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.

***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.

A sensitivity analysis has not been presented as the Company currently has no significant exposure to fluctuations in interest or foreign exchange rates.

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**OFF-BALANCE SHEET ARRANGEMENTS**

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

**DISCLOSURE CONTROLS AND PROCEDURES**

Disclosure controls and procedures are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized, and reported within the time periods specified by securities regulations and that the information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the financial statements for the year ended December 31, 2019 and this accompanying MD&A (together, the "Annual Filings").

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

**RISKS AND UNCERTAINTIES**

The Company does not currently have an operating business. Where an acquisition or participation is warranted, funding in addition to the IPO funding may be required. These additional funds may not be available on terms acceptable to the Company. There is no assurance that the Company will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the TSX-V, at which time the TSX-V may suspend or de-list the Company's shares from trading.

**OTHER INFORMATION**

Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com).