

YUNTONE CAPITAL CORP.

FINANCIAL STATEMENTS
(Expressed in Canadian dollars)

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013



INDEPENDENT AUDITORS' REPORT

To the Shareholders of Yuntone Capital Corp.

We have audited the accompanying financial statements of Yuntone Capital Corp. which comprise the statements of financial position as at December 31, 2014 and 2013 and the statements of comprehensive loss, changes in equity and cash flows for the years ended December 31, 2014 and 2013, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained based on our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Yuntone Capital Corp. as at December 31, 2014 and 2013, and its financial performance and cash flows for the years ended December 31, 2014 and 2013 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 to these financial statements which describes the existence of a material uncertainty that may cast significant doubt about the ability of Yuntone Capital Corp. to continue as a going concern.

Manning Elliott LLP

CHARTERED ACCOUNTANTS

Vancouver, British Columbia

April 30, 2015

YUNTONE CAPITAL CORP.
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2014 and 2013
(Expressed in Canadian dollars)

	2014	2013
ASSETS		
Current assets		
Cash	\$ 609	\$ 17,813
Amounts receivable	2,690	1,994
Prepaid expenses	-	1,250
Total assets	\$ 3,299	\$ 21,057
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 37,530	\$ 37,837
Due to related party (Note 6)	5,000	-
	42,530	37,837
Shareholders' deficiency		
Share capital (Note 5)	290,444	290,444
Share-based compensation reserve	44,160	44,160
Deficit	(373,835)	(351,384)
	(39,231)	(16,780)
Total liabilities and shareholders' deficiency	\$ 3,299	\$ 21,057

Nature and continuance of operations (Note 1)

Authorized for issuance on behalf of the Board on April 30, 2015:

"George Wang" Director

"Xiang Xia" Director

The accompanying notes are an integral part of these financial statements.

YUNTONE CAPITAL CORP.
STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Expressed in Canadian dollars)

	2014	2013
Expenses		
Accounting and audit	\$ 12,600	\$ 12,800
Agency fees	4,319	5,985
Filing fees	5,229	6,818
Legal fees	-	18,405
Office supplies	303	120
Property investigation costs	-	2,100
	<u>22,451</u>	<u>46,228</u>
Other – Recovery of amounts receivable	-	(8,720)
Net loss and comprehensive loss for the year	<u>\$ (22,451)</u>	<u>\$ (37,508)</u>
Basic and diluted loss per common share	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Weighted average number of common shares outstanding	<u>3,411,200</u>	<u>3,411,200</u>

The accompanying notes are an integral part of these financial statements.

YUNTONE CAPITAL CORP.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Expressed in Canadian dollars)

	Share Capital		Share-Based Compensation Reserve	Deficit	Total
	Shares	Amount			
Balance, December 31, 2012	3,411,200	\$ 290,444	\$ 44,160	\$ (313,876)	\$ 20,728
Comprehensive loss	-	-	-	(37,508)	(37,508)
Balance, December 31, 2013	3,411,200	\$ 290,444	\$ 44,160	\$ (351,384)	\$ (16,780)
Comprehensive loss	-	-	-	(22,451)	(22,451)
Balance, December 31, 2014	3,411,200	\$ 290,444	\$ 44,160	\$ (373,835)	\$ (39,231)

The accompanying notes are an integral part of these financial statements.

YUNTONE CAPITAL CORP.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Expressed in Canadian dollars)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	\$ (22,451)	\$ (37,508)
Item not involving cash: recovery of amounts receivable	-	(8,720)
	(22,451)	(46,228)
Changes in non-cash working capital items:		
Amounts receivable	(696)	6,726
Prepaid expenses	1,250	(1,250)
Accounts payable and accrued liabilities	(307)	24,672
Cash used in operating activities	(22,204)	(16,080)
CASH FLOWS FROM FINANCING ACTIVITY		
Advances from a related party (Note 6)	5,000	-
Cash received from financing activity	5,000	-
Change in cash	(17,204)	(16,080)
Cash, beginning	17,813	33,893
Cash, ending	\$ 609	\$ 17,813

The accompanying notes are an integral part of these financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

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 head office and principal address of the Company is located at 750-625 Howe Street, Vancouver, BC, V6C 2T6.

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

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

At December 31, 2014, the Company had incurred a net loss of \$22,451 (2013: \$37,508) and had an accumulated deficit of \$373,835 (2013: \$351,384) which has been funded by the issuance of equity. The Company’s ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing or maintaining continued support from its shareholders and creditors, and generating profitable operations in the future. Although these 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 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. BASIS OF PREPARATION

a) Statement of Compliance

The financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

These financial statements were authorized for issue by the Board of Directors on April 30, 2015.

b) Basis of Measurement

These financial statements are prepared on the historical cost basis except for certain financial instruments, which are measured at fair value as explained in the accounting policies set out in Note 3(a) and 3(b). In addition, these 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.

c) Functional Currency

The functional and presentation currency of the Company is the Canadian dollar.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Financial Assets

All financial assets are initially recorded at fair value and classified upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss (“FVTPL”).

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized in comprehensive income or loss.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income or loss.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

The Company classified its cash as FVTPL.

(b) Financial Liabilities

All financial liabilities are initially recorded at fair value and classified upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized costs using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in comprehensive income or loss.

The Company classified its accounts payable and amounts due to related party as other financial liabilities.

(c) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Income taxes (continued)

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.

(d) Share-based compensation transactions

The Company records all share-based compensation at fair value. Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive income or loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the good or services received in the statement of comprehensive income or loss. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

Options or warrants granted related to the issuance of shares are recorded as a reduction of share capital. Warrants issued as consideration in connection with common share placements are recorded at their fair value on the date of issuance as share issuance costs. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options expected to vest. On the exercise of stock options, agents' options and warrants, share capital is recorded for the consideration 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.

(e) 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.

(f) 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.

(g) Property investigation costs and acquisition deposits

Payments made to the optionor and costs incurred on the investigation of potential property acquisitions are expensed as incurred unless the Company has a legal right to the property, in which case it capitalizes all property explorations and evaluation costs. Capitalized property costs subsequently abandoned or impaired are expensed.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Significant accounting judgments and estimates

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

On an on-going basis, management evaluates its estimates underlying various assumptions. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustments to the carrying amounts of assets and liabilities, include the following:

Critical accounting estimates

- Assumptions used in valuating options issued as share based payments

Critical accounting judgments

- the determination of categories of financial assets and financial liabilities identified as financial instruments
- the recognition of deferred tax assets and liabilities
- going concern

(i) Adoption of new pronouncements

The Company adopted the following accounting policies effective January 1, 2014:

IFRS 7 *Financial Instruments: Disclosures*, requires entities to provide additional information about offsetting of financial assets and financial liabilities that will enable users of financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with an entity's recognized financial assets and recognized financial liabilities, on the entity's financial position. The adoption of this IFRS did not impact the Company's financial statements.

IFRS 10 *Consolidated Financial Statements*, requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 replaced SIC-12, Consolidation-Special Purpose Entities, and parts of IAS 27, Consolidated and Separate Financial Statements. The adoption of this IFRS did not impact the Company's financial statements.

IFRS 11 *Joint Arrangements*, requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities - Non-monetary Contributions by Venturers. The adoption of this IFRS did not impact the Company's financial statements.

IFRS 12 *Disclosure of Interests in Other Entities*, establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosure that address the nature of, and risks associated with, an entity's interests in other entities. The adoption of this IFRS did not impact the Company's financial statements.

IFRS 13 *Fair Value Measurement*, is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. The adoption of this IFRS did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at January 1, 2014.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Adoption of new pronouncements (continued)

IAS 1 Presentation of Financial Statements - has been amended to require entities to separate items presented in other comprehensive income (“OCI”) into two groups, based on whether or not items may be recycled to net income in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately including prior year comparatives. The adoption of this IFRS did not impact the Company’s financial statements.

Amendments to other standards

In addition, there have been other amendments to existing standards, including *IAS 27 Separate Financial Statements* and *IAS 28 Investments in Associates and Joint Ventures*. *IAS 27* addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. *IAS 28* has been amended to include joint ventures in its scope and to address the changes in *IFRS 10* to *IFRS 13*.

4. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods noted below. Some updates that are not applicable or are not consequential to the Company have been excluded from the list below.

a) New accounting standards effective January 1, 2015:

IAS 32 Financial Instruments: Presentation - In December 2011, the IASB issued an amendment to clarify the meaning of the offsetting criterion and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement. Earlier application is permitted when applied with corresponding amendment to *IFRS 7*.

IAS 36 Impairment of Assets - In May 2013, the IASB issued an amendment to address the disclosure of information about the recoverable amount of impaired assets or a CGU for periods in which an impairment loss has been recognized or reversed. The amendments also address disclosure requirements applicable when an asset’s or a CGU’s recoverable amount is based on fair value less costs of disposal. Management is currently evaluating the impact the final interpretation is expected to have on the Company’s financial statements.

IFRIC 21 Levies - In May 2013, the IASB issued *IFRIC 21, Levies* (“*IFRIC 21*”), an interpretation of *IAS 37, Provisions, Contingent Liabilities and Contingent Assets* (“*IAS 37*”), on the accounting for levies imposed by governments. *IAS 37* sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (“obligating event”). *IFRIC 21* clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. Management is currently evaluating the impact the final interpretation is expected to have on the Company’s financial statements.

b) New accounting standards effective January 1, 2017:

IAS 1 Presentation of Financial Statements - In December 2014, the IASB issued an amendment to address perceived impediments to preparers exercising their judgment in presenting their financial reports. The changes clarify that materiality considerations apply to all parts of the financial statements and the aggregation and disaggregation of line items within the financial statements.

4. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

b) New accounting standards effective January 1, 2017 (continued):

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets - In May 2014, the IASB issued amendments to IAS 16 and IAS 38. The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

The following standard will be effective for annual periods beginning on or after January 1, 2018:

IFRS 9 Financial Instruments - In November 2009, as part of the IASB project to replace IAS 39 *Financial Instruments: Recognition and Measurement*, the IASB issued the first phase of IFRS 9 *Financial Instruments*, that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities.

The extent of the impact of adoption of these standards and interpretations on the financial statements of the Company has not been determined.

5. SHARE CAPITAL

Authorized:

Unlimited common shares, without par value

Unlimited preferred shares, without par value

Issued and outstanding: 3,411,200 (2013: 3,411,200) – See Statements of Changes in Equity.

Escrow Shares

The Company originally had 2,800,000 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. Upon being transferred to the NEX Board, the Company was required to cancel half of the escrow shares, leaving 1,400,000 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. 1,400,000 common shares remained in escrow as at December 31, 2014 and 2013.

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.

YUNTONE CAPITAL CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013
(Expressed in Canadian dollars)

5. SHARE CAPITAL (continued)

Stock options (continued)

Stock option transactions and the number of options outstanding are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2012 and 2013	480,000	\$ 0.10
Expired	(480,000)	\$ 0.10
Balance, December 31, 2014	-	\$ -

6. RELATED PARTY TRANSACTION

As at December 31, 2014, the Company has \$5,000 due to the Chief Executive Officer of the Company. The loan is unsecured, interest free and is due on demand.

7. FINANCIAL INSTRUMENTS AND RISK

International Financial Reporting Standards 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair Value of Financial Instruments

The Company's financial instruments include cash, accounts payable and amounts due to related party. The carrying values of these instruments approximate their fair values due to the relatively short periods of maturity of these instruments.

As at December 31, 2014, the classification of the financial instruments, as well as their carrying values and fair values, with comparative figures for December 31, 2013, are shown in the table below:

	December 31, 2014		December 31, 2013	
	Fair Value \$	Carrying Value \$	Fair Value \$	Carrying Value \$
Financial asset				
Cash	609	609	17,813	17,813
Financial liabilities				
Accounts payable	37,530	37,530	37,837	37,837
Due to related party	5,000	5,000	-	-

The fair values of the Company's financial instruments measured at December 31, 2014, constitute Level 1 measurements for its cash within the fair value hierarchy.

7. FINANCIAL INSTRUMENTS AND RISK (continued)

Risk Management

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash, accounts payable and due from related parties. The Company limits its exposure to credit risk on liquid financial assets through maintaining its cash and equivalents with high-credit quality financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company's objective to managing liquidity risk is to ensure that it has sufficient liquidity available to meet liabilities when due. As at December 31, 2014, the Company had a cash balance of \$609 (2013 - \$17,813) to settle current liabilities of \$42,530 (2013 - \$37,837). All of the Company's 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.

(a) Interest rate risk

The Company has no interest-bearing debt. Accordingly there is minimal interest rate risk.

(b) 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.

8. 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 currently does not have sufficient cash for operations and must rely on equity financing or advances from officers, directors or shareholders to finance operations or any Qualifying Transaction.

As at December 31, 2014, the Company's capital structure consists of all components of shareholder's equity. The Company does not pay dividends. The Company will be subject to, among other things, a \$50,000 ongoing net working capital requirement after it is qualified to move from NEX and re-list on the TSX-V.

YUNTONE CAPITAL CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013
(Expressed in Canadian dollars)

9. INCOME TAXES

The following table reconciles the amount of deferred income tax expense on application of the combined statutory Canadian federal and provincial income tax rates:

	2014	2013
Canadian statutory income tax rate	26%	25.75%
Income tax recovery at statutory rate	\$ (5,837)	\$ (9,658)
Effect of change in income tax rate	-	(3,406)
Change in tax benefit not recognized	5,837	13,064
Provision for income taxes	\$ -	\$ -

Significant components of the Company's unrecognized deferred tax assets (liabilities) are as follows:

	2014	2013
Non capital losses carried forward	\$ 101,692	\$ 95,855
Deferred tax assets not recognized	(101,692)	(95,855)
Net deferred tax asset	\$ -	\$ -

The Company has Canadian non-capital loss carry forwards of \$391,122 that may be available for tax purposes. The losses expire in as follows:

Expiry	\$
2028	51,528
2029	79,652
2030	43,476
2031	54,749
2032	91,503
2033	47,764
2034	22,450
	<u>391,122</u>