

YUNTONE CAPITAL CORP.
Management's Discussion and Analysis
For the three months ended March 31, 2020

INTRODUCTION

The following management's discussion and analysis of financial condition and results of operations ("MD&A") for the three months ended March 31, 2020 prepared as of July 8, 2020, should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2020 and the related notes thereto of Yuntone Capital Corp. ("the Company"), together with the audited consolidated financial statements of the Company for the year ended December 31, 2019 as well as the accompanying MD&A for the year then ended.

The referenced financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board and as applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. 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.

RESULTS OF OPERATIONS

The Company recorded a net loss of \$6,232 (\$0.00 per share) for the three months ended March 31, 2020, which was consistent as compared to a net loss of \$9,460 (\$0.00 per share) for the three months ended March 31, 2019.

The decrease in net loss in the current period was mainly due to the decrease in accounting and audit fees and transfer agent fees as a result of decreases in general corporate activities compared with the 2019 comparable period.

The Company had no revenue, paid no dividends and had no long-term liabilities during the three months ended March 31, 2020.

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.

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	THREE MONTHS ENDED			
	March 31, 2020 \$	Dec 31, 2019 \$	Sep 30, 2019 \$	Jun 30, 2019 \$
Total assets	486,689	500,771	538,629	560,927
Working capital	471,061	477,293	530,374	548,511
Net loss	(6,232)	(53,081)	(18,137)	(9,065)
Net loss per share ⁽¹⁾	(0.00)	(0.00)	(0.00)	(0.00)

	THREE MONTHS ENDED			
	Mar 31, 2019 \$	Dec 31, 2018 \$	Sep 30, 2018 \$	Jun 30, 2018 \$
Total assets	566,394	573,422	583,664	607,577
Working capital (deficiency)	557,576	567,036	580,449	587,964
Net loss	(9,460)	(13,413)	(7,515)	(37,631)
Net loss per share ⁽¹⁾	(0.00)	(0.00)	(0.00)	(0.00)

⁽¹⁾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.

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 loss in the quarter ended June 30, 2018 was 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

There were no share capital activities for the three months ended March 31, 2020 and the year ended December 31, 2019.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2020, the Company had cash of \$483,691 and a working capital of \$471,061 (December 31, 2019 - cash of \$498,077 and a working capital of \$477,293). During the three months ended March 31, 2020, net cash used in operating activities was \$14,386.

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.

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The Company incurred a net loss of \$6,232 for the three months ended March 31, 2020. As at March 31, 2020, the Company has a cumulative deficit of \$617,472. 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. On March 11, 2020, various authorities declared a pandemic related to COVID 19 resulting in restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. These restrictions are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Company operates. The pandemic could have a negative impact on the stock market, including trading prices of the Company's shares and its ability to complete a Qualifying Transaction and raise new capital. The Company believes that these potential delays are temporary and it expects to resume its pursuits as restrictions are alleviated. The duration and effects of the restrictions are not currently determinable and no provision has been made in these financial statements for any effects that the Company may experience if the restrictions are other than temporary.

Although the Company's condensed interim consolidated financial statements have been prepared and presented on a going concern basis, the factors outlined above raise significant doubt about the ability of the Company to continue as a going concern, in which case this basis of presentation will not be appropriate. The Company's condensed interim consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

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.

TERMINATED QUALIFYING TRANSACTION

On August 11, 2019, the Company entered into an arm's length business combination agreement with GrowX and 1160015 B.C. Ltd. ("Subco"), a wholly owned subsidiary of the Company, whereby the Company would acquire all of the issued and outstanding shares of GrowX (the "Transaction"). The Transaction was to proceed by a three-cornered amalgamation by the parties, whereby GrowX and Subco would amalgamate to form GrowX Cannabis Inc. ("Amalco"), resulting in Amalco being a wholly owned subsidiary of the Company. The Transaction was to constitute the Company's qualifying transaction under the policies of the TSX-V.

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

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

Accounting standards and amendments issued but not yet adopted

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

OFF-BALANCE SHEET ARRANGEMENTS

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

DISCLOSURE CONTROLS AND PROCEDURES

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 unaudited condensed interim consolidated financial statements for the three months ended March 31, 2020 and this accompanying MD&A.

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.

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.