



## NOTICE OF ANNUAL AND GENERAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an annual and general meeting (the "**Meeting**") of the shareholders of Aylene Capital Inc. (the "**Corporation**") will be held at the offices of Norton Rose Fulbright Canada LLP, Suite 3800, Royal Bank Plaza, South Tower, 200 Bay Street, Toronto, Ontario, M5J 2Z4, at 9:00 a.m. (Toronto time) on June 14, 2016 for the following purposes:

1. to receive and consider the consolidated financial statements of the Corporation for the fiscal year ended December 31, 2015 and the auditors' report thereon and related management's discussion and analysis;
2. to elect directors of the Corporation for the ensuing year;
3. to appoint auditors of the Corporation and authorize the directors to fix their remuneration, as more particularly described in the accompanying management information circular (the "**Circular**"); and
4. to transact such other business as may properly be brought before the Meeting or any adjournment thereof.

The accompanying Circular provides information relating to the matters to be dealt with at the Meeting and is supplemental to, and is expressly made part of, this Notice of Meeting.

Any shareholder who is unable to attend the meeting in person is requested to sign and date the enclosed form of proxy and return such form of proxy in the envelope provided for that purpose for use at the Meeting.

**DATED** at Toronto, Ontario this 30th day of April, 2016.

**BY ORDER OF THE BOARD OF DIRECTORS**

*"John Pennal"*

John D. Pennal  
President and Chief Executive Officer



**MANAGEMENT INFORMATION CIRCULAR**  
**ANNUAL AND GENERAL MEETING OF SHAREHOLDERS**  
**SUMMARY OF MEETING INFORMATION**

***Date, Time and Place of Meeting***

The Meeting will be held on June 14, 2016 at 9:00 a.m. (Toronto time) at the offices of Norton Rose Fulbright Canada LLP, Suite 3800, Royal Bank Plaza, South Tower, 200 Bay Street, Toronto, Ontario, M5J 2Z4.

***The Record Date***

The Board has established the record date (the “**Record Date**”) for the Meeting as the close of business on May 2, 2016. Only shareholders of record at the close of business on the Record Date will be entitled to notice of the Meeting or any adjournment(s) or postponement(s) thereof, and to vote at the Meeting. No shareholders who become shareholders of record after that time will be entitled to vote at the Meeting or any adjournment(s) or postponement(s) thereof.

***Quorum***

A quorum for the Meeting will consist of one or more persons, present in person or represented by proxy, holding in the aggregate not less than 10% of the votes attached to all outstanding Common Shares entitled to vote at the Meeting. If a quorum is present at the opening of the Meeting, the shareholders present or represented by proxy may proceed with the business of the Meeting notwithstanding that a quorum is not present throughout the Meeting. If a quorum is not present at the opening of the Meeting, the Meeting may be adjourned.

***Particulars of Matters to be Acted Upon at the Meeting***

**1. Financial Statements:** The audited financial statements for the fiscal year ended December 31, 2014 and the auditors’ report thereon and management’s discussion and analysis will be presented to shareholders at the Meeting. The financial statements and the auditors report thereon and management’s discussion and analysis are available under the Corporation’s profile on the System for Electronic Data Access and Retrieval (**SEDAR**) at [www.sedar.com](http://www.sedar.com).

**2. Election of Directors:** Shareholders will be asked to elect three directors for the ensuing year. See “*Proposed Officers and Directors of the Corporation*” for a complete description of this matter. The Board and management of the Corporation recommend that Shareholders vote **FOR** the directors nominated in the Circular.

**3. Appointment of Auditors:** Shareholders will be asked to appoint MNP LLP as auditors of the Corporation to hold office until the next annual meeting of shareholders and to authorize the Board to fix their remuneration. See “*Auditors*” for a complete description of this matter. To be effective, the

appointment of new auditors must be approved by 50% of the votes cast by the Shareholders present in person or voting by proxy at the Meeting. The Board and management of the Corporation recommend that shareholders vote **FOR** the appointment of MNP LLP as auditors.

**4. Other Business:** Shareholders will be asked to transact such other business as may properly be brought before the Meeting. At the time of the printing of this Circular, the Board and management of the Corporation know of no other matter expected to come before the Meeting.

#### **FORWARD-LOOKING STATEMENTS**

Certain statements contained in this Circular contain forward-looking statements or information (collectively "**forward-looking statements**"). The Corporation is hereby providing cautionary statements identifying important factors that could cause the actual results to differ materially from those projected in the forward-looking statements. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "may", "is expected to", "anticipates", "estimates", "intends", "plans", "projection", "could", "vision", "goals", "objective" and "outlook") are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. In making these forward-looking statements, the Corporation has assumed that the current market will continue and grow and that the risks listed below will not adversely impact the business of the Corporation.

By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes may not occur or may be delayed. The risks, uncertainties and other factors, many of which are beyond the control of the Corporation, that could influence actual results include, but are not limited to: limited operating history; exploration, development and operating risks; regulatory risks; financing risks and dilution to shareholders; competition; reliance on management and dependence on key personnel; fluctuating mineral prices and marketability of minerals; title to properties; local resident concerns; environmental risks; governmental regulations, processing licenses and permits; conflicts of interest of management; uninsurable risks; exposure to potential litigation; and other factors beyond the control of the Corporation.

Further, any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by applicable law, the Corporation does not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time-to-time, and it is not possible for management to predict all such factors and to assess in advance the impact of each such factor on the business of the Corporation or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.

#### **DATE**

Except as otherwise indicated in this Circular, all information disclosed in this Circular is as of April 30, 2016.

## SOLICITATION OF PROXIES BY MANAGEMENT

**THIS MANAGEMENT INFORMATION CIRCULAR (THE CIRCULAR) IS FURNISHED IN CONNECTION WITH THE SOLICITATION BY THE MANAGEMENT OF AYLEN CAPITAL INC. (THE CORPORATION) OF PROXIES TO BE USED AT THE ANNUAL AND GENERAL MEETING (THE MEETING) OF SHAREHOLDERS OF THE CORPORATION (THE SHAREHOLDERS) TO BE HELD AT THE TIME AND PLACE AND FOR THE PURPOSES SET FORTH IN THE ACCOMPANYING NOTICE OF ANNUAL AND GENERAL MEETING OF SHAREHOLDERS (THE NOTICE) AND AT ANY ADJOURNMENT THEREOF.**

It is expected that the solicitation will be made primarily by mail. However, officers of the Corporation may also solicit proxies by telephone, facsimile, e-mail or in person. The total cost of solicitation of proxies will be borne by the Corporation.

Unless otherwise specified, all financial amounts shown represent Canadian dollars.

### **APPOINTMENT, REVOCATION AND DEPOSIT OF PROXIES**

The persons named in the enclosed forms of proxy are directors and/or officers of the Corporation who have been selected by the directors of the Corporation and have indicated their willingness to represent as proxies the Shareholders who appoint them.

**A SHAREHOLDER HAS THE RIGHT TO APPOINT AS HIS OR HER PROXY A PERSON OR COMPANY, WHO NEED NOT BE A SHAREHOLDER, OTHER THAN THOSE WHOSE NAMES ARE PRINTED ON THE ACCOMPANYING FORMS OF PROXY. A SHAREHOLDER WHO WISHES TO APPOINT SOME OTHER PERSON OR COMPANY TO REPRESENT HIM OR HER AT THE MEETING MAY DO SO EITHER BY CLEARLY INSERTING SUCH OTHER PERSON'S NAME IN THE BLANK SPACE PROVIDED IN THE FORMS OF PROXY AND SIGNING THE FORM OF PROXY, OR BY COMPLETING AND SIGNING ANOTHER PROPER FORM OF PROXY.**

Proxies to be used at the Meeting must be deposited with Computershare Trust Company of Canada at 100 University Avenue, Toronto ON M5J 2X1 at least 48 hours (excluding Saturdays, Sundays and holidays) prior to the Meeting or at any adjournment thereof. A Shareholder who has given a proxy may revoke it, as to any motion on which a vote has not already been cast pursuant to the authority conferred by it, by an instrument in writing executed by the Shareholder or by the Shareholder's attorney authorized in writing or, if the Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized. The revocation of a proxy, in order to be acted upon, must be deposited with Computershare Trust Company of Canada at 100 University Avenue, Toronto ON M5J 2X1 prior to 5:00 p.m. on the last business day immediately preceding the Meeting or with the chairman of the Meeting before the commencement of the Meeting or at any adjournment thereof. A proxy may also be revoked in any other manner permitted by law.

### **VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF**

The authorized capital of the Corporation consists of an unlimited number of common shares (**Common Shares**) and an unlimited number of preferred shares issuable in series (**Preferred Shares**) of which, as of the date of this Circular, 16,856,632 Common Shares and no Preferred Shares of the Corporation are issued and outstanding.

#### *Common Shares*

The holders of Common Shares are entitled to dividends, if, as and when declared by the board of directors of the Corporation (the **Board**), to receive notice of and to vote at meetings of the Shareholders of the Corporation on the basis of one vote per Common Share and, upon liquidation, to share equally in

such assets of the Corporation as are distributed to the holders of Common Shares. There are no pre-emptive, redemption, purchase or conversion rights attached to Common Shares.

The Corporation has fixed May 2, 2016 as the record date (the **Record Date**) for the purpose of determining Shareholders entitled to receive notice of the Meeting. Pursuant to the *Canada Business Corporations Act* (the **CBCA**), the Corporation is required to prepare, no later than ten days after the Record Date, an alphabetical list of Shareholders entitled to vote as of the Record Date that shows the number of shares held by each Shareholder. A Shareholder whose name appears on the list referred to above is entitled to vote the shares shown opposite his or her name at the Meeting.

As of the date hereof, the directors and officers of the Corporation own or control, directly or indirectly, in the aggregate, 5,907,900 Common Shares of the Corporation, representing 35% of the issued and outstanding Common Shares.

To the knowledge of the directors and executive officers of the Corporation, as of the Record Date, except as indicated below, no person or company beneficially owns, or controls or directs, directly or indirectly, voting securities carrying ten percent (10%) or more of the voting rights attached to any class of voting security of the Corporation except for John D. Pennal who holds or exercises control or direction over 5,857,900 common shares which represent 34.8% of the outstanding common shares.

#### **MANNER OF VOTING AND EXERCISE OF DISCRETION BY PROXIES**

The persons named in the enclosed form of proxy for Common Shares will vote or withhold from voting the Common Shares in respect of which they are appointed in accordance with the direction of the Shareholders appointing them and, if the Shareholder clearly specifies a choice with respect to any matter to be acted upon, the Common Shares shall be voted accordingly.

**WHERE NO CHOICE IS SPECIFIED, THE PROXY WILL CONFER DISCRETIONARY AUTHORITY AND WILL BE VOTED IN FAVOUR OF THE MATTERS IDENTIFIED IN THE NOTICE AND DESCRIBED IN THIS CIRCULAR. THE ENCLOSED FORM OF PROXY FOR COMMON SHARES ALSO CONFERS DISCRETIONARY AUTHORITY UPON THE PERSONS NAMED THEREIN TO VOTE WITH RESPECT TO ANY AMENDMENTS OR VARIATIONS TO THE MATTERS IDENTIFIED IN THE NOTICE OF MEETING AND WITH RESPECT TO OTHER MATTERS WHICH MAY PROPERLY COME BEFORE THE MEETING IN SUCH MANNER AS SUCH NOMINEE IN HIS JUDGMENT MAY DETERMINE. AS OF THE DATE OF THIS CIRCULAR, MANAGEMENT OF THE CORPORATION KNOWS OF NO SUCH AMENDMENTS, VARIATIONS OR OTHER MATTERS TO COME BEFORE THE MEETING OTHER THAN THE MATTERS REFERRED TO IN THE NOTICE.**

#### **NON-REGISTERED SHAREHOLDERS**

Only registered Shareholders or duly appointed proxyholders are permitted to vote at the Meeting. Most Shareholders of the Corporation are “non-registered” shareholders because the Common Shares of the Corporation they own are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased the common shares. A person is not a registered shareholder (a **Non-Registered Shareholder**) in respect of Common Shares which are held either: (a) in the name of an intermediary (an **Intermediary**) that the Non-Registered Holder deals with in respect of the Common Shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIAs, RESPs and similar plans); or (b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited (**CDS**)), of which the Intermediary is a participant.

Non-Registered Holders who have not objected to their Intermediary disclosing certain ownership information about themselves to the Corporation are referred to as “NOBOs”. Those Non-Registered Holders who have objected to their Intermediary disclosing ownership information about themselves to the

Corporation are referred to as “OBOs”. In accordance with the requirements of National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* of the Canadian Securities Administrators, the Corporation has elected to send the Notice, this Circular and the forms of proxy (the **meeting materials**) directly to the NOBOs, and indirectly through Intermediaries to the OBOs. The Intermediaries (or their service companies) are responsible for forwarding the meeting materials to each OBO, unless the OBO has waived the right to receive them. The Corporation will not pay for the Intermediaries to deliver the meeting materials to each OBO.

Intermediaries will frequently use service companies to forward the meeting materials to the OBOs. Generally, an OBO who has not waived the right to receive meeting materials will either:

- (a) be given a form of proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature), which is restricted as to the number of common shares beneficially owned by the OBO and must be completed, but not signed, by the OBO and deposited with Computershare Trust Company of Canada; or
- (b) more typically, be given a voting instruction form (**VIF**) which is not signed by the Intermediary, and which, when properly completed and signed by the OBO and returned to the Intermediary or its service company, will constitute voting instructions which the Intermediary must follow.

These securityholder materials are being sent to both registered shareholders and Non-Registered Holders. If you are a Non-Registered Holder, and the Corporation or its agent has sent these materials to you, your name and address and information about your holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the Intermediary holding on your behalf. By choosing to send these materials to you directly, the Corporation (and not the Intermediary holding on your behalf) has assumed responsibility for: (i) delivering these materials to you; and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

The meeting materials sent to NOBOs who have not waived the right to receive meeting materials are accompanied by a VIF, instead of a form of proxy. By returning the VIF in accordance with the instructions noted on it, a NOBO is able to instruct the voting of the Common Shares owned by it.

VIFs, whether provided by the Corporation or by an Intermediary, should be completed and returned in accordance with the specific instructions noted on the VIF. The purpose of this procedure is to permit Non-Registered Holders to direct the voting of the Common Shares which they beneficially own. Should a Non-Registered Holder who receives a VIF wish to attend the Meeting or have someone else attend on his or her behalf, the Non-Registered Holder may simply clearly print the name of the person to attend the Meeting in the space provided for this purpose on the VIF and a legal form of proxy will be sent to the Non-Registered Holder which will grant the Non-Registered Holder’s appointee the right to attend the Meeting and vote in person.

**If you receive a VIF, please return your voting instructions as specified in the VIF. Non-Registered Holders who receive a VIF should carefully follow the instructions set out in the VIF, including those regarding when and where the VIF is to be delivered.**

All references to Shareholders in this Circular and the accompanying form of proxy and Notice are to Shareholders of record on the Record Date unless specifically stated otherwise.

## **AUDIT COMMITTEE**

The Audit Committee’s role is to assist the Board in promoting and improving the credibility and objectivity of financial reports. The Audit Committee oversees the accounting and financial reporting processes of the Corporation including its management reporting and internal control procedures and systems, and reviews and recommends for approval by the board disclosure relating to financial matters. The Audit Committee

manages the relationship between the Corporation and its external auditors by overseeing the work of the external auditors and by making recommendations to the Board on the engagement, remuneration and termination of the external auditors based on its evaluation of their performance. A copy of the Audit Committee Charter is attached as Appendix “A”.

The Audit Committee currently consists of William Hale, Douglas Babcock and John Pennal. William Hale and Douglas Babcock qualify as independent directors in accordance with Multilateral Instrument 52-110 – Audit Committees. For the purposes of this discussion, an independent director is a director who has no direct or indirect material relationship with the Corporation.

The Audit Committee met once in person in 2015 to approve the annual audited financial statements of the Corporation. The interim financial statements of the Corporation in 2015 were approved by the Audit Committee by means of signed resolutions.

### ***Relevant Education and Experience***

All members of the Audit Committee have the education and/or practical experience required to understand and evaluate financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation’s financial statements.

Additional information on the educational background and experience of the Audit Committee members may be found under “Proposed Directors of the Corporation”.

### ***Audit Committee Oversight***

At no time since the commencement of the Corporation’s most recently completed financial year has any recommendation of the Audit Committee respecting the appointment and/or compensation of the Corporation’s external auditors not been adopted by the Board.

### ***Reliance on Certain Exemptions***

At no time since the commencement of the Corporation’s most recently completed financial year has the Corporation relied on exemptions in relation to “De Minimus Non-Audit Services” or any exemption provided by Part 8 of NI- 52-110.

### ***External Audit Service Fees***

*Audit Fees* – The Corporation expects that the external auditors audit fees for the financial year ended December 31, 2015 will be approximately \$20,000 and the Corporation’s external auditors billed the Corporation \$25,510 for audit fees for the financial year ended December 31, 2014.

*Tax Fees* – The Corporation’s external auditors billed the Corporation nil for the financial years ended December 31, 2015 and December 31, 2014 for services related to tax compliance, tax advice and tax planning.

*All Other Fees* – The Corporation’s external auditors billed the Corporation nil for the financial years ended December 31, 2015 and December 31, 2014, for services other than those reported above.

## **CORPORATE GOVERNANCE**

On June 30, 2005, the Canadian Securities Administrators (“**CSA**”) enacted National Policy 58-201 Corporate Governance Guidelines (the “**Governance Policy**”) and National Instrument 58-101 – Disclosure of Corporate Governance Practices (“**NI 58-101**”). The Governance Policy provides guidelines on corporate governance practices while NI 58-101 requires Canadian reporting issuer corporations to

disclose their corporate governance practices in accordance with the disclosure items set out in Form 58-101F1.

The Corporation has reviewed its own corporate governance practices in light of the guidelines contained in the Governance Policy. The Corporation's practices comply generally with the guidelines, however, the current directors of the Corporation consider that some of the guidelines are not suitable for the Corporation at its current state of development and therefore the Corporation's governance practices do not reflect these particular guidelines. Given that the Corporation is a relatively small corporation in terms of both activities and market capitalization, the directors of the Corporation believe that the current governance structure is cost-effective and appropriate for the needs of the Shareholders.

Set out below is a description of the Corporation's corporate governance practices as required to be disclosed by NI 58-101.

### ***Board of Directors***

The Board currently consists of three directors, two of whom, Douglas Babcock and William Hale are independent. The other director is John Pennal, President and Chief Executive Officer. It is intended to elect three directors at the next annual meeting of shareholders to be held on June 14, 2016 of whom two directors will be independent.

Directors are expected to attend Board meetings and meetings of committees on which they serve and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities. In 2015, the Board met once in person and each director was in attendance for such meeting. The Board conducted the remainder of its business in 2015 by means of signed resolutions.

### ***Board Mandate***

The Board has adopted a detailed Board Mandate and Governance Guidelines policy which provides that the Board is responsible for the stewardship of the Corporation and management is responsible for the day-to-day operation of the Corporation. Under the Governance Policy, the Board's mandate is to enhance long-term value for shareholders of the Corporation.

### ***Position Description***

Because the Board is a small, working board, it has not developed written position descriptions and does not have a process for assessing the performance of the directors nor the chair of the Board committees.

The Chief Executive Officer of the Corporation is responsible for the general management of the day-to-day affairs of the Corporation within the guidelines established by the Board, consistent with decisions requiring prior approval of the Board and the Board's expectations of the Chief Executive Officer. The Chief Executive Officer also provides advice and services to the Corporation's investees in order to foster the development, growth and value of the Corporation's investment in these companies.

### ***Orientation and Continuing Education***

All of the current directors are intimately familiar with the Corporation's activities. New directors will be oriented on an informal basis.

### ***Ethical Business Conduct***

The Board has adopted a written Code of Ethical Conduct and Business Practices (the "**Code**") to ensure that the Corporation's directors, officers and employees act in accordance with applicable laws and observe the highest ethical standards in their business relationships. The Code imposes on every director, officer and employee of the Corporation the responsibility to create and maintain a fair, honest and



professional workplace. Given the relatively small size of the Corporation, the Board as a whole is responsible for monitoring and ensuring compliance with the Code. However, the independent directors of the Corporation are encouraged to take a leading role in this process.

A copy of the Code may be obtained by written request to the Corporate Secretary, Ayleen Capital Inc., Suite 3800, Royal Bank Plaza, South Tower, 200 Bay Street, P.O. Box 84, Toronto, Ontario, M5J 2Z4.

### ***Nomination of Directors***

The Board does not have a nominating committee given the size of the Corporation. Instead, the Board works together as a whole to identify new candidates for nomination.

### ***Assessments***

The Board does not regularly make formal assessments of the Board, its committees and its individual directors, owing to the size and composition of the Board. As a small working board, the Board as a whole satisfies itself on an informal basis, from time-to-time, that the Board, its committees, and its individual directors are performing effectively.

### ***Composition of the Compensation Committee***

Owing to the size of the Board and the fact that there are only three executive officers the Board does not have a Compensation Committee. The independent directors on the Board deal with compensation issues as and when required.

### ***Corporate Governance Committee***

The Board does not have a Corporate Governance Committee, owing to the size and composition of the Board. The Board as a whole is responsible for matters of corporate governance and for the disclosure of the Corporation's corporate governance practices in accordance with NI 58-101 and other legal and regulatory requirements.

## **EXECUTIVE COMPENSATION**

### ***Compensation Discussion and Analysis***

The two independent directors on the Board, Douglas Babcock and William Hale have responsibility for reviewing and approving matters related to the Chief Executive Officer and Chief Financial Officer including strategic direction, effectiveness of management, compensation, succession planning, and assessment of leadership. They may retain independent compensation consultants to assist in their assessment of executive compensation of the Chief Executive Officer and the Chief Financial Officer. They may also request management to undertake studies and report on areas of interest, and may retain such other consultants as they deem appropriate.

### ***Compensation Philosophy and Objectives***

The executive compensation program is designed to fairly compensate and motivate the senior executives of the Corporation. The Board's philosophy is to competitively compensate the senior executives for total performance and contribution to the Corporation's success. Consistent with the philosophy, a portion of the Chief Executive Officer's compensation is performance based and dependent on the Corporation achieving financial and other corporate performance targets as well as individual performance factors.

The integrated compensation program is designed to provide a total rewards approach to compensation based on the principles of competitive compensation, rewarding performance, and share ownership and shareholder alignment.

## ***Major Components of the President's and Chief Executive Officer's Compensation Program***

The major components of the compensation program for the Chief Executive Officer are:

- Base salary paid by the Corporation;
- Short term cash incentives paid by the Corporation;
- Long term incentives through stock options awarded by the Corporation; and
- Long term incentives through performance based compensation paid by the Corporation.

The above compensation components are assessed and determined by the two independent directors after taking into account: (i) any remuneration received by the Chief Executive Officer for services provided to any of the Corporation's investees; (ii) after giving due consideration to the fact that, due to the relatively few number of employees and the relatively small size of the Corporation, the Chief Executive is the only senior executive of the Corporation and is therefore required to perform the duties and responsibilities normally performed by other members of management; (iii) compensation should be commensurate with the time spent by the Chief Executive Officer in meeting his obligations and should be reflective of the compensation paid by companies similar in size and business to the Corporation; (iv) the amount of base salary should be considered when determining the appropriate amount of the long-term incentives and vice versa; (v) given the limited cash resources of the Corporation non-cash consideration should be used as well as a reasonable amount of cash consideration; and (vi) the structure of the compensation should be simple and transparent to shareholders. The Corporation has not developed quantitative benchmarks for establishing compensation.

Concerning each of these factors, the independent directors determined that (i) the Chief Executive Officer does not receive any remuneration for services provided to any of the Corporation's investees, (ii) since the Chief Executive Officer is the only senior executive of the Corporation the position requires considerably more time and experience than would otherwise be the case, and (iii) an independent compensation consultant should be retained from time to time to provide guidance on the level of base salary and other compensation. After taking all these factors into account it was determined to fix the Chief Executive's base salary at \$240,000 and to grant the long-term incentives described under Long Term Incentives. Short term incentives in the form of an annual bonus are dealt with by the two independent directors following the conclusion of each year.

### **Base Salaries**

The annual base salary for the Chief Executive Officer was determined by reference to individual performance, contribution and value. The Chief Executive Officer entered into an employment agreement with the Corporation on September 30, 2011 at an annual base salary of \$200,000. The amount of the annual base salary is reviewed annually by the independent directors. The annual base salary was not adjusted in 2012, 2013, 2014 or 2015. In January, 2016, after reviewing the recent performance of the Corporation and other factors including the lack of any adjustment to the annual base salary in over four years, it was determined to increase the annual base salary of the Chief Executive Officer to \$240,000 effective January 1, 2016.

In 2014 the two independent directors approved the payment of an annual \$12,500 consulting fee to the Chief Executive Officer in recognition of his contributions to the Corporation and his efforts in improving the financial results of Grapevine Solutions, the Corporation's operating business.

### **Short Term Incentives**

No short term incentive payments were awarded or paid to the Chief Executive Officer or any other executive officer in 2015.

## Long Term Incentives

Long term incentive compensation for the Chief Executive Officer is comprised of (i) an entitlement to stock options equal to 5% of the total number of shares outstanding from time to time, and (ii) as performance based compensation, an entitlement to 10% of any investment proceeds received by the Corporation in excess of the initial costs of investment resulting from the disposition of any current or future investment by the Corporation. The employment contract for the Chief Executive Officer provides that he is entitled to stock options equal to 5% of the number of outstanding shares from time to time and in November, 2011 835,663 fully vested options to purchase common shares were granted to the Chief Executive Officer for a term of 10 years at an exercise price of \$0.05 per share.

### Share –Based and Option-Based Awards

The two independent directors determine the amount of options to be awarded to the Chief Executive Officer as part of his total compensation

### Summary Compensation Table

The following table sets out all annual and long-term compensation for services to the Corporation for the years ended December 31, 2015, 2014 and 2013 in respect of the President and Chief Executive Officer, and Chief Financial Officer of the Corporation. The Corporation does not have any other executive officers.

| Name and Principal Position                        | Year | Salary (\$) | Share-based awards (\$) | Option-based awards (\$) | Non-equity incentive plan compensation (\$) |                           | Pension value (\$) | All other compensation (\$) | Total compensation (\$) |
|--|------|-------------|-------------------------|--------------------------|---|---------------------------|--------------------|-----------------------------|-------------------------|
|  |      |             |                         |                          | Annual incentive plans                      | Long-term incentive plans |                    |                             |                         |
| John Pennal, President and Chief Executive Officer | 2013 | 200,000     | Nil                     | Nil                      | Nil   | Nil                       | Nil                | Nil                         | 200,000                 |
|  | 2014 | 200,000     | Nil                     | Nil                      | Nil   | Nil                       | Nil                | 12,500                      | 212,500                 |
|  | 2015 | 200,000     | Nil                     | Nil                      | Nil   | Nil                       | Nil                | 12,500                      | 212,500                 |
| Jenifer Cho, Chief Financial Officer(1)            | 2013 | 33,000      | Nil                     | Nil                      | Nil   | Nil                       | Nil                | Nil                         | 33,000                  |
|  | 2014 | 40,000      | Nil                     | Nil                      | Nil   | Nil                       | Nil                | Nil                         | 40,000                  |
|  | 2015 | 40,000      | Nil                     | Nil                      | Nil   | Nil                       | Nil                | Nil                         | 40,000                  |
| Alex Falconer, Chief Financial Officer(1)          | 2015 | 5,000       | Nil                     | Nil                      | Nil   | Nil                       | Nil                | Nil                         | 5,000                   |

(1) Alex Falconer replaced Jenifer Cho as Chief Financial officer on November 16, 2015. Jenifer Cho has continued to be employed by the Corporation as Controller since November 16, 2015.

**Outstanding Share-Based Awards and Option-Based Awards**

No stock options were granted to or exercised by any director or officer during the financial year ended December 31, 2015.

The following table sets out the December 31, 2015 value of unexercised stock options held by the directors and officers:

| Name            | Option-based Awards                                     |                            |                        |  | Share-based Awards                                 |  |
|-----------------|---|----------------------------|------------------------|--|--|--|
|                 | Number of securities underlying unexercised options (#) | Option exercise price (\$) | Option expiration date | Value of unexercised in-the-money options (\$) | Number of shares or units that have not vested (#) | Market or payout value of share-based awards that have not vested (\$) |
| John Pennal     | 835,663   | 0.05                       | December 5, 2021       | Nil  | Nil  | Nil  |
| Douglas Babcock | 50,000  | 0.05                       | May 30, 2020           | Nil  | Nil  | Nil  |
| Douglas Babcock | 50,000  | 0.05                       | Dec. 5, 2016           | Nil  | Nil  | Nil  |
| Douglas Babcock | 50,000  | 0.05                       | Nov. 26, 2017          | Nil  | Nil  | Nil  |
| Douglas Babcock | 50,000  | 0.05                       | Nov. 28, 2018          | Nil  | Nil  | Nil  |
| William Hale    | 50,000  | 0.05                       | Nov. 28, 2018          | Nil  | Nil  | Nil  |
| William Hale    | 50,000  | 0.05                       | May 30, 2020           | Nil  | Nil  | Nil  |
| Richard Sutin   | 50,000  | 0.05                       | Nov. 28, 2018          | Nil  | Nil  | Nil  |
| Douglas Babcock | 50,000  | 0.05                       | Nov.26, 2020           | Nil  | Nil  | Nil  |
| William Hale    | 50,000  | 0.05                       | Nov. 26, 2020          | Nil  | Nil  | Nil  |

**Long-Term Incentive Plan Awards during the Financial Year ended December 31, 2015**

The Corporation has a Long-term Incentive Plan which provides the Chief Executive Officer with a performance based entitlement to 10% of any investment proceeds received by the Corporation in excess of the initial costs of investment resulting from the disposition of any current or future venture investment by the Corporation.

The following table sets out for each named executive officer the value that would have been realized if the options granted under the Corporation's stock option plan had been exercised on their vesting date and the value earned for all non-equity incentives, during the year ended December 31, 2015.

| <b>Name</b>  | <b>Option-based awards – Value vested during the year (\$)</b> | <b>Share-based awards – Value vested during the year (\$)</b> | <b>Non-equity incentive plan compensation – Value earned during the year (\$)</b> |
|--|--|---|---|
| John D. Pennal, President and Chief Executive Officer        | Nil  | Nil   | Nil   |
| Jenifer Cho, Director of Finance and Chief Financial Officer | Nil  | Nil   | Nil   |

***Pension Plan Benefits during the Financial Year ended December 31, 2015***

The Corporation does not have any defined benefit plans, defined contribution plans or defined compensation plans.

***Director Compensation Table***

Effective October 11, 2013 directors were entitled to an annual fee of \$5,000 for their services as a director. This annual fee was increased to \$7,500 effective October 11, 2015. Directors are also entitled to participate in the Corporation's stock option plan. A total of 100,000 options to purchase common shares were granted to each of Douglas Babcook and William Hale during the financial year ended December 31, 2015. The following table sets out all compensation payable to directors of the Corporation for the year ended December 31, 2015.

| <b>Name</b>     | <b>Fees earned (\$)</b> | <b>Share-based awards (\$)</b> | <b>Option-based awards (\$)</b> | <b>Non-equity incentive plan compensation (\$)</b> | <b>Pension value (\$)</b> | <b>All other compensation (\$)</b> | <b>Total (\$)</b> |
|-----------------|-------------------------|--------------------------------|---------------------------------|--|---------------------------|------------------------------------|-------------------|
| John Pennal     | 7,500                   | Nil                            | Nil                             | Nil  | Nil                       | Nil                                | 7,500             |
| Douglas Babcook | 7,500                   | Nil                            | Nil                             | Nil  | Nil                       | Nil                                | 7,500             |
| William Hale    | 7,500                   | Nil                            | Nil                             | Nil  | Nil                       | Nil                                | 7,500             |

***Management Contracts***

Management functions of the Corporation are substantially performed by directors and senior officers of the Corporation and not, to any substantial degree, by any other person with whom the Corporation has a contract.

**NON-ARM'S LENGTH PARTY TRANSACTIONS**

As at the date of this Circular and to the knowledge of the Corporation, there has been no transaction completed or proposed within the previous twenty-four (24) months to obtain assets or services or the provision of assets or services from any director or officer of the Corporation, a principal security holder, or any associate except for the payment of legal fees to a firm of which an officer of the Company is Counsel. Such fees amounted to \$7,082 in 2014 and \$5,381 in 2015.

## **LEGAL PROCEEDINGS**

To the knowledge of the directors of the Corporation, there are no legal proceedings or regulatory actions known or known to be contemplated involving the Corporation or any of its affiliates.

## **DESCRIPTION OF SECURITIES**

### ***General***

The authorized capital of the Company is an unlimited number of common shares. As at the date of this Circular, 16,856,632 common shares are issued and outstanding.

Holders of common shares are entitled to receive notice of and to attend and vote at all meetings of shareholders. Holders of common shares are also entitled to receive dividends declared by the Board, and to receive the remaining property of the Corporation upon the liquidation, dissolution or winding up of the Corporation. There are no pre-emptive, redemption, purchase or conversion rights attached to common shares.

In addition, under the Corporation's stock option plan, the Corporation may issue options to purchase common shares equal to 10% of the issued and outstanding common shares from time to time. See "Stock Option Plan".

This summary does not purport to be complete and reference is made to the articles of incorporation, as amended, of the Corporation available under the Corporation's SEDAR profile at [www.sedar.com](http://www.sedar.com), for a complete description of these securities and the full text of their provisions.

### ***Prior Sales***

No securities of the Corporation were issued or sold within the past twelve (12) months.

## **STOCK OPTION PLAN**

### ***General***

The Stock Option Plan (the "Plan") was adopted by the Corporation on December 5, 2011. As of the date of this Circular, 1,285,663 options to purchase common shares of the Corporation have been granted by the Corporation and are outstanding under the Plan.

The details of the Plan are summarized below:

- the Plan reserves for issue pursuant to stock options, a maximum number of common shares equal to 10% of the outstanding common shares of the Corporation from time to time, with no mandatory vesting provisions;
- the number of common shares reserved for issue to any one person in any 12 month period under the Plan may not exceed 5% of the outstanding common shares at the time of grant without approval by disinterested shareholders;
- the aggregate number of common shares reserved for issue to any consultant in any 12 month period under the Plan may not exceed 2% of the outstanding common shares at the time of grant;
- the aggregate number of common shares reserved for issue to any employee conducting investor relations activities in any 12 month period under the Plan may not exceed 2% of the outstanding common shares at the time of grant;

- the number of common shares issued to any one person within a 12 month period on the exercise of stock options may not exceed 5% of the outstanding common shares at the time of exercise without approval by disinterested shareholders;
- stock options may have a term not exceeding five years;
- stock options are non-assignable and non-transferable; and
- the Plan contains provisions for adjustment in the number of common shares or other property issuable on exercise of stock options in the event of a share consolidation, split, reclassification or other relevant change in the common shares, or an amalgamation, merger or other relevant change in the Corporation's corporate structure, or any other relevant change in the Corporation's capitalization.

## PROPOSED DIRECTORS OF THE COPORATION

### **Directors**

The following table sets forth information as to the persons who the Corporation expects will serve as its directors.

The directors of the Corporation as a whole exercise control or direction over 5,907,900 Common Shares representing 35% of the issued and outstanding common shares as of the date of this Circular.

| <b>Nominee Name, Province and Country of Residence and Principal Occupation for Past 5 Years</b>                     | <b>Offices with Aylen and Significant Affiliates and Committee Memberships</b> | <b>Director Since</b> | <b>Number and % of Outstanding Common Shares of the Corporation beneficially owned<sup>(1)</sup></b> | <b>Age</b> | <b>Relevant Education</b>                                      |
|--|--|-----------------------|--|------------|--|
| <b>Douglas Babcook</b><br>Nanose Bay, British Columbia, Canada<br>President DRB and Associates, a consulting company | Director and Member of Audit Committee, Aylen                                  | October 28, 2011      | 50,000   | 87         | B.S.A. University of Toronto, 1950                             |
| <b>William Hale</b><br>Saskatoon, Saskatchewan Canada<br>Senior Manager Hatch Ltd.                                   | Director and Member of Audit Committee, Aylen                                  | October 11, 2013      | Nil  | 59         | BASc. University of Waterloo, M.B.A. University of Oxford 2003 |
| <b>John D. Pennal</b>  | President,   | October 28,           | 5,857,900 <sup>(2)</sup>   | 69         | B.A.   |

|  |   |      |       |  |   |
|--|---|------|-------|--|---|
| Toronto, Ontario,<br>Canada President<br>and Chief Executive<br>Officer of Aylen | Chief<br>Executive<br>Officer,<br>Director and<br>Member of<br>Audit<br>Committee,<br>Aylen | 2011 | (35%) |  | University<br>of Toronto<br>1968,<br>L.L.B.<br>University<br>of Toronto<br>1971 |
|--|---|------|-------|--|---|

Notes:

- (1) The information as to shares beneficially owned, directly or indirectly, or over which control or direction is exercised, is based upon information furnished to the Corporation by the above individuals.
- (2) Mr. Pennal holds 84,616 Common Shares directly and 5,271,284 Common Shares indirectly through 177 RDH Inc. An additional 502,000 Common Shares are held by his wife.

***Corporate Cease Trade Orders and Bankruptcies***

Except as disclosed in this Circular with respect to cease trade order described below, none of the proposed directors or executive officers of the Corporation are, or have been within the last ten years prior to the date hereof, a director or chief executive officer or chief financial officer of any company that was the subject of a cease trade order or similar order or an order that denied the relevant company access to any exemptions under securities legislation for a period of more than thirty consecutive days, (a) that was issued while such director or executive officer was acting as director, chief executive officer or chief financial officer, or (b) that was issued after that person ceased to be a director or chief executive officer or chief financial officer in the company being the subject of such order and which resulted from an event that occurred while that person was acting in their capacity as director, chief executive officer or chief financial officer of the subject company.

As President of TriNorth Capital Inc., John Pennal was subject to a Management Cease Trade Order issued by the Ontario Securities Commission dated May 19, 2010 for failure by that company to file financial statements. The order was revoked July 6, 2010.

No proposed director, executive officer or shareholder holding a sufficient number of securities of the Corporation to affect materially the control of Corporation is, or within ten years prior to the date of this Circular has been, a director or executive officer of any company that, while the person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

***Penalties or Sanctions***

No proposed director or officer of the Corporation or a shareholder holding sufficient securities of the Corporation to affect materially the control of the Corporation has: (i) been subject to any penalties or sanctions imposed by a Court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or (ii) been subject to any other penalties or sanctions imposed by a Court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

***Personal Bankruptcies***

No proposed director or officer of the Corporation, or a shareholder holding sufficient securities of the Corporation to affect materially the control of the Corporation, or a personal holding company of any such Person, has within the 10 years before the date hereof become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings,



arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or officer.

**Conflict of Interest**

John Pennal, President, Chief Executive Officer and a director of the Corporation, is Counsel to Norton Rose Fulbright Canada LLP which provides legal services to the Corporation.

**Other Relevant Experience**

The following table set outs the proposed directors and officers of the Corporation that are, or have been within the last five years, directors or officers of other reporting issuer companies.

| <b>Name</b>     | <b>Name and Jurisdiction of Reporting Issuer</b> | <b>Name of Trading Market</b> | <b>Position</b>                                 | <b>From</b>       | <b>To</b>     |
|-----------------|--|-------------------------------|---|-------------------|---------------|
| Douglas Babcock | Centiva Capital Inc., Canada                     | TSX Venture Exchange          | Director  | October, 2007     | October, 2011 |
|                 | Aylen Capital Inc., Canada                       | Canadian Securities Exchange  | Director  | October, 2011     | Present       |
|                 | Spackman Equities Group Inc., Canada             | TSX Venture Exchange          | Director  | November 28, 2014 | Present       |
| William Hale    | Aylen Capital Inc., Canada                       | Canadian Securities Exchange  | Director  | October, 2013     | Present       |
|                 | Spackman Equities Group Inc., Canada             | TSX Venture Exchange          | Director  | June, 2013        | Present       |
| John D. Pennal  | TriNorth Capital Inc., Canada                    | TSX Venture Exchange          | Director, President and CEO                     | 1994              | May, 2012     |
|                 | Centiva Capital Inc., Canada                     | TSX Venture Exchange          | Director, President and CEO                     | October, 2007     | October, 2011 |
|                 |  |                               | Director and Vice-President                     | October, 2011     | Present       |
|                 | Aylen Capital Inc., Canada                       | Canadian Securities Exchange  | Director, President and CEO                     | October, 2011     | Present       |
|                 | Nesscap Energy Inc., Canada                      | TSX Venture Exchange          | Director  | 2011              | Present       |
| Alex Falconer   | Arbitrage Exploration Inc., Canada               | TSX Venture Exchange          | Director and CFO                                | May, 1996         | Present       |
|                 | Spackman Equities Group Inc., Canada             | TSX Venture Exchange          | Director of Finance and Chief Financial Officer | July, 2014        | Present       |

|  |                                   |                      |                  |                 |                |
|--|-----------------------------------|----------------------|------------------|-----------------|----------------|
|  | Cava Resources Inc., Canada       | TSX Venture Exchange | Director         | November, 2004  | Present        |
|  | Braveheart Resources Inc., Canada | TSX Venture Exchange | Director and CFO | December, 2010  | Present        |
|  | Monarch Energy Limited, Canada    | TSX Venture Exchange | CFO              | November, 2011  | July, 2014     |
|  | Lakeland Resources Inc., Canada   | TSX Venture Exchange | CFO              | September, 2011 | December, 2013 |
|  | Mustang Minerals Inc., Canada     | TSX Venture Exchange | Director and CFO | March, 2007     | July, 2011     |

### ***Indebtedness of Proposed Directors and Officers***

None of the officers or directors of the Corporation is indebted to the Corporation.

### **AUDITORS**

Shareholders will be asked to approve the appointment of auditors of the Corporation to hold office until the next annual meeting of shareholders or until their successors are elected or appointed by a majority of the votes cast thereon.

Effective January 7, 2016 Collins Barrow Toronto LLP resigned as auditors at the request of the Corporation and MNP LLP, Chartered Professional Accountants, 111 Richmond Street West, Suite 300, Toronto, Ontario M5H 2G4, were appointed auditors of the Corporation. Collins Barrow Toronto LLP had acted as auditors of the Corporation since October 31, 2011. MNP LLP are independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

**In the absence of a specification to the contrary in the form of proxy, the Persons whose names are printed in the form of proxy intend to vote for the appointment of MNP LLP, as auditors of the Corporation and to authorize the Board to fix their remuneration.**

In accordance with National Instrument 51-102 – Continuous Disclosure Obligations, attached as Appendix “B” to this Circular are:

1. Notice of Change of Auditors of the Corporation dated January 7, 2016;
2. Letter from Collins Barrow Toronto LLP dated January 7, 2016 confirming receipt of the Notice of Change of Auditors and confirming the contents of the information therein; and
3. Letter from MNP LLP dated January 11, 2016 confirming receipt of the Notice of Change of Auditors and confirming the contents of the information therein.

### **FINANCIAL STATEMENTS**

At the Meeting the Shareholders will receive and consider the audited financial statements of the Corporation for the fiscal year ended December 31, 2015 together with the auditor's report thereon.

## **TRANSFER AGENT AND REGISTRAR**

Computershare Trust Company of Canada, through its principal office in Toronto, Ontario, is the transfer agent and registrar of the Corporation.

## **OTHER MATERIAL FACTS**

There are no other material facts relating to the Corporation not disclosed elsewhere in this Circular.

## **ADDITIONAL INFORMATION**

Additional information relating to the Corporation and the Corporation's financial statements and MD&A for its most recently completed financial year are available on the SEDAR website maintained by the Canadian securities regulators at [www.sedar.com](http://www.sedar.com); or by written request to the Corporation's Secretary, Aylen Capital Inc., Suite 3800 Royal Bank Plaza, South Tower, 200 Bay Street, P.O. Box 84, Toronto, Ontario, M5J 2Z4.

## **GENERAL**

The Board of Directors of the Corporation has approved the contents of this Circular and the sending of it to the directors, the shareholders and the auditors of the Corporation.

Toronto, Ontario

April 30, 2016

## APPENDIX "A"

# AYLEN CAPITAL INC.

## AUDIT COMMITTEE CHARTER

### **1. Role of the Committee**

The board of directors of Aylene Capital Inc. (the "Corporation") shall appoint an Audit Committee (the "Committee").

The role of the Committee shall be to assist the board to promote and improve the credibility and objectivity of financial reports.

The Committee shall oversee the accounting and financial reporting processes of the Corporation and review and recommend for approval by the board the financial statements, MD&A and earnings news releases.

The Committee will manage the relationship between the Corporation and the external auditors by overseeing the work of the external auditors and by making recommendations to the board on the engagement, remuneration and termination of the external auditors based on its evaluation of performance.

The Committee shall pre-approve all non-audit services the external auditors propose to provide to the Corporation.

The Committee shall facilitate and maintain open communications among management, the external auditors, and the board.

The Committee shall be responsible for the discharge of such other duties as may be prescribed by regulatory authorities or delegated by the board.

### **2. Membership**

The Committee shall be comprised of at least three members, a majority of whom shall be independent as determined by the board in conformity with the laws, regulations and listing requirements to which the Corporation is subject. An independent Committee member is one who has no direct or indirect material relationship with the Corporation. A material relationship means a relationship which could, as determined by the board, reasonably interfere with the exercise of a member's independent judgement.

The Chair of the Committee shall be appointed by the board of directors. A quorum shall consist of two directors.

All members of the Committee shall in the judgment of the board of directors be "financially literate" and if possible, at least one member shall qualify as a "financial expert". "Financially literate" shall mean the ability to read and understand a set of financial statements that present a breadth and level of

complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements. A "financial expert" shall mean a person who has: (a) an understanding of financial statements and the accounting principles used by the Corporation to prepare its financial statements; (b) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves; (c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation's financial statements, or experience actively supervising one or more persons engaged in such activities; (d) an understanding of internal controls and procedures for financial reporting; and (e) an understanding of audit Committee functions. The designation of a person as a financial expert will not impose any duties, obligations or liabilities greater than those arising by virtue of this person's position as a member of the audit Committee or board of directors.

### **3. Meetings**

The Committee shall meet at least four times per year and at such other times as any member of the Committee deems necessary to fulfill its responsibilities. The Corporation's external auditors will normally not be required to attend meetings of the Committee except for the meeting at which the audited annual financial statements are considered. At each meeting, the Committee shall meet separately with management and the external auditors, if they are present, to discuss any matters the Committee or any of these parties believe should be discussed privately.

### **4. Reporting to the Board**

Minutes of all meetings of the Committee are to be sent to all board members. All supporting schedules and data received and reviewed by the Committee are to be available for examination by any director upon request to the Chairman of the Committee.

### **5. Authority**

The Committee shall have direct access to all books, records, facilities and personnel of the Corporation including to the external auditor as it determines this to be advisable. All employees are to cooperate as requested by Committee members.

The Committee shall have the authority to retain persons having special expertise in legal, accounting or other matters as it determines to be necessary to assist it in discharging its responsibilities. The Committee shall have the authority to set and pay the compensation of any advisors it engages.

The board of directors may authorize the Committee to investigate any activity of the Corporation.

### **6. Responsibilities**

In the discharge of its role, the Committee will have the responsibility to:

- (a) recommend to the board the external auditors to be nominated for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation and the compensation of the external auditors;
- (b) confirm the external auditors are participants in good standing with the Canadian Public Accountability Board;
- (c) review the external auditor engagement letter and confirm the direct reporting and accountability of the auditors to the audit Committee and through the Committee to the board of directors as representatives of the shareholders;

- (d) pre-approve any non-audit services to be provided by the external auditors and generally assess the independence of the external auditors having reference to the Independence Standards of the CICA; the pre-approval requirement may be satisfied if (a) the aggregate amount of all the non-audit services that were not pre-approved constitutes no more than 5% of the total amount of revenues paid by the Corporation to its external auditors during the fiscal year in which the services were provided; (b) the services were not recognized by the Corporation at the time of the engagement to be non-audit services; and (c) the services were promptly brought to the attention of the Committee and approved, prior to the completion of the audit, by the audit Committee or by one or more members of the Committee to whom the Committee may delegate authority to grant such approvals;
- (e) ensure the rotation of the lead audit partner and/or the audit partner responsible for reviewing the audit as required by law;
- (f) review and approve the Corporation's hiring policies regarding employees or persons previously employed by the present or former external auditors;
- (g) review the scope of the external auditors' audit plan and the procedures to be utilized with the external auditors and with management.
- (h) review with management and with the external auditors all major accounting policies and practices adopted, any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates and judgments of management that may be material to financial reporting;
- (i) question management regarding significant variances between comparative reporting periods;
- (j) review (i) the audited annual financial statements with management and the external auditors and (ii) the quarterly financial statements of the Corporation with management, and recommend the same to the board;
- (k) question management and the external auditors regarding significant financial reporting issues discussed during the fiscal period and the method of resolution;
- (l) review any restrictions imposed by management in performing the external audit or significant accounting issues on which there was a disagreement with management;
- (m) review the post-audit or management letter, containing the recommendations of the external auditors, and management's response and subsequent follow up to any identified weakness;
- (n) review and recommend for the approval by the board the Management's Discussion & Analysis reports, news releases and any earnings guidance and all public disclosure documents containing audited or unaudited financial information before release;
- (o) review the quarterly reports issued by management and subsequent follow up to any identified weakness;
- (p) review with management significant financial risk exposures, the steps taken to monitor and control such exposures and approve any related policies;
- (q) review the appointments of any key financial executives involved in the financial reporting

process;

- (r) review with management the status of any material pending or threatened litigation;
- (s) review the adequacy and quality of any insurance coverage maintained by the Corporation;
- (t) inquire of the CEO as to the Corporation's disclosure controls and procedures and as to the existence of any significant deficiencies in the design or operation of internal controls and any fraud that involves employees who have a significant role in the Corporation's internal controls; and
- (u) review the status of compliance with laws and regulations and the scope and status of systems designed to ensure compliance therewith and receive reports from management, legal counsel and other third parties as determined by the Committee on such matters, as well as major legislative and regulatory developments which could impact the Corporation's contingent liabilities and risks.

## **7. Business Conduct Policies**

The Committee will review and reassess annually the adequacy of the Corporation's Code of Ethical Conduct and Business Practices and its policies and procedures with respect to Corporate Disclosure, Confidentiality and Restricted Trading Policies.

## **8. Allocation of Responsibilities**

Management is responsible for operating the business of the Corporation and for its internal controls and the financial reporting process. The external auditors are responsible for performing an independent audit of the Corporation's consolidated financial statements in accordance with generally accepted auditing standards and for issuing a report thereon. The external auditors shall report and be accountable to the Committee and through the Committee to the board of directors as representatives of shareholders. The Committee's responsibility is to monitor and oversee these processes on behalf of the board. The Committee is not charged with the duty to plan or conduct audits or to determine that the Corporation's financial statements are complete and accurate and in accordance with generally accepted accounting principles.

The existence of the Committee and the delegation to it of certain powers and duties by the board of directors does not relieve individual members of the board of directors from the responsibility of satisfying themselves that the affairs of the Corporation are being properly conducted.

## **9. Complaints**

Concerns or complaints submitted to management pursuant to procedures set forth in the Code of Ethical Conduct and Business Practices or otherwise received by an employee of the Corporation, including but not restricted to concerns and complaints which relate to accounting, internal accounting controls or audit matters, shall be referred to the Chair of the Committee. The Committee shall deal with all such internal complaints relating to such matters.

No reprisal, retaliation or disciplinary action shall be taken against employees for reporting, in good faith, such concerns. The Chair of the Committee shall, if requested by the complainant, keep the identity of the complainant in confidence to the extent appropriate or permitted by law.

**10. Annual Review**

The Committee shall review the adequacy of this Charter on an annual basis and recommend any changes to the board.



APPENDIX "B"

AYLEN CAPITAL INC.  
**NOTICE OF CHANGE OF AUDITORS**  
PURSUANT TO NATIONAL INSTRUMENT 51-102 ("NI 51-102")

**British Columbia Securities Commission**  
**Alberta Securities Commission**  
**Ontario Securities Commission**  
**Canadian Securities Exchange**

January 7, 2016

Dear Sirs/Mesdames:

Re: Notice Regarding Proposed Change of Auditor Pursuant to NI 51-102

Notice is hereby given that on January 7, 2016, the Board of Directors of Aylen Capital Inc. (the "Company") determined:

1. to accept the resignation at the request of the Company, dated January 7, 2016, of Collins Barrow Toronto LLP (the "Former Auditor"), as auditor of the Company; and
2. to engage MNP LLP (the "Successor Auditor"), as auditor of the Company, effective January 6, 2016.

There have been no reservations in the Former Auditor's report on any of the Company's financial statements commencing at the beginning of the two most recently completed fiscal years and ending on December 31, 2014.

In the opinion of the Company, prior to the resignation, and as at the date hereof, there were no reportable events, including disagreements, consultations, or unresolved matters as defined in NI 51-102, Continuous Disclosure Obligations, between the Former Auditor and the Company.

The contents of this Notice and the attached letters from the Former Auditor and the Successor Auditor have been reviewed by the Board of Directors.

DATED at Toronto, Ontario this 7<sup>th</sup> day of January, 2016

**BY ORDER OF THE BOARD OF DIRECTORS OF  
AYLEN CAPITAL INC.**

*"Alex Falconer"* (Signed)

Alex Falconer  
Chief Financial Officer



January 11, 2016

British Columbia Securities Commission  
Alberta Securities Commission  
Ontario Securities Commission  
Canadian Securities Exchange

Dear Sirs/Mesdames

**Re: Avlen Capital Inc. - Notice of Change of Auditor (the "Notice")**

We hereby advise that we have read the Notice of Change of Auditor of the Corporation dated January 7, 2016 and that we agree with each of the statements contained therein.

Should you have any questions, please do not hesitate to contact the undersigned.

Yours very truly,

*MNP LLP*

Chartered Professional Accountants  
Licensed Public Accountants  
Toronto, Ontario



ACCOUNTING › CONSULTING › TAX  
300 – 111 RICHMOND STREET W, TORONTO, ON M5H 2G4  
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January 7, 2016

Ontario Securities Commission  
British Columbia Securities Commission  
Alberta Securities Commission  
Canadian Securities Exchange

Dear Sirs/Mesdames:

Re: **Aylen Capital Corp. (the "Corporation")**  
**Notice of Change of Auditor**

We acknowledge receipt of a Notice of Change of Auditor (the "Notice") dated January 7, 2016 delivered to us by the Corporation in respect of the change of auditor of the Corporation.

Pursuant to National Instrument 51-102 of the Canadian Securities Administrators, please accept this letter as confirmation that we have reviewed the Notice and, based on our knowledge as at the time of receipt of the Notice, we agree with each of the statements therein.

Yours truly,

**COLLINS BARROW TORONTO LLP**

*Collins Barrow Toronto LLP*

Licensed Public Accountants  
Chartered Professional Accountants

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