



## **Management's Discussion and Analysis**

**For the three and six months ended June 30, 2017**

### **Overview**

The following Management's Discussion and Analysis ("MD&A") provides additional analysis of the operations, financial position and financial performance of Aylen Capital Inc. ("Aylen" or the "Company") for the three and six months ended June 30, 2017. It is supplementary information and should be read in conjunction with the Company's financial statements and accompanying notes for the three and six months ended June 30, 2017 and the year ended December 31, 2016. Reference should also be made to the Company's filings with the Canadian securities regulatory authorities that are available at [www.sedar.com](http://www.sedar.com).

This MD&A is the responsibility of the management. The Board of Directors carries out its responsibility for the review of this disclosure principally through its audit committee which is comprised of a majority of independent directors. The audit committee reviews and, prior to its publication and pursuant to the authority delegated to it by the Board of Directors, approves this disclosure.

Aylen was incorporated on October 28, 2010 under the Canada Business Corporations Act. Aylen carries on a web-based survey and data collection business based in Markham, Ontario under the name Grapevine Solutions ("Grapevine") as an unincorporated division of Aylen. In addition it has a venture investment in Leonardo Worldwide Corporation and a portfolio of marketable securities.

Aylen is a publicly-traded company listed on the Canadian Securities Exchange under the symbol "AYL".

### **FORWARD-LOOKING STATEMENTS**

Matters may be included in this MD&A that constitute "forward-looking" information within the meaning of Canadian securities law. Such forward-looking statements may be identified by words such as "plans", "proposes", "estimates", "intends", "expects", "believes", "may" or words of a similar nature. There can be no assurance that such statements will prove to be accurate. Actual results and future events could differ materially from such statements. Factors that could cause actual results to differ materially include among others, regulatory risks, risk inherent in foreign operations, commodity prices and competition. Most of these factors are outside the control of the Company. All subsequent forward-looking statements attributable to the Company or its agents are expressly qualified in their entirety by these cautionary comments. Except as otherwise required by applicable securities statutes or regulation, the Company expressly disclaims any intent or obligation to update publicly forward-looking information, whether as a result of new information, future events or otherwise.

### **Overall Performance in the Second Quarter 2017**

The revenues of the Grapevine business in the second quarter of 2017 decreased by \$9,000 or 4% from the same period in the prior year. The economy in North American economy, where a majority of Grapevine's customers reside, continued to be relatively healthy in the quarter.

At June 30, 2017, the Company had cash and cash equivalents of \$39,000 (December 31, 2016 \$41,000) and investments in marketable securities of \$124,000 (December 31, 2016 \$125,000).

### ***The Grapevine Business***

Grapevine, which operates as a division of Aylen, was acquired by Centiva Capital Inc. (“Centiva”), the Company’s predecessor, in October 2007 from TriNorth Capital Inc. (“TriNorth”). For accounting purposes, TriNorth’s carrying value for Grapevine was nil and the acquisition of Grapevine was recorded at that carrying value.

Grapevine’s business is based in Markham, Ontario and it consists of licensing and selling web-based survey and data collection software to third parties, most of whom are companies based in North America. Its software is used to perform customizable employee evaluations such as 360<sup>o</sup> employee evaluations , employee surveys, customer surveys, training surveys, web polls and data collection . The business has three full-time employees.

The primary business objectives for Aylen over the next 12 months are to continue to grow the revenues of the Grapevine business through increased sales and marketing efforts and to establish Grapevine as a leading Human Resources online survey firm in North America.

The following is a summary of selected financial information for Grapevine over the past three financial years ended December 31 extracted from the audited financial statements of Aylen.

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Total Revenues	830,000	895,948	683,121
Deferred Revenues(1)	249,000	295,796	296,578
Selling Expenses	473,000	520,318	446,547

(1) Deferred revenues are unearned subscription fees collected from customers amortized on a straight – line basis over the remaining life of the contract.

Grapevine’s revenues have generally increased over the past several years as a direct result of increased and more effective sales and marketing efforts and a general improvement in the North American economy. The majority of Grapevine’s revenues originate in the US and the majority of Grapevine’s sales are made in US dollars. The weaker Canadian dollar relative to the US dollar during 2017 and in the first half of 2017 has had a positive impact on Grapevine’s revenues which are recorded in Canadian dollars.

### ***Investments***

#### **Leonardo Worldwide Corporation**

At June 30, 2017 Aylen owned a 12.6 % equity interest in Leonardo Worldwide Corporation (“Leonardo”) (formerly VFM Leonardo Inc.), 11.6 % on a fully-diluted basis, should all warrants and options be exercised. At June 30, 2017 Aylen owned 15,075,359 common shares and 2,436,658 Class A Series 1 convertible preference shares in the capital of Leonardo. The Class A and Class B preference shares have a priority over the common shares on liquidation, winding-up and sale of the company. The Class A Series 1 preference shares which are owned by Aylen represent approximately 2.6% of all outstanding Class A and Class B preference shares.

Leonardo is a provider and distributor of online visual content for the hotel and travel industry. For more information, visit Leonardo’s website at [www.leonardo.com](http://www.leonardo.com).

The Company’s investment in Leonardo has been fully written off as of December 31, 2015.

## **Portfolio Investments**

Aylen's portfolio investments consist of a broadly diversified selection of Canadian and U.S. dividend producing instruments, securities and equities. At June 30, 2017, the market value of the portfolio investments was \$124,000 (December 31, 2016 \$125,000) and it is managed by an independent portfolio manager.

The portfolio had a realized gain of \$2,000 and an unrealized loss of \$8,000 in the second quarter of 2017.

## **Results of Operations**

Grapevine had sales revenue of \$209,000 and selling expenses of \$112,000 for the second quarter of 2017 (for the second quarter of 2016 sales revenue was \$217,000 with selling expenses of \$118,000). Deferred revenue, which represents unearned subscription fees collected from customers amortized on a straight-line basis over the remaining life of the contract, was \$304,000 at June 30, 2017 (\$335,000 at June 30, 2016).

The Company's other primary source of revenue arises from interest and other income from its cash and marketable securities, which for the current quarter was a gain of \$1,000 (gain of \$1,000 for the second quarter 2016).

Under the provisions of IAS 39 Financial Instruments – Recognition and Measurement and IAS 32 Financial Instruments –Presentation and IFRS 7 Financial instruments - Disclosure, unrealized mark-to-market gains and losses on the Company's portfolio of marketable securities held for trading are recognized in computing net income. Such amounts totalled an unrealized loss of \$8,000 for the current quarter. A gain of \$2,000 was realized for the current quarter on the sale of marketable securities.

General and administrative expenses totalled \$101,000 for the current quarter compared with \$89,000 for the second quarter of 2016. These amounts are equivalent quarter over quarter. For the year ended December 31, 2016 the general and administrative expenses were \$413,000.

As a result of the foregoing the Company recorded a net loss and comprehensive loss of \$9,000 -(\$0.001 per share) for the second quarter of 2017) (net income and comprehensive income of \$16,000 – (\$0.001 per share) for the second quarter of 2016).

Under the provisions of IAS1 - Presentation of financial statements, IFRS7 Financial Instruments – Disclosure, IAS 32 – Financial Instruments – presentation, IAS 39 Financial Instruments- recognition and measurement, unrealized gains and losses on the Company's publicly-traded investments available for sale are recognized in other comprehensive income, net of taxes. There is no other comprehensive income in the current period and for the year.

### Summary of Quarterly Information

	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Revenue								
Sales	208,611	195,043	83,845	313,971	217,224	215,325	231,521	229,513
Interest and other income	1,416	1,015	1,017	1,282	1,217	1,177	1,209	2,031
Gain (loss), realized and unrealized, on marketable securities	(6,081)	3,369	5,786	1,575	4,895	4,019	4,823	(2,971)
Net Comprehensive Income (Loss)								
Total	(8,639)	(26,306)	(146,013)	103,993	15,877	(11,035)	(333,998)	16,395
Per Share	(0.00)	(0.00)	(0.01)	0.01	0.00	(0.00)	(0.02)	0.00
Per Share diluted	(0.00)	(0.00)	(0.01)	0.01	0.00	(0.00)	(0.02)	0.00

Revenues at Grapevine are subject to the influences of North American economic conditions and are also subject to some seasonal fluctuations. The demand for Grapevine's product offerings, which consist primarily of surveys and polls for businesses, including employee surveys and evaluations, is directly affected by economic conditions generally. In difficult economic times such as the period from 2008 to 2010, businesses tend to reduce discretionary spending, which would include Grapevine's products and conversely in more robust economic times spending on discretionary items tends to increase. In addition there is a limited amount of seasonality to Grapevine's revenues. Businesses tend to conduct the majority of employee surveys and polls at or towards the end of the calendar year and sales tend to slow down in the summer months due to vacations. As a result Grapevine's revenues are somewhat stronger in the fourth and first quarter and tend to be somewhat softer in the second and third quarters.

### Liquidity and Financial Position and Capital Resources

The Company's ability to generate sufficient cash to fund its operations and working capital requirements depends upon the following factors: (i) the ability of the Grapevine business to generate positive cash flow, and (ii) the interest, other income and proceeds, if any, from the sales of the Company's portfolio of marketable securities. Grapevine's ability to generate positive cash flow from its business requires it to have revenues in excess of its costs. The table set out below shows Grapevine's revenues and costs for the three years 2014 to 2016 inclusive and the net amount of cash generated by Grapevine and the portfolio of marketable securities which is available to fund other Company expenses. In years prior to 2014, the cash generated by Grapevine and from the interest and gains from the portfolio of marketable securities has not been sufficient to cover the Company's general and administrative expenses and the Company has experienced negative cash flow and negative working capital as shown in the following table.

## Summary of Cash Flow and Working Capital for the fiscal years of

	2016	2015	2014
Grapevine revenues	830,365	895,948	683,121
Grapevine costs	472,104	520,318	446,547
Interest, other income	4,693	5,444	20,542
Net amount of cash available to fund other Company expenses	364,954	381,074	256,116
Proceeds from sale of marketable securities, net of purchase	6,796	2,650	154,664
Company's working capital (before deducting promissory note payable in 2014)	(147,362)	(111,864)	(126,886)

At June 30, 2017, the Company had a working capital deficiency of \$133,000 after deducting deferred revenue of \$304,000. In prior years and quarters the Company has also had a working capital deficiency after deducting deferred revenue.

With respect to the Company's working capital requirements, the yearly general and administrative expenses of the Company were \$412,000 in 2016 and \$366,000 for 2015. There was an increase in general and administrative expenses in 2016 when compared with 2015 mainly as a result of increased salaries. The general and administrative expenses in 2016 were substantially all committed and non-discretionary expenses and are representative of the approximate amount of general and administrative expenses which would likely be incurred by the Company in a year in the normal course of business. It is possible that the cash generated by Grapevine and the interest and gains from the portfolio of marketable securities may not be sufficient to cover all the Company's operating expenses. In such event the Company will need to raise cash from the sale of marketable securities or other assets or from the sale of equity to continue its operations.

Current liabilities were \$364,000 at June 30, 2017 (\$351,000 at December 31, 2016), and this amount includes \$304,000 of deferred revenue which represents the unearned portion of subscription fees collected from customers amortized on a straight – line basis over the remaining life of the contract. Accounts payable and accrued liabilities were \$59,000 at June 30, 2017 (\$102,000 at December 31, 2016).

The portfolio of marketable securities included in working capital together with cash and cash equivalents was \$162,000 at June 30, 2017 (\$166,000 at December 31, 2016). Accounts receivable included in working capital were \$17,000 at June 30, 2017 (\$28,000 at December 31, 2016). Aylen has sufficient cash and cash equivalents and marketable securities to provide liquidity to the Company for the next 12 months.

These capital resources, along with the income and gains, if any, from the marketable securities, and the income, if any, from the operations of Grapevine, are used to fund Aylen's financial requirements.

### ***Analysis of Financial Condition and Financial Performance***

The financial condition of the Company is directly dependent on the performance of Grapevine and the performance of the portfolio of marketable securities. In 2016 Grapevine's revenues were \$830,000 which was an decrease of 7% from the prior year. For the second quarter of 2017 Grapevine's revenues were \$209,000 which was a decrease of 4% over the same period in the prior year.

The portfolio of marketable securities had a value of \$124,000 at June 30, 2017 compared with \$125,000 at December 31, 2016 and \$131,000 at March 31, 2017.

The majority of Grapevine's customer base resides in the US. The products offered by Grapevine are heavily focused on the human resources sector of businesses and include products such as employee surveys and evaluations. These products represent discretionary, non-critical expenses for most businesses. In difficult economic times, such as the period from 2008 to 2010 in North America, businesses in general often try to reduce discretionary spending as a first measure to survive during the period of reduced demand for their goods and services. The gradual economic recovery in North America which began in 2010 has had a beneficial effect on Grapevine's business which saw its revenues increase from \$480,000 in 2011 to \$830,000 in 2016.

### ***Related Party Transactions***

The following related party transactions occurred and were reflected in the financial statements during the periods ended June 30, 2017 and 2016 as follows:

	<b>Three Months June 30,</b>		<b>Six Months June 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Fees paid to a law firm of which the CEO is counsel	748	1,858	1,447	\$1,858

### **REMUNERATION OF KEY PERSONNEL**

	<b>Three Months June 30,</b>		<b>Six Months June 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Salaries	60,000	60,000	122,146	120,000
Directors' fees	5,625	3,750	11,250	9,375
Consulting fees	12,900	12,900	25,800	25,800
Total	78,525	76,650	159,196	155,175

Key management personnel are those individuals having authority and responsibility for planning, directing and controlling the activities of the Company and its subsidiary including the Company's Board of Directors. The Company considers key management to be the members of the Board of Directors and the Chief Executive Officer.

Included in accounts payable and accrued liabilities are directors' fees of \$18,750 and consulting fees of \$2,825 (December 31, 2016 - \$7,500 and \$2,825) and legal fees of \$471 (December 31, 2016 - \$2,337) due to a law firm of which the CEO is counsel.

Options were granted to directors of the Company with a value of \$11,675 attributed to them using the Black-Scholes pricing model.

### **Directors and Officers Compensation**

The following table sets out all compensation paid to directors of the Corporation for their services as directors in the second quarter of 2017.

<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>
Douglas Babcock	1,250	Nil	Nil	Nil	Nil	Nil	1,250
William Hale	1,250	Nil	Nil	Nil	Nil	Nil	1,250
John Pennal	1,250	Nil	Nil	Nil	Nil	Nil	1,250

In addition in the second quarter of 2017 John Pennal received \$60,000 as President and CEO, Alex Falconer received \$7,500 as Chief Financial Officer and Jenifer Cho received \$5,400 as Controller.

### **Commitment**

The Company has contracted with a third party to provide operations and sales management services to Grapevine for an annual fee of \$103,600 plus applicable taxes. The contract may be terminated by either party on one month's notice. If the Company terminates the contract it will be liable to pay a termination fee equal to four (4) months compensation under the contract.

### **Risk Factors and Risk Management**

Aylen shareholders and potential investors in Aylen should carefully consider the following risk factors when evaluating Aylen and its common shares.

An investment in Aylen's shares involves a number of risks, many of which are beyond its control. The risks and uncertainties set out below are all of the known risks which are deemed to be material to the Company's business or the results of its operations. When reviewing forward-looking statements and other information contained in this prospectus, investors and others should carefully consider these factors, as well as other uncertainties, potential events and industry-specific factors that may adversely affect the Company's future results. If any of these risks should actually occur, the Company's business, financial condition, results of operations, cash flows and prospects could be harmed. Such risks and uncertainties are not the only ones the Company faces. Additional risks and uncertainties of which the Company is currently unaware or that are deemed immaterial may also adversely affect the Company's business, financial condition, results of operations, cash flows and prospects.

### **Limited Cash and Working Capital and Negative Cash Flows**

In prior years the Company and its predecessor have had negative cash flow from operating activities and have had to fund their operations with cash on hand and the sale of marketable securities. The Company's cash on hand and marketable securities at quoted market value less liabilities at June 30, 2017 was \$(201,000). It is possible that this amount may prove to be inadequate to continue to fund the Company's operations beyond the next 12 months in which case the Company would have to sell assets such as the Grapevine business, or raise funds through the sale of additional equity or a combination of those two things, failing which it would have to discontinue its operations. There may not be a ready market for the sale of its assets and it may not be possible to issue additional shares or other securities, or the issue of additional shares or other securities if it were to be possible may result in significant dilution to the interests of existing shareholders.

The Company's limited cash and working capital also means that the Company is not able to invest any significant amount of additional funds in Grapevine in the event it should need additional funding and this may result in a discontinuance of operations of that particular business or a significant dilution of the Company's investment.

### **Limited Diversification of Investments**

Due to the small size of the Company and the fact that it has only a limited number of investments, the Company is subject to a greater risk of a downturn in one or more of its investments. A concentration of the Company's invested funds in its portfolio of marketable securities, and in its Grapevine business and means that in the event that any such business or industry or investment is unsuccessful or experiences a downturn, this will likely have a material adverse effect on the Company's business, results from operations, and financial condition. It also means that the Company is more exposed to business cycles than it would be if it owned a larger number of investments which were diversified over various industries with differing business cycles in different geographic areas.

### **Operating Liquidity**

Grapevine's business is not fully developed and may continue to require additional funding to continue operations or to develop their business plans until they become self-funding. The Company has limited cash resources and is unable to provide any significant amount of additional funding to Grapevine if it should be required. In such an event, if no other source of funding is available, the operations would have to terminate and it would not be possible for the Company to recover its investment. If an additional source of funding is found, it may result in significant dilution of the Company's investment.

### **Industry Risks**

Grapevine is subject to the risks inherent in the industry in which it operates. Grapevine's business is very dependent on the continued demand for on-line surveys and polls by businesses, particularly those surveys and polls relating to employees, and particularly in North America. Its business would be adversely affected by a significant downturn in its particular industry segment or a change in the demand by consumers for its products and services.

### **Competition**

Grapevine faces intense competition, including competition from other companies with greater financial and other resources, and more advanced technological development. There can be no assurance that they will be able to successfully compete against their respective competitors or that such competition will not have a material adverse effect on their businesses, financial condition, results of operations and cash flows.

### **Effect of General Economic Conditions**

Grapevine's results of operations in the period prior to 2010 were adversely affected by the global economic downturn and there is a significant risk that global economic conditions or economic conditions in North America will deteriorate again which will have a material adverse effect on the Company's business, financial condition, results of operations and cash flows. Its products and services represent discretionary expenses to the customers they serve and would be among the most likely expenses to be eliminated if economic conditions deteriorate.



## **Currency Fluctuations**

The majority of the Company's costs are incurred in Canadian dollars and more than half of its revenues are received in U.S. dollars. A deterioration in the value of the U.S. dollar against the Canadian dollar will have a significant negative effect on the Company's revenues, financial condition, results of operations and cash flows. The Company does not use currency derivatives to hedge against adverse currency fluctuations.

## **Legal Claims and Other Contingencies**

Aylen and Grapevine may become parties to law suits, claims and litigation arising in the ordinary course of business.

Such law suits could result in significant costs and the outcome of such law suits could have a material negative impact on the Company's financial position, operating results, or the Company's ability to continue to carry on its business activities.

## **Lack of Market for Aylen's Shares**

The Company's common shares are listed on the Canadian Securities Exchange (symbol - AYL). The Company's shares are thinly traded and there may not be a liquid market for the shares from time to time and any market price for the shares may not reflect the underlying value of the Company's business and assets.

## ***Internal Controls***

### **Disclosure controls and procedures**

Management of the Company is responsible for establishing and maintaining disclosure controls and procedures for the Company as defined under National Instrument 52-109 issued by the Canadian Securities Administrators. The Company as a venture issuer is not required to certify the design and evaluation of the issuer's disclosure controls and procedures.

### **Internal controls over financial reporting**

Management of the Company is responsible for designing internal controls over financial reporting for the Company as defined under National Instrument 52-109 issued by the Canadian Securities Administrators. The Company as a venture issuer is not required to certify the design and evaluation of the issuer's internal controls over financial reporting.

## ***International Financial Reporting Standards***

The Company's financial statements for the three and six months ended June 30, 2017 and the year ended December 31, 2016 and the comparative information presented in the financial statements have been prepared in accordance with IFRS applicable to the presentation of financial statements.

## ***Future Direction***

The Company intends to continue to grow the revenues of its Grapevine business and the value of its portfolio of marketable securities. The Company does not have the necessary capital to make any additional investments in Grapevine and it is unable to make any new investments without raising new equity or selling some of its assets and there are no plans at the present time to attempt to raise new capital or sell assets.

***Outstanding Share Data***

The Company has authorized an unlimited number of common shares, an unlimited number of Class A common shares and an unlimited number of preferred shares issuable in series. As at the date of this MD&A, and as at June 30, 2017, there were 16,856,632 common shares issued and outstanding and there were no Class A common shares and no preferred shares outstanding.

***Date and Other Available Information***

Unless otherwise indicated, the information contained in this MD&A is presented as of August 21, 2017. Additional information concerning the Company including its regulatory filings may be found on the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](http://www.sedar.com).