



Management's Discussion and Analysis

For the three and nine months ended September 30, 2019

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 nine months ended September 30, 2019. It is supplementary information and should be read in conjunction with the Company's financial statements and accompanying notes for the three and nine months ended September 30, 2019 and the year ended December 31, 2018. Reference should also be made to the Company's filings with the Canadian securities regulatory authorities that are available at 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.

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 Third Quarter 2019

The revenues of the Grapevine business in the third quarter of 2019 decreased by \$16,000 or 9.7% 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 September 30, 2019, the Company had cash and cash equivalents of \$542,000 (December 31, 2018 \$725,000).

The Grapevine Business

Grapevine, which operates as a division of Aylen, was acquired 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° 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 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.

	2018	2017	2016
Total Revenues	560,714	778,000	830,000
Contract Liabilities (1)	293,651	218,000	249,000
Selling Expenses	428,440	458,000	473,000

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

Grapevine's total annual revenues peaked at \$896,000 in 2015 and have declined in each of 2016, 2017 and in 2018. The decrease in revenues is attributable to increased competition in the sector and less effective sales and marketing efforts.

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 in the first nine months of 2019 has had a positive impact on Grapevine's revenues which are recorded in Canadian dollars.

Investments

Leonardo Worldwide Corporation

On November 16, 2018 Aylen sold all its shares of Leonardo to an unrelated third party. The proceeds received by the Company on closing were US\$642,000. Two additional amounts of the purchase price payable to the Company were withheld by the purchaser (the "Holdbacks"). The first Holdback payable to is approximately US\$89,000 and is payable one year after closing and the second Holdback is approximately US\$62,000 and is payable two years after closing. The Holdbacks may be reduced by the portion attributable to the Company of any shortfall pursuant to a net tangible asset purchase price adjustment mechanism or any claims for indemnification made by the purchaser.

Results of Operations

Grapevine had sales revenue of \$146,000 and selling expenses of \$69,000 for the third quarter of 2019 (for the third quarter of 2018 sales revenue was \$159,000 with selling expenses of \$113,000). Contract liabilities, which represent unearned subscription fees collected from customers amortized on a straight–line basis over the remaining life of the contract, were \$234,000 at September 30, 2019 (\$288,000 at September 30, 2018).

Results of Operations...con't

General and administrative expenses totaled \$89,000 for the current quarter compared with \$89,000 for the third quarter of 2018. These amounts are equivalent quarter over quarter. For the year ended December 31, 2018 the general and administrative expenses were \$385,000.

As a result of the foregoing the Company recorded a net loss and comprehensive loss of \$9,000 -(\$0.001 per share) for the third quarter of 2019 (net loss and comprehensive loss of \$52,000 - (\$0.003 per share) for the third quarter of 2018).

Summary of Quarterly Information

	Q3 2019	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Revenue								
Sales	143,635	159,189	132,403	141,385	227,728	146,975	208,611	195,043
Interest and other income	2,603	-	34	292	775	1,218	1,416	1,015
Gain (loss), realized and unrealized, on marketable securities	-	-	(96)	(810)	4,568	4,623	(6,081)	3,369
Net Comprehensive Income (Loss)	(8,995)	(52,166)	(65,928)	(54,470)	17,401	(63,707)	(8,639)	(26,306)
Per Share diluted	0.00	0.00	0.00	0.00	0.00	0.00	(0.00)	(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 has sufficient cash and cash equivalents to provide liquidity and to fund its operations for the foreseeable future.

The cash flow generated by Grapevine and from other income is not sufficient to cover the Company's general and administrative expenses and the Company has experienced negative cash flow and negative working capital in prior years and quarters.

At September 30, 2019, the Company had working capital of \$411,000 after deducting contract liabilities of \$234,000. In prior years and quarters, the Company has had a working capital deficiency after deducting contract liabilities.

With respect to the Company's working capital requirements, the yearly general and administrative expenses of the Company were \$385,000 in 2018. The general and administrative expenses in 2018 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 in future years that the cash generated by Grapevine and from other income may not be sufficient to cover all the Company's operating expenses. In such event the Company will need to borrow additional funds, or raise cash from the sale of assets or from the sale of equity, to continue its operations.

Current liabilities were \$266,000 at September 30, 2019 (\$387,000 at December 31, 2018), and this amount includes \$234,000 of contract liabilities 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 \$32,000 at September 30, 2019 (\$94,000 at December 31, 2018).

Accounts receivable included in working capital were \$7,000 at September 30, 2019 (\$7,000 at December 31, 2018).

Analysis of Financial Condition and Financial Performance

The financial performance of the Company is directly dependent on the performance of Grapevine. For the third quarter of 2019 Grapevine's revenues were \$144,000 which was a decrease of 9.7% over the same period in the prior year.

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 surveys and evaluations for employees and others. 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. However, since 2016 Grapevine's revenues have been declining due mainly to increased competition in the sector and less effective sales and marketing efforts.

Related Party Transactions

The following related party transactions occurred and were reflected in the financial statements during the periods ended September 30, 2019 and 2018:

REMUNERATION OF KEY PERSONNEL

	Three Months		Nine Months	
	September 30,		September 30,	
	2019	2018	2019	\$2018
Salaries	\$55,000	\$55,000	\$165,000	165,000
Directors' fees	3,750	3,750	11,250	11,250
Consulting fees	12,000	12,000	36,000	30,500
Total	\$70,750	\$70,750	\$212,250	\$206,750

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 \$11,250 and consulting fees of \$nil (December 31, 2018 - \$2,168 and \$nil).

Directors and Officers Compensation

The following table sets out all compensation paid or payable to directors of the Corporation for their services as directors in the third quarter of 2019.

Name	Fees earned (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Douglas Babcock	1,875	Nil	Nil	Nil	Nil	Nil	1,250
William Hale	1,875	Nil	Nil	Nil	Nil	Nil	1,250
John Pennal	1,875	Nil	Nil	Nil	Nil	Nil	1,250

In addition in the third quarter of 2019 John Pennal received \$55,000 as President and CEO, and Alex Falconer received \$7,500 as Chief Financial Officer.

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.

Negative Cash Flows

In prior years the Company has had negative cash flow from operating activities and has had to fund its operations with cash on hand and the sale of marketable securities. The Company's cash on hand less liabilities at September 30, 2019 was \$276,000.

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.

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.

Critical Accounting Policies and Estimates

See the Company's 2018 Annual MD&A and the 2018 annual consolidated financial statements and the related notes thereto for a discussion of the accounting policies and estimates that are critical to the understanding of the Company's business and results of operations.

International Financial Reporting Standards

The Company's financial statements for the three and nine months ended September 30, 2019 and the year ended December 31, 2018 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 pursue and evaluate various M&A and investment opportunities in order to enhance shareholder value.

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 September 30, 2019, 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

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.

Unless otherwise indicated, the information contained in this MD&A is presented as of November 28, 2019.