



AYLEN CAPITAL INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Canadian Dollars)

Independent Auditor's Report

To the Shareholders of Aylen Capital Inc.:

Opinion

We have audited the financial statements of Aylen Capital Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2019 and December 31, 2018, and the statements of net income (loss) and comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and December 31, 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Brock Stroud.

Toronto, Ontario
May 28, 2020

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

MNP

AYLEN CAPITAL INC.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT

	Notes	December 31, 2019	December 31, 2018
ASSETS			
Cash and cash equivalents	4	\$ 564,068	\$ 724,808
Accounts receivable	6	10,520	7,427
HST recoverable		20,178	22,008
Current portion of consideration receivable	7	64,417	121,165
		659,183	875,408
Non current portion of consideration receivable	7	-	55,076
Property and equipment	8	-	475
		\$ 659,183	\$ 930,959
LIABILITIES			
Accounts payable and accrued liabilities	9	\$ 113,318	\$ 93,554
Contract liabilities	10	216,334	293,651
		329,652	387,205
SHAREHOLDERS' EQUITY			
Share capital	12	1,350,570	1,350,570
Contributed surplus		320,765	320,765
Deficit		(1,341,804)	(1,127,581)
		329,531	543,754
		\$ 659,183	\$ 930,959

COMMITMENT (Note 17)
SUBSEQUENT EVENT (Note 19)

Approved on Behalf of the Board

John Pennal' Director

William Hale' Director

AYLEN CAPITAL INC.**STATEMENTS OF NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)**

(Expressed in Canadian Dollars)

FOR THE YEARS ENDED

	<u>Notes</u>	Years Ended December 31,	
		2019	2018
Revenues			
Sales revenue		\$ 607,576	\$ 560,714
		607,576	560,714
Expenses			
General and administrative		\$ 399,734	\$ 385,462
Selling expenses		433,757	428,440
Bad debt expense	16(b)	2,911	-
Interest on short term debt	11	-	2,004
Amortization	8	475	476
Share-based payment	12(c)	-	9,840
Total expenses		836,877	826,222
Other income			
Realized gain on sale of shares in private company	7	-	1,022,622
Accretion on short term debt		-	(4,870)
Accretion on consideration receivable	7	6,051	1,504
Loss on settlement of debt		-	(17,606)
Interest income		9,027	357
Realized loss on sale of marketable securities	5	-	(906)
Net income (loss) and comprehensive income (loss) for the year before taxes		(214,223)	735,593
Income tax recovery	14	-	4,003
Net income (loss) and comprehensive income (loss) for the year		\$ (214,223)	\$ 743,599
Net loss per share			
Basic net income (loss) per share		\$ (0.013)	\$ 0.044
Diluted net income (loss) per share		\$ (0.013)	\$ 0.041
Weighted average number of shares outstanding - Basic		16,856,632	16,856,632
Weighted average number of shares outstanding - Diluted		16,856,632	17,861,348

See accompanying notes to the financial statements.

AYLEN CAPITAL INC.**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

(Expressed in Canadian Dollars)

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Share capital		Contributed surplus	Deficit	Total
	Common shares	Amount			
Balance January 1, 2018	16,856,632	\$1,350,570	\$ 299,821	\$ (1,867,177)	\$ (216,786)
Issuance of convertible debt (Note 11)	-	-	15,107	-	15,107
Share-based payment (Note 12(c))	-	-	9,840	-	9,840
Income tax recovery (Note 14)	-	-	(4,003)	-	(4,003)
Net income for the year	-	-	-	739,596	739,596
Balance, December 31, 2018	16,856,632	\$1,350,570	\$ 320,765	\$ (1,127,581)	\$ 543,754
Balance January 1, 2019	16,856,632	\$1,350,570	\$ 320,765	\$ (1,127,581)	\$ 543,754
Net loss for the year	-	-	-	(214,223)	(214,223)
Balance, December 31, 2019	16,856,632	\$1,350,570	\$ 320,765	\$ (1,341,804)	\$ 329,531

See accompanying notes to the financial statements.

AYLEN CAPITAL INC.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED

	Years Ended December 31,	
	2019	2018
OPERATING ACTIVITIES		
Net income (loss) for the year	\$ (214,223)	\$ 743,599
Adjustments not affecting cash:		
Bad debts (Note 16(b))	(2,911)	-
Realized loss on sale of marketable securities	-	906
Realized gain on sale on investment (Note 7)	-	(1,022,622)
Amortization (Note 8)	475	476
Share-based payment (Note 12(c))	-	9,840
Foreign exchange gain	-	(6,386)
Accretion expense (Note 7)	(6,051)	3,366
Loss on settlement of debt (Note 11)	-	10,237
Income tax recovery (Note 14)	-	(4,003)
	(222,710)	(264,587)
Changes in non-cash working capital		
Accounts receivable	(182)	5,199
Current portion of consideration receivable	117,875	-
HST recoverable	1,830	(11,625)
Contract liabilities	(77,317)	63,500
Accounts payable and accrued liabilities	19,764	(25,863)
Cash used in operating activities	(160,740)	(233,376)
INVESTING ACTIVITIES		
Proceeds from sale of marketable securities	-	4,226
Proceeds from sale of investment (Note 7)	-	847,887
Cash provided by investing activities	-	852,113
Effect of foreign exchange on cash	-	18,431
Net (decrease) increase in cash	(160,740)	637,168
Cash and cash equivalents, beginning of year	724,808	91,643
Cash and cash equivalents, end of year	\$ 564,068	\$ 728,811

See accompanying notes to the financial statements.

AYLEN CAPITAL INC.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

1. INCORPORATION AND NATURE OF OPERATIONS

Aylen Capital Inc. ("Aylen" or the "Company") was incorporated on October 28, 2010 under the Canada Business Corporations Act. The Company's registered head office is located at Scotia Plaza, 40 King Street West, Suite 2502, Toronto, Ontario M5H 3Y2, Canada.

Grapevine Solutions ("Grapevine"), an unincorporated division of Aylen, operates a web-based survey and data-collection business.

2. BASIS OF PRESENTATION

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations as issued by the International Accounting Standards Board ("IASB").

The financial statements of the Company for the years ended December 31, 2019 and December 31, 2018 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on May 28, 2020.

Basis of measurement and functional currency

The financial statements are presented in Canadian dollars and have been prepared on the historical cost basis except for financial instruments measured at fair value through profit or loss. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The Company's functional currency is the Canadian dollar.

Critical accounting estimates, judgment and assumptions

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of the valuation of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant areas of financial reporting that require management's estimates and judgments are as follows:

Valuation of accounts receivable

The valuation of accounts receivables requires assumptions including estimated credit losses based on customer, industry concentrations and the Company's knowledge of the financial conditions of its customers. Uncertainty relates to the actual collectibility of customer balances that can vary from management's estimates and judgment.

Share-based payments

In calculating the share-based compensation expense, key estimates such as the rate of forfeiture of options granted, the expected life of the option, stock price, the volatility of the Company's stock price and the risk-free interest rate are used. The fair value of the instruments granted is measured using a Black-Scholes option pricing model.

Deferred tax assets

The key estimate used in the valuation of deferred tax assets is the probability that some portion or all of the deferred tax assets will be realized. The ultimate realization of the deferred tax assets is dependent on the generation of future taxable income during the years in which the temporary differences are deductible.

AYLEN CAPITAL INC.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

2. BASIS OF PRESENTATION (Cont'd)

Revenue recognition

The Company uses estimates when calculating the unearned component of subscription fees and consulting income collected. There is no variable consideration, or consideration payable relating to subscription fees or consulting income. The contract price is fixed based on the client's needs and agreed upon entering the contract.

Functional currency

The determination of the Company's functional currency is a management judgment based on consideration of the currency and economic factors that mainly influence operating costs, financing and related transactions. Changes to these factors may have an impact on the judgment applied in the future determination of the Company's functional currency.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The policies applied in these consolidated financial statements are based upon IFRS and its interpretations issued and outstanding as of December 31, 2019.

Revenue recognition

Under IFRS 15, revenue is recognized at an amount that reflects the consideration received in exchange for transferring to a customer, applying the following five steps:

- (i) Identify the contract with a customer
- (ii) Identify the performance obligations in the contract
- (iii) Determine the transaction price
- (iv) Allocate the transaction price to the performance obligation in the contract
- (v) Recognize revenue when (or as) the entity satisfies a performance obligation.

Software as a Service ("SaaS")

Software is provided to customers via a SaaS subscription model which allows customers to use hosted software over a term without taking possession of the software. The parties in the contract are identified in a signed agreement which states each parties' rights, performance obligations and payment terms. Revenue is recognized monthly over the life of the contract as the performance obligations are satisfied through the provision of access to the software.

All new customers are subject to start-up fees per the contract. The Company also earns revenue from additional add on services available to the customers. The start up fees and the additional add on services are classified as being a series of distinct services that are substantially the same as the SaaS.

The performance obligation contained in the Company's contract with its customers and timing of recognizing revenue of that obligation is as follows:

Revenue Type	Performance Obligation	Point in Time or Over Time	When is Performance Obligation Satisfied?
Software as a service (survey/evaluation licenses)	Access to underlying surveys or evaluations for agreed upon time period (typically 90 or 365 days)	Over time	Over the course of the agreed upon term stated in the invoice (typically 90 or 365 days).

AYLEN CAPITAL INC.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

The Company generally receives payment from its client in advance for the subscription revenue. In instances where timing of revenue recognition differs from the timing of invoicing and subsequent payment, the Company has determined their contracts do not involve a significant financing component. Clients may pay the subscription price for the term of the contract in advance of using the services in which case the amount paid is recorded as deferred revenue and recognized as revenue when earned.

Provision

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability. The unwinding of the discount is recognized as a finance cost.

Financial instruments

The following table summarizes the classification and measurement of the Company's financial instruments:

Classification	IFRS 9
Cash and cash equivalents	FVTPL
Marketable securities	FVTPL
Accounts receivables	Amortized cost
Consideration receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Loan payables	Amortized cost

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets

Financial assets are classified as either financial assets at FVTPL, amortized cost, or FVTOCI. The Company determines the classification of its financial assets at initial recognition.

i. Financial assets recorded at FVTPL

Financial assets are classified as FVTPL if they do not meet the criteria of amortized cost or FVTOCI. Gains or losses on these items are recognized in profit or loss.

ii. Investments recorded at fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to measure the investment at FVOCI whereby changes in the investment's fair value (realized and unrealized) will be recognized permanently in OCI with no reclassification to profit or loss. The election is made on an investment-by-investment basis.

iii. Amortized cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at FVTPL: 1) the object of the Company's business model for these financial assets is to collect their contractual cash flows, and 2) the asset's contractual cash flows represent "solely payments of principal and interest".

AYLEN CAPITAL INC.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

i. Amortized cost

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

ii. Financial liabilities recorded FVTPL

Financial liabilities are classified as FVTPL if they fall into one of the five exemptions detailed above.

Transaction costs

Transaction costs associated with financial instruments, carried at FVTPL, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

Subsequent measurement

Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss. Instruments classified as amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVTOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income.

Derecognition

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, canceled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Expected credit loss impairment model

IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since the initial application.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

AYLEN CAPITAL INC.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Compound Financial instruments

Compound financial instruments issued by the Company are comprised of drawdowns of a line of credit that can be converted to share capital at the option of the holder. The liability component of a compound financial instrument is recognized initially at the fair value which is equal to the net present value of future cash flows applying an interest rate at the date of issue of a similar liability that does not have an equity convertible option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and held by financial institutions with high credit worthiness with maturities of three months or less.

Marketable securities

Marketable securities consist of investments in equity securities which are publicly traded and are classified as fair value through profit and loss. Marketable securities are measured at fair value and recognized on the trade date. The fair value of publicly traded securities is determined using quoted market prices. Realized and unrealized gains and losses are recognized using the fair value of the marketable securities at the reporting date. Gains and losses in the changes on fair value of marketable securities are recognized in the consolidated statements of net income (loss) and comprehensive income (loss).

Property and equipment

Property and equipment are measured at cost less accumulated depreciation and impairment losses.

Amortization is calculated over the depreciable amount, which is the cost of an asset, less its residual value.

The estimated useful lives for the current and comparative periods are as follows

Equipment	3 years straight-line
Office equipment	3 years straight-line

The net carrying amount of property and equipment are reviewed for impairment either individually or at the cash-generating unit level when events and changes in circumstances indicate that the carrying amount may not be revocable. To the extent that these values exceed their recoverable amounts, the excess is fully provided for in the financial year in which it is determined.

Where an item of property and equipment is disposed of by sale, it is derecognized and the difference between its derecognized and the difference between its carrying value and net proceeds is recognized as gain or loss on the disposal of asset in the statement of net income (loss) and comprehensive income (loss).

Any items of property and equipment that cease to have future economic benefits expected to arise from their continued use are derecognized with the associated loss included as depreciation expense and disclosed separately.

AYLEN CAPITAL INC.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination or to items recognized directly in equity or in other comprehensive income (loss). In this case, the tax is also recognized directly in equity or in net income (loss) and comprehensive income (loss).

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted at the reporting date in the countries in which the Company operates, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

In the ordinary course of business, there are many transactions for which the ultimate tax outcome is uncertain. The final tax outcome of these matters may be different from the estimates originally made by management in determining income tax provisions. Management periodically evaluates the positions taken in the Company's tax returns with respect to situations in which applicable tax rules are subject to interpretation. A provision is established related to tax uncertainties where appropriate based on management's best estimate of the amount that will ultimately be paid to or received from tax authorities.

Foreign currency translation

Transactions in foreign currencies are translated to Canadian dollars at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency of which is the Canadian dollar at the exchange rate at that date. Foreign currency differences arising on retranslation are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

AYLEN CAPITAL INC.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the entity. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Stock-based compensation

The Company issues share-based awards to its officers and directors. The awards are comprised of equity settled stock options. Fair values of stock options are calculated using the Black-Scholes option pricing model at the date of the grant and adjusted for estimated forfeitures. For awards with graded vesting, the fair value of each tranche is calculated separately and recognized over its respective vesting period. Nonmarket vesting conditions are considered in making assumptions about the number of awards that are expected to vest. At each reporting date, the Company will reassess its estimates of the number of awards that are expected to vest and recognize the impact of any revision in the statement of income with a corresponding adjustment to contributed surplus.

Any consideration paid on exercise of stock options or purchase of shares, together with the amount initially recorded in contributed surplus, is credited to share capital.

Net income (loss) per share

Basic income (loss) per common share is calculated by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted income per share is calculated using a common share balance increased by the number of common shares that could be issued on the exercise of outstanding options of the Company.

Changes in significant accounting policies

IFRS 16 - Leases - In January 2016, the International Accounting Standards Board (IASB) issued a new International Financial Reporting Standard (IFRS) on lease accounting which was incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in June 2016. IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduces a single lessee accounting model that requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Lease assets and liabilities are initially recognized on a present value basis and subsequently, similarly to other non-financial assets and financial liabilities, respectively. The lessor accounting requirements are substantially unchanged and, accordingly, continue to require classification and measurement as either operating or finance leases. The new standard also introduces detailed disclosure requirements for both the lessee and lessor. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that also apply IFRS 15 Revenue from Contracts with Customers.

The Company's adoption of IFRS 16 did not have a material financial impact on the consolidated financial statements.

AYLEN CAPITAL INC.

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(Expressed in Canadian Dollars)

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Accounting standards and amendments issued but not yet applied

The International Accounting Standards Board ("IASB") has issued the following accounting standards which have not yet been adopted by the Company:

Amendment to IFRS 3 – Business Combinations

On October 22, 2018, the IASB issued Definition of a Business (Amendments to IFRS 3: Business Combinations). The amendments to IFRS 3 are applicable for acquisitions occurring on or after January 1, 2020 and are adopted prospectively. These amendments to the implementation guidance of IFRS 3 clarify the definition of a business to assist entities to determine whether a transaction should be accounted for as a business combination or an asset acquisition. The amendments to IFRS 3 – Business Combinations may affect whether future acquisitions are accounted for as business combinations or asset acquisitions, along with the resulting allocation of the purchase price between the net identifiable assets acquired and goodwill. The Company does not expect any impact to the financial statements as a result of its adoption of the amendments to IFRS 3.

4. CASH AND CASH EQUIVALENTS

The Company's cash and cash equivalents consist of the following:

	December 31, 2019	December 31, 2018
Cash held in banks	\$ 109,488	\$ 42,708
GIC	454,580	682,100
	\$ 564,068	\$ 724,808

There were no restrictions on the cash held by broker.

5. MARKETABLE SECURITIES

Investment in equities are publicly-traded investments on a recognized securities exchange and for which no sales restrictions apply. The fair value of these securities is based on quoted closing prices at the period end date or the closing price on the last day the security traded if there were no trades at the period end date. If the closing price is outside of the bid-ask spread, management determines appropriate price for the security within the bid-ask spread. The fair value of mutual funds is determined using the net asset value per unit of each fund. During the December 31, 2018 fiscal year, all marketable securities were sold resulting in a realized loss of \$906 in the statement of net income (loss) and comprehensive income (loss).

6. ACCOUNTS RECEIVABLE

Details of the Company's trade and other receivables are as follows:

	December 31, 2019	December 31, 2018
Canadian and U.S. customers	\$ 10,520	\$ 7,427

Accounts receivable are amounts due from subscriptions that remain uncollected at the financial statements date. These amounts are classified as current because collection is expected in one year or less. Accounts receivable are recognized initially at the amount expected to be received less any discount to reduce the recoverable amount to fair value. Subsequently, accounts receivable are measured at amortized cost using the effective interest method less a provision for impairment with no allowance taken on accounts receivable.

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7. INVESTMENTS

On November 16, 2018, the Company sold all its shares of Leonardo Worldwide Corporation to an unrelated third party. The proceeds received by the Company on closing were \$847,887. The Company recognized a total gain on sale of the Leonardo shares of \$1,022,622, calculated as the excess of total consideration comprised of \$847,887 on closing, \$121,165 in connection with the first holdback receivable and \$53,572 in connection with the second holdback receivable over the \$2 carrying value of the Leonardo shares recognized in other income on the statement of income (loss) and comprehensive income (loss).

The first holdback was received during fiscal 2019. The second holdback of US\$57,182 (\$64,417 as at December 31, 2019) is payable two years after closing and is to be paid on November 16, 2020, therefore held as a current asset. Due to the long-term nature of the second holdback receivable on initial recognition, the future payment of US\$57,182 has been present valued using an effective interest rate of 22.8%, valued at \$64,417 as of December 31, 2019. Accretion income of \$6,051 was recognized on this receivable for the year ended December 31, 2019 (2018 - \$1,504).

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.

8. PROPERTY AND EQUIPMENT

	Equipment	Office equipment	Total
Cost			
Balance at December 31, 2017, 2018 and 2019	\$ 7,581	\$ 9,796	\$ 17,377
Accumulated Amortization			
Balance at December 31, 2017	\$ 7,581	\$ 8,845	\$ 16,426
Amortization for the period	-	476	476
Balance at December 31, 2018	\$ 7,581	\$ 9,321	\$ 16,902
Amortization for the period	-	475	475
Balance at December 31, 2019	\$ 7,581	\$ 9,796	\$ 17,377
	Equipment	Office equipment	Total
Net Book Values			
As at December 31, 2018	\$ -	\$ 475	\$ 475
As at December 31, 2019	\$ -	\$ -	\$ -

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2019	December 31, 2018
Trade payables	\$ 74,296	\$ 59,875
Accrued expenses	28,471	26,471
Credit cards	10,551	7,208
	\$ 113,318	\$ 93,554

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10. CONTRACT LIABILITIES

The following table presents changes in the contract liability balances for the years ended December 31, 2019 and December 31, 2018:

	December 31, 2019	December 31, 2018
Balance, beginning of the year	\$ 293,651	\$ 218,106
Amounts invoiced and collected during the year	554,458	624,214
Amounts earned during the year	(631,775)	(548,669)
Contract liabilities, end of the year	<u>\$ 216,334</u>	<u>\$ 293,651</u>

11. LOAN PAYABLE

During the year ended December 31, 2018, the Company received proceeds of \$70,000 from the President and CEO of the Company relating to the issuance of a secured line of credit for up to \$100,000. The line of credit carries interest at a rate of 5% and is convertible into common shares at a rate of \$0.02 per share at the option of the holder and matured December 31, 2019. The proceeds were received in three drawdowns of this line of credit between April 26, 2018 and July 11, 2018 which were valued at a cumulative \$54,893 prior to the recognition of accretion of \$4,870 between the date of issuance and date of repayment. The effective interest rates used to value these three payments ranged 23.3%-23.8%.

The convertible debt issuances in the previous year were determined to be compound instruments, comprising of liability and conversion features. As the drawdowns of the line of credit are convertible into common shares, the liability and equity components are presented separately. The initial carrying amount of the financial liability was determined by discounting the stream of future payments of interest and principal at a market interest rate of 20%. Using the residual method, the carrying amount of the conversion feature was the difference between the principal amount and the initial carrying value of the financial liability. The equity component was recorded in reserves on the statement of financial position. The liability component was accreted using the effective interest rate method over the term of the debt such that the carrying amount of the financial liability would equal the principal balance at maturity, had the debt not been repaid prior to maturity.

The Company repaid the full \$70,000 drawn down from this line of credit on November 22, 2018. During the year ended December 31, 2018, the Company also repaid an additional \$9,373, of which \$2,004 has been recognized as interest and the residual \$7,369 has been recognized as loss on debt in connection with an overpayment of interest. \$100,000 remains undrawn on the line of credit as of the years ended December 31, 2019 and December 31, 2018.

Convertible debentures consist of the following:

	Proceeds (repayments)	Debt Component	Interest expense	Equity Component	Loss on settlement of debt
Issuance of convertible debt	\$ 70,000	\$ 54,893	\$ -	\$ 15,107	\$ -
Accretion	-	4,870	-	-	-
Settlement of debt (principal)	(79,373)	(59,763)	-	-	10,237
Settlement of debt (interest)	9,373	-	2,004	-	7,369
Balance, December 31, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,004</u>	<u>\$ 15,107</u>	<u>\$ 17,606</u>
Balance, December 31, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,107</u>	<u>\$ -</u>

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12. SHARE CAPITAL

(a) 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.

(b) Total outstanding shares:

Issued:

16,856,632 Common shares as at December 31, 2019 and 2018

(c) Stock options

The Company has an incentive stock option plan for the officers and directors enabling them to purchase common shares. Each option granted under the plan is for a maximum term of 10 years. The exercise price is determined by the Company's board of directors at the time the option is granted, subject to regulatory approval, and may not be less than the most recent closing price of the common shares at the date of grant. Vesting provisions are also determined at the time of grant by the Company's board of directors.

The Company used a zero forfeiture rate in valuing the stock options as all stock options were vested immediately on the date of the grant.

The stock options activity is as follows:

	December 31, 2019		December 31, 2018	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of the year	1,785,663	\$ 0.01	1,285,663	\$ 0.04
Granted	-	-	500,000	0.02
Outstanding, end of the year	1,785,663	\$ 0.01	1,785,663	\$ 0.01

During the year ended December 31, 2019, no options were granted (December 31, 2018 - 500,000 which vested immediately at an exercise price of \$0.02 per share and with a term of 5 years from the date of grant). The share-based payment expense related to the options for the year ended December 31, 2019 of \$nil (December 31, 2018 - \$9,840) has been estimated using the Black-Scholes pricing model.

The assumptions used for the valuation of stock options are as follows:

	December 31, 2018
Risk-free interest rate	2.25%
Time to maturity	5 years
Estimated volatility in the market price of the common shares	214.53%
Grant date fair value per share of options granted during the year	\$0.02
Dividend yield	Nil
Forfeiture rate	Nil

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12. SHARE CAPITAL (Cont'd)

The following table summarizes the stock options outstanding as at December 31, 2019:

Number of options outstanding	Exercise price	Expiry date	Number of options exercisable
100,000	\$ 0.02	November 25, 2021	100,000
1,185,663	\$ 0.01	January 16, 2022	1,185,663
500,000	\$ 0.02	September 12, 2023	500,000
1,785,663			1,785,663

13. RELATED PARTY TRANSACTIONS

The following related party transactions occurred and were reflected in the financial statements during the years ended December 31, 2019 and 2018 as follows:

REMUNERATION OF KEY PERSONNEL

	Years Ended December 31,	
	2019	2018
Salaries	\$ 252,500	\$ 220,000
Directors' fees	22,500	15,000
Consulting fees	48,000	62,500
Stock options	-	8,703
Total	<u>\$ 323,000</u>	<u>\$ 306,203</u>

Legal fees paid to a firm of which the CEO was counsel was \$7,005 in 2018. As of January 1, 2019, the law firm was no longer considered a related party.

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, the Chief Executive Officer and the Chief Financial Officer.

Included in accounts payable and accrued liabilities are management fees of \$31,075 (December 31, 2018 - \$Nil), consulting fees of \$Nil (December 31, 2018 - \$2,168).

During the year ended December 31, 2018, the Company received a secured line of credit totaling \$70,000 from the President and CEO (note 11). As a result, interest of \$2,004 and additional fees of \$7,369 were paid in the year ended December 31, 2018 to the President and CEO. As at December 31, 2018, all amounts have been repaid by the Company.

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14. INCOME TAXES

(a) Income tax expense

The reconciliation of income taxes attributable to operations computed at the combined statutory income tax rate of 26.50% (2017 - 26.50%) to income tax recovery is as follows:

	December 31, 2019	December 31, 2018
Net Income (Loss) before recovery of income taxes	\$ (214,223)	\$ 739,593
Expected income tax expense (recovery) at statutory rates	(56,769)	(194,932)
Increase (decrease) resulting from:		
Tax rate changes and other adjustments	-	(44,358)
Permanent Difference	750	(240,739)
Change in tax benefits not recognized	56,019	86,162
Income tax (recovery) expense	\$ -	\$ (393,867)

The company's income tax (recovery) is allocated as follows:

	December 31, 2019	December 31, 2018
Current tax (recovery) expense	\$ -	\$ -
Deferred tax (recovery) expense	-	(4,003)
	-	(4,003)

(b) Deferred taxes

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	December 31, 2019	December 31, 2018
Property and equipment	\$ 3,830	\$ 4,313
Non-capital losses	1,240,097	1,818,272
Capital loss carried forward	1,644,352	-
Consideration receivable	13,590	22,932

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company and its subsidiary can utilize the benefits therefrom. The remaining deductible temporary differences may be carried forward indefinitely.

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14. INCOME TAXES (Cont'd)

The Company's Canadian non-capital income tax losses expire as follows:

2031	\$	88,800
2032		161,963
2033		235,912
2034		132,834
2035		-
2036		40,965
2037		79,127
2038		285,008
2039		215,588
	\$	<u>1,240,197</u>

15. MANAGEMENT OF CAPITAL

The Company's objective is to develop a strong capital base to sustain future development and growth of the business. The Company manages its capital by maintaining a flexible capital structure which optimizes the cost of capital at an acceptable level of risk and makes adjustments on it in the light of changes in economic conditions and the risk characteristics of its underlying assets. The Company's capital base is currently represented by shareholders' equity. The Board of Directors reviews the Company's business plans as part of its strategic initiatives in conjunction with its financial forecast. The Board of Directors does not establish a quantitative return on capital criteria for management but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company regularly monitors and reviews the amount of capital in proportion to risk and future development. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Company is not subject to any external imposed capital requirements.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's significant financial instruments are comprised of cash and cash equivalents, accounts receivables, consideration receivable and accounts payable and accrued liabilities.

Measurement and Fair Value

The fair value of the Company's accounts receivable, consideration receivable and accounts payable and accrued liabilities approximate their respective carrying value as at the statement of financial position date because of the short term maturity of these instruments.

Financial instruments recorded at fair value on the balance sheet date are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1- valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities.

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly.

Level 3 - valuation techniques based on inputs for the asset or liability that are not based on observable market data.

The fair value of cash and cash equivalents is measured based on Level 1 inputs referred to in the three levels of the hierarchy noted above.

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16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

Risk management

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company has exposure to the following risks from its use of financial instruments:

(a) Fair value of financial instruments:

The fair value of financial assets and liabilities, together with their carrying amounts are as follows:

Financial assets	December 31, 2019		December 31, 2018	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets at amortized cost:				
Cash and cash equivalents	\$ 564,068	\$ 564,608	\$ 724,808	\$ 724,808
Accounts receivable	10,520	10,520	7,427	7,427
Consideration receivable	64,417	64,417	176,241	176,241
	<u>\$ 639,005</u>	<u>\$ 639,545</u>	<u>\$ 908,476</u>	<u>\$ 908,476</u>

Financial liabilities	December 31, 2019		December 31, 2018	
	Carrying value	Fair value	Carrying value	Fair value
Other financial liabilities, measured at amortized cost:				
Trade payables and accrued liabilities	\$ 113,318	\$ 113,318	\$ 93,554	\$ 93,554
	<u>\$ 113,318</u>	<u>\$ 113,318</u>	<u>\$ 93,554</u>	<u>\$ 93,554</u>

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash and cash equivalents, accounts receivable and consideration receivable. The carrying amount of financial assets represents the maximum credit exposure to the Company.

The Company has established credit approval and monitoring practices to mitigate this risk, including reviewing the creditworthiness of new customers to establish credit limits, monitoring customers' payments and, where considered appropriate, reviewing the financial condition of the existing customers.

The following table outlines the details of aging of the Company's receivables:

	December 31, 2019	December 31, 2018
Current	\$ 3,257	\$ 3,840
Past due:		
31-60 days	3,368	3,356
Greater than 60 days	3,895	231
Total receivable, net	<u>\$ 10,520</u>	<u>\$ 7,427</u>

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16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

The Corporation is exposed to normal credit risk from customers. Accounts receivable are generally unsecured, subject to the Corporation's ability to file security interest under certain conditions. Accounts receivable are normally collected 30 days after invoicing. Default rates on unsecured credit have traditionally been below 1% of annual revenue. Licenses for proprietary software cease to function if payments are not kept current. The Corporation minimizes concentrations of credit risk by maintaining a wide customer base spread across differing industries. Additional sales and services may be withheld if a customer fails to pay its obligations in a timely manner. The Corporation considers accounts over 90 days old overdue. As at December 31, 2019, accounts receivable over 30 days old were \$7,258 (December 31, 2018 - \$3,587). The Corporation recorded \$2,911 bad debts during the year ended December 31, 2019 (December 31, 2018 - \$Nil). The Company has determined that its expected credit losses are minimal as at December 31, 2019.

(c) Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due. The Company's activities are financed through a combination of the cash flows from operations and proceeds from the disposition of its short-term investments. The Company manages liquidity risks by monitoring the actual and forecasted cash flows taking into account the current and planned operations. All of the Company's accounts payable are due within the next year.

(e) Foreign exchange risk

Foreign currency exchange risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate as a result of changes in foreign exchange rates. The Company's operations are exposed to foreign exchange fluctuations in that the majority of sales by the Grapevine division are denominated in US currency, while the majority of costs are denominated in Canadian currency. The Company believes it is not significantly exposed to foreign exchange rate risk; the risk is considered to be acceptable as a normal risk of that class of business.

The following assets were denominated in foreign currencies presented in Canadian dollars as of:

	December 31, 2019	December 31, 2018
Cash and cash equivalents	\$ 548,379	\$ 711,627
Accounts receivable	7,614	4,964
Consideration receivable	64,417	176,241
	\$ 620,410	\$ 892,832

A fluctuation of +/-10% provided as an indicative range in currency movement, on financial instruments that are denominated in foreign currencies other than Canadian dollars, with, all other things being equal, have an effect on the after-tax net income and other comprehensive income of approximately +/- \$62,039 (2018 - \$88,495).

17. COMMITMENTS

The Company has contracted with 2232021 Ontario Inc. to provide operations and sales management services to the Grapevine division for an annual base fee of \$103,600, plus applicable taxes, and additional sales based incentives.

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18. SEGMENTED INFORMATION

For management purposes, the Company is organized into one business segment as web-based survey and data collection, which primarily operates in one geographical location, North America. Management assesses performance and makes decisions based on the results of operations of this business segment.

19. SUBSEQUENT EVENT

Subsequent to year-end, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

While the extent of the impact is unknown, we anticipate this may affect our income with the outbreak causing reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively impact the Company's investments.