



## Management's Discussion and Analysis

For the three and nine months ended September 30, 2020

### 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, 2020. 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, 2020 and the year ended December 31, 2019. 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") which operates as a wholly-owned subsidiary 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 2020

Effective July 1, 2020 the Company transferred all of the assets and liabilities of its Grapevine division to its wholly-owned subsidiary, Grapevine Analytics Inc. ("GAI"), in exchange for shares of the subsidiary. Since July 1, 2020 GAI has continued to carry on the Grapevine business formerly carried on as a division of the Company.

On July 15, 2020 the Company entered into a letter of intent to purchase LOC8 Corp. ("LOC8") and on September 2, 2020 entered into an acquisition agreement dated September 2, 2020 (the "Acquisition Agreement") with Loc8 Corp. ("Loc8"), pursuant to which Aylen will acquire all of the issued and outstanding securities of Loc8 (the "Acquisition") in a reverse takeover transaction ("RTO"). In addition, under the Acquisition Agreement, concurrent with the completion of the Acquisition, Aylen will sell to the family of the late John Pennal, Aylen's former Chief Executive Officer, Aylen's wholly-owned subsidiary GAI in exchange for (i) \$100 cash, (ii) an Indemnification to Aylen in respect of any taxes, losses or other costs resulting from the sale of GAI, (iii) payment of a dividend to all existing Aylen shareholders of all unencumbered cash held by the Company that is estimated to be \$400,000 or \$0.022 per share. In addition to the above noted agreements John Pennal agreed to terminate his employment agreement with Aylen and to relinquish all severance and bonus payments to which he would otherwise be entitled. The acquisition agreement is conditional upon approval by the board. An estimate of the financial effect of these transactions cannot be made at this time as the transaction has not been finalized.

During the period, the Company decided to sell its web-based survey and data-collection business. In line with IFRS 5: Non-current Assets Held for Sale and Discontinued Operations, the consolidated statements of loss and comprehensive loss and cash flows for the period ended September 30, 2019 have been restated to separately report the associated assets and liabilities within the disposal group as discontinued operations. In the prior periods these assets and liabilities had been considered continuing operations (Note 10). The restatement has no effect on the net assets as at September 30, 2019 nor on the loss and comprehensive loss and change in cash flows for the period ended September 30, 2019.

The revenues of Aylen in the third quarter of 2020 was nil.

During the first quarter 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.

As the extent of the impact is unknown, we cannot anticipate the effect on the Company.

At September 30, 2020, the Company had cash and cash equivalents and marketable securities of \$400,000 (December 31, 2019 \$564,000). These funds are identified to be a dividend out as per the agreement with Loc8.

## ***Investments***

### **Leonardo Worldwide Corporation**

The first holdback was received during fiscal 2019. The second holdback of US\$57,182 (\$64,417 as at December 31, 2019) is payable on November 16, 2020, and therefore is 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.

The second holdback may be reduced by the portion attributable to the Company any claims for indemnification made by the purchaser.

### **Results of Operations**

Aylen had no sales for the third quarter of 2020 (for the third quarter of 2019 sales revenue was \$nil).

General and administrative expenses were \$23,000 for the current quarter compared with \$15,000 for the third quarter of 2019. The lack of change in general and administrative expenses reflects a consistency in salaries, directors' fees and consulting fees. For the nine months ended September 30, 2020 the general and administrative expenses was \$48,000 (nine months ended September 30, 2019 - \$46,826).

As a result of the foregoing the Company recorded a net loss and comprehensive loss of \$49,000 - (\$0.003 per share for the third quarter of 2020) (net loss and comprehensive loss of \$16,000 – (\$0.002 per share) for the third quarter of 2019).

### **Summary of Quarterly Information**

	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	2020	2020	2020	2019	2019	2019	2019	2018	2018
Sales - continuing operations	0	0	0	0	0	0	0	0	0
Sales - discontinued operations	130,551	145,563	150,369	125,496	143,635	151,423	187,023	127,738	159,189
Interest and other income - continuing operations	2,143	248	1,992	2,009	2,603	2,969	1,377	32	0
Realize gain on sale of shares in private company and other income - continuing operations	24,910	0	0	0	0	0	0	1,022,622	0
Gain (loss), realized and unrealized, on marketable securities - continuing operations	(93)	93	0	0	0	0	0	0	0
Net loss attributable to shareholders of the Company - continuing operations	4,322	(7,051)	(15,549)	(12,662)	(8,978)	(12,929)	(8,776)	987,586	(23,331)
Net loss attributable to shareholders of the Company - discontinued operations	(53,046)	(42,320)	34,814	(132,677)	(17)	(24,050)	(14,135)	(75,426)	(28,835)
Net loss attributable to shareholders of the Company	(48,724)	(49,370)	19,264	(145,339)	(8,995)	(36,979)	(22,911)	912,160	(52,166)

Per Share - continuing operations	0.000	0.000	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	0.059	(0.001)
Per Share diluted- continuing operations	0.000	0.000	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	0.055	(0.001)
Per Share - discontinued operations	(0.003)	(0.003)	0.002	(0.008)	(0.000)	(0.001)	(0.001)	(0.004)	(0.002)
Per Share diluted - discontinued operations	(0.003)	(0.003)	0.002	(0.008)	(0.000)	(0.001)	(0.001)	(0.004)	(0.002)

During the quarter 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.

As the extent of the impact is unknown, we cannot anticipate the effect on the Company.

### ***Liquidity and Financial Position and Capital Resources***

The Company's ability to generate sufficient cash to fund its operations and working capital requirements depends entirely upon the ability of the Company to raise cash through issuance of shares.

At September 30, 2020, the Company had working capital of 251,000.

With respect to the Company's working capital requirements, the quarterly general and administrative expenses of the Company were \$23,000 in the third quarter 2020 and \$15,000 for the third quarter in 2019. The general and administrative expenses in 2020 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. If the deal with Loc8 does not go through It is unlikely that the Company can continue indefinitely using the existing cash on hand to fund the deficiency and continue its operations.

Current liabilities were \$305,000 at September 30, 2020, including liabilities held for sale of \$284,199 (December 31, 2019 - \$113,318), accounts payable and accrued liabilities were \$21,000 at September 30, 2020 (\$113,000 at December 31, 2019).

The cash and cash equivalents and marketable securities included in working capital was \$400,000 at September 30, 2020 (\$564,000 at December 31, 2019). Assets held for sale were \$155,969 at September 30, 2020 (\$nil at December 31, 2019). Aylene has sufficient cash and cash equivalents to provide liquidity to the Company for the next 12 months.

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

The financial condition of the Company is dependent on the acquisition of Loc8.

During the quarter 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.

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

The following related party transactions occurred and were reflected in the financial statements during the periods ended September 30, 2020 and 2019 as follows:

## REMUNERATION OF KEY PERSONNEL

	Nine Months September 30,	
	2020	2019
Salaries	\$ 55,000	\$ 55,000
Directors' fees	3,750	3,750
Consulting fees	12,000	12,500
Total	<u>\$ 70,750</u>	<u>\$ 70,750</u>

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 \$31,075 (December 31, 2019 - \$31,075)

### ***Directors Compensation***

The following table sets out all compensation payable to directors of the Corporation for their services as directors in the third quarter of 2020.

Name	Fees earned (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Douglas Babcook	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

### ***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 marketable securities. The Company's cash on hand and marketable securities less liabilities at September 30, 2020 was \$400,000. This money is set aside to pay out a dividend to shareholders once the Loc8 deal goes through.

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

Aylen's results of operations in the period prior to 2020 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.

During the quarter 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.

### **Legal Claims and Other Contingencies**

Aylen 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.

### **Critical Accounting Policies and Estimates**

See the Company's 2019 Annual MD&A and the 2019 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.

### ***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 nine months ended September 30, 2020 and the year ended December 31, 2019 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 is dependent upon the Loc8 proposal going through. There is no alternative plan at this moment.

### ***Subsequent Events***

In the first quarter of 2020, 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 U.S., Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent 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 U.S., Canada and other countries to fight the virus.

While the extent of the impact is unknown, the Company anticipates that the COVID-19 outbreak will cause reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, all of which will negatively impact the Company's business.

In October 2020, 1,785,663 stock options were exercised at an exercise price of \$0.01 to \$0.02. The total gross proceeds were \$23,857.

### ***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 September 30, 2020, there were 18,642,295 common shares issued and outstanding, There are nil options outstanding and there were no Class A common shares and no preferred shares outstanding. As of the date of this MD&A there is 18,642,295 common shares issued and outstanding, nil options outstanding and there are 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 November 29, 2020.

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).