



**AYLEN CAPITAL INC.**

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(PREPARED BY MANAGEMENT)  
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019  
(In Canadian Dollars)**

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim condensed consolidated financial statements of Aylen Capital Inc. were prepared by management in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board. The most significant of these accounting principles have been disclosed in the notes to the unaudited interim condensed consolidated financial statements. Management acknowledges responsibility for the preparation and presentation of the unaudited interim condensed consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the unaudited interim condensed consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited interim condensed consolidated financial statements and (ii) the unaudited interim condensed consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited interim condensed consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim condensed consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim condensed consolidated financial statements together with other financial information of the Company for issuance to the shareholders. These unaudited interim condensed consolidated financial statements were authorized for issuance by the Board on November 29, 2020.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

### **Notice of no auditor review of interim financial statements**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by, and are the responsibility of, the Company's management.

"John E Pennal"  
Director

"Alex Falconer"  
Chief Financial Officer

November 29, 2020

**AYLEN CAPITAL INC.****UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Expressed in Canadian Dollars)

**AS AT**

	<u>Notes</u>	September 30, 2020	December 31, 2019 (Audited)
<b>ASSETS</b>			
Cash and cash equivalents	5	\$ 400,000	\$ 564,068
Accounts receivable	7	-	10,520
HST recoverable		-	20,178
Current portion of consideration receivable	8	-	64,417
Assets held for sale	10	155,969	-
<b>Total Asset</b>		<b>\$ 555,969</b>	<b>\$ 659,183</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	11	\$ 21,069	\$ 113,318
Contract liabilities	12	-	216,334
Liabilities held for sale	10	284,199	-
		<b>305,268</b>	<b>329,652</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	15	1,350,570	1,350,570
Contributed surplus		320,765	320,765
Deficit		(1,420,634)	(1,341,804)
		<b>250,701</b>	<b>329,531</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 555,969</b>	<b>\$ 659,183</b>

Certain comparative figures have been restated to conform with the current period presentation (Note 1).

**COMMITMENT (Note 19)****SUBSEQUENT EVENT (Note 21)****Approved on Behalf of the Board**John E Pennal DirectorWilliam Hale Director

**AYLEN CAPITAL INC.****UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS**

(Expressed in Canadian Dollars)

**FOR THE THREE AND NINE MONTH PERIODS ENDED**

	<u>Notes</u>	Three Months September 30,		Nine Months September 30,	
		2020	2019	2020	2019
<b>Expenses</b>					
General and administrative		\$ 22,638	\$ 14,657	\$ 47,569	\$ 46,826
<b>Total expenses</b>		<b>(22,638)</b>	<b>(14,657)</b>	<b>(47,569)</b>	<b>(46,826)</b>
<b>Other income</b>					
Realized gain on sale of marketable securities	8	24,910	-	24,910	-
Accretion on consideration receivable	8	-	3,075	-	9,126
Interest income		2,143	2,603	4,382	7,017
Unrealized loss on fair value of marketable securities	6	(93)	-	-	-
<b>Net income (loss) from continuing operations</b>		<b>4,322</b>	<b>(8,979)</b>	<b>(18,277)</b>	<b>(30,683)</b>
Net loss from discontinued operations	10	(53,046)	(17)	(60,553)	(38,202)
<b>Net loss and comprehensive loss for the period</b>		<b>\$ (48,724)</b>	<b>\$ (8,996)</b>	<b>\$ (78,830)</b>	<b>\$ (68,885)</b>
<b>Basic and Diluted loss per share</b>					
Continuing operations		\$ 0.000	\$ (0.001)	\$ (0.001)	\$ (0.002)
Discontinued operations		\$ (0.003)	\$ 0.000	\$ (0.004)	\$ (0.002)
<b>Net loss</b>		<b>(0.003)</b>	<b>(0.001)</b>	<b>(0.005)</b>	<b>(0.004)</b>
<b>Weighted average number of shares outstanding</b>		<b>16,856,632</b>	<b>16,856,632</b>	<b>16,856,632</b>	<b>16,856,632</b>

Certain comparative figures have been restated to conform with the current period presentation (Note 1).

**AYLEN CAPITAL INC.****UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

(Expressed in Canadian Dollars)

**FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019**

	Share capital		Contributed	Deficit	Total
	Common shares	Amount	surplus		
Balance January 1, 2019	16,856,632	\$1,350,570	\$ 320,765	\$ (1,127,581)	\$ 543,754
Net loss and comprehensive loss for the period	-	-	-	(68,885)	(68,885)
Balance, September 30, 2019	16,856,632	\$1,350,570	\$ 320,765	\$ (1,196,466)	\$ 474,869
Balance January 1, 2020	16,856,632	\$1,350,570	\$ 320,765	\$ (1,341,804)	\$ 329,531
Net loss and comprehensive loss for the period	-	-	-	(78,830)	(78,830)
Balance, September 30, 2020	16,856,632	\$1,350,570	\$ 320,765	\$ (1,420,634)	\$ 250,701

See accompanying notes to the unaudited interim condensed consolidated financial statements.

**AYLEN CAPITAL INC.****INTERIM CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Expressed in Canadian Dollars)

**FOR THE THREE AND NINE MONTH PERIODS ENDED**

	Nine Months September 30,	
	2020	2019
<b>OPERATING ACTIVITIES</b>		
Net loss from continuing operations for the period	\$ (18,277)	\$ (30,683)
	<b>(18,277)</b>	<b>(30,683)</b>
Changes in non-cash working capital		
Accounts receivable	10,520	602
Consideration receivable	64,417	-
HST recoverable	20,178	15,714
Net cash flows used in operating activities - continuing operations	76,838	(14,367)
Net cash flows provided by (used in) operating activities - discontinued operations	(240,906)	(167,981)
<b>Cash used in operating activities</b>	<b>(164,068)</b>	<b>(182,348)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(164,068)</b>	<b>(182,348)</b>
Cash and cash equivalents, beginning of period	564,068	724,808
<b>Cash and cash equivalents, end of period</b>	<b>\$ 400,000</b>	<b>\$ 542,460</b>

Certain comparative figures have been restated to conform with the current period presentation (Note 1).

# **AYLEN CAPITAL INC.**

## **NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

**FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019**

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### **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 Analytics Inc. ("GAI"), an incorporated wholly-owned subsidiary of Aylen, operates a web-based survey and data-collection business.

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.

### **2. BASIS OF PRESENTATION**

#### **Statement of compliance**

The unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"), as issued by the International Accounting Standards Board ("IASB") and therefore, do not contain all disclosures required by International Financial Report Standards ("IFRS") for annual financial statements. Accordingly, these unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's most recently prepared audited annual financial statements for the fiscal year ended December 31, 2019.

The policies applied in these unaudited interim condensed consolidated financial statements are consistent with the policies disclosed in Notes 2 and 3 of the audited annual financial statements for the year ended December 31, 2019.

The unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors on November 29, 2020.

#### **Restatement of Comparative Figures**

During the period, the Company decided to discontinue 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.

# **AYLEN CAPITAL INC.**

## **NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

**FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019**

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### **2. BASIS OF PRESENTATION (Cont'd)**

#### **Basis of measurement and functional currency**

The unaudited interim condensed consolidated 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.

#### **Basis of consolidation**

These unaudited interim condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Grapevine Analytics Inc. ("GAI"). A subsidiary is an entity in which the Company has control, directly or indirectly, where control is determined based on whether the company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

### **3. 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 unaudited interim condensed consolidated financial statements.

### **4. RECENT ACCOUNTING PRONOUNCEMENTS**

#### **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 unaudited interim condensed consolidated financial statements as a result of its adoption of the amendments to IFRS 3.



## AYLEN CAPITAL INC.

### NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019

#### 5. CASH AND CASH EQUIVALENTS

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

	September 30, 2020	December 31, 2019
Cash held in banks	\$ 20,252	\$ 109,488
Cash held by broker	457,256	-
GIC	-	454,580
Reclass to assets held for sale (Note 10)	(77,508)	-
	<u>\$ 400,000</u>	<u>\$ 564,068</u>

There were no restrictions on the cash held by broker.

#### 6. 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 Level 1 inputs based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities. 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 period ended September 30, 2020, all marketable securities were sold resulting in a realized gain of \$24,910 in the statement of net loss and comprehensive loss.

#### 7. ACCOUNTS RECEIVABLE

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

	September 30, 2020	December 31, 2019
Canadian and U.S. customers	\$ 4,383	\$ 10,520
Reclass to assets held for sale (Note 10)	(4,383)	-
	<u>\$ -</u>	<u>\$ 10,520</u>

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.

#### 8. 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 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. Accretion income of \$3,075 was recognized on this receivable for the three months ended and \$9,126 for the nine months ended September 30, 2019 and \$nil for period ended September 30, 2020.

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

# AYLEN CAPITAL INC.

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019

### 9. PROPERTY AND EQUIPMENT

	Equipment	Office equipment	Total
<b>Cost</b>			
Balance at December 31, 2018, 2019	\$ 7,581	\$ 9,796	\$ 17,377
Additions	-	2,081	2,081
<b>Balance at September 30, 2020</b>	<b>\$ 7,581</b>	<b>\$ 11,877</b>	<b>\$ 19,458</b>
<b>Accumulated Amortization and Impairment</b>			
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
Amortization for the period	-	520	520
Reclass to assets held for sale	-	1,561	1,561
<b>Balance at September 30, 2020</b>	<b>\$ 7,581</b>	<b>\$ 11,877</b>	<b>\$ 19,458</b>

	Office equipment	Total
<b>Net Book Values</b>		
As at December 31, 2018	\$ 475	\$ 475
As at December 31, 2019	\$ -	\$ -
<b>As at September 30, 2020</b>	<b>\$ -</b>	<b>\$ -</b>

### 10. DISCONTINUED OPERATIONS

During the period ended September 31, 2020, the Company entered into an acquisition agreement with Loc8, pursuant to which Aylen will acquire all of the issued and outstanding securities of Loc8.

In addition, under the acquisition agreement, concurrent with the completion of the acquisition, Aylen will sell to John Pennal, Aylen's chief executive officer, Aylen's wholly owned subsidiary Grapevine Analytics Inc., which includes the assets, liabilities and obligations of the Grapevine business currently operated by Aylen. As part of the Grapevine sale and immediately prior to completion of the acquisition, the following steps will occur: (i) Mr. Pennal will pay \$100 to Aylen and will agree to indemnify Aylen in respect of any taxes, losses or other costs resulting from the Grapevine sale; (ii) Mr. Pennal will agree to terminate his employment agreement with Aylen and to relinquish all severance and bonus payments to which he would otherwise be entitled; and (iii) Aylen will pay a dividend to existing Aylen shareholders equal to the amount of unencumbered cash held by Aylen at the time, which is currently expected to be approximately \$400,000, or 2.2 cents per share.

As a result, results for Grapevine Analytics Inc. for the three and nine month period ended September 30, 2020 have been classified as loss from discontinued operations in the consolidated statement of loss and comprehensive loss.

The assets and liabilities have been classified as assets held for sale and liabilities of assets held for sale, respectively, in the consolidated statement of financial position as of September 30, 2020.

## AYLEN CAPITAL INC.

### NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019

#### 10. DISCONTINUED OPERATIONS (Cont'd)

Assets and liabilities related to the Company's analytical operations have been reclassified as assets held for sale and liabilities associated with assets held for sale:

	As at September 30, 2020	
Cash and cash equivalents	\$	77,508
Accounts receivable		4,383
HST recoverable		8,100
Current portion of consideration receivable		64,417
Property and equipment (Note 9)		1,561
<b>Assets Held for Sale</b>	<b>\$</b>	<b>155,969</b>
Accounts payable and accrued liabilities	\$	66,461
Contract liabilities (Note 12)		177,738
CEBA loan payable		40,000
<b>Liabilities Held for Sale</b>	<b>\$</b>	<b>284,199</b>

To conform with current period classification of the discontinued operations, prior year results have been reclassified to discontinued operations.

Results of discontinued operations are as follows:

	Three Months September 30,	
	2020	2019
Sales revenue	\$ 130,551	\$ 143,635
<b>Total Income from Discontinued Operations</b>	<b>130,551</b>	<b>143,635</b>
General and administrative	75,612	74,384
Selling expenses	100,148	69,149
Bad debt expense	7,664	-
Amortization	173	119
<b>Total Operating Expenses from Discontinued Operations</b>	<b>(183,597)</b>	<b>(143,652)</b>
<b>Net Loss and comprehensive Loss from Discontinued Operations</b>	<b>(53,046)</b>	<b>(17)</b>

#### 11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, December 31,	
	2020	2019
Trade payables	\$ 14,569	\$ 74,296
Accrued expenses	6,500	28,471
Credit cards	-	10,551
	<b>\$ 21,069</b>	<b>\$ 113,318</b>

## AYLEN CAPITAL INC.

### NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019

#### 12. CONTRACT LIABILITIES

The following table presents changes in the contract liability balances for the periods ended September 30, 2020 and 2019:

	September 30, 2020	September 30, 2019
Balance, beginning of the period	\$ 216,334	\$ 293,651
Amounts invoiced and collected during the period	330,110	419,078
Amounts earned during the period	(368,706)	(478,321)
Reclass to liabilities held for sale (Note 10)	(177,738)	-
Contract liabilities, end of the period	\$ -	\$ 234,408

#### 13. LOAN PAYABLE

\$100,000 remains undrawn on the line of credit relating to the secured line of credit by the former President and CEO of the Company as of the year ended December 31, 2019 and the nine months ended September 30, 2020.

#### 14. CANADA EMERGENCY BUSINESS LOAN PAYABLE

The Canada Emergency Business Account (CEBA) is a \$40,000 limited-time, interest-free loan until December 31, 2022, reclassified to liabilities held for sale.

#### 15. 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 September 30, 2020 and December 31, 2019

(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:

	September 30, 2020		December 31, 2019	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of the period	1,785,663	\$ 0.01	1,785,663	\$ 0.01
Outstanding, end of the period	1,785,663	\$ 0.01	1,785,663	\$ 0.01

During the period ended September 30, 2020, no options were granted (December 31, 2019 - nil).

## AYLEN CAPITAL INC.

### NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019

#### 15. SHARE CAPITAL (Cont'd)

The following table summarizes the stock options outstanding as at September 30, 2020:

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

#### 16. 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

	Three Months September 30,		Nine Months September 30,	
	2020	2019	2020	2019
Salaries	\$ 55,000	\$ 55,000	\$ 110,000	\$ 110,000
Directors' fees	3,750	3,750	7,500	11,250
Consulting fees	12,000	12,000	24,000	36,000
	70,750	70,750	141,500	157,250
Reallocated to discontinued operations	(70,750)	(70,750)	(141,500)	(157,250)
	\$ -	\$ -	\$ -	\$ -

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 liabilities held for sale are directors' fees of \$7,500 (December 31, 2019 - \$nil) and management fees of \$31,075 (December 31, 2019 - \$31,075).

#### 17. 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.

# AYLEN CAPITAL INC.

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019

### 18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's significant financial instruments are comprised of cash and cash equivalents, accounts receivables, marketable securities, 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 unaudited interim condensed consolidated statements 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, cash equivalents and marketable securities is measured based on Level 1 inputs referred to in the three levels of the hierarchy noted above.

#### 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:

	September 30, 2020		December 31, 2019	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Financial assets at amortized cost:				
Cash and cash equivalents	\$ 400,000	\$ 400,000	\$ 564,608	\$ 564,608
Accounts receivable	-	-	10,520	10,520
Consideration receivable	-	-	64,417	64,417
	<u>\$ 400,000</u>	<u>\$ 400,000</u>	<u>\$ 639,545</u>	<u>\$ 639,545</u>

## AYLEN CAPITAL INC.

### NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019

#### 17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

Financial liabilities	September 30, 2020		December 31, 2019	
	Carrying value	Fair value	Carrying value	Fair value
Other financial liabilities, measured at amortized cost:				
Trade payables and accrued liabilities	\$ 21,069	\$ 21,069	\$ 113,318	\$ 113,318
	\$ 21,069	\$ 21,069	\$ 113,318	\$ 113,318

##### (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:

	September 30, 2020	December 31, 2019
Current	\$ -	\$ 3,257
1-30 days	-	-
31-60 days	-	3,368
Greater than 60 days	-	3,895
Total receivable, net	\$ -	\$ 10,520

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 September 30, 2020, accounts receivable over 30 days old were \$895 (December 31, 2019 - \$7,258). The Company recorded \$nil bad debts during the period ended September 30, 2020 (September 30, 2019 - \$7,486). The Company has determined that its expected credit losses are minimal as at September 30, 2020.

##### (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.

## **AYLEN CAPITAL INC.**

### **NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

**FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019**

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#### **17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)**

##### (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.

#### **19. 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.

#### **20. 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.

#### **21. SUBSEQUENT EVENT**

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.