

Darelle Online Solutions Inc.

Management's Discussion & Analysis

Year Ended August 31, 2017 and 2016

DARELLE ONLINE SOLUTIONS INC. MD&A (formerly Free Energy International Inc.)

The following management discussion and analysis (“MD&A”), dated December 28, 2017, should be read in conjunction with the Company’s annual audited consolidated financial statements and related notes therein (“Financial Statements”) that are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (“IASB”). All financial information is stated in Canadian dollars, unless otherwise stated.

Additional information regarding Darelle Online Solutions Inc. (“DAR” or “the Company”) can be found on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

FORWARD LOOKING STATEMENTS

This MD&A contains forward-looking statements. Forward looking statements generally can be identified by the use of forward looking terminology such as “may”, “will”, “expect”, “intend”, “anticipate”, “plan”, “foresee”, “believe” or “continue” or the negatives of these terms or variations of them or similar terminology. These forward-looking statements include references to the future success of our business, technology, and market opportunities. By their nature, forward looking statements require the Company to make assumptions and are subject to important known and unknown risks and uncertainties, which may cause the Company’s actual results in future periods to differ materially from forecasted results. While the Company considers its assumptions to be reasonable and appropriate based on current information available, there is a risk that they may not be accurate. These forward-looking statements are neither promises nor guarantees, but involve known and unknown risks and uncertainties that may cause our actual results, level of activity, performance, or achievements to be materially different from any future results, levels of activity, performance or achievements expressed in or implied by these forward-looking statements. These risks include risks related to general economic conditions, risks associated with revenue growth, operating results, industry factors and the Company’s general business environment, risks associated with doing business with joint venture partners, risks involved with the development of new products and technology, financing risks, such as risks relating to liquidity and access to capital markets, and risks relating to competition, among other factors. For a more detailed description of the risks that affect the Company’s future growth, results and performance, readers are referred to the section on ‘Risks and Uncertainties’ in this MD&A and the Company’s Information Circular dated November 24, 2017. Readers are cautioned that the foregoing list of factors that may affect future growth, results and performance is not exhaustive and undue reliance should not be placed on such forward-looking statements which speak only to the date they were made. We disclaim any obligation to publicly update or revise any such statements to reflect any change in our expectations or in events, conditions, or circumstances on which any such statements may be based, or that may affect the likelihood that actual results will differ from those set forth in the forward-looking statements.

Business Overview

darelle is a company listed on the TSX Venture Exchange is located at Suite 527, 2818 Main Street, Vancouver, B.C. V5T 0C1 with a registered office at 885 60th Avenue West, Vancouver, British Columbia, V6P 2A2

The Company has a wholly owned subsidiary (Darelle Media Inc.) which was acquired by the Company on February 6, 2015.

Company Activity

On December 12, 2017, the Company announced it had closed a non-brokered private placement (“Placement”) of 4,300,000 units (“Units”) of the Company at a price of \$0.05 per Unit, for proceeds of \$215,000 (the “Offering”). Each Unit was comprised of one common share in the capital of the Company (“a “Share”) and one Share Purchase Warrant of the Company (“a “Warrant”). Each Warrant entitles the holder to purchase an additional Share of the Company (a “Warrant Share”) for a period of 24 months from the closing date at an exercise price of \$0.075 per Warrant Share. Proceeds of the Offering will be used as follows:

- To fund ongoing operations of the Company’s wholly owned subsidiary (Darelle Media Inc.), approximately \$120,000;
- For professional fees and arm’s length trade payables owing, approximately \$ 55,000;
- To maintain the Company’s present operations and cover general and administrative expenses, approximately \$40,000.

On October 2, 2017 the Company provided an operational update and announced the development of a “Chase the Ace” raffle service offering. Chase the Ace raffles are a combination of a traditional and a progressive 50/50 raffle, where one participant will win a percentage of the proceeds from the primary draw, normally 20% and the opportunity to draw a card to win the progressive portion, normally 30%. If they draw the Ace of Spades they win the additional progressive jackpot and if not, it is carried over and the same process repeated at the next draw until the progressive pool is won. Someone wins at every draw and the progressive or Chase the Ace portion can grow exponentially along with excitement and opportunity. Chase the Ace programs have been receiving national media coverage lately and provide a new alternative for organizations to fundraise. Our platform has the added ability to make use of our Random Number Generator to determine the winner in both instances to increase consumer confidence in the results.

Ontario, Nova Scotia, Newfoundland, Manitoba, and Saskatchewan have Chase the Ace policy guidelines in place with additional provinces expected to follow suit in the 2018 calendar year. Darelle Media Inc. has license applications pending in the provinces of Ontario, Nova Scotia, and Saskatchewan. The province of Alberta recently issued policy guidelines with respect to online raffles and the Company will be seeking licensing as a gaming related supplier through the Alberta Gaming & Liquor Commission.

The Company also announced that its wholly owned subsidiary (“Darelle Media Inc.”) has been licensed by the Liquor and Gaming Authority of Manitoba (“LGA”) as a gaming service provider in the province of Manitoba. The Company is working with the LGA’s Gaming Integrity Department to ensure all required certification and testing are completed.

On August 22, 2017 the Company announced the launch of its’ mobile ticket delivery system (“MTD System”). The MTD System utilizes smart phones and tablets instead of fixed hardware to provide supporters with a more cost-effective solution to sell and deliver raffles and/or 50/50 tickets. The removal of the hardware cost associated with traditional Electronic Raffle Systems (ERS) will allow many more charitable and non-profit organizations to host raffle and 50/50 draws.

Since initial launch the Company has been successfully using the MTD System in the delivery of ongoing raffles and offers the service as a standard option for all new raffles. The MTD System can be used in conjunction with traditional offline and online ticket sales allowing for the greatest flexibility for organizations.

On July 31, 2017, the Company provided an operational update including the following matters:

- The Company continues to build its customer base in the province of British Columbia launching seventeen new raffles during the first nine months of the 2017 fiscal year. Fourteen of these raffles were engaged during the third quarter of 2017.
- The scope of organizations has expanded to include several sports associations including the Chilliwack Minor Football Association and the Powell River Hockey Kings Society.
- The Company announced the launch of its first rolling 50/50 online program in conjunction with Habitat for Humanity Vancouver Island North Society. The rolling 50/50 program enables organizations to launch a series of 50/50 draws over the course of a twelve-month period. Ticket sales will include locations across the province of British Columbia.
- The Company has applied to be licensed as a gaming related supplier in the province of Ontario with the Alcohol and Gaming Commission of Ontario (“AGCO”). The AGCO recently issued policy with respect to online raffle programs in the province of Ontario. The Company has multiple organizations committed to using the darelle Online Raffle Platform in Ontario once the Company is licensed in Ontario. The Company also has licensing applications under review in the provinces of Nova Scotia, Manitoba, and Saskatchewan.

The Company also presented at the MicroCap Conference in Toronto, Ontario on June 27, 2017. The MicroCap Conference provides companies an opportunity for companies to present to institutional and accredited investors focused upon growth oriented companies.

On June 6, 2017, the Company announced it had completed the development of its random number generator (RNG) and that certification by Gaming Laboratories Inc. (“GLI”) has been completed and the Company has received approval by the Gaming Enforcement Branch of British Columbia (“GPEB”) to use the RNG platform in the Province of British Columbia. The RNG enables charitable and non-profit organizations to sell tickets right up to the draw and choose a winner electronically without the need to print counterfoils. GLI is the industry standard in terms of industry certification and GLI-31 the benchmark for an RNG which provides opportunity to market the RNG across Canada and into the United States.

On February 22, 2017, the Company announced it had filed application with the TSX Venture Exchange (“Exchange”) to complete a non-brokered private placement (“Placement”) for 2,570,000 units (the “Units”) of the Company at a price of \$0.05 per Unit, for gross proceeds of \$128,500. Each Unit consisted of one (1) common share of the Company and one share purchase warrant of the Company. Each whole warrant is exercisable for a period of thirty-six months to purchase one (1) additional common share of the Company for \$0.075. The Company closed the Placement on February 24, 2017.

Intangible Assets

Development costs	
Balance as at August 31, 2015	362,352
Additions	135,414
Amortization	(49,300)
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Balance as at August 31, 2016	448,466
Additions	129,756
Amortization	(99,550)
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Balance as at August 31, 2017	478,672

Goodwill	
Balance as at August 31, 2015 and 2016	227,648
Impairment	(227,648)
Balance as at August 31, 2017	-

Carrying amount of Intangible Assets	
At August 31, 2016	676,114
At August 31, 2017	478,672

During the year, the Company impaired its goodwill of \$227,648 (2016 - \$Nil). At August 31, 2017, the Company concluded that there was no impairment required for the remaining intangible assets (\$2016 - \$Nil).

Financial Overview

Management considers the Company to be in the development stage. Annual revenues and expenditures are not reflective of future activity.

The financial highlights for the year ended August 31, 2017 are noted below:

- Cash used by operations was \$144,412 for the year compared to cash used by operations of \$183,680 for the same period in fiscal 2016.
- Net loss and comprehensive loss was \$577,371 ((\$0.01) per share) for the year, increased from \$367,230, compared to the same period in fiscal 2016.

Selected Annual Information

	2017	2016	2015
	\$	\$	\$
Revenue	70,817	18,500	-
Loss before income taxes	(577,371)	(367,230)	(673,915)
Net loss	(577,371)	(367,230)	(673,915)
EPS - Basic	(0.01)	(0.01)	(0.02)
EPS - Diluted	(0.01)	(0.01)	(0.02)
Total assets	544,104	868,604	672,351
Long-term liabilities	-	-	-
Dividends	Nil	Nil	Nil

Results of Operations

The following table sets forth a comparison of revenues, earnings, major expense category for the quarter and year ended August 31, 2017 and 2016:

	Three Months Ended		Year Ended	
	August 31, 2017	August 31, 2016	August 31, 2017	August 31, 2016
Sales	\$ 19,612	\$ 5,500	\$ 70,817	\$ 18,500
Expenses				
Consulting fees	-	-	1,289	18,000
Amortization	(12,950)	26,100	99,550	49,300
General and administrative	7,234	1,906	36,941	29,343
Management fees	81,045	41,818	229,534	221,818
Marketing	3,578	1,657	12,880	6,058

	Three Months Ended		Year Ended	
	August 31, 2017	August 31, 2016	August 31, 2017	August 31, 2016
Professional fees	4,750	(5,050)	20,860	13,963
Stock based compensation	-	1,829	-	38,876
Transfer agent & filing fees	2,451	882	17,612	24,707
Travel	871	368	1,874	4,740
Total expenses	86,919	69,510	420,540	406,805
Other items				
Gain on settlement of debt	-	(21,075)	-	(21,075)
Impairment of goodwill	227,648	-	227,648	-
Interest income	-	-	-	-
Net and comprehensive income (loss) for the period	(295,015)	(42,935)	(577,371)	(367,230)
Basic and diluted income				
(loss) per share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Weighted average number of shares outstanding				
	69,408,647	65,501,613	68,000,154	58,340,945

Revenue

Revenue was \$19,612 for the fourth quarter of 2017 compared to revenue of \$5,500 during the same quarter of 2016. The Company launched the darelle online raffle program in April 2016 in conjunction with the BC Lions Society for Children with Disabilities. The online raffle program enables organizations to create, sell, deliver, and manage their raffle and 50/50 draw programs online. Revenue realized during the fourth quarter of 2016 was attributed to set-up fees. Revenue is typically comprised of a set-up fee and a flat administration fee per ticket sold by organizations. The set-up fee is non-refundable. The Company realizes a flat administration fee per each raffle ticket ("processing fees") once the organization begins to sell raffle tickets. Revenue realized during the fourth quarter of 2017 including processing fees and set up fees in conjunction with the darelle Online Raffle Program.

Revenue was \$70,817 for the year ended August 31, 2017 compared to \$18,500 for the 2016 fiscal year. Revenue realized during the 2016 fiscal year was solely attributed to set-up fees during the year. The Company realized set-up fees of \$31,550 and processing fees of \$39,267 during the 2017 fiscal year. The company launched twenty-three online raffles with charitable and non-profit organizations during the year.

Consulting Fees

Consulting fees were \$Nil for the fourth quarter of 2017 and 2016.

Consulting fees were \$1,289 for the year ended August 31, 2017 compared to \$18,000 for 2016 fiscal year. The Company launched the darelle.com website in March of 2015. In conjunction with the launch of the site the Company engaged an active in sales for the platform. The shift in focus from an e-commerce based platform to the online raffle program resulted in a reduction of sales consultants as the Company focused its efforts on the online raffle program.

Amortization

There was a recovery of amortization expense of \$12,950 for the fourth quarter 2017 compared to amortization expense of \$26,100 during the same three-month period of the 2016 fiscal year. An adjustment was made to amortization expense in the fourth quarter of 2017 to adjust amortization expense to actual for the year ended August 31, 2017. Amortization expense is calculated on a straight-line basis with an estimated useful life of five years.

Amortization expense was \$99,550 for the fiscal year ended August 31, 2017 compared to \$49,300 during the same twelve-month period in 2016. The Company capitalized development expenditures based upon several factors including commercial feasibility, future economic benefits, and the ability to use or sell the assets. The Company started to realize revenue during the first quarter of the 2016 fiscal and as a result incurs amortization of development expenditures which were/are capitalized.

General and Administrative

General and administrative ("G&A") expenses were \$7,234 for the fourth quarter of 2017 compared to \$1,906 for the same four-month period in 2016. G&A expenses are mainly costs associated with the company's computer servers, office supplies, travel, entertainment, investor relation programs and administrative costs. The Company attended the MicroCap Conference in Toronto during the fourth quarter of the 2017 fiscal year. Costs associated with the conference were approximately \$5,000.

G&A expenses were \$36,941 for the 2017 fiscal year, increased by, \$7,598 from \$29,343 for the same period in 2016. During the 2017 fiscal year the Company incurred software certification fees of \$11,166 in conjunction with the certification of the Company's random number generator which was announced in June 2017.

Management Fees

Management Fees were \$81,045 for the fourth quarter of 2017 compared to \$41,818 during the same three-month period in 2016. Management fees include management consulting fees associated with the appointment of an officer of the Company and a President of the wholly owned subsidiary (Darelle Media Inc.). Under the terms of the consulting agreements each officer will receive a monthly consulting fee of \$10,000 per month ("Management Consulting Fees"). Management Consulting Fees were lower during the fourth quarter of 2016 as an officer was involved in an accident and was on a reduced work schedule with the Company.

Management fees were \$229,534 during the fiscal year ended August 31, 2017 compared to \$221,818 for the same twelve-month period in the 2016 fiscal year. Management fees included consulting fees paid to an officer of the Company and the President of a wholly owned subsidiary.

Marketing

Marketing expenses were \$3,578 for the fourth quarter of 2017 compared to \$1,657 during the same three-month period in 2016. Marketing costs include organization conferences, marketing collateral and costs associated with attending raffle draws by the Company.

Marketing expenses were \$12,880 for the fiscal year ended August 31, 2017 compared to \$6,058 during the 2016 fiscal year. The Company participated in the National Philanthropy Day Summit ("Summit") which was sponsored by the Association of Fundraising Professionals in Vancouver. The Summit was an event which was attended by many of the Company client charity and nonprofit organizations.

Professional Fees

Professional fees were \$4,750 during the fourth quarter of 2017 compared to a recovery of \$5,050 for the fourth quarter of 2016. Professional fees included an accrual for the annual audit, accounting fees paid to a consultant, and legal costs associated with filing annual returns for the Company. The Company realized a recovery of professional fees (\$7,303) during the fourth quarter of 2016 on the write off professional fees owing by Darelle Media Inc. (wholly owned subsidiary).

Professional fees were \$20,860 for the year ended August 31, 2017 compared to \$13,963 for same twelve-month period of fiscal 2016. Professional fees are consistent on a year-over-year basis and include professional fees associated with the annual financial audit and accounting fees paid to a consultant.

Stock Based Compensation

Stock based compensation for the fourth quarter of 2017 was \$Nil compared with stock based compensation of \$1,829 for the same three-month period in the 2016 fiscal year. Stock based compensation is calculated using the Black-Scholes Option Pricing model. The Company did not issue any stock options during the 2017 fiscal year.

Stock based compensation for the year ended August 31, 2017 was \$Nil compared with stock based compensation of \$38,876 during the same twelve-month period of the 2016 fiscal year. During the second quarter of 2016 fiscal year, the Company granted 1,550,000 stock options with fair value of \$25,928 using the Black-Scholes Option Pricing model. \$38,876 was recorded as other equity reserves on the balance sheet and as stock based compensation on the statements of comprehensive loss related to vested stock options.

Transfer Agent & Filing Fees

Transfer agent and filing fees were \$2,451 during the fourth quarter of 2017 compared to \$882 during the same three-month period of the 2016 fiscal year. Transfer agent and filing fees include fees paid to the Company's transfer agent (Computershare) as well as regulatory fees paid to the TSX Venture Exchange and filing fees associated with interim filings on Sedar.

Transfer agent and filing fees were \$17,612 compared to \$24,707 for the same twelve-month period in 2016. In addition to fees paid to the Company's transfer agent and regulatory fees, during the 2016 fiscal year, the Company paid regulatory and filing fees of \$9,084 to the TSX Venture Exchange in conjunction with the share for debt and private placement filings completed during the year.

Travel

Travel expenses were \$871 for the fourth quarter of 2017 compared to \$368 for the same three-month period in 2016. Travel expenses include travel and accommodation, meals, and entertainment.

Travel expenses were \$1,874 for the year ended August 31, 2017 compared to \$4,740 for the same twelve-month period in 2016. During the 2016 fiscal year the Company incurred additional travel and accommodation costs of approximately \$2,100 associated with Director travel to the Company's annual general meeting and interviews with gaming licensing bodies.

Gain on Settlement of Debt

The Company realized a gain on the settlement of debt of \$21,075 during fourth quarter of 2016 compared to \$Nil during the same three-month period in the 2017 fiscal year. During the 2016 fiscal year, the Company issued 3,402,500 common shares in settlement of outstanding debt of \$170,125 at a deemed price of \$0.05. Included in the debt settlement were trade payables of 35,125 which were settled with the issuance of 702,500 common shares at a deemed price of \$0.05 per share. The actual trading price of the Company's shares was \$0.02 at the time of the debt settlement which resulted in a gain on the settlement of debt of \$21,075 realized.

The Company realized a gain on the settlement of debt of \$21,075 during the year ended August 31, 2016 compared to \$Nil for the same twelve-month period in 2017. The gain was the result of the issuance of common shares in settlement of outstanding debt of \$170,125.

Impairment of Goodwill

The Company realized an impairment on the value of goodwill of \$227,648 during the fourth quarter of 2017 compared to \$Nil during the same quarter of the 2016 fiscal year. The Company completed the acquisition of Darelle Media Inc. recognizing goodwill of \$511,341 at the time of the acquisition (see "Acquisition"). The Company performed an impairment test over its intangible assets. Based upon the recoverable amount determined for the cash generating unit, the Company concluded that an impairment of \$227,648 was required for the year ended August 31, 2017 (2016 - \$Nil).

Net Loss

Net loss for the fourth quarter ended August 31, 2017 was \$295,015 ((\$0.00) per share) compared to a net loss of \$42,935 for the same period in fiscal 2016. The increase in net loss for the fourth quarter of 2017 was due primarily to the impairment of goodwill (\$227,648), and higher expenses from operations of \$17,469.

Net loss for the year ended August 31, 2017 was \$577,371 ((\$0.01) per share) compared to a net loss of \$367,230 ((\$0.01) per share) for the same twelve-month period ended August 31, 2016. The increase in net loss for the year ended August 31, 2016 was primarily attributed to the impairment of goodwill (\$227,648), higher expenses from operations (\$13,735) and was partially offset by higher revenue (\$52,317) realized on a year-over-year basis.

Loss per share for the periods ended August 31, 2017 and 2016 was calculated based on the weighted average number of common shares outstanding through the quarter.

Summary of Quarterly Results

The following financial summary of quarterly operations has been presented on the basis of the unconsolidated financial statements of the Company.

Summary of Quarterly Operations

	Three Month Period Ended Aug 31, 2017	Three Month Period Ended May 31, 2017	Three Month Period Ended Feb 28, 2017	Three Month Period Ended Nov 30, 2016
	\$	\$	\$	\$
Revenue	19,612	25,976	19,340	5,889
Capital Expenses	-	-	-	-
Net Loss	(295,015)	(92,271)	(95,459)	(94,625)
Net Loss Per Share	(0.00)	(0.00)	(0.00)	(0.00)
	Three Month Period Ended Aug 31, 2016	Three Month Period Ended May 31, 2016	Three Month Period Ended Feb 29, 2016	Three Month Period Ended Nov 30, 2015
	\$	\$	\$	\$
Revenue	5,500	13,000	-	-
Capital Expenses	-	-	-	-
Net Loss	(42,935)	(98,154)	(144,644)	(81,497)
Net Loss Per Share	(0.00)	(0.00)	(0.00)	(0.00)

Net Loss has fluctuated from quarter to quarter and this trend is expected to continue in the near term with its magnitude governed by the amount of available cash, approved business development and capital budgets, and future gross margins generated from sales.

Cash Flows, Liquidity and Capital Resources

Cash Flows

Cash and cash equivalents balance was \$37,011 at August 31, 2017, a decrease of \$146,368 for the year from \$183,379 at August 31, 2016.

For the year ended August 31, 2017, cash used by operations was \$144,412 compared to cash used by operations of \$183,680 for the prior year. The decrease in cash used by operations during the 2017 fiscal year of \$39,268 was due to several factors. The Company had a net loss of \$577,371 compared with a net loss of \$367,230 during the 2016 fiscal year. Included in the net loss for the 2017 fiscal year was an impairment of goodwill of \$227,648 which did not require an outlay of cash. The Company also realized stock compensation expense of \$38,876 during the 2016 fiscal year compared with \$Nil during the 2017 fiscal year. Stock based compensation did not require an outlay of cash. The Company did not issue any stock options during the 2017 fiscal year. Also, included in net loss was a gain on forgiveness of debt of \$Nil (2016 - \$21,075) which did not result in an inflow of cash.

Cash provided by financing activities for the year ended August 31, 2017 was \$127,800 compared to cash provided by financing activities of \$426,603 during the same period in 2016. On February 22, 2017, the Company announced it had filed application with the TSX Venture Exchange to complete a private placement of 2,570,000 units ("Unit"), at \$0.05 per Unit, for gross proceeds of \$128,500. Each Unit will consist of one (1) common share of the Company and one share purchase warrant of the Company. Each whole warrant is exercisable for a period of 36 months to purchase one (1) additional common share of the Company for \$0.075. The Company realized net proceeds of \$127,800. During the fiscal year ended August 31, 2016 the Company completed a private placement issuing common shares at a price of \$0.05 per common share. The Company realized net proceeds of \$344,713.

Cash used by investing activities during the year ended August 31, 2017 were 129,756 compared with \$135,414 during the 2016 fiscal year. The Company incurred development costs pertaining to the www.darelle.com online raffle program.

Liquidity and Capital Resources

Since incorporation, the Company financed operations primarily through the issuance of equity and convertible debt. At August 31, 2017, the Company had cash and cash equivalents of \$37,011 compared to \$183,379 at August 31, 2016.

The Company has not pledged any of its assets as security for loans, and is not otherwise subject to any debt covenants.

Cash as at August 31, 2017 and forecasted cash receipts from sales are insufficient to meet current working capital requirements and the anticipated cash needs through the next twelve months.

The following are the contractual maturities of financial liabilities and commitments as at August 31, 2017:

	Undiscounted contractual cash flows \$	0 to 12 months \$	12 to 24 months \$	After 24 months \$
Financial liabilities				
Accounts payable and accrued liabilities	235,898	235,898	-	-
Funds held in trust	2,278	2,278		
	238,176	238,176		

The following are the contractual maturities of financial liabilities and commitments as at August 31, 2016:

	Undiscounted contractual cash flows \$	0 to 12 months \$	12 to 24 months \$	After 24 months \$
Financial liabilities				
Accounts payable and accrued liabilities	113,105	113,105	-	-
	113,105	113,105		

It is the Company's intention to meet these obligations with the cash proceeds from equity financings and future cash flow from operations.

Credit Facilities

The Company does not have a credit facility outstanding as at August 31, 2017.

Contractual Obligations

As of August 31, 2017, the Company has no lease commitments on its premises.

Off Balance Sheet Arrangements

As at August 31, 2017, the Company had no off-balance sheet arrangements.

Related Party Transactions

These transactions were in the normal course of operations and were valued in these financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties:

- a) During the year ended August 31, 2017, the Company incurred and recorded \$229,534 (2016 - \$221,818) as management fees pursuant to contracts with two companies owned by an officer of the Company and an officer of a wholly owned subsidiary of the Company. Under the terms of the agreements effective February 6, 2015, the officer of the company and wholly owned subsidiary will receive a monthly consulting fee of \$10,000. At August 31, 2017, \$172,205 (2015 - \$45,000) was included in accounts payable to these companies for consulting fees rendered.

- b) During the year, the Company incurred and recorded \$Nil (2016 - \$2,500) in consulting fees paid to an officer of the Company. Consulting fees are incurred on a need be basis.
- c) During the year, the Company settled outstanding accounts payable and accrued liabilities and notes payable of \$Nil (2016 - \$135,000) with directors, former directors, and companies controlled by directors and former directors through the issuance of common shares (note 6).

Key Management Personnel	August 31, 2017	August 31, 2016
Management fees	\$229,534	\$221,818
	\$229,534	\$221,818

Outstanding Share Data

Common shares outstanding

The Company has 69,408,147 (2016-66,838,147) common shares outstanding as at August 31, 2017.

The following table provides the weighted average number of common shares outstanding for purposes of computing loss per share for the relevant periods:

	For the quarter ended August 31,	
	2017	2016
Weighted average Common Shares Outstanding	69,408,647	65,501,613
	For the year ended August 31,	
	2017	2016
Weighted average Common Shares Outstanding	68,000,154	58,340,945

In conjunction with the acquisition of Darelle Media Inc. certain security holders were subject to a Tier 2 Value Security Escrow Agreement dated January 31, 2015 for 9,956,480 common shares of the Company. These shares are subject to six-month release intervals starting on February 6, 2015 at 10% of the initial escrowed total then increasing to 15% thereafter. During the year ended August 31, 2017, 2,986,946 (2016 – 2,986,944) of the escrow shares were released and as at August 31, 2017, 1,493,469 (2016 – 4,480,417) remain in escrow.

Stock Options and Warrants Outstanding

The following table summarizes activity under the Company's stock option plan as of August 31, 2017:

	Number of options	Weighted average exercise price
Balance outstanding – August 31, 2015	2,125,000	\$0.29
Issued	1,550,000	\$0.05
Expired	(25,000)	\$0.05
Forfeited	(150,000)	\$0.05
Balance outstanding – August 31, 2016 & 2017	3,500,000	\$0.16

As at August 31, 2017, the following stock options were outstanding and exercisable:

Exercise Price	Number of options outstanding	Expiry date	Number of options exercisable	Remaining contractual life (years)
\$ 0.50	950,000	June 23, 2019	950,000	1.80
\$ 0.05	1,000,000	February 10, 2020	1,000,000	2.47
\$ 0.05	1,550,000	February 8, 2021	1,550,000	3.48
	3,500,000		3,500,000	

The weighted-average remaining contractual life of options outstanding at August 31, 2017 was 2.74 years.

The Company has the following warrants outstanding:

Warrants outstanding at August 31, 2017		
Expiry	Exercise Price (\$)	Number of Warrants
March 2, 2019	0.05	10,000,000
July 19, 2019	0.05	2,235,657
February 24, 2020	0.075	2,570,000
		14,805,657

The weighted-average remaining contractual life of options outstanding at August 31, 2017 was 1.73 years.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with IFRS requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported periods. Significant estimates and assumptions are used in determining the application of the going concern concept, assumptions used to determine the fair value of stock-based compensation, and valuations of short and long-term investments. The Company evaluates its estimates on an ongoing basis and bases them on various assumptions that are believed to be reasonable under the circumstances. The Company's estimates form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The Company believes the policies for going concern, stock based compensation, short and long-term investments, and convertible debt are critical accounting policies which involve significant judgments and estimates used in the preparation of the Company's financial statements. Our accounting policies are described in note 2 to the audited financial statements.

Summary of Significant Accounting Policies

Management's discussion and analysis of operating results and financial condition are made with reference to the Company's audited consolidated financial statements for the year ended August 31, 2017 and 2016 which have been prepared in accordance with IFRS. The Company's significant

accounting policies are summarized in detail in Note 2 of the Company's consolidated financial statements.

Adoption of New Accounting Policies

There are no new recently adopted standards, amendments, and interpretations to existing standards, which have been published and are effective only for accounting periods beginning on or after September 1, 2016 that are expected to have a material impact on these Interim Financial Statements.

The Company has not yet adopted certain new standards, amendments, and interpretations to existing standards, which have been published but are not yet effective:

- IFRS 9 – Financial Instruments: Classification and Measurement, effective for periods beginning on or after January 1, 2018
- IFRS 15 – Revenue from Contracts with customers, effective for periods beginning on or after January 1, 2018
- IFRS 16 – Leases, effective for periods beginning on or after January 1, 2019.

The impact of these standards and interpretations are currently being assessed by the Company.

Risks & Uncertainties

The Company, being a “Venture” issuer is exempted from filing an Annual Information Form. However, a detailed explanation of the risk factors which the Company is faced with is provided in the Company's Management Information Circular dated November 24, 2017 at www.sedar.com. A number of the key risks, as well as the strategies that management employs to manage these risks, are discussed briefly below:

While risk management cannot eliminate the impact of all potential risks, the Company will strive to manage such risks to the extent possible and practicable. The risks and uncertainties described in this section are considered by management to be the most important in the context of the businesses of the Company. The risks and uncertainties below are not inclusive of all the risks and uncertainties the Company may be subject to, as other risks may apply.

Risks Related to the Business of the Company

The Company does not have an operating history

The Company has no history of earnings; it has not paid any dividends and it is unlikely to pay any dividends in the immediate or foreseeable future. As such, the Company is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other, and lack of revenues. The success of the Company will depend entirely on the expertise, ability, judgment, discretion, integrity and good faith of its senior management.

Lack of Access to Future Financing

The Company intends to continue to make investments to support the development and business growth and may require additional funds to respond to business challenges, including the need to develop new products or enhance existing products under development. Accordingly, the Company may need to engage in equity or debt financings to secure additional funds. If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and new equity securities issued could have rights, preferences and privileges superior to those of holders of The Company's common shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. In addition, additional financing may not be available on favourable terms, if at all. If the Company is unable to obtain adequate financing or financing on terms

satisfactory to them, when they require it, their ability to continue to support business development and growth and to respond to business challenges could be significantly limited.

Quarterly Results May Fluctuate

The Company may experience significant fluctuations in future quarterly operating results that may be caused by many factors, including the following:

Limited operating history;

Changes in pricing policies by the Company or its competitors;

Changes in level of marketing and other operating expenses to support future growth;

Competitive factors; and General economic conditions.

In addition, the Company's expenses will be largely based on anticipated revenue. As a result, a delay in generating or recognizing revenues could cause significant variations in operating results from quarter to quarter and could result in substantial operating losses.

Economic Risk

There is no guarantee that the Company will be able to generate sufficient cash flow from operations or through the incurrence of short or long-term debt. Additionally, the incurrence of future debt will increase the Company's interest expense.

No Anticipation of Paying Dividends

No dividends have been paid to date on the Company's Shares. Management of the Company anticipates that for the foreseeable future earnings, if any, will be retained for use in the business and that no cash dividends will be paid.

There is no U.S. public market for Company Shares

At the present time, there is no U.S. public market for the Company's securities. It is possible that a regular trading market will not develop, or if developed, that a market will not be sustained. Any market for the Company's securities that may develop will very likely be a limited one. In any event, due to the low price of the stock, many brokerage firms may choose not to engage in market making activities or effect transactions in such securities. Purchasers of the Company's securities may have difficulties in reselling them and many banks may not grant loans utilizing the Company's securities as collateral. The securities are not eligible for listing on the NASDAQ Stock Market and may never be eligible or listed on a U.S. exchange.

Limited Operating History and Evolving Business Model

darelle has a limited operating history and its business model is continually evolving. darelle has not earned operating profits and the company has incurred losses since inception. darelle may not be able to achieve or maintain profitability and darelle may continue to incur significant losses in the future. If darelle's revenues do not materialize to offset costs and operating expenses, darelle will not be profitable.

Key Management Personnel

The business and future operating results of darelle depend in part upon its ability to attract, groom and retain qualified management, technical, sales and support personnel for its operations. The loss of key personnel could negatively impact darelle's operations. darelle plans to hire additional personnel as

needed, in all areas of its business, particularly for its sales, marketing and technology development areas. Competition for qualified personnel is intense and darelle cannot guarantee that it will be able to attract, train and then retain qualified personnel.

Intense Competition

The online e-commerce marketing industry has seen many new competitors in the past twenty-four months, and the industry is quickly becoming highly competitive and darelle may face additional competition from small-to-medium size competitors and from competitors that are better funded than darelle. Specific factors upon which darelle will compete will include, but are not limited to, functionality of its platform, technological sophistication, ease of use, timing for implementation, hosting of its offering, quality of support and services, and fees. Some of darelle's current and potential competitors have longer operating histories, greater name recognition, access to larger customers' bases and substantially greater resources, including sales and marketing, financial and other resources. As a result, these competitors may be able to:

- absorb costs associated with providing their products at a lower price;
- devote more resources to new customer acquisitions;
- respond to evolving market needs more quickly than darelle can; and
- finance more research and development activities to develop better services.

Rapidly Changing Technological Development

The market for darelle's services will be characterized by rapid technological advances, changes in customer requirements, changes in protocols and evolving industry standards. If darelle is unable to develop enhancements to, and new features, for its intended services that keep pace with rapid technological developments, its services may become obsolete, less marketable and less competitive and darelle's business will be harmed.

Network Expansion and Systems

In the future, darelle may need to expand its network and systems at a rapid pace. darelle's network or systems may not be capable of meeting the demand for increased capacity, or darelle may incur additional unanticipated expenses to accommodate these capacity demands.

Development of Intellectual Property

darelle does not have any patents or patent applications pending with respect to its social communication and e-commerce platform ("Platform"). Even if darelle applied for patents in the future, there is no certainty that any patent will be granted, that any future patent will not be challenged, invalidated or circumvented, or that rights granted under any patent issued to it will afford a competitive advantage. darelle will rely on a combination of copyright, trademark and trade secret laws and restrictions on disclosure to protect its intellectual property rights. The foregoing affords only limited protection.

Protection of Intellectual Property

darelle depends on its ability to develop and maintain proprietary aspects of its technology. It seeks to protect its software, documentation and other written material under trade secret and copyright law, as well as with confidentiality provisions in contracts with its customers, suppliers, contractors and employees all of which afford limited protection. Despite the measures darelle will take to protect its intellectual property, there can be no assurance that these steps will be adequate or that third parties will

not breach the confidentiality provisions in darelle's contracts or infringe or misappropriate its intellectual property.

Privacy Concerns

Although darelle intends to comply with all relevant privacy legislation, there is the possibility that a lawsuit could be brought against darelle with respect to the proper handling and use of confidential information obtained by darelle through proposed transaction in its Platform and the collection of personal information.

Technological and Network Problems

darelle's services will be entirely dependent on specific technologies and networks. Despite redundancy built into the hosting operations, there is a risk of a disaster at the hosting facility, the penetration of the host system by a hacker, the failure of internal systems or infrastructure.

Changes in Internet-related and Other Laws

Laws and regulations that apply to communications and commerce over the Internet are becoming more prevalent. The growth and development of the market for online commerce has prompted calls for more stringent tax, consumer protection and privacy laws, both in Canada and abroad, that may impose additional burdens on companies conducting business online. This could negatively affect the business development of darelle and reduce demand for its services. Internet-related laws, however, remain unsettled, even in areas where there has been some legislative action. The adoption or modification of laws or regulations relating to the Internet or darelle's intended operations, or interpretations of existing law, could adversely affect darelle.

Approval

The board of directors has approved the disclosure contained in this MD&A. Additional information relating to the Company is available on SEDAR at www.sedar.com.