

**DARELLE ONLINE SOLUTIONS INC.**  
**UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**As at May 31, 2017 and for the Three and Nine Month Periods Ended May 31, 2017**  
**and 2016**

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

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

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

**DARELLE ONLINE SOLUTIONS INC.**  
**Condensed Interim Consolidated Statements of Financial Position**  
**(Unaudited)**

| As at   | May 31,<br>2017 | August 31,<br>2016 |
|---|-----------------|--------------------|
| <b>Assets</b>                                     |                 |                    |
| <b>Current</b>                                    |                 |                    |
| Cash  | \$ 132,008      | \$ 183,379         |
| GST receivable                                    | 4,488           | 6,952              |
| Accounts receivable                               | 16,851          | -                  |
| Prepaid expenses                                  | 3,801           | 2,159              |
|   | 157,148         | 192,490            |
| Intangible assets (note 7)                        | 649,830         | 676,114            |
|   | \$ 806,978      | \$ 868,604         |
| <b>Liabilities</b>                                |                 |                    |
| <b>Current</b>                                    |                 |                    |
| Accounts payable and accrued liabilities (note 3) | \$ 186,336      | \$ 113,105         |
| Funds held in trust (note 8)                      | 19,699          | -                  |
|   | 206,035         | 113,105            |
| <b>Shareholders' Equity</b>                       |                 |                    |
| Share capital                                     | 5,627,026       | 5,589,176          |
| Other equity reserve                              | 1,620,486       | 1,530,536          |
| Deficit   | (6,646,569)     | (6,364,213)        |
|   | 600,943         | 755,499            |
|   | \$ 806,978      | \$ 868,604         |

Nature and Continuance of Operations (note 1)  
 Related Party Transactions (note 9)  
 Subsequent Event (note 11)

Approved on behalf of the Board of Directors:

....."Dean Bethune".....Director

....."Rob Solinger"..... Director

**DARELLE ONLINE SOLUTIONS INC.**  
**Condensed Interim Consolidated Statements of Comprehensive Loss**  
**(Unaudited)**

| Periods ended  | Three months<br>ended May 31,<br>2017 | Three months<br>ended May 31,<br>2016 | Nine<br>months<br>ended May<br>31, 2017 | Nine<br>months<br>ended May<br>31, 2016 |
|--|---------------------------------------|---------------------------------------|---|---|
| <b>Revenue</b>   | \$ 25,976                             | \$ 13,000                             | \$ 51,205                               | \$ 13,000                               |
| <b>Expenses</b>  |                                       |                                       |   |   |
| Consulting fees  | 750                                   | -                                     | 1,289                                   | 18,000                                  |
| Amortization   | 51,000                                | 23,200                                | 112,500                                 | 23,200                                  |
| General and administrative                               | 6,341                                 | 5,100                                 | 29,707                                  | 27,437                                  |
| Management fees (note 9)                                 | 51,000                                | 60,000                                | 148,489                                 | 180,000                                 |
| Marketing  | 2,848                                 | 3,277                                 | 9,302                                   | 4,401                                   |
| Professional fees  | 4,750                                 | 5,750                                 | 16,110                                  | 19,013                                  |
| Stock based compensation                                 | -                                     | 2,069                                 | -                                       | 37,047                                  |
| Transfer agent & filing fees                             | 1,439                                 | 10,085                                | 15,161                                  | 23,825                                  |
| Travel   | 119                                   | 1,673                                 | 1,003                                   | 4,372                                   |
|  | 118,246                               | 111,154                               | 333,560                                 | 337,295                                 |
| <b>Net loss and<br/>comprehensive loss</b>               | <b>\$ (92,271)</b>                    | <b>\$ (98,154)</b>                    | <b>\$ (282,356)</b>                     | <b>\$ (324,295)</b>                     |
| <b>Loss per share</b>                                    | <b>\$ (0.00)</b>                      | <b>\$ (0.00)</b>                      | <b>\$ (0.00)</b>                        | <b>\$ (0.01)</b>                        |
| <b>Weighted average number<br/>of shares outstanding</b> | <b>68,877,783</b>                     | <b>54,602,490</b>                     | <b>67,525,497</b>                       | <b>55,817,050</b>                       |

**DARELLE ONLINE SOLUTIONS INC.**  
**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity**  
**(Unaudited)**

|                                 | <u>Share Capital</u> |              |                         | Share<br>subscription<br>received in<br>advance | Warrants   | Deficit        | Total      |
|---------------------------------|----------------------|--------------|-------------------------|---|------------|----------------|------------|
|                                 | Number               | Amount       | Other equity<br>reserve |   |            |                |            |
| <b>Balance, August 31, 2016</b> | 66,838,147           | \$ 5,589,176 | \$ 1,530,536            | -   | -          | \$ (6,364,213) | \$ 755,499 |
| Share subscriptions             | -                    | -            | -                       | 62,500  | -          | -              | 62,500     |
| Private placement               | 2,570,500            | 38,550       | 89,950                  | (62,500)  | -          | -              | 66,000     |
| Share issue costs               | -                    | (700)        | -                       | -   | -          | -              | (700)      |
| Loss for the period             | -                    | -            | -                       | -   | -          | (282,356)      | (282,356)  |
| <b>Balance, May 31, 2017</b>    | 66,838,147           | \$ 5,627,026 | \$ 1,620,486            | \$ -  | \$ -       | \$ (6,646,569) | \$ 600,943 |
| <b>Balance, August 31, 2015</b> | 51,199,990           | 5,178,058    | 1,327,126               | -   | -          | (5,996,983)    | 508,201    |
| Share for debt settlement       | 3,402,500            | 35,125       | 135,000                 | -   | -          | -              | 170,125    |
| Stock based<br>compensation     | -                    | -            | 37,047                  | -   | -          | -              | 37,047     |
| Share subscriptions             | -                    | -            | -                       | 131,250   | -          | -              | 131,250    |
| Private placement               | 10,000,000           | 100,000      | -                       | (131,250)                                       | 250,000    | -              | 218,750    |
| Loss for the period             | -                    | -            | -                       | -   | -          | (324,295)      | (324,295)  |
| <b>Balance, May 31, 2016</b>    | 64,602,490           | \$ 5,313,183 | \$ 1,499,173            | \$ -  | \$ 250,000 | \$ (6,321,278) | \$ 741,078 |

**DARELLE ONLINE SOLUTIONS INC.**  
**Condensed Consolidated Interim Statement of Cash Flows**  
**(Unaudited)**

| Period ended  | May 31, 2017 | May 31, 2016 |
|---|--------------|--------------|
| <b>Operating Activities</b>                                 |              |              |
| Net loss for the period                                     | \$ (282,356) | (324,295)    |
| <b>Add back:</b>  |              |              |
| Stock based compensation                                    | -            | 37,047       |
| Amortization  | 112,500      | 23,200       |
| <b>Changes in non-cash operating working capital items:</b> |              |              |
| Accounts payable and accrued liabilities                    | 92,929       | 133,069      |
| Prepaid expenses  | (1,642)      | (8,988)      |
| Accounts receivable   | (16,851)     | (9,713)      |
| GST receivable  | 2,464        | (7,856)      |
|   | (92,955)     | (157,536)    |
| <b>Financing Activities</b>                                 |              |              |
| Share issuance (net of issue costs)                         | 127,800      | 350,000      |
|   | 127,800      | 350,000      |
| <b>Investing Activities</b>                                 |              |              |
| Development costs of intangible asset                       | (86,216)     | (101,918)    |
|   | (86,216)     | (101,918)    |
| <b>Inflow (outflow) of Cash</b>                             | (51,371)     | 90,546       |
| <b>Cash at Beginning of period</b>                          | 183,379      | 75,870       |
| <b>Cash at End of period</b>                                | \$ 132,008   | \$ 166,416   |

**DARELLE ONLINE SOLUTIONS INC.**  
**Notes to Consolidated Interim Condensed Financial Statements**  
**For the Three and Nine Month Periods Ended May 31, 2017 and 2016**  
**(Unaudited)**

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

Darelle Online Solutions Inc. (formerly Free Energy International Inc.) (the “Company”) is a company listed on the TSX Venture Exchange with a registered office located at 885 60<sup>th</sup> Avenue West, Vancouver, British Columbia, Canada.

The Company provides an online raffle lottery system to charities. The online raffle program enables charitable and nonprofit organizations to create, sell, deliver, and manage their raffle ticket and 50/50 draws completely online.

These unaudited condensed consolidated interim financial statements were authorized by the Board of Directors on July 28, 2017.

The unaudited condensed consolidated interim financial statements have been prepared on the basis that the Company is a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company’s ability to continue as a going concern is dependent upon achieving profitable operations and/or upon obtaining additional financing. The outcome of these matters cannot be predicted at this time. As at May 31, 2017, the Company had not achieved profitable operations and has a cumulative deficit of \$6,646,569. This is a material uncertainty which may cast significant doubt about the Company’s ability to continue as a going concern.

These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

**2. SIGNIFICANT ACCOUNTING POLICIES**

*Statement of compliance*

The unaudited interim financial statements for the nine months ended May 31, 2017 (the “Interim Financial Statements”) have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. These Interim Financial Statements do not include all disclosures required for annual audited financial statements. Accordingly, they should be read in conjunction with the notes to the Company’s audited annual financial statements for the year ended August 31, 2016, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board.

These Interim Financial Statements have been prepared using accounting policies consistent with those used in the Company’s 2016 annual financial statements.

*Adoption of new accounting standards*

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.

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**Notes to Consolidated Interim Condensed Financial Statements**  
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**(Unaudited)**

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

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
- IAS 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.

**3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

|                           | May 31, 2017     | August 31,<br>2016 |
|---------------------------|------------------|--------------------|
| Trade accounts payable    | \$ 36,817        | \$ 34,882          |
| Due to Directors (note 9) | 149,519          | 78,223             |
|                           | <b>\$186,336</b> | <b>\$ 113,105</b>  |

On February 18, 2016, the Company issued 3,402,500 common shares to settle outstanding debt of \$170,125.

**4. SHARE CAPITAL**

Authorized - Unlimited number of common shares without par value

a) Issued

|                            | Number of Shares | Amount      |
|----------------------------|------------------|-------------|
| Balance at August 31, 2016 | 66,838,147       | \$5,589,176 |
| Private placement          | 2,570,500        | 37,850      |
| Balance at May 31, 2017    | 69,408,147       | \$5,627,026 |

On March 20, 2017, the Company issued 2,570,000 Units at \$0.05 per Unit, to provide the Company with gross proceeds of \$128,500. Each Unit consists of one (1) common share of the Company and one share purchase warrant of the Company. Each whole warrant will be exercisable for a period of thirty-six months to purchase one (1) additional common share of the Company for \$0.075. The Company attributed \$89,950 to the value of the warrants, which was included in contributed surplus, and incurred \$700 in share issuance costs.

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**(Unaudited)**

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**5. STOCK OPTIONS**

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

| <b>Exercise Price</b> | <b>Number of options outstanding</b> | <b>Expiry date</b> | <b>Number of options exercisable</b> | <b>Remaining contractual life (years)</b> |
|-----------------------|--------------------------------------|--------------------|--------------------------------------|---|
| \$ 0.05               | 950,000                              | June 23, 2019      | 950,000                              | 2.16                                      |
| \$ 0.05               | 1,000,000                            | February 10, 2020  | 1,000,000                            | 2.76                                      |
| \$ 0.05               | 1,550,000                            | February 8, 2021   | 1,550,000                            | 2.93                                      |
|                       | <b>3,500,000</b>                     |                    | <b>3,500,000</b>                     |   |

The weighted-average remaining contractual life of options outstanding at May 31, 2017 was 2.6 years.

**6. SHARE PURCHASE WARRANTS**

| <b>Expiry</b>  | <b>Exercise Price (CAD \$)</b> | <b>Number of Warrants</b> |
|----------------|--------------------------------|---------------------------|
| March 2, 2019  | 0.05                           | 10,000,000                |
| July 19, 2019  | 0.05                           | 2,235,657                 |
| March 19, 2020 | 0.075                          | 2,570,500                 |
|                |                                | <b>14,805,657</b>         |

The weighted-average remaining contractual life of warrants outstanding at May 31, 2017 was 2.27 years.

**7. INTANGIBLE ASSETS**

|                                    |           |
|------------------------------------|-----------|
| <b>Development costs</b>           |           |
| Balance as at August 31, 2016      | 448,466   |
| Additions                          | 86,216    |
| Amortization                       | (112,500) |
| Balance as at May 31, 2017         | 422,182   |
| <b>Goodwill</b>                    |           |
| Balance as at August 31, 2016      | 227,648   |
| Impairment                         | -         |
| Balance as at May 31, 2017         | 227,648   |
| Carrying amount<br>At May 31, 2017 | 649,830   |

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**8. FUNDS HELD IN TRUST**

The Company receives funds through its online raffle system on behalf of charitable and nonprofit organizations through raffle ticket sales. These funds are held and distributed to organizations on a quarterly basis.

**9. RELATED PARTY TRANSACTIONS**

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

- During the period ended May 31, 2017, the Company incurred and recorded \$166,534 (2016 - \$180,000) 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 dated February 6, 2015, each director will receive a monthly consulting fee of \$10,000. At May 31, 2017, \$138,362 (August 31, 2016 – \$78,223) was included in accounts payable and accrued liabilities to these companies for consulting fees rendered.
- During the period ended May 31, 2017, the Company settled outstanding accounts payable and accrued liabilities of \$Nil (August 31, 2016 - \$135,000) with directors, former directors and companies controlled by directors and former directors through the issuance of common shares.

**10. CHANGE IN PRESENTATION**

The Company has reclassified certain prior period expenses to conform to the current year presentation of expenses.

**11. SUBSEQUENT EVENT**

On June 6, 2017, the Company announced its intent to complete a non-brokered private placement (“Placement”) of up to \$750,000. Terms of the Placement including pricing is to be determined and is subject to approval of the TSX Venture Exchange.