

DARELLE ONLINE SOLUTIONS INC.

Management's Discussion & Analysis

For the three and nine-month periods ended May 31, 2017 and 2016

DARELLE ONLINE SOLUTIONS INC. – MD&A

The following management discussion and analysis (“MD&A”), dated July 28, 2017, should be read in conjunction with the Company’s unaudited interim condensed consolidated financial statements and related notes therein (“interim Financial Statements”) for the three and nine month periods ended May 31, 2017 and 2016, as well as the audited annual consolidated financial statements with accompanying notes for the years ended August 31, 2016 and 2015, which have been 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.

The objective of this MD&A is to help the reader understand the factors affecting the Company’s past and future performance. Additional information regarding Darelle Online Solutions Inc. (“*darelle*” and/or the “Company”) can be found in filings with Canadian security commissions 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 December 12, 2016. 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. The Company undertakes no obligation to update or revise any forward-looking statements or information made in this MD&A, except as required under applicable securities legislation.

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 June 6, 2017, the Company announced its intent to complete a non-brokered private placement ("Placement") of up to \$750,000. Proceeds of the Placement will be used as follows:

- To fund provincial registration and certification in the provinces of Ontario, Manitoba, Saskatchewan, and Nova Scotia, approximately \$30,000;
- To fund ongoing operations of the Company's wholly owned subsidiary, Darelle Media Inc., approximately \$ 450,000;
- Opening of an office in Nanaimo, B.C., approximately \$20,000;
- For professional fees and trade payables owing, approximately \$145,000;
- Filing fees and cost of placement, approximately \$55,000;
- To maintain the Company's present operations and cover general and administrative expenses, approximately \$50,000.

Terms of the Placement including pricing is to be determined and is subject to approval of the TSX Venture Exchange. 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.

The Company also announced the launch of its first rolling 50/50 online raffle program in conjunction with Habitat for Humanity Vancouver Island North Society. A rolling 50/50 program ("Rolling 50/50 Program") enables organizations to launch a series of 50/50 draws over the course of a twelve-month period. Habitat for Humanity will hold a series of monthly draws over a nine-month period. Ticket sales will include locations across the province of British Columbia. Final licensing of the Rolling 50/50 Draw is subject to approval by GPEB. Providing a platform in which organizations can run recurring 50/50 draws enables organizations to raise funds on a recurring basis.

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 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 thirty-six months to purchase one (1) additional common share of the Company for \$0.075. The Company closed the Placement on March 20, 2017.

On April 14, 2016, the Company announced that darelle launched a charitable online raffle lottery program ("Online Raffle Program"). The Online Raffle Program enables charitable organizations to create, sell, deliver, and manage their raffle ticket and 50/50 draws completely online. darelle was licensed under the Gaming Policy and Enforcement Branch ("GPEB") of British Columbia on March 2, 2016 as a Gaming Service Provider (Ticket Raffler) in the Province of B.C. and approved to process payments and deliver tickets online. darelle also announced the launch of the 2016 BC Lions Society Adventure Lottery on behalf of the BC Lions Society for Children with Disabilities. The lottery includes an online raffle ticket and a 50/50

draw. The BC Lions Society for Children with Disabilities will sell the raffle tickets (license # 84080) and 50/50 draw tickets (license # 84082) online at www.darelle.com/EasterSealsBC.

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 quarter ended May 31, 2017 are noted below:

- Cash used by operations and capital requirements was \$92,955 for the nine-month period ended May 31, 2017 compared to cash used by operations of \$157,536 for the same period in fiscal 2016.
- Net loss was \$282,356 ((\$0.00) per share) for the nine-month period ended May 31, 2017, decreased by \$41,939, or 13% compared to the same period in fiscal 2016.

Selected Annual Information

For Fiscal Years Ended August 31

| | 2016 | 2015 | 2014 |
|-------------------------------------|-----------|-----------|----------|
| | \$ | \$ | \$ |
| Revenue | 18,500 | - | - |
| Gross profit | 18,500 | - | - |
| Gross margin % | 100 | - | - |
| Earnings (loss) before income taxes | (367,230) | (673,915) | (37,324) |
| Earnings (loss) | (367,230) | (673,915) | (37,324) |
| EPS - Basic | (0.01) | (0.02) | (0.00) |
| Total assets | 868,604 | 672,351 | 158,943 |
| 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 three and nine-month periods ended May 31, 2017 and 2016:

| | Three Months Ended May 31, 2017 \$ | Three Months Ended May 31, 2016 \$ | Nine months Ended May 31, 2017 \$ | Nine months Ended May 31, 2016 \$ |
|------------------------------|---|---|--|--|
| Revenue | 25,976 | 13,000 | 51,205 | 13,000 |
| Expenses | | | | |
| Consulting fees | 750 | - | 1,289 | 18,000 |
| Amortization | 51,000 | 23,200 | 112,500 | 23,200 |
| General and administrative | 6,341 | 5,100 | 29,507 | 27,437 |
| Management fees | 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 |
| Net loss for the period | (92,271) | (98,154) | (282,356) | (324,295) |

| | | | | |
|--|------------|------------|------------|------------|
| Basic and diluted loss per share | (0.00) | (0.00) | (0.00) | (0.01) |
| Weighted average # of shares outstanding | 66,838,147 | 54,602,490 | 67,525,497 | 55,817,050 |

Revenue

Revenue for the nine-month period ended May 31, 2017 were \$51,205 compared with \$13,000 for the same nine-month period of the 2016 fiscal year. The Company launched the 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 nine-month period ended May 31, 2016 was attributed to set up fees. Revenue is 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. The Company realized set up fees of \$24,800 and processing fees of \$26,405 during the first nine months of the 2017 fiscal year.

The Company realized revenue of \$25,976 during the three-month period ended May 31, 2017 compared with revenue of \$13,000 during the same three-month period of the 2016 fiscal year. During the third quarter of 2017 the company realized set up fees of \$18,500 with the engagement of eleven new raffle programs on the darelle.com platform. The remaining revenue (\$7,476) was attributed to processing fees charged during the quarter.

Consulting Fees

Consulting fees for the nine-month period ended May 31, 2017 were \$1,289 compared with \$18,000 for the same nine-month period of the 2016 fiscal year. The Company launched the darelle.com website in March 2015. In conjunction with the launch the Company engaged a consultant 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. Consulting fees were \$750 for the third quarter of the 2017 fiscal year compared to \$Nil during the same three-month period of the 2016 fiscal year. Consulting fees incurred during the during the third quarter of the 2017 fiscal year include fees paid on collateral preparation for the online raffle program.

Amortization

Amortization expense was \$112,500 for the nine months ended May 31, 2017 compared to \$23,200 during the same nine-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 2017 fiscal and as a result incurs amortization of development expenditures which were/are capitalized. Amortization expense was \$51,000 for the third quarter of the 2017 fiscal year compared to \$23,200 during the same three-month period of the 2016 fiscal year. Amortization expense is calculated on a straight-line basis with an estimated useful life of five years.

General and Administrative

General and administrative (“G&A”) expenses were \$29,707 for the nine months ended May 31, 2017, compared to \$27,437 for the same nine-month period in 2016. G&A expenses are mainly costs associated with the company’s computer servers, office supplies, travel, entertainment, and administrative costs. G&A expenses were \$6,341 during the third quarter of the 2017 fiscal year compared to \$5,100 for the same three-month period of the 2016 fiscal year.

Management Fees

Management fees were \$148,489 for the nine months ended May 31, 2017 compared to \$180,000 for the same nine-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 first quarter of 2017 as an officer was involved in an accident and was on a reduced work schedule with the Company. Management fees were \$51,000 for the three-month period ended May 31, 2017 compared to \$60,000 for the same period of 2016 fiscal year.

Marketing

Marketing expenses were \$9,302 for the nine months ending May 31, 2017 compared to \$4,401 for the same nine-month period in 2016. Marketing costs are attributed to conferences attended and contractors hired to work on the marketing efforts associated with the darelle website. 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. Marketing expenses were \$2,848 for the three-month period ended May 31, 2017 compared to \$3,277 for same period of fiscal 2016. Marketing costs include events, promotion and social media programs targeting the development of the darelle online raffle program.

Professional Fees

Profession fees were \$16,110 for the nine months ended May 31, 2017 compared to \$19,013 during the same nine-month period of the 2016 fiscal year. Professional fees include an accrual of an annual audit fee, accounting fees paid to a consultant, and legal costs associated with filing annual returns for the company. Professional fees were \$4,750 for the three-month period ended May 31, 2017 compared to \$5,750 for same period of 2016. Professional fees for the first quarter of 2017 include quarterly accrual of audit fees (\$4,750) for the 2017 fiscal year and bookkeeping fees paid to a third party.

Stock Based Compensation

Stock based compensation was \$Nil for the nine months ending May 31, 2017 compared to \$37,047 during the same nine-month period of the 2016 fiscal year. On February 9, 2016, the Company granted 1,550,000 stock options to directors, officers, and contractors of the Company. The stock options vested immediately. The stock options were issued with an exercise price of \$0.05. The amounts were recorded as other equity reserves on the balance sheet and as stock based compensation on the statements of comprehensive loss. Stock based compensation for the third quarter of 2017 was \$Nil compared with stock based compensation of \$2,069 during the third quarter of the 2016 fiscal year. The Company has not issued stock options during the 2017 fiscal year.

Transfer Agent and Filing Fees

Transfer agent and filing fees were \$15,161 during the nine months ended May 31, 2017 compared to \$23,825 during the same nine-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 expense for the third quarter of 2017 was \$1,439 compared with expense of \$10,085 during the same three-month period in 2016. Higher fees realized during the 2016 fiscal year include fees associated with the Company's Annual General Meeting (approximately \$2,500) and annual sustaining fees of \$5,200 paid to the TSX Venture Exchange.

Travel

Travel expenses were \$1,003 for the nine months ended May 31, 2017 compared to \$4,372 for the same nine-month period of the 2016 fiscal year. Travel costs include travel to events and raffle draws the Company attends in conjunction with various online raffle programs the Company attends. The Company had travel expenses of \$119 during the third quarter of 2017 compared to \$1,673 for the same three-month period in 2016. Travel expenses include travel and accommodation, meals, and entertainment.

Net Loss

Net loss for the nine months ended May 31, 2017 was \$282,356 ((\$0.00) per share) compared to \$324,295 ((\$0.01) for the same nine-month period of the 2016 fiscal year. The Company realized revenue of \$51,205 during the first nine months of the 2017 fiscal year, compared with revenue of \$13,000 during the same nine-month period of the 2016 fiscal year. In addition, the Company realized lower management fees (\$31,511) during the 2017 fiscal year. This was partially offset by higher amortization costs of \$89,300

during the 2016 fiscal year. With the realization of revenue from the www.darelle.com the Company started to amortize development costs associated with development of the platform.

Net loss for the third quarter ended May 31, 2017 was \$92,271 ((\$0.00) per share) compared to a net loss of \$98,154 (\$0.00) per share) for the same period in fiscal 2016. The decrease in net loss for the period is primarily related to revenue realized (\$25,976) during the 2017 fiscal year and partially offset by higher stock based compensation (\$2,069) during the 2016 fiscal year as a result of the issuance of stock options to directors, officers, and consultants of the Company.

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

Additional Disclosure for Venture Issuers Without Significant Revenue

| | 2017 | 2016 |
|---------------------------------|-----------|-----------|
| Development of Intangible Asset | \$86,218 | \$101,918 |
| Material Expenses: | | |
| Management fees | \$148,489 | \$180,000 |
| Consulting fees | \$1,289 | \$18,000 |

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 May 31, 2017 | Three Month Period Ended Feb. 28, 2017 | Three Month Period Ended Nov. 30, 2016 | Three Month Period Ended Aug 31, 2016 |
|--------------------|---|--|--|---|
| | \$ | \$ | \$ | \$ |
| Revenue | 25,976 | 19,340 | 5,889 | 5,500 |
| Capital Expenses | - | - | - | - |
| Net Loss | (92,271) | (95,459) | (94,625) | (42,934) |
| Net Loss Per Share | (0.00) | (0.00) | (0.00) | (0.00) |

| | Three Month Period Ended May 31, 2016 | Three Month Period Ended Feb. 29, 2016 | Three Month Period Ended Nov. 30, 2015 | Three Month Period Ended Aug 31, 2015 |
|------------------|---|--|--|---|
| | \$ | \$ | \$ | \$ |
| Revenue | 13,000 | - | - | - |
| Capital Expenses | | | | |

| | | | | |
|--------------------|----------|-----------|----------|-----------|
| | - | - | - | - |
| Net Loss | (95,154) | (144,644) | (81,497) | (533,554) |
| Net Loss Per Share | (0.00) | (0.00) | (0.01) | (0.01) |

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 \$132,008 at May 31, 2017, a decrease of \$57,371 from \$183,379 at August 31, 2016.

Cash used by operations for the first nine months of fiscal 2017 was \$92,955 compared to cash used by operations of \$157,536 for the same period in the 2016 fiscal year. The decrease in cash used by operations for the period was attributed to a lower operating loss being realized for the period, incremental amortization of \$89,300 (which is a non-cash expenditure), and by changes in non-cash operating working capital items including accounts payables and accrued liabilities (\$40,140) and a reduction in GST receivable of \$10,320. This was partially offset by higher account receivables (\$7,138) during the period.

Cash provided by financing activities for the nine-month period ended May 31, 2017 was \$127,800 compared with \$350,000 during the same nine-month period of the 2016 fiscal year. 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. On March 2, 2016, the Company completed a non-brokered private placement which included the issue of 10,000,000 units of the Company's share capital at a price of \$0.035 per unit. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase an additional common share of the Company for a period of 36 months from closing at an exercise price of \$0.05 per common share purchase warrant.

Cash used in investing activities during the nine-month period ended May 31, 2017 was \$86,216 compared with \$101,918 during the same nine-month period in the prior year. The Company incurred development costs pertaining to the www.darelle.com online raffle platform. Development costs include programmer costs and employee benefits.

Liquidity and Capital Resources

Since incorporation, the Company financed operations primarily through the issuance of equity and convertible debt. At May 31, 2017, the Company had cash and cash equivalents of \$132,008 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 May 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 May 31, 2017:

| | Undiscounted contractual cash flows \$ | 0 to 12 months \$ | 12 to 24 months \$ | After 24 months \$ |
|--|---|-------------------------|--------------------------|-----------------------------|
| Financial liabilities | | | | |
| Accounts payable and accrued liabilities | 186,336 | 186,336 | - | - |
| Funds held in trust | 19,699 | 19,699 | | |
| | 206,035 | 206,035 | | |

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 May 31, 2017.

Contractual Obligations

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

Off Balance Sheet Arrangements

As at May 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 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.

| Key Management Personnel | May 31, 2017 | May 31, 2016 |
|--------------------------|------------------|------------------|
| Consulting fees | \$166,534 | \$180,000 |
| | \$166,534 | \$180,000 |

Outstanding Share Data Common shares outstanding

Authorized share capital consists of an unlimited number of common shares of which 69,408,647 (August 31, 2016 – 51,199,990) were issued and outstanding as at May 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 nine-month periods ended May 31, | |
|--|--|------------|
| | 2017 | 2016 |
| Weighted average Common Shares Outstanding | 68,877,783 | 54,602,490 |

Stock Options and Warrants Outstanding

As at May 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) |
|----------------|-------------------------------|-------------------|-------------------------------|------------------------------------|
| \$ 0.05 | 950,000 | June 23, 2015 | 950,000 | 2.16 |
| \$ 0.05 | 1,000,000 | February 10, 2019 | 1,000,000 | 2.76 |
| \$ 0.05 | 1,550,000 | February 8, 2021 | 1,550,000 | 2.93 |
| | 3,500,000 | | 3,500,000 | |

The weighted-average remaining contractual life of options outstanding at May 31, 2017 was 2.60 years.

The Company has the following warrants outstanding.

| Expiry | Exercise Price (CAD \$) | Number of Warrants |
|----------------|-------------------------|--------------------|
| March 2, 2019 | 0.05 | 10,000,000 |
| July 19, 2019 | 0.05 | 2,235,657 |
| March 20, 2020 | 0.075 | 2,570,000 |
| | | 14,805,657 |

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

Critical Accounting Estimates and Judgements and Significant Accounting Policies

A detailed summary of all the Company's significant accounting policies is included in Note 2 to the audited annual consolidated financial statements for the year ended August 31, 2016.

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
- 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.

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.

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 December 12, 2016 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 audit committee has approved the disclosure contained in this MD&A. Additional information relating to the Company is available on SEDAR at www.sedar.com.