

Darelle Online Solutions Inc.

Management's Discussion & Analysis

Year Ended August 31, 2018

DARELLE ONLINE SOLUTIONS INC. MD&A

The following management discussion and analysis (“MD&A”), dated December 31, 2018, should be read in conjunction with the Company’s 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 4907 Fillinger Crescent, Nanaimo, British Columbia, V9V 1H9.

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

Company Activity

On July 11, 2018, the Company's wholly owned subsidiary (Darelle Media Inc.) received confirmation that the darelle platform has received certification from Gaming Laboratories International ("GLI") under the technical standards for testing pursuant to *GLI-31 Electronic Raffle Systems* (GLI-31 Certification). The GLI-31 Certification meets the technical standards for The Alberta Gaming and Liquor Act and Regulation, Liquor and Gaming Authority of Manitoba ("LGA"), Saskatchewan Liquor and Gaming Authority, and the Alcohol and Gaming Commission of Ontario. This is a critical milestone for the Company as it provides opportunity to secure licensing in multiple provinces and expand the geographical base of the platform in Canada. The GLI-31 Certification also provides opportunity to seek licensing in several state jurisdictions in the United States.

The Company launched the darelle Online Raffle Platform in the province of British Columbia in March 2016. During the 2018 fiscal year the platform processed over 94,000 tickets representing raffle ticket sales of over \$1.2 million dollars. This compares with approximately 27,500 tickets in 2017 and raffle ticket sales of \$560,000 during the same twelve-month period.

On January 15, 2018, the Company issued 4,300,000 units ("Units") of the Company at a price of \$0.05 per Unit, for gross 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, approximately \$120,000;
- For professional fees and arm's length trade payables owing, approximately \$55,000; and
- To maintain the Company's present operations and cover general and administrative expenses, approximately \$40,000.

On January 3, 2018, the Company announced that its wholly owned subsidiary had been licensed by the Liquor and Gaming Authority of Manitoba as a gaming service provider in the province of Manitoba. The Company has license applications under review in Nova Scotia, Ontario, and Saskatchewan. The Company anticipates it will be licensed in multiple jurisdictions pending the completion of independent testing of the Company's online raffle program.

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.

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.

Intangible Assets

Development costs	
Balance as at August 31, 2016	448,466
Additions	129,756
Amortization	(99,550)
<hr/>	
Balance as at August 31, 2017	478,672
Additions	114,829
Amortization	(104,171)
<hr/>	
Balance as at August 31, 2018	489,330
Goodwill	
Balance as at August 31, 2016	227,648
Impairment	(227,648)
Balance as at August 31, 2017 and 2018	-
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Carrying amount of Intangible Assets	
At August 31, 2018	489,330

Intangible assets include software acquired in conjunction with the acquisition of Darelle Media Inc. and internally generated development costs. The remaining useful life of intangible assets as at August 31, 2018 is 58 months. During the year ended August 31, 2017 impaired its goodwill of \$227,648. As at August 31, 2018, the Company concluded that there was no impairment required for the intangible assets (2017 - \$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, 2018 are noted below:

- Cash used by operations was \$123,645 for the year compared to cash used by operations of \$144,412 for the same period in fiscal 2017.
- Net loss and comprehensive loss was \$450,477 ((\$0.01) per share) for the year, decreased from \$577,271, compared to the same period in fiscal 2017.

Selected Annual Information

	2018	2017	2016
	\$	\$	\$
Revenue	124,468	70,817	18,500
Loss before income taxes	(450,477)	(577,371)	(367,230)
Net loss	(450,477)	(577,371)	(367,230)
EPS - Basic	(0.01)	(0.01)	(0.01)
EPS - Diluted	(0.01)	(0.01)	(0.01)
Total assets	519,353	544,104	868,604
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, 2018 and 2017:

	Three Months Ended		Year Ended	
	August 31, 2018	August 31, 2017	August 31, 2018	August 31, 2017
Sales	\$ 21,046	\$ 19,612	\$ 124,468	\$ 70,817
Expenses				
Consulting fees	-	-	-	1,289
Amortization	29,471	(12,950)	104,171	99,550
General and administrative	5,397	7,234	48,036	36,941
Management fees	60,000	81,045	240,000	229,534
Marketing	2,216	3,578	3,688	12,880
Professional fees	12,329	4,750	24,554	20,860
Stock based compensation	26,780	-	133,012	-
Transfer agent & filing fees	2,905	2,451	18,297	17,612
Travel	90	871	3,187	1,874
Total expenses	139,188	86,919	574,945	420,540
Other items				
Gain on settlement of debt	-	-	-	-
Impairment of goodwill	-	227,648	-	227,648
Interest income	-	-	-	-
Net and comprehensive income (loss) for the period	(118,142)	(295,015)	(450,477)	(577,371)
Basic and diluted income				
(loss) per share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Weighted average number of shares outstanding				
	73,708,647	69,408,647	72,094,174	68,000,154

Revenue

Revenue was \$21,046 for the fourth quarter of 2018 compared to revenue of \$19,612 during the same quarter of 2017. Revenue is typically comprised of a set-up fee and a flat administration fee per raffle ticket sold by organizations. The set-up fee is non-refundable and is recognized once an organization enters into a service agreement with the Company. The Company realizes a flat administration fee per each raffle ticket sold (“processing fees”) once the organization begins to sell raffle tickets. Revenue realized during the fourth quarter of 2018 including processing fees and set up fees in conjunction with the darelle Online Raffle Program.

Revenue was \$124,468 for the year ended August 31, 2018 compared to \$70,817 for the 2017 fiscal year. The Company realized set-up fees of \$34,875 (2017 -\$31,550) and processing fees of 89,593 (2017 - \$39,267) during the 2018 fiscal year.

Consulting Fees

Consulting fees were \$Nil for the fourth quarter of 2018 and 2017.

Consulting fees were \$1,289 for the year ended August 31, 2017 compared to \$Nil for 2018 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. This trend will likely discontinue in the event the Company

secures equity financing, expands the platform into multiple provincial jurisdictions, and hires consultants to facilitate additional sales efforts.

Amortization

There was a recovery of amortization expense of \$12,950 for the fourth quarter 2017 compared to amortization expense of \$29,471 during the same three-month period of the 2018 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 was \$104,171 for the fiscal year ended August 31, 2018 compared to \$99,550 during the same twelve-month period in 2017. 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 performed a review of development costs included in intangible assets and estimates that the useful life of the intangible assets be increased from five to ten years. Intangible assets are amortized on a straight-line basis over 10 years.

General and Administrative

General and administrative ("G&A") expenses were \$5,396 for the fourth quarter of 2018 compared to \$7,433 for the same three-month period in 2017. 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 \$48,036 for the 2018 fiscal year, increased by, \$11,095 from \$36,941 for the same period in 2017. During the 2018 fiscal year the Company incurred software certification fees of \$13,920 in conjunction with the certification of the Company's electronic raffle system which was completed in July 2018.

Management Fees

Management Fees were \$60,000 for the fourth quarter of 2018 compared to \$81,045 during the same three-month period in 2017. 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 fees were \$240,000 during the fiscal year ended August 31, 2018 compared to \$229,534 for the same twelve-month period in the 2017 fiscal year. Management Consulting Fees were lower during the 2017 fiscal year as an officer was involved in an accident and was on a reduced work schedule with the Company.

Marketing

Marketing expenses were \$2,216 for the fourth quarter of 2018 compared to \$3,578 during the same three-month period in 2017. Marketing costs include organization conferences, marketing collateral and costs associated with attending raffle draws by the Company.

Marketing expenses were \$3,688 for the fiscal year ended August 31, 2018 compared to \$12,880 during the 2017 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 \$12,329 during the fourth quarter of 2018 compared to \$4,750 for the fourth quarter of 2017. 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.

Professional fees were \$24,554 for the year ended August 31, 2018 compared to \$20,860 for same twelve-month period of fiscal 2017. 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 2018 was \$26,780 compared with stock based compensation of \$ Nil for the same three-month period in the 2017 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, 2018 was \$133,012 compared with stock based compensation of \$ Nil during the same twelve-month period of the 2017 fiscal year. During the 2018 fiscal year, the Company granted 3,575,000 stock options with fair value of \$133,012 using the Black-Scholes Option Pricing model. \$133,012 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 \$2,905 during the fourth quarter of 2018 compared to \$2,451 during the same three-month period of the 2017 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 \$18,297 compared to \$17,612 for the same twelve-month period in 2017. Transfer agent and filing fees are consistent on a year-over-year basis.

Travel

Travel expenses were \$90 for the fourth quarter of 2018 compared to \$871 for the same three-month period in 2017. Travel expenses include travel and accommodation, meals, and entertainment.

Travel expenses were \$3,187 for the year ended August 31, 2018 compared to \$1,874 for the same twelve-month period in 2017. Travel expenses were consistent on a year-over-year basis.

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 2018 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 \$Nil was required for the year ended August 31, 2018 (2017 - \$227,648).

Net Loss

Net loss for the fourth quarter ended August 31, 2018 was \$118,142 ((\$0.00) per share) compared to a net loss of \$295,214 for the same period in fiscal 2017. The decline in net loss for the fourth quarter of 2018 was due primarily to the impairment of goodwill (\$227,648) recognized during the 2017 fiscal period.

Net loss for the year ended August 31, 2018 was \$450,477 ((\$0.01) per share) compared to a net loss of \$577,371 ((\$0.01) per share) for the same twelve-month period ended August 31, 2017. The decline in net loss for the year ended August 31, 2018 was primarily attributed to the impairment of goodwill (\$227,648) realized during the 2017 fiscal year. This was partially offset by higher revenue (\$53,651 increase) realized on a year-over-year basis.

Loss per share for the periods ended August 31, 2018 and 2017 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, 2018	Three Month Period Ended May 31, 2018	Three Month Period Ended Feb. 28, 2018	Three Month Period Ended Nov. 30, 2017
	\$	\$	\$	\$
Revenue	21,046	55,780	19,922	27,740
Capital Expenses	-	-	-	-
Net Loss	(118,142)	(101,962)	(159,849)	(70,507)
Net Loss Per Share	(0.00)	(0.00)	(0.00)	(0.00)
	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)

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.

Liquidity and Capital Resources

	August 31, 2018	August 31, 2017
Non-current assets	\$ 489,330	\$ 478,672
Current assets	30,023	65,432
Current liabilities	(317,995)	(238,176)
Total assets less current liabilities	201,358	305,928
Non-current liabilities	-	-
Shareholders' equity	201,358	305,928
	\$ 201,358	\$ 305,928

Non-current assets

Non-current assets increased by \$10,658 due to the capitalization of \$114,829 in development costs associated with the darelle.com online raffle platform. This was partially offset by amortization of development costs during the year.

Current assets

Current assets decreased by \$35,409 at August 31, 2018 as compared to August 31, 2017, which is attributed to:

Cash

Cash decreased by \$25,579 primarily due to incurrence of \$114,829 in development costs on the darelle.com online raffle platform which were capitalized as intangible assets. Offsetting these increases were lower cash requirements for operating activities of \$19,767 and the issuance of common shares in conjunction with a private placement in which the Company realized net proceeds of \$212,895.

Prepaid expenses

Furthering the decrease in current assets is \$2,159, which is attributed to the expense of prepaid expenses associated with filing fees paid to the TSX Venture Exchange in conjunction with the filing of the Company's stock option plan during the 2017 fiscal year.

	August 31, 2018	August 31, 2017
Trade receivables	\$ 15,719	\$ 22,766
Allowance for doubtful debts	-	-
Net trade receivables	15,719	22,766
Other receivables	2,872	3,496
	\$ 18,591	\$ 26,262

Current liabilities

Current liabilities of \$317,995 increased by \$79,819 which is attributed to:

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities increased by \$76,345. The increase is predominantly due the accrual of unpaid management fees to related parties as of August 31, 2018 of \$93,647.

Non-current liabilities

The Company had no non-currently liabilities outstanding as at August 31, 2018 and 2017.

Shareholders' equity

Shareholders' equity at August 31, 2018 decreased by \$104,570 as compared to the balance at August 31, 2017 primarily to the recognition of a net loss of \$450,477 for the year ended August 31, 2018. This was partially offset as a result of the completion of a private placement ("Private Placement"). Under the terms of the Private Placement, the Company issued 4,300,000 units of the Company's share capital at a price of \$0.05 per unit. Each unit was 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 24 months from closing at an exercise price of \$0.075 per common share purchase warrant. The Company realized gross proceeds of \$215,000.

Future Changes in Accounting Standards

The following are the new IFRS pronouncements that have been issued, that are not yet effective, that have not been early adopted, and that may have an impact on the Company, in the future, as discussed below.

IFRS 9 - Financial Instruments replaces the current standard *IAS 39 – Financial Instruments: Recognition and Measurement*. The new standard includes guidance on the recognition and derecognition of financial assets and financial liabilities, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company does not expect any material impact from the adoption of IFRS 9 on these consolidated financial statements.

IFRS 15 - Revenue from Contracts with Customers replaces the current standard *IAS 39 – Construction Contracts, IAS 18 – Revenue and IFRIC 13 – Customer Loyalty Programmes*. This standard outlines a single comprehensive revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRS, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company does not expect any material impact from the adoption of IFRS 15 on these consolidated financial statements.

IFRS 16 – Leases replaces *IAS 17 – Leases, IFRIC 4 – Determining whether an arrangement contains a lease, SIC 15 – Operating Leases and SIC 27 – Evaluating the substance of transactions involving the legal form of a lease*. IFRS 16 eliminates the classification of leases as either operating or finance leases and requires the recognition of assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. Lessor accounting is substantially unchanged from IAS 17. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company has not yet evaluated the impact IFRS 16 on the consolidated financial statements.

Financial Instruments and Related Risk

The fair value of cash, accounts receivable, and accounts payable and accrued liabilities approximate their carrying amount due to their short-term nature.

The Company has exposure to credit, liquidity, foreign exchange and interest rate risk as follows:

Credit risk

Credit risk is the risk of that a counter-party to a financial asset will default, resulting in the Company incurring a financial loss. The Company is exposed to credit risk on its cash and accounts receivable to a maximum of the varying value of the items at the reporting date.

The Company mitigates its exposure to credit risk by maintaining its bank accounts with major Canadian financial institutions with strong investment-grade ratings by a primary ratings agency.

The Company's trade receivables are monitored on an ongoing basis for impairment.

At August 31, 2018, \$7,781 (August 31, 2017 - \$8,200) of trade accounts receivable balance \$15,719 (August 31, 2017 - \$22,766) was past due. Other receivables at August 31, 2018 consist primarily of GST \$2,930 (August 31, 2017 - \$3,496).

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial obligations.

The Company's monitors its ability to meet its short-term operating expenditures by raising additional funds through share issuances when required. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market or other alternative forms of financing is hindered, whether as a result of a downturn in stock market conditions generated or related to matters specific to the Company.

The Company's contractual liabilities and obligations are as follows:

	<1 year	1 to 3 years	4 to 5 years	>5 years	Total
Accounts payable and accrued liabilities	\$ 307,243	5,000			\$ 312,243
Funds held in trust	5,752	-	-	-	5,752
Balance August 31, 2018	\$ 312,995	5,000	-	-	\$ 312,243

	<1 year	1 to 3 years	4 to 5 years	>5 years	Total
Accounts payable and accrued liabilities	\$ 235,898	-			\$ 235,898
Funds held in trust	2,278	-	-	-	2,278
Balance August 31, 2017	\$ 238,176	-	-	-	\$ 238,176

Foreign exchange risk

The Company incurs certain operating expenses and capital expenditures in U.S. dollars. Accordingly, the fluctuations in the exchange rate between the U.S. and Canadian dollar can impact the Company's reported results.

Interest rate risk

Interest risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. When the Company has cash balances, the Company's current policy is to invest excess cash in certificates of deposit or high interest savings accounts of major Canadian chartered banks. As of August 31, 2018 and 2017, the Company had no investment. The other financial assets and liabilities of the Company do not bear interest. The Company does not use financial derivatives to decrease its exposure to interest risk. Management believes that the Company is not subject to significant interest rate risk.

Credit Facilities

The Company does not have a credit facility outstanding as at August 31, 2018.

Contractual Obligations

As of August 31, 2018, the Company has no lease commitments on its premises.

Off Balance Sheet Arrangements

As at August 31, 2018, the Company had no off-balance sheet arrangements.

Related Party Transactions

The Company's related parties are its Board of Directors and key management personnel: President and Chief Executive Officer, Chief Financial Officer, and President of wholly owned subsidiary (Darelle Media Inc.). Transactions conducted with related parties took place in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties. Details of the related party transactions follows:

- a) During the year ended August 31, 2018, the Company incurred and recorded \$240,000 (2017 - \$229,534) 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, 2018, \$265,852 (2017 – \$172,205) was included in accounts payable to these companies for consulting fees rendered.

Key Management Personnel and Director Remuneration

	August 31, 2018	August 31, 2017
Management fees	\$240,000	\$229,534
Share based compensation	109,419	
	\$349,419	\$229,534

Equity Transactions

Pursuant to the private placement that was closed on January 15, 2018, two directors, Allen Scott Hamilton and Robert Solinger, participated in the placement for proceeds of \$15,000 and \$10,000, respectively.

Outstanding Share Data

Common shares outstanding

The Company has 73,708,147 (2017 – 69,408,147) common shares outstanding as at August 31, 2018.

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,	
	2018	2017
Weighted average Common Shares Outstanding	73,708,647	69,408,147

	For the year ended August 31,	
	2018	2017
Weighted average Common Shares Outstanding	72,094,174	67,992,887

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, 2018, 1,493,469 (2017 – 2,986,944) of the escrow shares were released and as at August 31, 2018, Nil (2017 – 1,493,473) remain in escrow.

Stock Options and Warrants Outstanding

The following table summarizes activity under the Company's stock option plan as of August 31, 2018:

	Number of options	Weighted average exercise price
Balance outstanding – August 31, 2016 & 2017	3,500,000	\$0.05
Issued	3,575,000	\$0.05
Balance outstanding – August 31, 2018	7,075,000	\$0.16

As at August 31, 2018, 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, 2019	950,000	0.75
\$ 0.05	1,000,000	February 10, 2020	1,000,000	1.42
\$ 0.05	1,550,000	February 8, 2021	1,550,000	2.42
\$ 0.05	3,375,000	January 14, 2023	3,375,000	4.33
\$ 0.05	200,000	March 28, 2023	200,000	4.58
	7,075,000		7,075,000	

The weighted-average remaining contractual life of options outstanding at August 31, 2018 was 3.07 years.

The Company has the following warrants outstanding:

Warrants outstanding at August 31, 2018		
Expiry	Exercise Price (\$)	Number of Warrants
March 2, 2019	0.05	10,000,000
July 19, 2019	0.05	2,235,657
January 15, 2020	0.075	4,300,000
March 20, 2020	0.075	2,570,000
		19,105,657

The weighted-average remaining contractual life of options outstanding at August 31, 2018 was 0.85 years.

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.