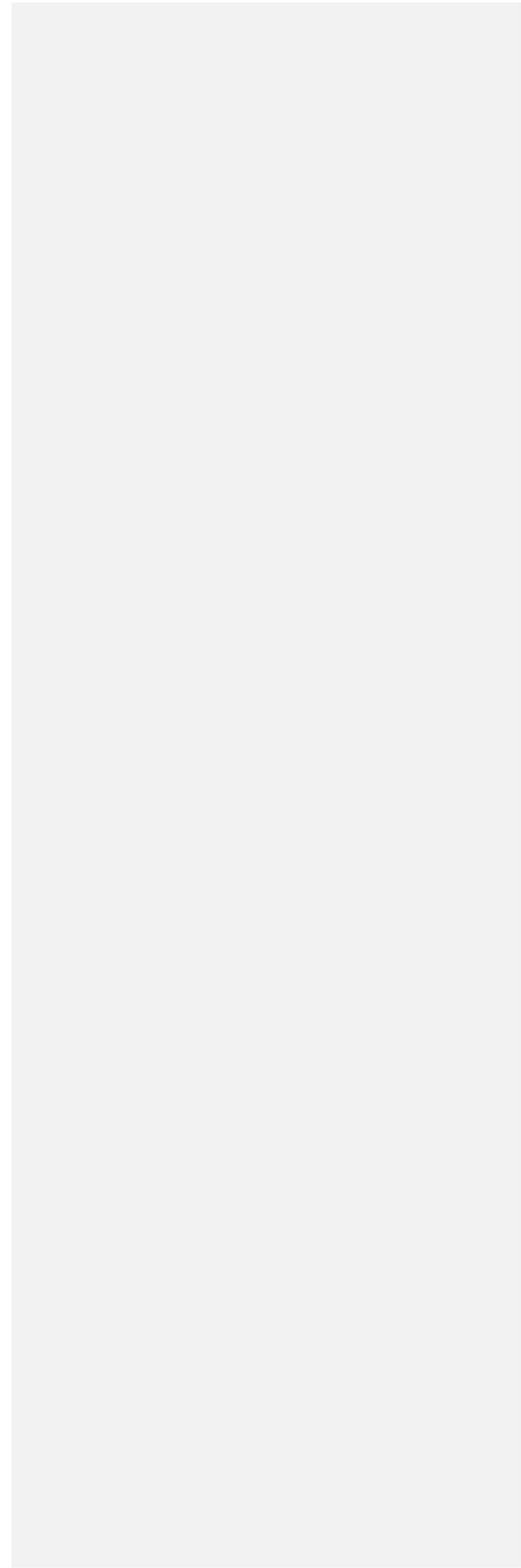


DARELLE ONLINE SOLUTIONS INC.

Management's Discussion & Analysis

For the three and nine-month periods ended May 31, 2018 and 2017



DARELLE ONLINE SOLUTIONS INC. – MD&A

The following management discussion and analysis (“MD&A”), dated July 30, 2018, should be read in conjunction with the Company’s unaudited condensed interim consolidated financial statements and related notes therein (“interim Financial Statements”) for the three and nine month periods ended May 31, 2018 and 2017, as well as the audited annual consolidated financial statements with accompanying notes for the years ended August 31, 2017 and 2016, 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. All amounts are reported in Canadian dollars, unless otherwise stated. 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 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. 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 4907 Fillingier Crescent, Nanaimo, British Columbia, V9V 1H9

The Company has a wholly owned subsidiary (“Darelle Media Inc.” and/or “*darelle*”) which was acquired by the Company on February 5, 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 provided financial guidance on revenue expectations for the 2017 and 2018 fiscal years on June 7, 2017. Revised estimates of revenue for the 2018 fiscal year have been reduced and are now estimated at \$120,000 to \$150,000.

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The Company exceeded revenue forecasts for the 2017 fiscal year. Revenue forecasts for the 2018 fiscal year were premised upon the Company attaining licensing in multiple provinces in Canada. The completion of the GLI-31 Certification is expected to streamline the licensing process and open new market opportunities for the Company.

The Company launched the darelle Online Raffle Platform in the province of British Columbia in March 2016. Since that time the platform has processed over 121,000 raffle tickets representing raffle ticket revenue of over \$1.75 million dollars. Raffle ticket revenue during the third quarter of 2018 was approximately \$500,000.

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 December 12, 2017, the Company announced it had closed a non-brokered private placement ("Placement") of 4,300,000 units ("Units") of the Company at a price of \$0.05 per Unit, for 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 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.

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

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

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

licensed in Ontario. The Company also has licensing applications under review in the provinces of Nova Scotia, Manitoba, and Saskatchewan.

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

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

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 nine-month period ended May 31, 2018 are noted below:

- Cash used by operations and capital requirements was \$137,215 for the period compared to cash provided by operations of \$3,005 for the same period in fiscal 2017.
- Net loss was \$332,315 ((\$0.01) per share) for the period, increased by \$49,959, or 18% compared to the same period in fiscal 2017.

Selected Annual Information

For Fiscal Years Ended August 31

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

Results of Operations

The following table sets forth a comparison of revenues, earnings, major expense category for the three and nine-month periods ended May 31, 2018 and May 31, 2017:

	Three Months Ended May.31, 2018	Three Months Ended May.31, 2017	Nine months Ended May.31, 2018	Nine months Ended May.31, 2017
Revenue	55,780	25,976	103,422	51,205
Expenses				

Consulting fees	-	750	-	1,289
Amortization	24,900	51,000	74,700	112,500
General and administrative	9,404	6,341	42,639	29,507
Management fees	60,000	51,000	180,000	148,489
Marketing	204	2,848	1,472	9,302
Professional fees	-	4,750	12,225	16,110
Stock based compensation	55,615	-	106,232	-
Transfer agent & filing fees	6,633	1,439	15,392	15,161
Travel	986	119	3,097	1,003
Net loss for the period	(101,962)	(92,271)	(332,315)	(282,356)
Basic and diluted loss per share	(0.00)	(0.00)	(0.01)	(0.00)
Weighted average # of shares outstanding	73,708,647	68,877,389	71,566,522	67,515,949

Revenue

Revenue for the nine-month period ended May 31, 2017 were \$103,422 compared with revenue of \$51,205 for the same nine-month period of the 2017 fiscal year. The Company launched the darelle Online Raffle Program in April 2016. The Online Raffle Program enables organizations to create, sell, deliver, and manage their raffle and 50/50 draw programs, completely online. Revenue is typically comprised of a set-up fee and a flat administration fee per ticket sold by organizations. The set-up fee is non-refundable and is payable once an organization enters into a service agreement with the Company. 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 fee revenue of \$21,875 and processing fees of \$81,494 during period. Processing fees realizes on each raffle will fluctuate depending upon the timing of each raffle program. Processing fees are realized on the sale of each raffle ticket. The Company has taken the conservative position that revenue from processing fees is recognized once a raffle has closed. The Company does not have sufficient history on raffle ticket returns. The Company realized revenue of \$55,780 during the third quarter of the 2018 fiscal year compared with revenue of \$25,976 during the same three-month period of the 2017 fiscal year. The Company launched eight new raffle programs during the quarter and closed nine raffles during the third quarter of the 2018 fiscal year. Processing fees are recognized as each individual raffle closes.

Amortization

Amortization expense was \$74,700 for the nine-month period ended May 31, 2018 compared to \$112,500 during the same nine-month period in 2017. The Company has a policy of capitalizing development expenditures based upon a number of factors including commercial feasibility, future economic benefits, and the ability to use or sell the assets. The Company started to realize revenue during the fourth quarter of the 2016 fiscal and as a result incurs amortization of development expenditures which were/are capitalized. Development expenditures are amortized over five years. Amortization expense was \$24,900 for the third quarter of 2018 compared to \$51,000 during the same three-month period in 2017. 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 \$42,639 for the nine months ended May 31, 2018, compared to \$29,706 for the same nine-month period in 2017. G&A expenses are mainly costs associated with the company's computer servers, software certification and filing costs, office supplies, travel, entertainment, and administrative costs. During the period, the Company incurred software certification costs of \$13,920 in conjunction with the third-party certification process the Company is undergoing (See

"Company Activity"). G&A expenses were \$9,404 for the third quarter of 2018, compared to \$6,341 for the same period in 2017.

Management Fees

Management fees were \$180,000 for the nine-month period ended May 31, 2018 compared to \$148,489 for the same nine-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.) on February 6, 2015. 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 \$60,000 for the three-month period ended May 31, 2018 compared to \$51,000 for the same period of 2017 fiscal year.

Marketing

Marketing expenses were \$1,472 for the nine months ending May 31, 2018 compared to \$9,302 for the same nine-month period in 2017. Marketing costs are attributed to conferences attended and contractors hired to work on the marketing efforts associated with the darelle website. 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. Marketing expenses were \$204 for the three-month period ended May 31, 2018 compared to \$2,848 for same period of fiscal 2017. Higher marketing costs during the 2017 fiscal year were attributed to a conference attended and contractors hired to work on the marketing efforts associated with the darelle.com website.

Professional Fees

Profession fees were \$12,225 for the nine months ended May 31, 2018 compared to \$16,110 during the same nine-month period of the 2017 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 \$Nil for the three-month period ended May 31, 2018 compared to \$2,848 for same period of 2017.

Stock Based Compensation

Stock based compensation was \$106,232 for the nine months ending May 31, 2018 compared to \$Nil during the same nine-month period of the 2017 fiscal year. On January 15, 2018, the Company granted 3,335,000 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 2018 was \$55,615 compared with stock-based compensation of \$ Nil during the third quarter of the 2017 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 \$15,392 during the nine months ended May 31, 2018 compared to \$15,161 during the same nine-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 expense for the third quarter of 2018 was \$6,633 compared with expense of \$1,439 during the same three-month period in 2018. 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. Higher costs for the 2018 fiscal year included filing costs associated with the company's annual general meeting.

Travel

Travel expenses were \$3,097 for the nine months ended May 31, 2018 compared to \$1,003 for the same nine-month period of the 2017 fiscal year. Travel costs include travel to events and raffle draws the Company attends in conjunction with various online raffle programs the Company hosts. The Company had travel expenses of \$986 during the third quarter of 2018 compared to \$119 for the same three-month period in 2017. Travel expenses include travel and accommodation, meals, and entertainment.

Net Loss

Net loss for the nine months ended May 31, 2018 was \$332,315 ((\$0.01) per share) compared to \$282,356 ((\$0.00) for the same nine-month period of the 2017 fiscal year. The Company realized revenue of \$103,422 during the first nine months of the 2017 fiscal year, compared with revenue of \$51,205 during the same nine-month period of the 2017 fiscal year. The Company realized stock-based compensation expense of \$106,232 compared to \$Nil for the 2017 fiscal year. The Company did not issue any stock options during the 2017 fiscal year. In addition, the Company realized higher management fees (\$32,511) during the 2018 fiscal year with the return of an executive officer from an auto accident. This was partially offset by lower amortization costs of \$74,700, compared to \$112,500 during the 2017 fiscal year.

Net loss for the first quarter ended May 31, 2018 was \$101,962 ((\$0.00) per share) compared to a net loss of \$92,271 (\$0.00) per share) for the same period in fiscal 2017. The decrease in net loss for the period is primarily due to higher stock-based compensation (\$55,615) realized during the quarter and was offset by higher revenue (\$29,804) realized on a quarter-over-quarter basis.

Loss per share for the three and nine-month periods ended May 31, 2018 and 2017 was calculated based on the weighted average number of common shares outstanding through the quarter.

Additional Disclosure for Venture Issuers Without Significant Revenue

	2018	2017
Development of Intangible Asset	\$79,867	\$86,218
Material Expenses:		
Management fees	\$180,000	\$148,489
General and administrative	\$42,639	\$29,706
Professional fees	\$12,225	\$16,110
Stock-based compensation	\$106,232	-

Summary of Quarterly Results

The following financial summary of quarterly operations has been presented based on the consolidated financial statements of the Company.

Summary of Quarterly Operations

	Three Month Period Ended May 31, 2018	Three Month Period Ended Feb. 28, 2018	Three Month Period Ended Nov. 30, 2017	Three Month Period Ended Aug 31, 2017
	\$	\$	\$	\$
Revenue	55,780	19,922	27,740	19,612

Capital Expenses	-	-	-	-
Net Loss	(101,962)	(159,849)	(70,507)	(295,015)
Net Loss Per Share	(0.00)	(0.00)	(0.00)	(0.00)

	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)	(42,935)
Net Loss Per Share	(0.00)	(0.00)	(0.00)	(0.00)

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

Cash Flows, Liquidity and Capital Resources

Cash Flows

Cash and cash equivalents balance was \$32,749 at May 31, 2018, a decrease of \$4,262 in the first nine months from \$37,011 at August 31, 2017.

Cash used by operations for the first nine months of fiscal 2018 was \$137,215 compared to cash provided by operations of \$3,005 for the same period in the 2017 fiscal year. The increase in cash used by operations for the period was primarily attributed to changes in non-cash operating working capital items including accounts payables and accrued liabilities. This was partially offset by higher operating loss being realized for the first nine months of the 2018 fiscal year.

Cash provided by financing activities for the nine-month period ended May 31, 2018 was \$212,820 compared with \$37,850 during the same nine-month period of the 2017 fiscal year. On January 15, 2018 the Company completed a private placement of 4,300,000 units ("Unit"), at \$0.05 per Unit, for gross proceeds of \$215,000. Each Unit consisted of one (1) common share of the Company and one share purchase warrant of the Company. Each whole warrant is exercisable for a period of 24 months to purchase one (1) additional common share of the Company for \$0.075. During the first quarter of the 2017 fiscal year, the Company received subscriptions in advance of a private placement the Company closed on December 12, 2017.

Cash used in investing activities during the nine-month period ended May 31, 2018 was \$79,867 compared with \$86,218 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. At May 31, 2018, the Company had cash and cash equivalents of \$32,749 compared to \$37,011 at August 31, 2017.

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, 2018 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, 2018:

	Undiscounted contractual cash flows \$	0 to 12 months \$	12 to 24 months \$	After 24 months \$
Financial liabilities				
Accounts payable and accrued liabilities	266,597	266,597	-	-
Funds held in trust	-	-	-	-
	<u>266,597</u>	<u>266,597</u>		

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, 2018.

Contractual Obligations

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

Off Balance Sheet Arrangements

As at May 31, 2018, 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, 2018, the Company incurred and recorded \$180,000 (August 31, 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 dated February 6, 2015, the officer of the Company and the wholly owned subsidiary will receive a monthly consulting fee of \$10,000. At May 31, 2018, \$228,852 (August 31, 2017 - \$172,205) was included in accounts payable and accrued liabilities to these companies for consulting fees rendered and expense reimbursements outstanding.

Key Management Personnel	May 31, 2018	May 31, 2017
Consulting fees	\$120,000	\$166,534
	\$120,000	\$166,534

Outstanding Share Data

Common shares outstanding

Authorized share capital consists of an unlimited number of common shares of which 73,708,147 (August 31, 2017 – 69,408,147) were issued and outstanding as at May 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 three-month period ended May 31, 2018	2017
Weighted average Common Shares Outstanding	71,566,522	67,515,949
	For the nine-month period ended May 31, 2018	2017
Weighted average Common Shares Outstanding	73,708,647	68,877,386

Stock Options and Warrants Outstanding

As at May 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, 2015	950,000	1.00
\$ 0.05	1,000,000	February 10, 2019	1,000,000	1.67
\$ 0.05	1,550,000	February 8, 2021	1,550,000	2.67
\$ 0.05	3,375,000	January 14, 2023	3,375,000	4.58
\$ 0.05	200,000	March 28, 2023	200,000	4.83
	7,075,000		7,075,000	

The weighted-average remaining contractual life of options outstanding at May 31, 2018 was 3.37 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
February 24, 2020	0.075	2,570,000

February 24, 2020	0.075	4,300,000
		19,105,657

The weighted-average remaining contractual life of warrants outstanding at May 31, 2018 was 1.10 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, 2017.

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 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. In particular, 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.