

DARELLE ONLINE SOLUTIONS INC.
UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
As at May 31, 2018 and for the Three and Nine-Month Periods Ended May 31, 2018
and 2017

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

DARELLE ONLINE SOLUTIONS INC.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited)
(Expressed in Canadian dollars)

As at	May 31, 2018	August 31, 2017
Assets		
Current		
Cash	\$ 32,749	\$ 37,011
Accounts receivable and other receivables	40,515	26,262
Prepaid expenses	2,159	2,159
	75,423	65,432
Intangible assets (note 7)	483,839	478,672
	\$ 559,262	\$ 544,104
Liabilities		
Current		
Accounts payable and accrued liabilities (note 3)	\$ 266,597	\$ 235,898
Funds held in trust (note 8)	-	2,278
	266,597	238,176
Shareholders' Equity		
Share capital (note 4)	5,929,796	5,716,976
Other equity reserve	1,636,768	1,530,536
Deficit	(7,273,899)	(6,941,584)
	292,665	305,928
	\$ 559,262	\$ 544,104

Nature and Continuation of Operations (note 1)
Related Party Transactions (note 9)

Approved on behalf of the Board of Directors:

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

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

DARELLE ONLINE SOLUTIONS INC.
Condensed Interim Consolidated Statements of Comprehensive Loss
(Unaudited)
(Expressed in Canadian dollars)

Periods ended	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	29,706
Management fees (note 9)	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
	157,742	118,247	435,757	333,559
Net loss and comprehensive loss	\$ (101,962)	\$ (92,271)	\$ (332,315)	\$ (282,356)
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.00)
Weighted average number of shares outstanding – basic and diluted	73,708,647	68,877,386	71,566,522	67,515,949

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

	<u>Share Capital</u>					
	Number	Amount	Other equity reserve	Share subscription received in advance	Deficit	Total
Balance, August 31, 2017	69,408,147	\$ 5,716,976	\$ 1,530,536	-	\$ (6,941,584)	\$ 305,928
Private placement	4,300,000	215,000	-	-	-	215,000
Stock based compensation			106,232			106,232
Share issue costs		(2,180)				(2,180)
Loss for the period	-	-	-	-	(332,315)	(332,315)
Balance, May 31, 2018	73,708,147	\$ 5,929,796	\$ 1,581,153	\$ -	\$ (7,273,899)	\$ 292,665
Balance, August 31, 2016	66,838,147	5,589,176	1,636,768	-	(6,364,213)	755,499
Share Subscriptions	-	-	-	62,500	-	62,500
Private placement	2,570,000	128,500		(62,500)		66,000
Share issue costs		(700)				(700)
Loss for the period	-	-	-	-	(282,356)	(282,356)
Balance, May 31, 2017	66,838,147	\$ 5,716,976	\$ 1,530,536	\$ -	\$ (6,646,569)	\$ 600,944

DARELLE ONLINE SOLUTIONS INC.
Condensed Interim Consolidated Statement of Cash Flows
(Unaudited)
(Expressed in Canadian dollars)

Period ended	Nine Months Ended May 31, 2018	Nine Months Ended May 31, 2017
Operating Activities		
Net loss for the period	\$ (332,315)	(282,356)
Add back:		
Stock based compensation	106,232	-
Amortization	74,700	112,500
Changes in non-cash operating working capital items:		
Accounts payable and accrued liabilities	28,420	182,879
Prepaid expenses	-	(1,642)
Accounts receivable and other receivables	(14,252)	(14,387)
	(137,215)	3,005
Financing Activities		
Share issuance (net of issue costs)	212,820	37,850
	212,820	37,850
Investing Activities		
Development costs of intangible asset	(79,867)	(86,218)
	(79,867)	(86,218)
Inflow (outflow) of Cash	(4,262)	(57,371)
Cash at Beginning of period	37,011	183,379
Cash at End of period	\$ 32,749	\$ 132,008

DARELLE ONLINE SOLUTIONS INC.
Notes to Condensed Interim Consolidated Financial Statements
For the three and six-month periods ended May 31, 2018 and 2017
(Unaudited)

1. NATURE AND CONTINUANCE OF OPERATIONS

Darelle Online Solutions Inc. (the "Company") is a company listed on the TSX Venture Exchange with a registered office located at 4907 Fillinger Crescent, Nanaimo, British Columbia, Canada, V9V 1H9.

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

These unaudited condensed interim consolidated financial statements were authorized by the Board of Directors on July 30, 2018.

The unaudited condensed interim consolidated financial statements have been prepared on the basis that the Company is a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent upon achieving profitable operations and/or upon obtaining additional financing. The outcome of these matters cannot be predicted at this time. As at May 31, 2018, the Company had not achieved profitable operations and has a cumulative deficit of \$7,273,899. This is a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

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

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The unaudited interim financial statements for the nine months ended May 31, 2018 (the "Interim Financial Statements") have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. These Interim Financial Statements do not include all disclosures required for annual audited financial statements. Accordingly, they should be read in conjunction with the notes to the Company's audited annual financial statements for the year ended August 31, 2017, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

These Interim Financial Statements have been prepared using accounting policies consistent with those used in the Company's 2017 annual financial statements.

Adoption of new accounting standards

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

DARELLE ONLINE SOLUTIONS INC.
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(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	May 31, 2018	August 31, 2017
Trade accounts payable	\$ 37,745	\$ 63,693
Due to Directors (note 9)	228,852	172,205
	\$ 266,597	\$ 235,898

4. SHARE CAPITAL

Authorized - Unlimited number of common shares without par value

a) Issued

	Number of Shares	Amount
Balance at August 31, 2017	69,408,147	\$5,716,976
Private placement (net issue costs)	4,300,000	212,820
Balance at May 31, 2018	73,708,147	\$5,929,796

On January 15, 2018, the Company issued 4,300,000 Units at \$0.05 per Unit, to provide the Company with gross proceeds of \$215,000. Each Unit consists of one (1) common share of the Company and one share purchase warrant of the Company. Each whole warrant will be exercisable for a period of twenty-four months to purchase one (1) additional common share of the Company for \$0.075. The Company attributed \$Nil to the value of the warrants, which was included in contributed surplus, and incurred \$2,180 in share issuance costs.

DARELLE ONLINE SOLUTIONS INC.
Notes to Condensed Interim Consolidated Financial Statements
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(Unaudited)

5. STOCK OPTIONS

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, 2019	950,000	1.00
\$ 0.05	1,000,000	February 10, 2020	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.

6. SHARE PURCHASE WARRANTS

Expiry	Exercise Price (CAD \$)	Number of Warrants
March 2, 2019	0.05	10,000,000
July 19, 2019	0.05	2,235,657
January 14, 2020	0.075	4,300,000
March 19, 2020	0.075	2,570,000
		19,105,657

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

7. INTANGIBLE ASSETS

Development costs	
Balance as at August 31, 2016	448,466
Additions	129,756
Amortization	(99,550)
Balance as at August 31, 2017	478,672
Additions	79,867
Amortization	(74,700)
Balance as at May 31, 2018	483,839

DARELLE ONLINE SOLUTIONS INC.
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7. INTANGIBLE ASSETS (continued)

Goodwill	
Balance as at August 31, 2016	227,648
Impairment	(227,648)
Balance as at August 31, 2017 & May 31, 2018	-
Carrying amount At May 31, 2018	483,839

8. FUNDS HELD IN TRUST

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

9. RELATED PARTY TRANSACTIONS

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

- During the period ended May 31, 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.

Key Management Personnel	May 31, 2018	May 31, 2017
Consulting fees	\$180,000	\$ 166,534
	\$180,000	\$ 166,534