

Darelle Online Solutions Inc.

Management's Discussion & Analysis

Year Ended August 31, 2021

Dated November 30, 2021

November 30, 2021

The following management discussion and analysis (“MD&A”) for Darelle Online Solutions Inc. (the “Company” and/or “darelle”) should be read in conjunction with the Company’s audited consolidated financial statements and related notes therein (“Financial Statements”) for the twelve months ended August 31, 2021, and 2020 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.

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. The Financial Statements and additional information regarding 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 September 22, 2021. 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 and is located at Suite 527, 2818 Main Street, Vancouver, B.C. V5T 0C1 with a registered office at 4610 Sheridan Ridge Road, Nanaimo, British Columbia, V9T 6S6.

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

Company Activity

On June 26, 2019, the Company announced it had entered into an arm's length binding letter of intent with North Star Holdings ("North Star") in which the securityholders of North Star would acquire control of the Company ("Proposed Transaction").

The reverse-takeover of the Company would result in North Star shareholders receiving 167,410,516 post-consolidation shares representing 98.8% of the outstanding shares of the Company once a consolidation is completed. The existing Company shareholders will continue to hold shares representing a 1.2% interest on a post-consolidation basis.

The transaction would involve the spin-out of the Company's wholly owned subsidiary, Darelle Media Inc. The darelle business currently constitutes all or all substantially all of the business of the Company. Current shareholders of the Company would receive an interest in the spin-out entity equal to their existing equity interest based upon a record date to be determined.

On or before closing of the Proposed Transaction, North Star agreed to make a cash payment of \$250,000 to darelle in consideration of the issuance of such number of common shares as will constitute 17.5% of the issued and outstanding shares of darelle (on a fully diluted basis) on closing.

Immediately prior to closing of the Proposed Transaction, the Company shall have no outstanding indebtedness, liabilities or obligations, except for \$150,000 in obligations owing to two companies owned by an officer of the Company and an officer of a wholly owned subsidiary of the Company, which shall be settled on closing date of the Proposed Transaction through the issuance of shares of the resulting issuer at a price per share equal to the concurrent offering price of any equity offerings completed in conjunction with the Proposed Transaction.

Upon execution of the LOI, North Star was to make two (2) non-refundable payments of \$25,000 to the Company. These payments have been made. In addition, North Star agreed to pay the Company an amount equal to the reasonable out-of-pocket expenses including listing fees, expenses associated with the shareholder meeting, reasonable fees of legal counsel, accountants and other advisors incurred by the Company in connection with the Proposed Transaction. Under the terms of the LOI, the Proposed Transaction was to be consummated on or before December 31, 2019. The Company signed a number of extensions to the LOI with North Star and on April 28 the Company signed an agreement extending the terms of the LOI until June 15, 2021.

The Company has been unable to communicate with North Star to determine whether North Star intended to proceed with the Proposed Transaction and/or intended to terminate the Proposed Transaction. On July 16, 2021, the Company provided notice to North Star that unless North Star provided clear intent to proceed with the Proposed Transaction by August 6, 2021, the Proposed Transaction would be considered terminated by North Star. The Company received no firm commitment from North Star that it intended to proceed and considers the Proposed Transaction terminated by North Star.

Financial Statements Going Concern Assumption

The consolidated financial statements of the Company have been prepared on the basis of accounting principles applicable to a going concern under IFRS. The use of these principles under IFRS assumes that the Company will continue in operation for the near future and will be able to realize assets and discharge its liabilities in the normal course of operations. The Company incurs operating losses, which casts significant doubt about the Company's ability to continue as a going concern.

Management's current strategy is careful cost control while pursuing opportunities in new geographical locations. Management recognizes the Company's need to increase its cash reserves in the coming year if it intends to adhere to its plans and has evaluated its potential source of funds. Although management

intends to assess and act on these options throughout the course of the year, there can be no assurance that the steps management takes will be successful.

During the year ended August 31, 2021, the Company generated revenue of \$258,295 (2020 – 145,390) and as of August 31, 2021, had a deficit of \$8,444,710 (2020 \$8,316,838) and a working capital deficit of \$816,554 (2020 - \$723,419). In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of uncertainties related to events or conditions that may cast significant doubt upon its ability to continue as a going concern that these uncertainties are material and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

Accordingly, the consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore to realize its assets and discharge its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements. These adjustments could be material.

Since March 2020, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which included the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruptions to business globally in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 pandemic is unknown at this time. As consumers gravitated towards e-commerce shopping during this pandemic, the company experienced a positive trend for demand for its services as organizations look for online raffle solutions to raise funds for their organization.

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, 2021 are noted below:

- Cash used by operations was \$17,589 for the year compared to cash used by operations of \$11,162 for the same period in fiscal 2020.
- Net loss and comprehensive loss were \$127,872 ((\$0.00) per share) for the year, decreased from \$395,711, compared to the same period in fiscal 2020.

Selected Annual Information

	2021	2020	2019
	\$	\$	\$
Revenue	258,295	145,390	130,631
Loss before income taxes	(127,872)	(395,711)	(529,066)
Net loss	(127,872)	(395,711)	(529,066)
EPS - Basic	(0.00)	(0.01)	(0.01)
EPS - Diluted	(0.00)	(0.01)	(0.01)
Total assets	199,683	84,880	278,274
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, 2021 and 2020:

	Three Months Ended		Year Ended	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
Sales	\$ 97,479	\$ 74,508	\$ 258,295	\$ 145,390
Expenses				
Consulting fees	-	4,940	-	56,215
Amortization	-	24,097	-	50,858
Accretion	3,154	-	4,940	-
Salary, wages, and benefits	25,426	38,594	132,484	64,324
General and administrative	8,261	6,846	34,037	22,000
Management fees	52,200	47,800	216,400	217,700
Professional fees	5,305	5,125	25,777	23,170
Transfer agent & filing fees	2,312	1,420	12,506	15,787
Travel	-	-	161	309
Total expenses	96,658	128,822	426,305	450,364
Results from operations	(965)	(54,314)	(168,010)	(304,973)
Other income	28,417	17,679	32,919	17,679
Impairment of intangible assets	-	(144,099)	-	(144,099)
Federal wage subsidy	3,216	20,321	9,935	35,682
Net and comprehensive income (loss)	32,454	(160,413)	(125,156)	(395,711)
Basic and diluted income				
(loss) per share	\$ 0.00	\$ (0.00)	(0.00)	\$ (0.01)
Weighted average number of shares outstanding				
	73,708,147	73,708,147	73,708,147	73,708,147

Revenue

Revenue was \$97,479 for the fourth quarter of 2021 compared to revenue of \$74,508 during the same quarter of 2020. 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. During the fourth quarter of 2021 the Company realized set up fees of \$Nil and processing fees of \$97,479 compared with set up fees of \$12,250 and processing fees of \$62,258 during the fourth quarter of the 2020 fiscal year.

Revenue was \$258,295 for the year ended August 31, 2021 compared to \$145,390 for the 2020 fiscal year. The Company realized set-up fees of \$38,500 (2020 - \$31,708) and processing fees of \$219,795 (2020 - \$113,682) during the 2020 fiscal year. The onset of the COVID 19 pandemic had a negative impact on revenue during the second and third quarters of the 2020 fiscal year as several organizations cancelled and/or deferred raffle programs with the Company. Client engagement requests improved during the fourth quarter of the 2020 fiscal year as more organizations investigate online raffle programs as a viable fundraising tool with social distancing protocols in place.

Consulting Fees

Consulting fees were \$Nil for the fourth quarter of 2021 compared to \$4,940 for the same quarter of the 2020 fiscal year. Consulting fees include fees paid to software programmers and sales consultants. During the third quarter of 2020 the Company elected to offer employment to two consultants providing services to the Company. Both employment positions are full-time in nature. The Company did not engage any sales consultants during the 2020 fiscal year due to limited financial resources.

Consulting fees were \$Nil for the year ended August 31, 2021 compared to \$56,215 for 2020. The transition from consultant to employees during the 2020 fiscal year resulted in reduced consulting fees.

Amortization

Amortization expense was \$Nil for the fourth quarter of 2021 compared to \$24,097 in the fourth quarter of 2020. The Company realize an impairment of its remaining tangible assets during the fourth quarter of the 2020 fiscal year. The carrying value of intangible assets was \$Nil at the start of the 2021 fiscal year.

Amortization expense was \$Nil for the fiscal year ended August 31, 2021 compared to \$50,858 during the same twelve-month period in 2020. 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. Development expenditures are amortized over their useful life which has been estimated at five years. During the 2020 fiscal year the Company realized an impairment of intangible assets of \$144,099 resulting a carrying value of \$Nil at the start of the 2021 fiscal year.

Accretion

Accretion expense was \$3,154 for the fourth quarter of 2021 compared to \$Nil in the fourth quarter of 2020. Due to the global COVID-19 outbreak, the federal government of Canada introduced the CEBA program. CEBA provides an interest-free loan of up to \$60,000 to eligible businesses. The CEBA loan has an initial term that expires on December 31, 2022, throughout which, the CEBA loan remains interest free. The Company anticipates repaying the loan prior to December 31, 2021. The CEBA loan has a carrying value of \$31,583 and a face value of \$40,000. The CEBA loan shall be accreted to the \$40,000 face value over the term of the loan. During the fourth quarter, the Company recorded \$3,154 (2020 \$Nil) of accretion expense on the CEBA loan payable.

Accretion expense was \$3,154 compared to \$Nil for the fiscal year ended August 31, 2020.

Salary, Wages and Benefits

Salary, wages, and benefit expenses were \$24,526 for the fourth quarter of 2021 compared to \$38,594 for the same three-month period in 2020. During the first quarter of the 2021 fiscal year, the Company laid off one of its software programmers resulting in lower salary, wages, and benefits on a period-over-period basis.

Salary, wages, and benefit expenses were \$132,484 compared to \$64,324 for the fiscal year ended August 31, 2020. During the third quarter of 2020 the Company elected to offer employment to two consultants providing services to the Company.

The Company has applied and received funding under the Canada Emergency Wage Subsidy (CEWS) program. The Company continues to review its revenue relative to historic levels on a period-over-period basis to determine if the Company can apply and receive future funding under the CEWS program (see "Federal Wage Subsidy").

General and Administrative

General and administrative ("G&A") expenses were \$8,261 for the fourth quarter of 2021 compared to \$6,846 for the same three-month period in 2020. G&A expenses are mainly costs associated with the company's computer servers, office supplies, travel, entertainment, investor relation programs and administrative costs.

G&A expenses were \$34,037 for the 2021 fiscal year, increased by, \$12,037 from \$22,000 for the same period in 2020. G&A expenses are mainly costs associated with the company's computer servers, office supplies, travel, entertainment, investor relation programs and administrative costs and are consistent with higher activity levels during the 2021 fiscal year.

Management Fees

Management Fees were \$52,200 for the fourth quarter of 2021 compared to \$47,800 during the same three-month period in 2020. 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 \$216,400 during the fiscal year ended August 31, 2021 compared to \$217,700 for the same twelve-month period in the 2020 fiscal year.

Effective January 1, 2020, the Officers agreed to bill the Company consulting fees based upon an hourly rate for services provided up to the monthly maximum of \$10,000 per month until either the transaction with North Star is completed and/or the Company secured additional financial resources.

Professional Fees

Professional fees were \$5,305 during the fourth quarter of 2021 compared to \$5,125 for the fourth quarter of 2020. Professional fees in the fourth quarter of 2021 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 \$25,777 for the year ended August 31, 2021 compared to \$23,170 for same twelve-month period of fiscal 2020 and are consistent on a year-over-year basis.

Transfer Agent & Filing Fees

Transfer agent and filing fees were \$2,312 during the fourth quarter of 2021 compared to \$1,420 during the same three-month period of the 2020 fiscal year. Higher costs during the 2021 fiscal year reflect fees paid to the TSX Venture Exchange as a result of a resumption of trading order once the transaction with North Star was discontinued.

Transfer agent and filing fees were \$12,506 during the fiscal year ended August 31, 2020 compared to \$15,787 for the same twelve-month period in 2020. Transfer agent and filing fees are consistent on a year-over-year basis. 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.

Travel

Travel expenses were \$Nil for the fourth quarter of 2021 compared to \$Nil for the same three-month period in 2020. Travel expenses were \$161 for the year ended August 31, 2021 compared to \$309 for the same twelve-month period in 2020. Travel expenses include travel and accommodation, meals, and entertainment and were consistent on a year-over-year basis. Travel expenses were limited due to restricted financial resources.

Other Income

The Company realized other income of \$28,417 during the fourth quarter ended August 31, 2021 compared to \$17,679 during the same three-month of the 2020 fiscal year. Due to the global COVID-19 outbreak, the federal government of Canada introduced the Canada Emergency Benefit Account ("CEBA"). CEBA provides an interest-free loan of up to \$60,000 to eligible businesses. The CEBA loan has an initial term that expires on December 31, 2022, throughout which, the CEBA loan remains interest free. Repayment of \$40,000 by December 31, 2022, results in a \$20,000 loan forgiveness. Since the Company is expected to repay the loan by December 31, 2022, the \$20,000 for the forgiveness of the loan was recognized as other income. The remaining value of the loan has an initial carrying value of

\$31,583 using a discount rate of 11%, which was the estimated rate for a similar loan without the interest free component. The difference between the face value and carrying value is recorded as government grant income. During the 2020 fiscal year the Company received \$17,679 from North Star to be applied to fees and expenses incurred in connection with the proposed North Star transaction.

The Company realized other comprehensive income of \$28,417 during the twelve month period ended August 31, 2021 compared to other comprehensive income of \$17,679.

Impairment of Intangible Assets

The Company realized an impairment on the value of intangible assets on the www.darelle.com platform ("platform") of \$144,099 during the fourth quarter of 2020 compared to \$Nil for the same quarter of the 2021 fiscal year. IAS 36 *Impairment of Assets* seeks to ensure that the Company's assets are not carried at more than their recoverable amount. The recoverable amount is estimated based upon a number of factors included value in an independent marketplace and cash flow generated from the intangible asset. Management reviews intangible assets on a quarterly and annual basis to determine whether an impairment has occurred. Based upon the recoverable amount determined for the cash generating platform, the Company concluded that an impairment of \$Nil was required for the year ended August 31, 2021 (2020 - \$144,099). The carrying value of intangible assets as at August 31, 2021 and 2020 was \$Nil.

Federal Wage Subsidy

The Company realized other income of \$3,216 during three-month period ended August 31, 2021 compared to \$20,321 for the same three-month period in 2020. During the fourth quarter of 2021 fiscal year, the Company amended two claims submitted during the second quarter. This resulted in a repayment of CEW claimed in the fourth quarter. The Company realized other income of \$9,935 during fiscal year ended August 31, 2021 compared to \$35,682 for the same twelve-month period in 2020. Other income includes funding received under the Canada Emergency Wage Subsidy (CEWS) program. Other income realized occurred during the third quarter and fourth quarters of the 2020 fiscal year. Under the program, the Company applied for a wage subsidy based upon 75% of salary, wages, and benefits paid up to a weekly maximum. The Company continues to review its revenue relative to historic levels on a period-over-period basis to determine if the Company can apply and receive future funding under the CEWS program.

Net Loss

The company realized comprehensive income for the fourth quarter ended August 31, 2020 of \$32,454 (\$0.00 per share) compared to a net loss of \$160,413 for the same period in fiscal 2020. The increase was due primarily to an increase in revenue on a period over period basis, reduced costs of operations and other income of \$36,135 realized during the fourth quarter of the 2021 fiscal year.

Net loss for the year ended August 31, 2021 was \$127,872 ((\$0.01) per share) compared to a net loss of \$395,711 ((\$0.00) per share) for the same twelve-month period ended August 31, 2020. The decrease was due to higher revenue on a year-over-year basis, and lower operating costs.

Loss per share for the periods ended August 31, 2021 and 2020 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, 2021	Three Month Period Ended May 31, 2021	Three Month Period Ended Feb. 28, 2021	Three Month Period Ended Nov. 30, 2020
	\$	\$	\$	\$
Revenue	97,479	62,370	71,844	26,602
Capital Expenses	-	-	-	-
Net Income (Loss)	32,454	(36,954)	(36,195)	(87,177)
Net Loss Per Share	0.00	(0.00)	(0.00)	(0.00)

	Three Month Period Ended Aug 31, 2020	Three Month Period Ended May 31, 2020	Three Month Period Ended Feb. 29, 2020	Three Month Period Ended Nov. 30, 2019
	\$	\$	\$	\$
Revenue	74,508	29,287	19,106	22,489
Capital Expenses	-	-	-	-
Net Loss	(160,413)	(75,299)	(74,094)	(85,905)
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.

Intangible Assets

Development costs	
Balance as at August 31, 2019	194,957
Amortization	(50,858)
Impairment	(114,099)
Balance and carrying amount of intangible assets as at August 31, 2021 and 2020	
	-

Intangible assets include software acquired in conjunction with the acquisition of Darelle Media Inc. and internally generated development costs. In conjunction with the acquisition of Darelle Media Inc. the Company acquired intangible assets of \$300,582 which had a remaining useful life of 38 months.

The Company assesses the carrying amount of non-financial assets including intangible assets at each reporting date to determine whether there is an indication of impairment. An impairment loss is the amount equal to the excess of the carrying amount over the recoverable amount.

The calculation of the recoverable amount used in impairment testing requires estimates of the number of raffle programs the Company will complete and an assessment of the resultant revenue the Company will realize. Such estimates are reviewed in detail as part of the budget and strategic planning process. The recoverable amount of the darelle.com platform (intangible asset) is based on the higher of fair value less costs to sell and value in use, generally determined using a discounted cash flow model. Other key estimates used to determine the recoverable amount include the discount rate and the expected cash flows as determined in the budget and strategic plan.

If, after the Company has previously recognized an impairment loss, circumstances indicate that the fair value of the impaired asset is greater than the carrying amount, the Company reverses the impairment loss by an amount the revised fair value exceeds its carrying amount, to a maximum of the previous impairment loss. In no case shall the revised carrying amount exceed the original carrying amount, after amortization, that would have been determined if no impairment loss had been recognized. An impairment loss or a reversal of an impairment loss is recognized in other income and/or expense. Impairment of goodwill is not reversed.

During the year ended August 31, 2020, the Company impaired intangible assets by \$144,099. The carrying value of intangible assets as at August 31, 2021 and 2020 was \$Nil.

Liquidity and Capital Resources

	August 31, 2021	August 31, 2020
Non-current assets	\$ -	\$ -
Current assets	199,683	84,880
Current liabilities	(1,016,237)	(808,299)
Total assets less current liabilities	(816,554)	(723,419)
Non-current liabilities	34,737	-
Shareholders' equity	(851,291)	(723,419)
	\$ (816,554)	\$ (723,419)

Non-current assets

Non-current assets remained unchanged.

Current assets

Current assets increased by \$114,803 at August 31, 2021 as compared to August 31, 2020, which is attributed to:

Cash

Cash increased by \$48,024 primarily due to the receipt of proceeds on a loan (\$60,000) and was partially offset by cash requirements for operating activities.

	August 31, 2021	August 31, 2020
Trade receivables	\$ 99,052	\$ 37,186
Allowance for doubtful debts	-	1,838
Net trade receivables	99,052	35,348
Other receivables	5,378	(790)
	\$ 104,430	\$ 34,558

Current liabilities

Current liabilities of \$1,016,237 increased by \$207,938 which is attributed to:

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities decreased by \$24,921. The decrease was predominantly due to the payment of audit fees of approximately \$24,000 during the 2021 fiscal year.

Due to related party

Due to related party increased by \$232,859. The increase is predominantly due to the accrual of unpaid management fees to related parties as of August 31, 2021.

Non-current liabilities

Non-current liabilities of \$34,737 increased by \$34,737 as a result of perceived under a loan program from the Canada Emergency Business Account ("CEBA") program.

Shareholders' equity

Shareholders' equity at August 31, 2021 decreased by \$127,872 as compared to the balance at August 31, 2020 due to the recognition of a net loss of \$ 127,872 for the year ended August 31, 2021.

Liquidity and Solvency

The following table summarizes the Company's cash on hand, working capital and cash flow:

	August 31, 2021	August 31, 2020
	\$	\$
Cash	92,733	50,322
Working capital (deficit)	(816,554)	(723,419)
Cash used from operating activities	(17,589)	(11,162)
Cash provided in financing activities	60,000	-
Net change in cash	\$ 42,411	\$ (11,162)

The Company may have to raise additional funds in the future to continue its operations. There can be no assurance, however, that the Company will be successful in its efforts. If such funds are not available or other sources of financing cannot be obtained, then the Company be forced to curtail its business activities and/or seek strategic opportunities.

Capital Resources

The Company's primary assets as at August 31, 2021, are cash, receivables, prepaid expenses and the darelle.com online raffle platform. There was an impairment of intangible assets representing the darelle.com online raffle platform which were recognized during the 2019 and 2020 fiscal years. The carrying value of intangible assets is \$Nil (2020 - \$Nil).

Critical Accounting Policies and Estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported on the consolidated financial statements. These critical accounting estimates represent management estimates that are uncertain and any changes in these estimates could materially impact the Company's consolidated financial statements. Management continuously reviews its estimates and assumptions using the most current information

available. The Company's critical accounting policies and estimates are described in Note 2 of the accompanied audited consolidated financial statements for the year ended August 31, 2021.

Future Changes in Accounting Standards

There are no other IFRS or International Financial Reporting Interpretations Committee interpretations that are not yet effective that are expected to have a material impact on the Company's 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 counterparty 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.

Aa at August 31, 2021, \$15,426 (August 31, 2020 - \$15,357) of trade accounts receivable balance of \$99,052 (August 31, 2020 - \$37,186) was past due. Other receivables as at August 31, 2021 consist primarily of claims under CEWS and GST of \$5,378 (August 31, 2020 - \$(790)).

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	\$ 65,749	-	5,000	-	\$ 70,749
Due to related party	945,488	-	-	-	945,488
Balance August 31, 2021	\$ 1,011,237	-	5,000	-	\$ 1,016,237

	<1 year	1 to 3 years	4 to 5 years	>5 years	Total
Accounts payable and accrued liabilities	\$ 90,670	-	5,000	-	\$ 95,670
Due to related party	712,629	-	-	-	712,629
Balance August 31, 2020	\$ 803,299	-	5,000	-	\$ 808,299

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, 2021, and 2020, 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, 2021.

Contractual Obligations

As of August 31, 2021, the Company has no lease commitments on its premises.

Off Balance Sheet Arrangements

As at August 31, 2021, 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:

During the year ended August 31, 2021, the Company incurred and recorded \$216,400 (2020 - \$217,700) 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, 2021, \$945,488 (2020 – \$712,629) was included in accounts payable to these companies for consulting fees rendered.

Key Management Personnel and Director Remuneration

	August 31, 2021	August 31, 2020
Management fees	\$216,400	\$217,700

Outstanding Share Data

Common shares outstanding

The Company has 73,708,147 (2020 – 73,708,147) common shares outstanding as at August 31, 2021.

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,	
	2021	2020
Weighted average Common Shares Outstanding	73,708,147	73,708,147
	For the year ended August 31,	
	2021	2020
Weighted average Common Shares Outstanding	73,708,147	73,708,147

Stock Options and Warrants Outstanding

The following table summarizes activity under the Company's stock option plan as of August 31, 2020:

	Number of options	Weighted average exercise price
Balance outstanding – August 31, 2019	5,925,000	\$0.05
Expired during the year	(1,100,000)	\$0.05
Forfeited during the year	(1,175,000)	\$0.05
Balance outstanding – August 31, 2020	3,750,000	\$0.05
Expired during the year	(825,000)	\$0.05
Balance outstanding – August 31, 2021	2,925,000	\$0.05

As at August 31, 2020, 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	2,925,000	January 14, 2023	2,925,000	1.33
	2,925,000		2,925,000	

The weighted-average remaining contractual life of options outstanding at August 31, 2021 was 1.33 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 September 22, 2021 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 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.