

**DARELLE ONLINE SOLUTIONS INC.**  
**UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**As at May 31, 2021 and for the Three and Nine Month Periods Ended May 31, 2021**  
**and 2020**

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

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The accompanying unaudited condensed interim consolidated financial statements of Darelle Online Solutions Inc. (the “Company”) for the six month periods ended May 31, 2021 and 2020 (the “Financial Statements”) 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.

The Financial Statements should be read in conjunction with the Company’s audited financial statements for the year ended August 31, 2020 which are available under the Company’s profile on SEDAR at [www.sedar.com](http://www.sedar.com) . The Financial Statements are prepared in accordance with International Financial Reporting Standards (“IFRS”).

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

As at	May 31, 2021	August 31, 2020
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 51,833	\$ 50,322
Prepaid expenses	2,698	-
Accounts receivable and other receivable	77,312	34,558
	131,843	84,800
Intangible assets (note 5)	-	-
	\$ 131,843	\$ 84,880
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (note 3)	\$ 75,049	\$ 95,670
Due to related party (note 3 & 6)	880,539	712,629
	955,588	808,299
<b>Non-current</b>		
Loan payable (note 10)	60,000	-
<b>Shareholders' Equity</b>		
Share capital	5,886,871	5,886,871
Other equity reserve	1,706,548	1,706,548
Deficit	(8,477,164)	(8,316,838)
	(883,745)	(723,419)
	\$ 131,843	\$ 84,880

Nature and Continuance of Operations (note 1)

Approved on behalf of the Board of Directors:

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

....."John Newman"..... Director

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

Periods ended	Three months ended May 31, 2021	Three months ended May 31, 2020	Nine months ended May 31, 2021	Nine months ended May 31, 2020
<b>Revenue</b>	\$ 62,370	\$ 30,537	\$ 160,816	\$ 72,132
<b>Expenses</b>				
Consulting fees	-	9,275	-	51,275
Amortization	-	24,097	-	72,291
Salary, wages, and benefits	25,235	25,730	107,058	25,730
General and administrative	7,963	5,198	25,777	15,155
Management fees (note 6)	55,600	60,000	164,200	169,900
Professional fees	8,525	5,125	20,472	18,045
Transfer agent & filing fees	2,001	5,702	10,194	14,367
Travel	-	-	161	309
	99,324	135,127	327,862	367,072
<b>Results from operations</b>	(36,954)	(104,590)	(167,046)	(294,940)
<b>Other income (expenses)</b>				
Federal wage subsidy (note 9)	-	15,361	6,720	15,361
<b>Net loss and comprehensive loss</b>	\$ (36,954)	\$ (89,229)	\$ (160,326)	\$ (279,579)
<b>Basic and diluted loss per share</b>	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
<b>Weighted average number of shares outstanding – basic and diluted</b>	73,708,147	73,708,147	73,708,147	73,708,147

**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	Deficit	Total
<b>Balance, August 31, 2020</b>	73,708,147	\$ 5,886,871	\$ 1,706,548	\$ (8,316,838)	\$ (723,419)
Loss for the period	-	-	-	(160,326)	(160,326)
<b>Balance, May 31, 2021</b>	73,708,147	\$ 5,886,871	\$ 1,706,548	\$ (8,477,164)	\$ (883,745)
<b>Balance, August 31, 2019</b>	73,708,147	5,886,871	1,706,548	(7,921,127)	(327,708)
Loss for the year	-	-	-	(395,711)	(395,711)
<b>Balance, August 31, 2020</b>	73,708,147	\$ 5,886,871	\$ 1,706,548	\$ (8,316,838)	\$ (723,419)

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

<b>Period ended</b>	<b>Nine Months Ended May 31, 2021</b>	<b>Nine Months Ended May 31, 2020</b>
<b>Operating Activities</b>		
Net loss for the period	\$ (160,326)	(279,579)
<b>Add back:</b>		
Amortization	-	72,291
<b>Changes in non-cash operating working capital items:</b>		
Accounts payable and accrued liabilities	147,289	155,756
Prepaid expenses	(2,698)	-
Accounts receivable and other receivables	(42,754)	747
	(58,489)	(50,785)
<b>Financing Activities</b>		
Proceeds from a loan	60,000	-
	60,000	-
<b>Inflow (outflow) of Cash</b>	1,511	(50,785)
<b>Cash at Beginning of period</b>	50,322	61,484
<b>Cash at End of period</b>	\$ 51,833	\$ 10,699

**DARELLE ONLINE SOLUTIONS INC.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**For the three and nine-month periods ended May 31, 2021 and 2020**  
**(Unaudited)**

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**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 4610 Sheridan Ridge Road, Nanaimo, British Columbia, Canada, V9T 6S6.

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, 2021.

The unaudited condensed consolidated interim 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 Company has additionally entered into a reverse transaction agreement with North Star Holdings (note 9). The outcome of these matters cannot be predicted at this time.

As of May 31, 2021, the Company had not achieved profitable operations and has a cumulative deficit of \$8,477,164. This is a material uncertainty which may cast significant doubt about the Company’s ability to continue as a going concern.

Management estimates that results from operation and working capital are not sufficient to meet the Company’s obligations and commitments and budgeted expenditures through August 31, 2021. These circumstances lend a significant doubt as to the ability of the Company to ensure its continuity of operation and, according, the appropriateness of the use of accounting principles of 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.

Any funding shortfall may be met in the future in a number of ways including but not limited to, the issuance of new debt or debt financing. While management has been successful in securing financing in the past, there can be no assurance that it will be able to do so in the future or that these sources of funding or initiatives will be available to the Company or that they will be available on terms which are acceptable to the Company. If management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in the Financial Statements.

The outbreak of the coronavirus, also known as “COVID-19”, has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on the global economic conditions as well as on the Company’s business activities. The extent to which the coronavirus may impact the Company’s business activities will depend upon future developments, such as the ultimate geographic spread of the disease,

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**1. NATURE AND CONTINUANCE OF OPERATIONS** (continued)

the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken to contain and treat the disease. These events are highly uncertain and as such, the Company cannot determine their financial impact at this time. While certain restrictions are presently in the process of being relaxed, it is unclear when the world will return to the previous normal, if ever. This may adversely impact the expected implementation of the Company's business plans.

**2. SIGNIFICANT ACCOUNTING POLICIES**

*Statement of compliance*

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and do not include all information required for full annual consolidated financial statements. The same accounting policies were followed in the preparation of these interim condensed consolidated financial statements as were followed in the preparation of the annual consolidated financial statements for the year ended August 31, 2020 except as noted below. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended August 31, 2020.

These Interim Financial Statements have been prepared using accounting policies consistent with those used in the Company's 2020 annual financial statements.

*Newly adopted accounting standards*

IFRS 3 – Business Combination ("IFRS 3") was amended by the International Accounting Standards Board in October 2018, seeking to clarify whether an acquisition transaction results in the acquisition of an asset or the acquisition of a business. The amendments are effective for acquisition transactions on or after January 1, 2020, although earlier application is permitted. The amended standard has a narrower definition of a business, which could result in the recognition of fewer business combinations than under the current standard; the implication of this is that amounts which may have been recognized as goodwill in a business combination under the current standard may now be recognized as allocations to net identifiable assets acquired under the amended standard (with an associated effect in an entity's results of operations that would differ from the effect of goodwill having been recognized).

The Company has evaluated the impacts from the adoption of IFRS 3 on its interim consolidated condensed financial statements and concluded that there is no material impact.

**DARELLE ONLINE SOLUTIONS INC.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
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**3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	May 31, 2021	August 31, 2020
Trade accounts payable and accrued liabilities	\$ 75,049	\$ 95,670
Due to related parties (note 7)	880,539	712,629
	<b>\$ 955,588</b>	<b>\$ 808,299</b>

**4. STOCK OPTIONS**

As at May 31, 2021, 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	3,375,000	January 14, 2023	3,375,000	2.08
	3,375,000		3,375,000	

The weighted-average remaining contractual life of options outstanding at May 31, 2021 was 2.08 years. During the period ended May 31, 2021, 825,000 options expired, and the Company did not grant any options.

**5. INTANGIBLE ASSETS**

Development costs	
Balance as at August 31, 2019	194,957
Impairment	(144,099)
Amortization	(50,858)
<b>Balance as at August 31, 2020 and May 31, 2021</b>	<b>-</b>

Intangible assets include software acquired in conjunction with the acquisition of Darelle Media Inc. and internally generated development costs. In conjunction with the acquisition the Company acquired intangible assets of \$300,582 which had a useful remaining life of 34 months.

During the year ended August 31, 2020, the Company impaired its intangible assets of \$144,099 (August 31, 2019 - \$167,113). The remaining useful life of intangible assets as at August 31, 2020 was Nil.

**6. RELATED PARTY TRANSACTIONS**

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

**DARELLE ONLINE SOLUTIONS INC.**  
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**(Unaudited)**

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**6. RELATED PARTY TRANSACTIONS (continued)**

- During the period ended May 31, 2021, the Company incurred and recorded \$164,200 (2020 - \$169,900) 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, 2021, \$880,539 (August 31, 2020 – \$712,629) was included in accounts payable and accrued liabilities to these companies for consulting fees rendered.

Key Management Personnel	Three month period		Nine Month Periods	
	May 31, 2021	May 31, 2020	May 31, 2021	May 31, 2020
Consulting fees	\$ 55,600	\$ 60,000	\$ 164,200	\$ 169,900
	<b>\$ 55,000</b>	<b>\$ 60,000</b>	<b>\$ 164,200</b>	<b>\$ 169,900</b>

**7. FINANCIAL INSTRUMENTS**

The carrying amounts present in the balance sheet relate to the following categories of assets and liabilities:

	May 31, 2021	August 31, 2020
<b>Financial assets</b>		
Cash	\$ 51,833	\$ 50,322
Prepaid expenses	2,698	-
Accounts receivable and other receivable	77,312	34,558
	<b>\$ 131,843</b>	<b>\$ 84,880</b>
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities	\$ 75,049	\$ 95,670
Due to related party	880,539	712,629
Loans	60,000	-
	<b>\$ 1,015,588</b>	<b>\$ 808,299</b>

The fair value of cash, accounts receivable, accounts payable and accrued liabilities and funds held in trust approximate their varying amount due to their short-term nature.

The Company has exposure to credit, foreign exchange, liquidity, 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 carrying value of the items at the reporting date.

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**(Unaudited)**

**7. FINANCIAL INSTRUMENTS (continued)**

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.

Accounts receivable is comprised of the following:

	<b>May 31, 2021</b>	<b>August 31, 2020</b>
Trade receivables	\$ 77,312	\$ 37,186
Allowance for doubtful debts	-	1,838
Net trade receivables	77,312	35,348
Other receivables	-	(790)
	<b>\$ 77,312</b>	<b>\$ 34,558</b>

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

An analysis of the age of receivables is as follows:

	<b>May 31, 2021</b>	<b>August 31, 2020</b>
31 – 60 days	\$ -	\$ 525
61 – 90 days	-	1,838
Greater than 90 days	<b>30,363</b>	12,994
Balance past due	<b>30,363</b>	15,357
Current balance	<b>46,949</b>	21,829
Trade accounts receivable	<b>\$ 77,312</b>	<b>\$ 37,186</b>

**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.

**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.

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**(Unaudited)**

**7. FINANCIAL INSTRUMENTS (continued)**

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

	<b>&lt;1 year</b>	<b>1 to 3 years</b>	<b>4 to 5 years</b>	<b>&gt;5 years</b>	<b>Total</b>
Accounts payable and accrued liabilities	\$ 70,049	-	\$ 5,000		\$ 75,049
Due to related party	880,539	-	-	-	880,539
Loan		\$ 60,000			60,000
<b>Balance May 31, 2021</b>	<b>\$ 950,588</b>	<b>\$ 60,000</b>	<b>\$ 5,000</b>	<b>-</b>	<b>\$ 1,015,588</b>

  

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

**Interest rate risk**

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 May 31, 2021, and August 31, 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.

**8. CAPITAL MANAGEMENT**

The Company defines its capital as follows:

- shareholders' equity, comprising of issued common shares, reserves, and deficit;
- long term debt, including any current portion; and
- short term borrowing

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the funding of its marketing and operational plans and any joint venture and project commitments extending beyond one year. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the period ended May 31, 2021. The Company is not subject to externally imposed capital requirements.

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

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**9. FEDERAL WAGE SUBSIDY**

During the period year ended May 31, 2021 the Company applied for funding of \$6,720 (2020 - \$15,361) under the Canada Emergency Wage Subsidy (CEWS) program. The Government of Canada announced that the CEWS program will be extended until September 25, 2021. 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.

**10. LOAN**

The Company applied and received a loan of \$60,000 under the Canada Emergency Business Account program ("CEBA Program"). The CEBA Program provided interest-free loans of up to \$40,000, of which \$10,000 is forgivable if repaid before December 31, 2022 ("Interest-Free Period"). The Company received a second loan of \$20,000 under the CEBA Program of which an additional \$10,000 is forgivable if repaid before December 31, 2022. If at the end of the Interest-Free Period, the loan remains unpaid it converts to an interest bearing debt instrument.

**11. TRANSACTION PENDING**

On June 26, 2019, the Company announced it had entered into an arm's length binding letter of intent ("LOI") 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 also involves the spin-out of the Company's wholly owned subsidiary, Darelle Media Inc. ("darelle"). The darelle business currently constitutes all or all substantially all of the business of the Company. Current shareholders of the Company will 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 has 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 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 financing completed on closing.

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 will pay the Company an amount equal to the reasonable out-of-pocket expenses including listing fees, expenses associated with 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 Transaction was to be consummated on or before December 31, 2019. The Company signed several extensions to the LOI with North Star and on April

**DARELLE ONLINE SOLUTIONS INC.**  
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**(Unaudited)**

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**11. TRANSACTION PENDING** (continued)

28, 2021 the Company signed an agreement extending the terms of the LOI until June 15, 2021.

North Star has not communicated their intentions and the Company has been unable to determine whether North Star intends to proceed with the Proposed Transaction and/or intends to terminate the Proposed Transaction. On July 16, 2021, the Company provided notice to North Star that unless North Star provides clear intent to proceed with the Proposed Transaction by August 6, 2021, the Proposed Transaction is considered terminated by North Star.