

DARELLE ONLINE SOLUTIONS INC.

Management's Discussion & Analysis

Period ended May 31, 2023

Dated July 25, 2023

July 25, 2023

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 unaudited interim condensed consolidated financial statements and related notes therein (“interim Financial Statements”) for the nine months ended May 31, 2023 and May 31, 2022, as well as the audited consolidated financial statements with accompanying notes for the year ended August 31, 2022, 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. The 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. 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 with a registered office at 4610 Sheridan Ridge, Nanaimo, British Columbia, V9T 6S6

The Company has a wholly owned subsidiary (Darelle Media Inc.) which was acquired by the Company on February 5, 2015.

Company Activity

darelle is a company listed on the TSX Venture Exchange under the symbol "DAR". The Company provides an online raffle lottery system to charities and nonprofit organizations. The online raffle platform enables organizations to create, sell, deliver, and manage their raffle ticket and 50/50 draws, completely online.

During the nine month periods ended May 31, 2023 and 2022, the Company incurred net losses of \$107,637 and \$148,307 and negative cash flow from operating activities of \$12,467 during the nine month period ended May 31, 2023 compared to positive cash flow from operating activities of \$23,746 for the nine month period ended May 31, 2022. As at May 31, 2023, the Company had negative working capital of \$1,103,855 and a deficit of \$8,736,007 (as at August 31, 2022: negative working capital of \$996,218 and a deficit of \$8,628,370). This is a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

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 period ended May 31, 2023, the Company generated revenue of \$44,853 (2022 – \$106,596) and as of May 31, 2023, had a deficit of \$8,736,007 (August 31, 2022 - \$8,628,370) and a working capital deficit of \$1,103,855 (August 31, 2022 - \$996,218). In assessing whether the going concern assumption is appropriate, management considers 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.

Selected Annual Information

For Fiscal Years Ended August 31

	2022	2021	2020
	\$	\$	\$
Revenue	145,197	258,295	145,390
Loss before income taxes	(183,660)	(127,872)	(395,711)
Net loss	(183,660)	(127,872)	(395,711)
EPS - Basic	(0.00)	(0.00)	(0.01)
EPS - Diluted	(0.00)	(0.00)	(0.01)
Total assets	127,528	199,683	84,880
Long-term liabilities	38,733	34,737	-
Dividends	Nil	Nil	Nil

Financial Overview

Management considers the Company to be in the development stage. Annual revenues and expenditures are not reflective of future activity.

The financial highlights for the period ended May 31, 2023 are noted below:

- Cash used by operations and capital requirements was \$12,467 for the period compared to cash provided by operations of \$23,746 for the same period in fiscal 2022.
- Net loss was \$107,637 ((\$0.00) per share) for the period, decreased by \$40,670, or 27% compared to the same period in fiscal 2022.

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, 2023 and May 31, 2022:

	Three Months Ended May 31, 2023	Three Months Ended May 31, 2022	Nine months Ended May 31, 2023	Nine Months Ended May 31, 2022
Revenue	24,097	51,863	44,853	106,596
Expenses				
Consulting fees	2,747	-	5,705	-
Accretion	-	1,012	-	2,956
Salary, wages, and benefits	-	25,849	8,000	75,082
General and administrative	11,567	6,245	25,875	29,090
Management fees	30,000	30,000	90,000	120,000
Professional fees	8,140	6,536	19,795	19,841
Transfer agent & filing fees	651	106	2,108	8,023
Travel	997	1,570	1,007	1,814
	54,102	71,318	152,490	256,805

Results from operations	(30,005)	(19,455)	(107,637)	(150,211)
Other income (expenses)				
Federal wage subsidy	-	-	-	1,902
Net loss and comprehensive loss	30,005	(19,455)	(107,637)	(148,307)
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)
Weighted average # of shares outstanding	73,708,147	73,708,147	73,708,147	73,708,147

Revenue

Revenue for the nine-month period ended May 31, 2023 was \$44,853 compared with revenue of \$106,596 for the same nine-month period of the 2022 fiscal year. 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 \$7,250 and processing fees of \$37,603 during the first nine months of the 2023 fiscal year. This compares to set up fee revenue of \$30,750 and processing fees of \$75,846 during the same nine months of the 2022 fiscal year. The Company realized revenue of \$24,097 during the third quarter of the 2023 fiscal year compared with revenue of \$51,863 during the same three-month period of the 2022 fiscal year. Processing fees fluctuate with the timing of each raffle program and ticket sales realized by the client organization. In addition, the Company clients who elected to not hold a raffle and/or move to a competitor platform during the period. This accounted for the decline in revenue on a period-over-period basis.

Accretion

Accretion expense was \$Nil for the nine-month period ended May 31, 2023 compared to \$2,956 during the same nine-month period in 2022. 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, 2023, throughout which, the CEBA loan remains interest free. The Company anticipates repaying the loan prior to December 31, 2023. 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 three-month period ended May 31, 2023, the Company recorded \$Nil compared to \$1,012 of accretion expense during the third quarter of 2022 on the CEBA loan payable.

Salary, Wages, and Benefits

Salary, wages, and benefits expense was \$8,000 for the nine-month period ended May 31, 2023 compared to \$75,082 for the same nine-month period in 2022. During the first quarter of 2022 the Company utilized a consultant to monitor and update the www.darelle.com platform. Salary, wages, and benefits were \$Nil for the third quarter of 2023, compared to \$25,849 during the same period in 2022. The Company has no employees and relies on consultants to monitor and update the platform.

General and Administrative

General and administrative (“G&A”) expenses were \$25,875 for the nine months ended May 31, 2023, compared to \$29,090 for the same nine-month period in 2022. 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. General and administrative (“G&A”) expenses were \$11,567 for the

third quarter of 2023, compared to \$6,245 for the same period in 2022. These are mainly costs associated with the company's computer servers, office supplies, travel and entertainment and administrative costs.

Management Fees

Management fees were \$90,000 for the nine-month period ended May 31, 2023 compared to \$120,000 for the same period of 2022 fiscal year. Management fees include management consulting fees associated with an officer of the Company. Under the terms of the consulting agreement the officer will receive a monthly consulting fee of \$10,000 per month. 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.

Management fees were \$30,000 for the three-month period ended May 31, 2023 compared to \$30,000 for the same period of 2022 fiscal year.

Professional Fees

Professional fees were \$19,795 for the nine-month period ended May 31, 2023 compared to \$19,841 for same period of 2022. Professional fees include quarterly accrual of audit fees (\$5,125) for the 2023 fiscal year, and bookkeeping fees paid to a third party. Professional fees were \$8,140 for the three-month period ended May 31, 2023 compared to \$6,536 for same period of 2022. The difference in fees represents a reversal of prior year accruals, payment of audit fees, and accrual of audit fees for the third quarter of the 2023 fiscal year.

Transfer Agent and Filing Fees

Transfer agent and filing fees were \$2,108 during the nine months ended May 31, 2023 compared to \$8,023 during the same nine-month period of the 2022 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 2023 was \$651 compared with expense of \$106 during the same nine-month period in 2022.

Travel

The Company had travel expenses of \$1,007 during the nine-month period ended May 31, 2023 compared to \$1,814 for the same nine-month period in 2022. Travel expenses include travel and accommodation, meals, and entertainment. The Company had travel expenses of \$997 during the third quarter of 2023 compared to \$1,570 for the same three-month period in 2022. Travel expenses include travel and accommodation, meals, and entertainment.

Net Loss

Net loss for the nine months ended May 31, 2023 was \$107,637 ((\$0.00) per share) compared to \$148,307 ((\$0.00) for the same nine-month period of the 2022 fiscal year. The increase in net loss on a period-over-period basis was due primarily to a decline in revenue.

Net loss for the third quarter ended May 31, 2023 was \$30,005 ((\$0.00) per share) compared to a net loss of \$19,455 (\$0.00) per share) for the same period in fiscal 2022. The increase in net loss for the period is primarily due to reduced revenue which was partially offset by reduced salary, wages, and benefits during the quarter. Loss per share for the nine-month periods ended May 31, 2023 and 2022 was calculated based on the weighted average number of common shares outstanding through the quarter.

Additional Disclosure for Venture Issuers Without Significant Revenue

	2023	2022
Material Expenses:		
Management fees	\$90,000	\$120,000
Salary, wages, and benefits	\$8,000	\$75,082
General and administrative	\$25,875	\$29,090
Professional fees	\$19,795	\$19,841

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 May 31, 2023	Three Month Period Ended Feb. 28, 2023	Three Month Period Ended Nov. 30, 2022	Three Month Period Ended Aug 31, 2022
	\$	\$	\$	\$
Revenue	24,097	12,062	8,694	38,601
Capital Expenses	-	-	-	-
Net Loss	(30,005)	(23,336)	(48,296)	35,353
Net Loss Per Share	(0.00)	(0.00)	(0.00)	0.00
	Three Month Period Ended May 31, 2022	Three Month Period Ended Feb. 28, 2022	Three Month Period Ended Nov. 30, 2021	Three Month Period Ended Aug 31, 2021
	\$	\$	\$	\$
Revenue	51,863	27,033	27,700	97,479
Capital Expenses	-	-	-	-
Net Loss	(19,455)	(49,389)	(79,463)	32,454

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

Liquidity and Capital Resources

Capital Employed

	May 31, 2023	August 31, 2022
Non-current assets	\$ -	\$ -
Current assets	81,545	127,528
Current liabilities	(1,185,400)	(1,123,746)
Total assets less current liabilities	(1,103,855)	(996,218)
Non-current liabilities	38,733	38,733
Shareholders' equity	(1,142,588)	(1,034,951)
	\$ (1,103,855)	\$ (996,218)

Non-current assets

Non-current assets remained the same at May 31, 2023 as compared to August 31, 2022.

Current assets

Current assets decreased by \$45,983 at May 31, 2023 as compared to August 31, 2022, which is attributed to:

Cash

Cash decreased by \$12,467 primarily due to collection of accounts and other receivables.

Receivables

	May 31, 2023	August 31, 2022
Trade receivables	\$ 8,780	\$ 42,296
Allowance for doubtful debts	-	-
Net trade receivables	8,780	42,296
Other receivables	3,573	3,573
	\$ 12,353	\$ 45,869

Current liabilities

Current liabilities of \$1,185,400 increased by \$61,654 which is attributed to:

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities decreased by \$18,346. The decrease is predominantly due to the repayment of accounts payable balances of approximately \$25,000 to the Company's external auditor. The balance is amounts owing to third party suppliers.

Due to related party

Due to related parties increased by \$80,000. The increase is predominantly due to the accrual of unpaid management fees to related parties as of May 31, 2023.

Non-current liabilities

Non-current liabilities remained the same at May 31, 2023 as compared to August 31, 2022.

Shareholders' equity

Shareholders' equity at May 31, 2023 decreased by \$107,637 as compared to the balance at August 31, 2022 and was attributed to the recognition of a net loss of \$107,637 for the period ended May 31, 2023.

Liquidity and Solvency

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

	Period Ended May 31, 2023	August 31, 2022
	\$	\$
Cash	69,192	81,659
Working capital (deficit)	(1,103,855)	(996,218)
Cash used from operating activities	(12,467)	(11,704)
Cash provided in financing activities	-	-
Net change in cash	(12,467)	(11,704)

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 would be forced to curtail its business activities and/or seek strategic opportunities.

Capital Resources

The Company's primary assets as at May 31, 2023, are cash, receivables, prepaid expenses and the darelle.com online raffle platform.

Related Party Transactions

The Company's related parties are its Board of Directors and key management personnel (President and Chief Executive Officer (CEO), Chief Financial Officer (CFO) and a former President of a wholly owned subsidiary (Darelle Media Inc.) as well as any companies controlled by key management personnel or directors. 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.

Balances and transactions between the Company and its subsidiary, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Details of the related party transactions follow:

During the period ended May 31, 2023, the Company incurred and recorded \$90,000 (August 31, 2022 - \$150,000) as management fees pursuant to contracts with two companies owned by an officer of the Company and a former 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, 2023, \$1,133,849 (August 31, 2022 - \$1,053,849) was included in accounts payable to these companies for consulting fees rendered.

Key Management Personnel and Director Remuneration	May 31, 2023	May 31, 2022
Consulting fees	\$ 90,000	\$ 120,000
	\$ 90,000	\$ 120,000

Outstanding Share Data

Common shares outstanding

Authorized share capital consists of an unlimited number of common shares of which 73,708,147 (August 31, 2022 – 73,708,147) were issued and outstanding as at May 31, 2023.

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 period ended May 31,	
	2023	2022
Weighted average Common Shares Outstanding	73,708,147	73,708,147

Financial Instruments and Related Risk

Cash and accounts receivable are classified as receivables. Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Accounts payable and accrued liabilities approximate their carrying amount due to their short-term nature. The fair value of any loans and borrowings would be classified as other financial liabilities for valuation purposes under IFRS 9. Other financial liabilities would be measured initially at fair value and subsequently at amortized cost using the effective interest method.

The Company has exposure to credit, 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.

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.

As at May 31, 2023, \$3,027 (August 31, 2022 - \$17,933) of the trade accounts receivable balance of \$8,780 (August 31, 2022 - \$42,296) was past due. Other receivables at May 31, 2023 consist primarily of a receivable from CRA \$3,573 (August 31, 2022 – \$3,573).

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.

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	\$ 46,551	-	\$ 5,000	-	\$ 51,551
Due to related party	1,133,849	-	-	-	1,133,849
Loan	38,733	-	-	-	38,733
Balance May 31, 2023	\$ 1,291,133	-	\$ 5,000	-	\$ 1,224,133

	<1 year	1 to 3 years	4 to 5 years	>5 years	Total
Accounts payable and accrued liabilities	\$ 64,897	-	\$ 5,000	-	\$ 69,897
Due to related party	1,053,849	-	-	-	1,053,849
Loan	38,733	-	-	-	38,733
Balance August 31, 2022	\$ 1,157,479	-	\$ 5,000	-	\$ 1,162,479

Interest rate risk

Interest rate 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 May 31, 2023, and August 31, 2022, 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.

Changes in Accounting Policies and Initial Adoption

Newly adopted accounting standards

No new accounting standards were adopted by the Company during the year.

New accounting standards not yet effective

Changes and amendments to the following accounting standards applicable for the Company will be effective in future years and are not expected to have a significant impact:

- IAS 1 – Presentation of Financial Statements
- IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors
- IAS 12 – Income Taxes
- IAS 16 – Property, Plant, and Equipment
- IAS 37 – Provisions, Contingent Liabilities and Contingent Assets

Credit Facilities

The Company does not have a credit facility outstanding as of May 31, 2023.

The Company incurred a loan of \$60,000 under the CEBA Program. The loan is non-interest bearing. An amount of \$10,000 is forgiven if the entire amount (\$60,000) is repaid on or before December 31, 2023. In the event the loan is not repaid by December 31, 2023, the loan converts to an interest charging debt instrument. The loan will bear an interest rate of 5% on January 1, 2024 if unpaid.

Contractual Obligations

As of May 31, 2023, the Company has no lease commitments on its premises.

Off Balance Sheet Arrangements

As at May 31, 2023, the Company had no off-balance sheet arrangements.

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:

An investment in the securities of the Company must be considered highly speculative due to the nature of the Company’s business. Prospective investors should carefully consider the information presented in this MD&A before acquiring any securities in the Company. And in particular should give special consideration to the risk factors below and in the section entitled “Forward-Looking Statements” above.

In addition to the usual risks associated with an investment in a business at an early stage of development, management and the directors of the Company believe that, in particular, the following risk factors should be considered by prospective investors. It should be noted that this list is not exhaustive and that other risk factors may apply. An investment in the Company may not be suitable for all investors. If any of the following risks actually occur, the business of the Company may be harmed, and its financial condition and results of operations may suffer significantly.

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 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.