

DARELLE ONLINE SOLUTIONS INC.
UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the periods ended May 31, 2023 and 2022

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of Darelle Online Solutions Inc. (the “Company”) as at May 31, 2023, and for the nine month periods ended May 31, 2023 and 2022 (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, 2022 which are available under the Company’s profile on SEDAR at www.sedar.com . The Financial Statements are prepared in accordance with International Financial Reporting Standards (“IRFS”).

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

As at	May 31, 2023	August 31, 2022
Assets		
Current		
Cash	\$ 69,192	\$ 81,659
Accounts and other receivables	12,353	45,869
	\$ 81,545	\$ 127,528
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 51,551	\$ 69,897
Due to related party (note 6)	1,133,849	1,053,849
	1,185,400	1,123,746
Non-current		
Loan payable (note 10)	38,733	38,733
	1,224,133	1,162,479
Share Capital and Deficit		
Share capital	5,886,871	5,886,871
Other equity reserve	1,706,548	1,706,548
Deficit	(8,736,007)	(8,628,370)
	(1,142,588)	(1,034,951)
	\$ 81,545	\$ 127,528

Nature and Continuation 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, 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 (note 6)	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 (note 9)	-	-	-	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 number of shares outstanding – basic and diluted	73,708,147	73,708,147	73,708,147	73,708,147

Darelle Online Solutions Inc.
Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
(Expressed in Canadian dollars)

	<u>Share Capital</u>		Other equity reserve	Deficit	Total
	Number	Amount			
Balance, August 31, 2022	73,708,147	\$ 5,886,871	\$ 1,706,548	\$ (8,628,370)	\$ (1,034,951)
Loss for the period	-	-	-	(107,637)	(107,637)
Balance, May 31, 2023	73,708,147	\$ 5,886,871	\$ 1,706,548	\$ (8,736,007)	\$ (1,142,588)
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Balance, August 31, 2021	73,708,147	5,886,871	\$ 1,706,548	\$ (8,444,710)	\$ (851,291)
Loss for the year	-	-	-	(183,660)	(183,660)
Balance, August 31, 2022	73,708,147	\$ 5,886,871	\$ 1,706,548	\$ (8,628,370)	\$ (1,034,951)

Darelle Online Solutions Inc.
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited)
(Expressed in Canadian dollars)

Periods ended	Nine Months Ended May 31, 2023	Nine Months Ended May 31, 2022
Operating Activities		
Net loss for the period	\$ (107,637)	\$ (148,307)
Add back:		
Accretion	-	2,956
Changes in non-cash operating working capital items:		
Accounts payable and accrued liabilities	(18,346)	1,330
Due to related parties	80,000	88,361
Accounts and other receivables	33,516	76,886
Prepaid expenses	-	2,520
	(12,467)	23,746
Inflow (outflow) of cash	(12,467)	23,746
Cash at beginning of period	81,659	92,733
Cash at end of period	\$ 69,192	\$ 116,479

The accompanying notes are an integral part of these unaudited condensed interim financial statements.

Darelle Online Solutions Inc.
Notes to Interim Condensed Consolidated Financial Statements
For the Nine-Month Periods Ended May 31, 2023 and 2022

1. NATURE OF OPERATIONS AND GOING CONCERN

Darelle Online Solutions Inc. (the “Company”) was incorporated in Vancouver, British Columbia on February 11, 2005. The Company’s shares are listed on the TSX Venture Exchange (the “Exchange”) under the symbol “DAR”. The primary office is located at 4610 Sheridan Ridge Road, Nanaimo, British Columbia, Canada.

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.

The unaudited condensed interim financial statements (“Financial Statements”) were reviewed and approved by the Board of Directors and authorized for issued on July 25 2023.

The unaudited condensed 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 upon obtaining additional financing. The outcome of these matters cannot be predicted at this time.

As at May 31, 2023, the Company had not achieved profitable operations and has a cumulative 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). 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, 2022. There is a material uncertainty which may cast significant doubt about the Company’s ability to continue as a going concern. These unaudited condensed interim 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.

2. SIGNIFICANT ACCOUNTING POLICIES

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.

Statement of compliance

The interim condensed consolidated financial statements as at and for the nine months ended May 31, 2023 have been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting* (“IAS 34”) using accounting policies consistent with

Darelle Online Solutions Inc.
Notes to Interim Condensed Consolidated Financial Statements
For the Nine-Month Periods Ended May 31, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The disclosure contained in these interim condensed consolidated financial statements does not include all the requirements of IAS 1 *Presentation of Financial Statements* (“IAS 1”). Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the Company’s consolidated financial statements for the year ended August 31, 2022, which include information necessary to understand the Company’s business and financial statement presentation.

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

3. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company’s financial instruments consist of cash, trade receivable, accounts payable and accrued liabilities due to a related party, and loan payable. The carrying value of the financial instruments approximate fair value due to the short-term nature of these instruments. Fair value of financial assets and liabilities, information related to risk management positions and discussion of risks associated with financial assets are presented as follows:

IFRS 13 establishes a fair value hierarchy that effects the significance of inputs used in making fair value measurements as follows:

- Level 1 quoted prices in active markets for identical assets or liabilities;
- Level 2 inputs other than quoted prices included in Level 1 that are observable for the assets or liability, either directly (i.e., as prices) or indirectly (i.e., from derived prices); and
- Level 3 inputs for the asset or liability that are not based upon observable market data.

As of May 31, 2023, the carrying value of the Company’s financial instruments approximates their fair value due to their short terms to maturity. The fair value of cash was determined using level 1 inputs.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. The Company’s primary exposure to credit risk is in its cash accounts and trade receivable. The Company manages credit risk, in respect of cash, by placing cash at major Canadian financial institutions. Accounts receivable mainly consists of receivables from its customers.

Darelle Online Solutions Inc.
Notes to Interim Condensed Consolidated Financial Statements
For the Nine-Month Periods Ended May 31, 2023 and 2022

3. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying its financial obligations as they become due. The Company attempts to ensure that there is sufficient cash to meet its liabilities when they are due and manages this risk by regularly evaluating its liquid financial resources to fund current and long-term obligations and to meet any capital commitments in a cost-effective manner. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases. The Company's liquidity requirements are met through a variety of sources, including debt financing and equity capital markets.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings in financial instruments. The object off market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on capital. As at May 31, 2023, the Company is not exposed to significant market risk.

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	May 31, 2023	August 31, 2022
Accounts payable and accrued liabilities	\$ 51,551	\$ 69,897
Due to related party (note 6)	1,133,849	1,053,849
	\$ 1,185,400	\$ 1,123,746

5. STOCK OPTIONS

As at May 31, 2023, the Company had no stock options outstanding and exercisable. During the period ended May 31, 2023, 2,925,000 stock options expired.

During the period ending May 31, 2023 and the year ending August 31, 2022 the Company did not grant any options.

6. RELATED PARTY TRANSACTIONS

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

- During the period ended May 31, 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 wholly owned subsidiary will receive a monthly consulting fee of

Darelle Online Solutions Inc.
Notes to Interim Condensed Consolidated Financial Statements
For the Nine-Month Periods Ended May 31, 2023 and 2022

6. RELATED PARTY TRANSACTIONS (continued)

\$10,000. On May 31, 2023, \$1,133,849 (August 31, 2022 – \$1,053,849) was due and payable to these companies for consulting fees rendered.

Key management compensation

Key Management Personnel	Nine Month Period Ended May 31, 2023	Nine Month Period Ended May 31, 2022
Consulting fees	\$90,000	\$120,000

7. FINANCIAL INSTRUMENTS

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

	May 31, 2023	August 31, 2022
Financial assets		
Cash	\$ 69,192	\$ 81,659
Accounts receivable and other receivable	12,353	45,869
	\$ 81,845	\$ 127,528
Financial liabilities		
Accounts payable and accrued liabilities	\$ 51,551	\$ 69,897
Due to related party	1,133,849	1,053,849
Loans	38,733	38,733
	\$ 1,224,133	\$ 1,162,479

The fair value of cash, prepaid expenses, accounts receivable, accounts payable and accrued liabilities approximate their varying amount due to their short-term nature.

Accounts receivable is comprised of the following:

	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

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

Darelle Online Solutions Inc.
Notes to Interim Condensed Consolidated Financial Statements
For the Nine-Month Periods Ended May 31, 2023 and 2022

7. FINANCIAL INSTRUMENTS (continued)

An analysis of the age of receivables is as follows:

	May 31, 2023	August 31, 2022
31 – 60 days	\$ -	\$ -
61 – 90 days	-	-
Greater than 90 days	3,027	17,933
Balance past due	3,027	17,933
Current balance	5,753	24,363
Trade accounts receivable	\$ 8,780	\$ 42,296

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

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, 2023. The Company is not subject to externally imposed capital requirements.

Darelle Online Solutions Inc.
Notes to Interim Condensed Consolidated Financial Statements
For the Nine-Month Periods Ended May 31, 2023 and 2022

9. FEDERAL WAGE SUBSIDY

During the period year ended May 31, 2023 the Company applied for funding of \$Nil (August 31, 2022 - \$1,902) under the Canada Emergency Wage Subsidy (CEWS) program.

10. LOAN PAYABLE

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 ("CEBA Loan") of \$40,000 to eligible businesses. The CEBA loan program was subsequently expanded to \$60,000. The CEBA Loan has an initial term that expires on December 31, 2023, throughout which, the CEBA Loan remains interest free. Repayment of \$40,000 by December 31, 2023, results in a \$20,000 loan forgiveness. If the balance is not paid prior to December 31, 2023, the remaining balance will be converted to a 3-year term loan at 5% annual interest, paid monthly effective January 1, 2024. The full balance must be repaid by no later than December 31, 2026.

Since the Company is expected to repay the loan before December 31, 2023, the \$20,000 for the forgiveness of the loan was recognized as other income in the consolidated statements of comprehensive loss.

The remaining loan has an initial carrying value at \$31,583 using a discount rate of 10.94%, which was the estimated rate for a similar loan without the interest free component. The CEBA Loans shall be accreted to the \$40,000 face value over the term of the loan. The difference of \$8,417 between the face value and the carrying value is recorded as government grant income.

During the period ended May 31, 2023, the Company recorded \$Nil (August 31, 2022 - \$3,154) of accretion expense on the CEBA loans payable.