

**DARELLE ONLINE SOLUTIONS INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

For the Years Ended August 31, 2024 and 2023

To the Shareholders of Darelle Online Solutions Inc.:

## Opinion

We have audited the consolidated financial statements of Darelle Online Solutions Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at August 31, 2024 and August 31, 2023, and the consolidated statements of comprehensive loss, changes in shareholders' deficiency and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2024 and August 31, 2023, and its financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

## Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that as at August 31, 2024, the Company had not achieved profitable operations and has a cumulative deficit and a working capital deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our report.

## Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Brea H. Sami.

Vancouver, British Columbia

November 28, 2024

*MNP LLP*

Chartered Professional Accountants

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

<b>As at</b>	<b>August 31,</b>		<b>August 31,</b>	
	<b>2024</b>		<b>2023</b>	
<b>Assets</b>				
<b>Current</b>				
Cash	\$	3,438	\$	59,099
Account and other receivables (note 9)		9,859		14,765
<b>Total assets</b>	<b>\$</b>	<b>13,297</b>	<b>\$</b>	<b>73,864</b>
<b>Liabilities</b>				
<b>Current</b>				
Accounts payable and accrued liabilities (note 6)	\$	556,258	\$	53,744
Due to related parties (note 8)		793,184		1,163,849
Loan payable (note 7)		-		38,733
<b>Total liabilities</b>		<b>1,349,442</b>		<b>1,256,326</b>
<b>Shareholders' Deficiency</b>				
Share capital (note 4)		5,886,871		5,886,871
Reserve (note 5)		1,713,145		1,706,548
Deficit		(8,936,161)		(8,775,881)
<b>Total shareholders' deficiency</b>		<b>(1,336,145)</b>		<b>(1,182,462)</b>
<b>Total liabilities and shareholders' deficiency</b>	<b>\$</b>	<b>13,297</b>	<b>\$</b>	<b>73,864</b>

Nature of operations and going concern (note 1)  
Subsequent event (note 12)

Approved on behalf of the Board of Directors:

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

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

The accompanying notes are an integral part of these consolidated financial statements

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

<b>For the years ended</b>	<b>August 31, 2024</b>	<b>August 31, 2023</b>
<b>Revenue</b>	\$ 68,915	\$ 54,010
<b>Expenses</b>		
Consulting fees	15,360	10,220
General and administrative	24,803	29,985
Management fees (note 8)	149,000	120,000
Marketing	-	1,200
Professional fees	38,578	27,795
Salary, wages and benefits	-	8,000
Transfer agent and filing fees	19,251	2,722
Travel	1,686	1,599
<b>Total operating expense</b>	<b>248,678</b>	<b>201,521</b>
<b>Loss from operations</b>	<b>(179,763)</b>	<b>(147,511)</b>
<b>Other income/(loss)</b>		
Gain on derecognition of financial liabilities (note 6)	20,750	-
Accretion (note 7)	(1,267)	-
<b>Other income</b>	<b>19,483</b>	<b>-</b>
<b>Net loss and comprehensive loss</b>	<b>\$ (160,280)</b>	<b>\$ (147,511)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.07)</b>	<b>\$ (0.06)</b>
<b>Weighted average number of shares outstanding – basic and diluted</b>	<b>2,456,939</b>	<b>2,456,939</b>

*The accompanying notes are an integral part of these consolidated financial statements*

**DARELLE ONLINE SOLUTIONS INC.**  
**Consolidated Statements of Changes in Shareholders' Deficiency**  
(Expressed in Canadian dollars)

	<u>Share Capital</u>					<u>Total</u>
	<u>Number of Shares<sup>(1)</sup></u>	<u>Amount</u>	<u>Reserve</u>	<u>Deficit</u>		
Balance, August 31, 2022	2,456,939	\$ 5,886,871	\$ 1,706,548	\$ (8,628,370)	\$ (1,034,951)	
Loss for the year	-	-	-	(147,511)	(147,511)	
Balance, August 31, 2023	2,456,939	\$ 5,886,871	\$ 1,706,548	\$ (8,775,881)	\$ (1,182,462)	
Derecognition of financial liabilities (note 6)	-	-	6,597	-	6,597	
Loss for the year	-	-	-	(160,280)	(160,280)	
Balance, August 31, 2024	2,456,939	\$ 5,886,871	\$ 1,713,145	\$ (8,936,161)	\$ (1,336,145)	

(1) The number of shares in prior year has been retrospectively adjusted to reflect the share consolidation on a one new common share for thirty existing common shares basis that became effect on August 13, 2024 (see note 4).

*The accompanying notes are an integral part of these consolidated financial statements*

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

For the years ended	August 31, 2024	August 31, 2023
<b>Operating Activities</b>		
Net loss for the year	\$ (160,280)	\$ (147,511)
<b>Adjustment for item not affecting cash:</b>		
Accretion (note 7)	1,267	-
Derecognition of financial liabilities	(20,750)	-
<b>Changes in non-cash working capital items:</b>		
Accounts payable and accrued liabilities	529,861	(16,153)
Due to related parties	(370,665)	110,000
Account and other receivables	4,906	31,104
<b>Total cash used in operating activities</b>	(15,661)	(22,560)
<b>Financing Activities</b>		
Repayment of loan payable	(40,000)	-
<b>Total cash used in financing activities</b>	(40,000)	-
<b>Decrease in cash</b>	(55,661)	(22,560)
<b>Cash at beginning of year</b>	59,099	81,659
<b>Cash at end of year</b>	\$ 3,438	\$ 59,099

*The accompanying notes are an integral part of these consolidated financial statements*

**Darelle Online Solutions Inc.**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended August 31, 2024 and 2023**

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**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 consolidated financial statements have been prepared on the basis that the Company is a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company’s ability to continue as a going concern is dependent upon achieving profitable operations and upon obtaining additional financing. The outcome of these matters cannot be predicted at this time.

As at August 31, 2024, the Company had not achieved profitable operations and has a cumulative deficit of \$8,936,161 (2023 - \$8,775,881) and a working capital deficiency of \$1,336,145 (2023 - \$1,182,462). 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, 2025. There is a material uncertainty which may cast significant doubt about the Company’s ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

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 equity 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 its assets might be less than amounts reflected in these consolidated financial statements.

**2. MATERIAL ACCOUNTING POLICIES**

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the IFRS Interpretation Committee (“IFRIC”). These consolidated financial statements have been prepared on the basis of IFRS standards that are effective for the Company’s reporting year ended August 31, 2024.

The consolidated financial statements were approved by the Board of Directors and authorized for issue on November 28, 2024.

**Darelle Online Solutions Inc.**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended August 31, 2024 and 2023**

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**2. MATERIAL ACCOUNTING POLICIES** (continued)

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(b) Consolidation

These consolidated financial statements include the accounts of Darelle Online Solutions Inc. and its wholly-owned subsidiaries, Darelle Media Inc. and 0639305 B.C. Ltd. All inter-company transactions and balances have been eliminated.

(c) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, modified as applicable, and have been prepared using the accrual basis of accounting except for cash flow information. These consolidated financial statements have been prepared in Canadian dollars, which is the Company's functional and presentation currency.

(d) Revenue recognition

The Company derives revenue from set-up fees and processing fees realized on services provided by the Company to its customers. The Company follows a five-step model in accordance with *IFRS 15 Revenue from Contract with Customers* to recognize revenues:

1. Identify the contract with customer.
2. Identify the performance obligation in the contract
3. Determine the transaction price
4. Allocate the transaction price to performance obligations in the contract
5. Recognize revenue when the Company satisfies a performance obligation

Revenue is recognized when services have been provided to customers and when all performance obligations have been fulfilled. The amount of revenue represents the fair value of the consideration received or receivable from third parties on the provision of services, net of goods and services taxes, at which time there are no conditions for the payment to become due other than the passage of time.

Performance obligations are satisfied at the point in time when services are provided, and prices have been agreed to with the customers and collectability is reasonable assured.

(e) Cash

Cash includes cash on hand deposited at financial institutions.

(f) Share-based payments

The Company recognizes share-based compensation expense for all stock options awarded to employees, officers and directors based on the fair values of the stock options at the date of the grant. The fair values of the stock options at the date of grant are expensed over the vesting periods of the stock options with a corresponding increase to equity.

**Darelle Online Solutions Inc.**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended August 31, 2024 and 2023**

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**2. MATERIAL ACCOUNTING POLICIES** (continued)

(f) Share-based payments (continued)

The fair value of stock options granted to employees, officers, and directors is determined using the Black-Scholes option pricing model with market related inputs as of the date of grant. The fair value of stock options granted to consultants is measured at the fair value of the services delivered unless fair value cannot be estimated reliably, in which case, fair value is determined using the Black-Scholes option pricing model. Stock options with graded vesting schedules are accounted for as separate grants with different vesting periods and fair values. Forfeitures are accounted for using estimates based on historical actual forfeiture data.

Upon the exercise of the stock option, consideration received, and the related amount transferred from reserves are recorded as share capital.

(g) Income taxes

Income tax on the profit or loss for the years presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, or other comprehensive income. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investment in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are only recognized to the extent that it is probable that a deferred tax asset will be recovered. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the substantive enactment date.

(h) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding, if dilutive, that may add to the total number of common shares. In the period where that the Company reports a net loss, the basic and diluted loss per share are the same, whereas the effect of the warrants and options outstanding is not reflected as to do would be anti-dilutive.

**Darelle Online Solutions Inc.**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended August 31, 2024 and 2023**

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**2. MATERIAL ACCOUNTING POLICIES** (continued)

(i) Financial instruments

Financial assets and financial liabilities, including derivatives, are recognized on the consolidated financial statements when the Company becomes a party to the financial instrument or derivative contract.

Classification

The Company classifies its financial assets in the following measurement categories: i) those to be measured subsequently at fair value through profit or loss ("FVTPL"); ii) those to be measured subsequently at fair value through other comprehensive income ("FVOCI"); and iii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition).

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Amortized cost

This category includes financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the solely principal and interest ("SPPI") criterion. Financial assets classified in this category are measured at amortized cost using the effective interest method.

Fair value through profit or loss

This category includes derivative instruments as well as quoted equity instruments which the Company has not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Financial assets and liabilities in this category are recorded at fair value with changes recognized in consolidated statements of comprehensive loss.

Fair value through other comprehensive income

Equity instruments that are not held for trading can be irrevocably designated to have their change in fair value recognized through other comprehensive income instead of through profit or loss. This election can be made on individual instruments and is not required to be made for the entire class of instruments. Attributable transaction costs are included in the carrying value of the instruments. Financial assets at fair value through other comprehensive income are initially measured at fair value and changes therein are recognized in other comprehensive income.

**Darelle Online Solutions Inc.**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended August 31, 2024 and 2023**

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**2. MATERIAL ACCOUNTING POLICIES** (continued)

(i) Financial instruments (continued)

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried out at FVTPL are expensed in consolidated statements of comprehensive loss. Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Impairment

IFRS 9 includes an expected credit loss model for all financial assets measured at amortized cost. Expected credit losses are the present value of cash shortfalls over the remaining expected life of the financial asset using either 12-month expected credit losses or lifetime expected credit loss.

An impairment loss in respect of a financial asset measured at amortized costs is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Losses are recognized in the consolidated statements of comprehensive loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the consolidated statements of comprehensive loss.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, canceled, or have expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of comprehensive loss.

**Darelle Online Solutions Inc.**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended August 31, 2024 and 2023**

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**2. MATERIAL ACCOUNTING POLICIES (continued)**

(i) Financial instruments (continued)

Classification and measurements of financial assets and liabilities

	<b>IFRS 9</b>
	Classification/Measurement
<b>Financial Assets</b>	
Cash	Amortized cost
Account and other receivables, excluding GST recoverable	Amortized cost
<b>Financial Liabilities</b>	
Accounts payable and accrued liabilities	Amortized cost
Due to related parties	Amortized cost
Loan payable	Amortized cost

(j) New accounting pronouncements

The Company adopted the following amendments to accounting standards, which are effective for annual periods beginning on or after September 1, 2023:

Disclosure of accounting policies – amendments to IAS 1 and IFRS Practise Statement 2

The amendments to IAS 1 *Presentation of financial statements* and IFRS Practise Statement 2 *Making materiality judgements* provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments have had no impact on the Company's disclosures of accounting policies as well as on the measurement, recognition or presentation of any items in the Company's consolidated financial statements.

Definition of accounting estimates – amendments to IAS 8

The amendments to IAS 8 *Accounting policies, changes in accounting estimates and errors* clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments had no impact on the Company's consolidated financial statements.

**Darelle Online Solutions Inc.**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended August 31, 2024 and 2023**

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**2. MATERIAL ACCOUNTING POLICIES** (continued)

(j) New accounting pronouncements (continued)

Deferred tax related to assets and liabilities arising from a single transaction – amendments to IAS 12

The amendments to IAS 12 *Income Taxes* narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments had no impact on the Company's consolidated financial statements.

The Company has not early adopted any other new accounting standard, interpretation or amendment that has been issued but is not yet effective.

**3. SIGNIFICANT ACCOUNTING ESTIMATES AND CRITICAL JUDGMENTS**

The preparation of these consolidated financial statements requires management to make certain estimates, judgements and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

*Significant accounting estimates*

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to the following:

- i) The calculation of share-based compensation requires estimates of volatility, forfeiture rates and market prices surrounding the issuance of share options. These estimates impact share-based compensation expense and the corresponding equity reserve.
- ii) The determination of the allowance for expected credit loss on the financial assets such as account and other receivable.

**Darelle Online Solutions Inc.**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended August 31, 2024 and 2023**

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**3. SIGNIFICANT ACCOUNTING ESTIMATES AND CRITICAL JUDGMENTS (continued)**

*Critical accounting judgements*

Critical accounting judgements are accounting policies that have been identified as being complex or involving subjective judgements or assessments.

- i) These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. If the going concern assumption were not appropriate for these consolidated financial statements, adjustments would be necessary in the carrying value of the assets and liabilities, the reported expenses and the statement of financial position classifications used (note 1).
- ii) Accounting for income taxes is a complex process requiring management to interpret frequently changing laws and regulations and make judgements relating to the application of tax law, the estimated timing of temporary difference reversals, and the estimated realization of tax assets. All tax filings are subject to subsequent government audits and potential reassessment. These interpretations, judgements and changes related to them impact current and deferred tax provisions, deferred tax assets and liabilities and results of operations.
- iii) The determination on whether certain financial liabilities can be derecognized requires the Company to apply judgement in evaluating the circumstance and terms of an existing financial liability as well as the consideration paid or payable towards such liability.

**4. SHARE CAPITAL**

*Common shares*

Authorized - Unlimited number of common shares without par value

*For the year ended August 31, 2024*

Effective August 13, 2024, the Company completed a share consolidation on the basis of one new common share for every thirty (30) existing common shares held ("Share Consolidation"). The impact of this Share Consolidation on the number of issued and outstanding common shares is summarized as follow:

- Issued and outstanding common shares before consolidation: 73,708,147
- Consolidation ratio: 1 new common share for every 30 existing common shares
- Issued and outstanding common shares after consolidation: 2,456,939

Fractional shares resulting from the Share Consolidation were rounded up to the nearest whole number.

**Darelle Online Solutions Inc.**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended August 31, 2024 and 2023**

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**4. SHARE CAPITAL** (continued)

There was no impact on the total authorized share capital of the Company as a result of the Share Consolidation; neither did the Share Consolidation result in any change to the total value of shareholders' equity. All historical per-share amounts presented in these consolidated financial statements, including basis and diluted loss or earnings per share, have been retrospectively restated to reflect the impact of the share consolidation for all periods presented.

*For the year ended August 31, 2023*

During the year ended August 31, 2023, there was no change in the issued and outstanding common shares.

**5. RESERVE**

*Stock options*

On July 12, 2024, the Company's shareholders voted to reapprove a stock option plan. Under the plan, up to 10% of the issued and outstanding common shares may be allotted and reserved for issuance. The terms of the option, including the vesting terms and the option price, are fixed by the directors at the time of grant subject to the price not being less than the market price of the Company's stock on the date of grant and a maximum term of 10 years.

During the years ended August 31, 2024 and 2023, the Company did not have stock options granted and outstanding.

*Other reserve*

The balance of reserve is comprised of the amounts recognized in prior periods due to the share-based compensation resulted from stock options granted and vested, as well as other amounts recognized related to share purchase warrants granted in private placements and equity instruments issued for debt settlements that occurred in prior periods.

During the year ended August 31, 2024, the Company recognized an increase of \$6,597 (2023 - \$nil) in reserve as a result from derecognizing certain financial liability in the same amount owed to a shareholder who is not a related party to the Company. The financial liability was related to the fiscal year 2013 and the derecognition of it did not require any consideration to be paid or any non-cash asset transferred or liability to be assumed. The Company has determined that such liability be derecognized based on the judgment applied regarding the likelihood of settlement and the estimate made towards the consideration that could be required.

**Darelle Online Solutions Inc.**  
**Notes to Consolidated Financial Statements**  
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**6. DERECOGNITION OF FINANCIAL LIABILITIES**

During the year ended August 31, 2024, the Company recognized a gain of \$20,750 (2023 - \$nil) on the derecognition of financial liabilities related to certain accounts payable owed to two arm's length parties, among which \$15,750 was related to the fiscal year 2013 and \$5,000 was related to the fiscal year 2019.

The derecognition of the financial liabilities did not involve any consideration to be paid or any non-cash asset transferred or liability to be assumed. The Company has determined that these liabilities be derecognized based on the judgment applied regarding the likelihood of settlement and the estimate made towards the consideration that could be required.

**7. LOAN PAYABLE**

		2024		2023
Balance, beginning of the year	\$	38,733	\$	38,733
Accretion expense		1,267		-
Repayment		(40,000)		-
Balance, ending of the year	\$	-	\$	38,733

During the previous year, the Company received \$60,000 loan through the Canada Emergency Business Account (CEBA) program, in which \$20,000 of the loan would be forgivable if the remaining loan balance is fully repaid on or before January 18, 2024. \$20,000 of the loan was recognized as government assistance in other income previously.

On January 17, 2024, the Company repaid the \$40,000 CEBA loan balance in full. The Company recorded \$1,267 (2023 - \$nil) accretion expense related to this loan payable on the consolidated statement of comprehensive loss for the year ended August 31, 2024.

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**8. RELATED PARTY TRANSACTIONS**

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

**Key management compensation**

	<b>August 31, 2024</b>	<b>August 31, 2023</b>
Management fees	\$ 120,000	\$ 120,000
Director fees	\$ 29,000	\$ -

- During the year ended August 31, 2024, the Company incurred and recorded \$120,000 (2023 - \$120,000) as management fees pursuant to a contract with a company owned by an officer. The Company entered into agreements dated February 6, 2015, with the officer and a former officer of the Company. Under the terms of the agreements, through their companies, each would receive a monthly consulting fee of \$10,000. On August 31, 2024, \$793,184 (2023 - \$1,163,849) was due and payable to a company controlled by an officer for m fees rendered.
- During the year ended August 31, 2024, the Company incurred and recorded \$29,000 (2023 - \$nil) as director fees. Directors will receive a meeting fee of \$2,000 and a chair of a committee will receive a meeting fee of \$2,500 per meeting. On August 31, 2024, \$29,000 (2023 - \$nil) was due and payable to directors for meeting fees rendered.

The above fees are both presented under management fees on the consolidated statement of comprehensive loss.

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**9. FINANCIAL INSTRUMENTS**

The carrying amounts present in the consolidated statements of financial position relate to the following categories of financial assets and financial liabilities:

	<b>August 31, 2024</b>	<b>August 31, 2023</b>
<b>Financial assets</b>		
Cash	\$ 3,438	\$ 59,099
Account and other receivables, excluding GST recoverable	7,846	11,192
	<b>\$ 11,284</b>	<b>\$ 70,291</b>
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities	\$ 556,258	\$ 53,744
Due to related parties	793,184	1,163,849
Loan payable	-	38,733
	<b>\$1,349,442</b>	<b>\$ 1,256,326</b>

IFRS 13, *Fair value measurement*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of fair value hierarchy are as follows:

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

Financial assets valued at amortized cost are cash, account and other receivables. The Company has no financial assets valued at FVTPL or FVTOCI.

The Company's financial liabilities measured at amortized costs are accounts payables and accrued liabilities, due to related parties and the loan payable.

The fair value of cash, accounts receivable, accounts payable and accrued liabilities approximate their varying amount due to their short-term nature. The carrying value of the loan payable has been fair valued at inception and is being accreted up to their face value over their expected term.

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 varying value of these 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 rating agency.

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**9. FINANCIAL INSTRUMENTS** (continued)

Account and other receivables is comprised of the following:

	<b>August 31, 2024</b>	<b>August 31, 2023</b>
Trade receivables	\$ 7,846	\$ 11,717
Allowance for doubtful debts	-	(525)
Net trade receivables	7,846	11,192
GST recoverable	2,013	3,573
	<b>\$ 9,859</b>	<b>\$ 14,765</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>August 31, 2024</b>	<b>August 31, 2023</b>
31 – 60 days	\$ -	\$ -
61 – 90 days	-	-
Greater than 90 days	527	1,578
Balance past due	527	1,578
Current balance	7,319	9,614
Trade receivables	<b>\$ 7,846</b>	<b>\$ 11,192</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. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

**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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**9. 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	\$ 556,258	-	-	-	\$ 556,258
Due to related parties	793,184	-	-	-	793,184
<b>Balance August 31, 2024</b>	<b>\$ 1,349,442</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ 1,349,442</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	\$ 48,744	-	5,000	-	\$ 53,744
Loan payable	40,000	-	-	-	40,000
Due to related parties	1,163,849	-	-	-	1,163,849
<b>Balance August 31, 2023</b>	<b>\$ 1,252,593</b>	<b>-</b>	<b>5,000</b>	<b>-</b>	<b>\$ 1,257,593</b>

**10. CAPITAL MANAGEMENT**

The Company defines its capital as follows:

- shareholders' equity, comprising of issued common shares, reserves and deficit;
- debt, including any current and non-current portions; 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 year ended August 31, 2024. The Company is not subject to externally imposed capital requirements.

**11. INCOME TAXES**

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the consolidated statements of comprehensive loss for the years ended August 31, 2024 and 2023.

<b>For the years ended August 31,</b>	<b>2024</b>	<b>2023</b>
Income (loss) before income taxes	\$ (160,280)	\$ (147,511)
Statutory rate	27.00%	27.00%
Income tax (recovery) expense at statutory rates	(43,276)	(39,828)
Non-deductible items	52	111
Deferred tax asset not recognized	43,224	39,717
	<b>\$ -</b>	<b>\$ -</b>

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**11. INCOME TAXES** (continued)

The unrecognized deductible temporary differences as at August 31, 2024 and 2023 are comprised of the following:

	<b>2024</b>	<b>2023</b>
<b>Unrecognized deductible temporary differences</b>		
Intangible assets	\$ 398,382	\$ 398,382
Capital losses available for carryforward	574,997	574,997
Non-capital losses available for future periods	6,722,883	6,562,796
<b>Total unrecognized deductible temporary differences</b>	<b>\$ 7,696,262</b>	<b>\$ 7,536,175</b>

The Company has non-capital loss carryforwards of approximately \$6,722,883 (2023 - \$6,562,796) which may be carried forward to apply against future year tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

	<b>Non-capital losses</b>
2025	\$ 31,134
2026	765,894
2027	168,007
2028	687,952
2029	647,773
2030	258,782
2031	251,089
2032	364,897
2033	151,988
2034	399,137
2035	999,230
2036	343,223
2037	379,595
2038	330,222
2039	131,237
2040	200,484
2041	126,797
2042	179,521
2043	147,101
2044	158,820
	<b>\$ 6,722,883</b>

Deferred tax benefits, which may arise as a result of applying these deductions to taxable income, have not been recognized in these accounts.

**Darelle Online Solutions Inc.**  
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**12. SUBSEQUENT EVENT**

On October 29, 2024, the Company issued four promissory notes to one related party and three arm's length parties, each with a principal amount of \$10,000, totaling \$40,000. The notes bear interest at an annual rate of 10% and are repayable 90 days from the date of issuance. The issuance of these promissory notes provides short-term financing to the Company and will be recognized in the financial statements for the period in which they were issued.