DARELLE ONLINE SOLUTIONS INC.

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the periods ended May 31, 2024 and 2023

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, 2024, and for the nine month periods ended May 31, 2024 and 2023 (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, 2023 which are available under the Company’s profile on SEDAR at https://www.sedarplus.ca/darelle. 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, 2024		August 31, 2023
Assets				
Current				
Cash	$	10,279	$	59,099
Accounts and other receivables		13,252		14,765
	$	23,531	$	73,864
Liabilities				
Current				
Accounts payable and accrued liabilities	$	39,439	$	53,744
Due to related party (note 6)		1,266,349		1,163,849
Loan payable (note 9)		-		38,733
		1,305,788		1,256,326
Share Capital and Deficit				
Share capital		5,886,871		5,886,871
Other equity reserve		1,706,548		1,706,548
Deficit		(8,875,676)		(8,775,881)
		(1,282,257)		(1,182,462)
	$	23,531	$	73,864

Nature and Continuance of Operations (note 1)

Approved on behalf of the Board of Directors:

……."Đean Bethune"……………Director ……………"John Newman"………………Director

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

DARELLE ONLINE SOLUTIONS INC.

Condensed Interim Consolidated Statements of Comprehensive Loss (Unaudited)

(Expressed in Canadian dollars)

Periods ended	Three months ended May 31, 2024	Three months ended May 31, 2023	Nine months ended May 31, 2024	Nine months ended May 31, 2023
Revenue	$ 17,618	$ 24,097	$ 55,450	$ 44,853
Expenses				
Consulting fees	-	2,747	8,710	5,705
Accretion	-	-	1,267	-
Salary, wages, and benefits	-	-	-	8,000
General and administrative	8,185	11,567	20,429	25,875
Marketing fees	(15,750)	-	(15,750)	-
Management fees (note 6)	31,000	30,000	108,000	90,000
Professional fees	344	8,140	22,026	19,795
Transfer agent & filing fees	390	651	9,174	2,108
Travel	-	997	1,389	1,007
	24,169	54,102	155,245	152,490
Results from operations	(6,551)	(30,005)	(99,795)	(107,637)
Net loss and comprehensive loss	$ **(6,551)**	$ **(30,005)**	$ **(99,795)**	$ **(107,637)**
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**

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

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

	Share Capital				
	Number	**Amount**	**Other equity reserve**	**Deficit**	**Total**
Balance, August 31, 2023	73,708,147	$ 5,886,871	$ 1,706,548	$ (8,775,881)	$ (1,182,462)
Loss for the period	-	-	-	(99,795)	(99,795)
Balance, May 31, 2024	**73,708,147**	**$ 5,886,871**	**$ 1,706,548**	**$ (8,875,676)**	**$ (1,282,257)**
Balance, August 31, 2022	73,708,147	5,886,871	$ 1,706,548	$ (8,628,370)	$ (1,034,951)
Loss for the year	-		-	(147,511)	(147,511)
Balance, August 31, 2023	**73,708,147**	**$ 5,886,871**	**$ 1,706,548**	**$ (8,775,881)**	**$ (1,182,462)**

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

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

Years ended		Nine Months Ended May 31, 2024		Nine Months Ended May 31, 2023
Operating Activities				
Net loss for the year	$	(99,795)	$	(107,637)
Add back:				
Accretion		1,267		-
Changes in non-cash operating working capital items:				
Accounts payable and accrued liabilities		(14,805)		(18,346)
Due to related parties		103,000		80,000
Accounts and other receivables		1,513		33,516
				-
		(8,820)		(12,467)
Financing Activities				
Repayment of a loan		(40,000)		-
		(40,000)		-
Inflow (outflow) of cash		(48,820)		(12,467)
Cash at beginning of year		59,099		81,659
Cash at end of year	**$**	10,279	$	69,192

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

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 consolidated interim financial statements ("Financial Statements") have been prepared on the basis that the Company is a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company's ability to continue as a going concern is dependent upon achieving profitable operations and/or upon obtaining additional financing. The outcome of these matters cannot be predicted at this time.

As at May 31, 2024, the Company had not achieved profitable operations and has a cumulative deficit of $8,875,676 (August 31, 2023 - $8,775,881) and a working capital deficit of $1,282,257 (August 31, 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, 2024.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. BASIS OF PRESENTATION

The interim condensed consolidated financial statements as at and for the nine months ended May 31, 2024 have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting* ("IAS 34") and do not include all the information required for annual financial statements. These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended August 31, 2023.

The interim condensed interim consolidated financial statements were approved by the Company's Board of Directors on July 12, 2024.

3. MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Material accounting policies

Except as noted below, these interim condensed consolidated financial statements follow the same accounting policies as the Company's annual audited consolidated financial statements for the year ended August 31, 2023. For a complete list of accounting policies applied by the Company, see note 2 of the Company's annual audited consolidated financial statements for the year ended August 31, 2023.

New accounting standards issued effective January 1, 2023

Disclosure of Accounting Policies (Amendments to IAS 1)

The IASB has issued amendments to IAS 1 *Presentation of Financial Statements* which require entities to disclose their "material" accounting policy information rather than their "significant" accounting policies. The amendments explain that accounting policy information is material if omitting, misstating, or obscuring that information could reasonably be expected to influence decisions that the primary users of the financial statements make on the basis of those financial statements. The amendments also clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial. This amendment is effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The Company adopted the amendment effective January 1, 2023, which did not have a material impact on the Company's financial statements.

Disclosure of Accounting Estimates (Amendments to IAS 8)

The IASB has issued amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* which introduce a definition of accounting estimates and provide other clarifications to help entities distinguish accounting policies from accounting estimates. Under the amendments, accounting estimates are defined as "monetary amounts in financial statements that are subject to measurement uncertainty". The amendments also emphasize that a change in an accounting estimate that results from new information or new developments is not an error correction, and that changes in an input or a measurement technique used to develop an accounting estimate are considered changes in accounting estimates if those changes in an input or measurement technique are not the result of an error correction. This amendment is effective for annual periods beginning on or after January 1, 2023. The Company adopted the amendment effective January 1, 2023, which did not have a material impact on the Company's financial statements.

The IASB has issued amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IAS 12 *Income Taxes* which clarify that the initial recognition exemption set out in IAS 12 does not apply to transactions that give rise to equal taxable and deductible temporary differences. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations. This amendment is effective for annual periods beginning on or after January 1, 2023. The Company adopted the amendment effective January 1, 2023, which did not have a material impact on the Company's financial statements.

3. MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

New accounting standards issued but not effective

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The IASB has published *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)* which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- Clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period".
- Clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability.
- Make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined.

Critical accounting judgements and estimates

The preparation of these interim condensed consolidated financial statements requires management to make certain critical accounting estimates. It also requires management to exercise judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended August 31, 2023.

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, trade receivable, accounts payable and accrued liabilities, due to related party, and loan payable. The carrying values 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:

Fair value

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.

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

As of May 31, 2024, 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.

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 financings 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 November 30, 2023, the Company is not exposed to significant market risk.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	May 31, 2024	August 31, 2023
Accounts payable and accrued liabilities	$ 39,439	$ 53,744
Due to related party (note 6)	1,266,349	1,163,849
Loan payable		38,733
	$ 1,305,788	**$ 1,256,326**

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, 2024, the Company incurred and recorded $90,000 (August 31, 2023 - $120,000) as consulting fees pursuant to contracts with two companies owned by an officer of the Company and a former officer of the Company. Under the terms of the agreements dated February 6, 2015, the officer and the former officer of the Company, through their companies, each would receive a monthly consulting fee of $10,000. On May 31, 2024, $1,243,349 (August 31, 2023 – $1,163,849) was due and payable to these companies for consulting fees rendered.

- During the period ended May 31, 2024, the Company incurred and recorded $17,000 (August 31, 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 May 31, 2024, $23,000 (August 31, 2023 - $Nil) was due and payable to directors for meeting fees rendered.

Key management compensation

Key Management Personnel	Nine Month Period Ended May 31, 2024	Nine Month Period Ended May 31, 2023
Consulting fees	$90,000	$90,000
Director fees	$23,000	-

7. FINANCIAL INSTRUMENTS

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

	May 31, 2024	August 31, 2023
Financial assets		
Cash	$ 10,279	$ 59,099
Accounts receivable and other receivable	13,252	14,765
	$ 23,531	**$ 73,864**

	May 31, 2024	August 31, 2023
Financial liabilities		
Accounts payable and accrued liabilities	$ 39,439	$ 53,744
Due to related party	1,266,349	1,163,849
Loan payable	-	38,733
	$ 1,305,788	**$ 1,256,326**

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

7. FINANCIAL INSTRUMENTS (continued)

Accounts receivable is comprised of the following:

	May 31, 2024	August 31, 2023
Trade receivables	$ 13,181	$ 11,717
Allowance for doubtful debts	-	525
Net trade receivables	13,181	11,192
Other receivables	71	3,573
	$ 13,252	**$ 14,765**

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

An analysis of the age of receivables is as follows:

	May 31, 2024	August 31, 2023
31 – 60 days	**$ -**	$ -
61 – 90 days	**-**	-
Greater than 90 days	**2,365**	1,578
Balance past due	**2,365**	1,578
Current balance	**10,816**	9,614
Trade accounts receivable	**$ 13,181**	**$ 11,192**

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	$ 39,439	-	-	-	$ 39,439
Due to related party	1,266,349	-	-	-	1,266,349
Balance May 31, 2024	**$ 1,305,788**	**-**	**-**	**-**	**$ 1,305,788**

	<1 year	1 to 3 years	4 to 5 years	>5 years	Total
Accounts payable and accrued liabilities	$ 48,897	-	$ 5,000	-	$ 53,744
Due to related party	1,163,849	-	-	-	1,163,849
Loan	38,733	-	-	-	38,733
Balance August 31, 2023	**$ 1,251,479**	**-**	**$ 5,000**	**-**	**$ 1,256,326**

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, 2024. The Company is not subject to externally imposed capital requirements.

9. LOAN PAYABLE

During the global COVID-19 outbreak, the federal government of Canada introduced the Canada Emergency Business Account ("CEBA") loan program. CEBA provides an interest-free loan of $40,000 to eligible businesses. The CEBA loan program was subsequently expanded to $60,000. The CEBA loan had an initial term that expired on December 31, 2023, throughout which, the CEBA loan remains interest free. Repayment of $40,000 deadline for eligible CEBA loan holders to qualify for partial loan forgiveness was extended from December 31, 2023 to January 18, 2024. This repayment would result in a $20,000 loan forgiveness.

Since the Company expected to repay the loan before the due date, the $20,000 for the forgiveness of the loan was recognized as other income in the consolidated statements of comprehensive loss during the year when the loan proceeds were received.

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 accredited 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, 2024, the Company recorded $1,267 (August 31, 2023 - $Nil) of accretion expense on the CEBA loan payable. On January 17, 2024, the Company repaid the CEBA loan balance, resulting in the $20,000 loan forgiveness under the CEBA loan program.

10. SUBSEQUENT EVENT

On July 12, 2024, the shareholders approved a special resolution authorizing and approving the consolidation of the issued and outstanding common shares of the Company on the basis of a consolation ratio to be selected by the Board, within a range of between ten (10) pre-consolidation common shares for one (1) post-consolidation common share and thirty (30) pre-consolidation common shares for one (1) post-consolidation common share subject to approval of the TSX Venture Exchange.