DARELLE ONLINE SOLUTIONS INC.

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at February 28, 2017 and for the Three and Six Month Periods Ended February 28, 2017 and February 29, 2016

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of Darelle Online Solutions Inc. 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.

DARELLE ONLINE SOLUTIONS INC.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited)

As at		February 28, 2017		August 31, 2016
Assets				
Current				
Cash	$	161,253	$	183,379
GST receivable		9,273		6,952
Accounts receivable		10,847		-
Prepaid expenses		3,551		2,159
		184,924		192,490
Intangible assets (note 7)		673,612		676,114
	$	858,536	$	868,604
Liabilities				
Current				
Accounts payable and accrued liabilities (note 3)	$	166,620	$	113,105
Funds held in trust (note 8)		64,001		-
		230,621		113,105
Shareholders' Equity				
Share capital		5,589,176		5,589,176
Share subscriptions (note 11)		62,500		-
Other equity reserve		1,530,536		1,530,536
Deficit		(6,554,297)		(6,364,213)
		627,915		755,499
	$	858,536	$	868,604

Nature and Continuance of Operations (note 1)
Related Party Transactions (note 9)
Subsequent Events (note 11)

Approved on behalf of the Board of Directors:

……………"Dean Bethune"……………Director ……………"Rob Solinger"………… Director

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

DARELLE ONLINE SOLUTIONS INC.
Condensed Interim Consolidated Statements of Comprehensive Loss
(Unaudited)

Periods ended		Three months ended February 28, 2017		Three months ended February 29, 2016		Six months ended February 28, 2017		Six months ended February 29, 2016
Revenue	$	19,340	$	-	$	25,229	$	-
Expenses								
Consulting fees		150		9,000		539		18,000
Amortization		28,303		-		61,500		-
General and administrative		16,867		18,906		23,366		22,337
Management fees (note 9)		49,819		60,000		97,489		120,000
Marketing		1,867		-		6,454		1,124
Professional fees		4,750		13,111		11,360		13,263
Stock based compensation		-		30,657		-		34,978
Transfer agent & filing fees		12,159		11,188		13,722		13,740
Travel		884		1,872		884		2,699
		114,799		144,644		215,315		226,141
Net loss and comprehensive loss	$	**(95,459)**	$	**(144,644)**	$	**(190,084)**	$	**(226,141)**
Loss per share	$	**(0.00)**	$	**(0.00)**	$	**(0.00)**	$	**(0.00)**
Weighted average number of shares outstanding		**66,838,147**		**51,648,667**		**66,838,147**		**51,424,327**

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

DARELLE ONLINE SOLUTIONS INC.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Unaudited)

	Share Capital					
	Number	**Amount**	**Other equity reserve**	**Share subscription received in advance**	**Deficit**	**Total**
Balance, August 31, 2016	66,838,147	$ 5,589,176	$ 1,530,536	-	$ (6,364,213)	$ 755,499
Share subscriptions	-	-	-	62,500	-	62,500
Loss for the period	-	-	-	-	(190,084)	(190,084)
Balance, February 28, 2017	66,838,147	$ 5,589,176	$ 1,530,536	$ 62,500	$ (6,554,297)	$ 627,915
Balance, August 31, 2015	51,199,990	5,178,058	1,327,126	-	(5,996,983)	508,201
Share for debt settlement	3,402,500	35,125	135,000	-	-	170,125
Stock based compensation	-	-	34,978	-	-	34,978
Share subscriptions	-	-	-	131,250	-	131,250
Loss for the period	-	-	-	-	(226,141)	(226,141)
Balance, February 29, 2016	54,602,490	$ 5,213,183	$ 1,497,104	$ 131,250	$ (6,223,124)	$ 618,413

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

DARELLE ONLINE SOLUTIONS INC.
Condensed Consolidated Interim Statement of Cash Flows
(Unaudited)

Period ended	February 28, 2017	February 29, 2016
Operating Activities		
Net loss for the period	$ (190,084)	$ (226,141)
Add back:		
Stock based compensation	-	34,978
Amortization	61,500	-
Changes in non-cash operating working capital items:		
Accounts payable and accrued liabilities	117,516	138,829
Prepaid expenses	(1,392)	(8,988)
Accounts receivable	(10,847)	
GST receivable	(2,321)	(7,114)
	(25,628)	(68,436)
Financing Activities		
Subscriptions received in advance	62,500	131,250
	62,500	131,250
Investing Activities		
Development costs of intangible asset	(58,998)	(56,800)
	(58,998)	(56,000)
Inflow (outflow) of Cash	(22,126)	6,014
Cash at Beginning of period	183,379	75,870
Cash at End of period	$ 161,253	$ 81,884

1. NATURE AND CONTINUANCE OF OPERATIONS

Darelle Online Solutions Inc. (formerly Free Energy International Inc.) (the "Company") is a company listed on the TSX Venture Exchange with a registered office located at 885 60th Avenue West, Vancouver, 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.

These unaudited condensed consolidated interim financial statements were authorized by the Board of Directors on April 25, 2017.

The unaudited condensed consolidated interim financial statements have been prepared on the basis that the Company is a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent upon achieving profitable operations and/or upon obtaining additional financing. The outcome of these matters cannot be predicted at this time. As at February 28, 2017, the Company had not achieved profitable operations and has a cumulative deficit of $6,554,297. This 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.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The unaudited interim financial statements for the three months ended February 28, 2017 (the "Interim Financial Statements") have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. These Interim Financial Statements do not include all disclosures required for annual audited financial statements. Accordingly, they should be read in conjunction with the notes to the Company's audited annual financial statements for the year ended August 31, 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board.

These Interim Financial Statements have been prepared using accounting policies consistent with those used in the Company's 2016 annual financial statements.

Adoption of new accounting standards

There are no new recently adopted standards, amendments, and interpretations to existing standards, which have been published and are effective only for accounting periods beginning on or after September 1, 2016 that are expected to have a material impact on these Interim Financial Statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company has not yet adopted certain new standards, amendments, and interpretations to existing standards, which have been published but are not yet effective:

- IFRS 9 – Financial Instruments: Classification and Measurement, effective for periods beginning on or after January 1, 2018
- IFRS 15 – Revenue from Contracts with customers, effective for periods beginning on or after January 1, 2018
- IAS 16 – Leases, effective for periods beginning on or after January 1, 2019

The impact of these standards and interpretations are currently being assessed by the Company.

3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	February 28, 2017	August 31, 2016
Trade accounts payable	$ 53,537	$ 34,882
Due to Directors (note 9)	113,083	78,223
	$168,620	**$ 113,105**

On February 18, 2016, the Company issued 3,402,500 common shares to settle outstanding debt of $170,125.

4. SUBSCRIPTIONS RECEIVED

On February 22, 2017, the Company announced it had filed an application with the TSX Venture Exchange to complete a private placement of 2,570,000 units ("Unit"), at $0.05 per Unit, for gross proceeds of $128,500. Each Unit consists of one (1) common share and one share purchase warrant of the Company. Each whole warrant is exercisable for a period of 36 months to purchase one (1) additional common share of the Company for $0.075. Subscriptions received in advance of the issue of common shares are non-interest bearing.

5. STOCK OPTIONS

As at February 28, 2017, the following stock options were outstanding and exercisable:

Exercise Price	Number of options outstanding	Expiry date	Number of options exercisable	Remaining contractual life (years)
$ 0.05	950,000	June 23, 2019	950,000	2.41
$ 0.05	1,000,000	February 10, 2020	1,000,000	2.91
$ 0.05	1,550,000	February 8, 2021	1,550,000	3.08
	3,500,000		3,500,000	

The weighted-average remaining contractual life of options outstanding at February 28, 2017 was 2.85 years.

6. SHARE PURCHASE WARRANTS

Expiry	Exercise Price (CAD $)	Number of Warrants
March 2, 2019	0.05	10,000,000
July 19, 2019	0.05	2,235,657
		12,235,657

The weighted-average remaining contractual life of warrants outstanding at February 28, 2017 was 2.42 years.

7. INTANGIBLE ASSETS

Development costs	
Balance as at August 31, 2016	448,466
Additions	58,998
Amortization	(61,500)
Balance as at February 28, 2017	445,964
Goodwill	
Balance as at August 31, 2016	227,648
Impairment	-
Balance as at February 28, 2017	227,648
Carrying amount	
At February 28, 2017	673,612

8. FUNDS HELD IN TRUST

The Company receives funds through its online raffle system on behalf of charitable and nonprofit organizations through raffle ticket sales. These funds are held and distributed to organizations on a quarterly basis.

9. 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:

- During the period ended February 28, 2017, the Company incurred and recorded $106,534 (2016 - $120,000) as management fees pursuant to contracts with two companies owned by an officer of the Company and an officer of a wholly owned subsidiary of the Company. Under the terms of the agreements dated February 6, 2015, each director will receive a monthly consulting fee of $10,000. At February 28, 2017, $113,083 (August 31, 2016 – $78,223) was included in accounts payable and accrued liabilities to these companies for consulting fees rendered.

9. RELATED PARTY TRANSACTIONS (continued)

- During the period ended February 28, 2017, the Company settled outstanding accounts payable and accrued liabilities of $Nil (August 31, 2016 - $135,000) with directors, former directors and companies controlled by directors and former directors through the issuance of common shares.

Key Management Personnel	February 28, 2017	February 29, 2016
Consulting fees	$106,534	$ 120,000
	$106,534	**$ 120,000**

10. CHANGE IN PRESENTATION

The Company has reclassified certain prior period expenses to conform to the current year presentation of expenses.

11. SUBSEQUENT EVENTS

On March 20, 2017, the Company issued 2,570,000 Units at $0.05 per Unit, to provide the Company with gross proceeds of $128,500. Each Unit consists of one (1) common share of the Company and one share purchase warrant of the Company. Each whole warrant will be exercisable for a period of thirty-six months to purchase one (1) additional common share of the Company for $0.075. Gross proceeds received in advance of closing the Private Placement was $62,500.