

DARELLE ONLINE SOLUTIONS INC.

Management's Discussion & Analysis

Quarter ended November 30, 2018

Dated January 29, 2019

January 29, 2019

The following management discussion and analysis ("MD&A") for Darelle Online Solutions Inc. (the "Company" and/or "darelle") should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and related notes therein ("interim Financial Statements") for the three months ended November 30, 2018 and 2017, as well as the audited consolidated financial statements with accompanying notes for the year ended August 31, 2018, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB"). All financial information is stated in Canadian dollars, unless otherwise stated.

The objective of this MD&A is to help the reader understand the factors affecting the Company's past and future performance. All amounts are reported in Canadian dollars, unless otherwise stated. The statements and additional information regarding the Company can be found in filings with Canadian security commissions on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements. Forward looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "anticipate", "plan", "foresee", "believe" or "continue" or the negatives of these terms or variations of them or similar terminology. These forward-looking statements include references to the future success of our business, technology, and market opportunities. By their nature, forward looking statements require the Company to make assumptions and are subject to important known and unknown risks and uncertainties, which may cause the Company's actual results in future periods to differ materially from forecasted results. While the Company considers its assumptions to be reasonable and appropriate based on current information available, there is a risk that they may not be accurate. These forward-looking statements are neither promises nor guarantees but involve known and unknown risks and uncertainties that may cause our actual results, level of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed in or implied by these forward-looking statements. These risks include risks related to general economic conditions, risks associated with revenue growth, operating results, industry factors and the Company's general business environment, risks associated with doing business with joint venture partners, risks involved with the development of new products and technology, financing risks, such as risks relating to liquidity and access to capital markets, and risks relating to competition, among other factors. For a more detailed description of the risks that affect the Company's future growth, results and performance, readers are referred to the section on 'Risks and Uncertainties' in this MD&A and the Company's Information Circular dated November 24, 2017. Readers are cautioned that the foregoing list of factors that may affect future growth, results and performance is not exhaustive and undue reliance should not be placed on such forward-looking statements which speak only to the date they were made. We disclaim any obligation to publicly update or revise any such statements to reflect any change in our expectations or in events, conditions, or circumstances on which any such statements may be based, or that may affect the likelihood that actual results will differ from those set forth in the forward-looking statements. The Company undertakes no obligation to update or revise any forward-looking statements or information made in this MD&A, except as required under applicable securities legislation.

Business Overview

darelle is a company listed on the TSX Venture Exchange is located at Suite 527, 2818 Main Street, Vancouver, B.C. V5T 0C1 with a registered office at 4907 Fillinger Crescent, Nanaimo, British Columbia, V9V 1H9

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

Company Activity

On January 15, 2019, the Company announced the commencement of a review of strategic alternatives to enhance shareholder value including, among other things, an equity financing, the sale of part or all of the Company, a merger with another party or other strategic transaction or continuing to execute on the Company's business plan.

On July 11, 2018, the Company's wholly owned subsidiary (Darelle Media Inc.) received confirmation that the darelle platform has received certification from Gaming Laboratories International ("GLI") under the technical standards for testing pursuant to *GLI-31 Electronic Raffle Systems* (GLI-31 Certification). The GLI-31 Certification meets the technical standards for The Alberta Gaming and Liquor Act and Regulation, Liquor and Gaming Authority of Manitoba ("LGA"), Saskatchewan Liquor and Gaming Authority, and the Alcohol and Gaming Commission of Ontario. This is a critical milestone for the Company as it provides opportunity to secure licensing in multiple provinces and expand the geographical base of the platform in Canada. The GLI-31 Certification also provides opportunity to seek licensing in several state jurisdictions in the United States.

The Company launched the darelle Online Raffle Platform in the province of British Columbia in March 2016. During the 2018 fiscal year the platform processed over 94,000 tickets representing raffle ticket sales of over \$1.2 million dollars. This compares with approximately 27,500 tickets in 2017 and raffle ticket sales of \$560,000 during the same twelve-month period.

On January 15, 2018, the Company issued 4,300,000 units ("Units") of the Company at a price of \$0.05 per Unit, for gross proceeds of \$215,000 (the "Offering"). Each Unit was comprised of one common share in the capital of the Company ("a Share") and one Share Purchase Warrant of the Company ("a Warrant"). Each Warrant entitles the holder to purchase an additional Share of the Company (a "Warrant Share") for a period of 24 months from the closing date at an exercise price of \$0.075 per Warrant Share. Proceeds of the Offering will be used as follows:

- To fund ongoing operations of the Company's wholly owned subsidiary, approximately \$120,000;
- For professional fees and arm's length trade payables owing, approximately \$55,000; and
- To maintain the Company's present operations and cover general and administrative expenses, approximately \$40,000.

On January 3, 2018, the Company announced that its wholly owned subsidiary had been licensed by the Liquor and Gaming Authority of Manitoba as a gaming service provider in the province of Manitoba. The Company has license applications under review in Nova Scotia, Ontario, and Saskatchewan. The Company anticipates it will be licensed in multiple jurisdictions pending the completion of independent testing of the Company's online raffle program.

On October 2, 2017 the Company provided an operational update and announced the development of a "Chase the Ace" raffle service offering. Chase the Ace raffles are a combination of a traditional and a progressive 50/50 raffle, where one participant will win a percentage of the proceeds from the primary draw, normally 20% and the opportunity to draw a card to win the progressive portion, normally 30%. If they draw the Ace of Spades, they win the additional progressive jackpot and if not, it is carried over and the same process repeated at the next draw until the progressive pool is won. Someone wins at every draw and the progressive or Chase the Ace portion can grow exponentially along with excitement and opportunity. Chase the Ace programs have been receiving national media coverage lately and provide a new alternative for organizations to fundraise. Our platform has the added ability to make use of our Random Number Generator to determine the winner in both instances to increase consumer confidence in the results.

Ontario, Nova Scotia, Newfoundland, Manitoba, and Saskatchewan have Chase the Ace policy guidelines in place with additional provinces expected to follow suit in the 2018 calendar year. Darelle Media Inc. has license applications pending in the provinces of Ontario, Nova Scotia, and Saskatchewan. The province of Alberta recently issued policy guidelines with respect to online raffles and the Company will be seeking licensing as a gaming related supplier through the Alberta Gaming & Liquor Commission.

Intangible Assets

Development costs	
Balance as at August 31, 2017	478,672
Additions	114,829
Amortization	(104,171)
Balance as at August 31, 2018	489,330
Additions	-
Amortization	(31,815)
Balance as at November 30, 2018	457,515
Goodwill	
Balance as at August 31, 2016	227,648
Impairment	(227,648)
Balance as at August 31, 2017 and 2018	-
Carrying amount of Intangible Assets	
At November 30, 2018	457,515

Intangible assets include software acquired and developed internally. In conjunction with the acquisition of Darelle Media Inc. the Company acquired intangible assets of \$300,582 which have a remaining useful life of 47 months. The remaining intangible assets have a remaining useful life of 55 months. During the year ended August 31, 2017, the Company impaired its goodwill of \$227,648. At November 31, 2018, the Company concluded that there was no impairment required for remaining intangible assets (2018 - \$Nil).

Selected Annual Information

For Fiscal Years Ended August 31

	2018	2017	2016
	\$	\$	\$
Revenue	124,468	70,817	18,500
Loss before income taxes	(450,477)	(577,371)	(367,230)
Net loss	(450,477)	(577,371)	(367,230)
EPS - Basic	(0.01)	(0.01)	(0.01)
EPS - Diluted	(0.01)	(0.01)	(0.01)
Total assets	519,353	544,104	868,604
Long-term liabilities	-	-	-
Dividends	Nil	Nil	Nil

Financial Overview

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

The financial highlights for the quarter ended November 30, 2018 are noted below:

- Cash provided by operations and capital requirements was \$12,989 for the quarter compared to cash used by operations of \$34,595 for the same period in fiscal 2018.
- Net loss was \$104,838 ((\$0.00) per share) for the quarter, increases by \$34,334, or 49% compared to the same period in fiscal 2018.

Results of Operations

The following table sets forth a comparison of revenues, earnings, major expense category for the three-month periods ended November 30, 2018 and 2017:

	Three Months Ended	
	November 30, 2018	November 30, 2017
	\$	\$
Revenue	21,202	27,740
Expenses		
Consulting fees	22,161	-
Amortization	31,815	24,900
General and administrative	1,581	6,238
Management fees	60,000	60,000
Marketing	110	1,085
Professional fees	9,850	2,025
Transfer agent & filing fees	489	2,892
Travel	34	1,105
Net loss for the period	\$ (104,838)	\$ (70,505)
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)
Weighted average # of shares outstanding	73,708,147	69,408,647

Revenue

Revenue for the first quarter were \$21,202 compared with revenue of \$27,740 for the same three-month period of the 2018 fiscal year. Revenue is typically comprised of a set-up fee and a flat administration fee per ticket sold by organizations. The set-up fee is non-refundable and is payable once an organization enters into a service agreement with the Company. The Company realizes a flat administration fee per each raffle ticket ("processing fees") once the organization begins to sell raffle tickets. The Company realized set-up fee revenue of \$10,500 and processing fees of \$10,702 during the first quarter of 2019. This compares to set up fee revenue of \$7,000 and processing fees of \$20,740 during the same three months of the 2018 fiscal year. Processing fees realizes on each raffle will fluctuate depending upon the timing of each raffle program. The Company has taken the conservative position that revenue from processing fees is recognized once a raffle has closed.

Consulting Fees

Consulting fees were \$22,161 for the first quarter of 2019 compared to \$Nil during the same three-month period in 2018. Consulting fees include wages and fees paid to software programmers. Software consulting fees incurred during the 2018 fiscal year were attributed to the development of the www.darelle.com platform. The Company has a policy of capitalizing development expenditures based upon a number of

factors including commercial feasibility, future economic benefits and the ability to use or sell the assets. Development work on the platform was completed in July 2018 with the achievement of the GLI-31 Certification received by Gaming Laboratories LLC which resulted in the expense of software consulting fees incurred subsequent to the certification. Software consulting fees were expensed during the first quarter of 2019 (2018 - \$Nil).

Amortization

Amortization expense was \$31,815 for the first quarter of 2019 compared to \$24,900 during the same three-month period in 2018. The Company has a policy of capitalizing development expenditures based upon a number of factors including commercial feasibility, future economic benefits and the ability to use or sell the assets. Development expenditures are amortized over their useful life which has been estimated at five years.

General and Administrative

General and administrative ("G&A") expenses were \$1,581 for the first quarter of 2019, compared to \$6,238 for the same period in 2018. These are mainly costs associated with the company's computer servers, office supplies, travel and entertainment and administrative costs.

Management Fees

Management fees were \$60,000 for the three-month period ended November 30, 2018 compared to \$60,000 for the same period of 2018 fiscal year. Management fees include management consulting fees (\$60,000) associated with an officer of the Company and a President of the wholly owned subsidiary (Darelle Media Inc.). Under the terms of the consulting agreements each officer will receive a monthly consulting fee of \$10,000 per month.

Marketing

Marketing expenses were \$110 for the three-month period ended November 30, 2018 compared to \$1,085 for same period of fiscal 2018. Marketing costs are comprised of marketing events, promotion and supplies. Activity was limited during the first quarter of the 2019 fiscal year due to constraints on financial resources.

Professional Fees

Professional fees were \$9,850 for the three-month period ended November 30, 2018 compared to \$2,025 for same period of 2018. Professional fees include quarterly accrual of audit fees (\$4,750) for the 2019 fiscal year, expensed audit fees from the 2018 financial audit, and bookkeeping fees paid to a third party.

Transfer Agent and Filing Fees

Transfer agent and filing fees expense for the first quarter of 2019 was \$489 compared with expense of \$2,892 during the same three-month period in 2018. Transfer agent and filing fees include fees paid to the Company's transfer agent (Computershare) as well as regulatory fees paid to the TSX Venture Exchange and filing fees associated with interim filings on SEDAR. Higher costs for the 2018 fiscal year included filing costs associated with the company's annual general meeting which will be held on January 10, 2018.

Travel

The Company had travel expenses of \$34 during the first quarter of 2019 compared to \$1,105 for the same three-month period in 2018. Travel expenses include travel and accommodation, meals and entertainment.

Net Loss

Net loss for the first quarter ended November 30, 2018 was \$104,838 ((\$0.00) per share) compared to a net loss of \$70,505 (\$0.00) per share) for the same period in fiscal 2018. The decrease in net loss for the period is primarily due to the expensing of software consulting fees which were capitalized during the 2018 fiscal year and were partially offset by lower revenue realized during the quarter. Loss per share for the

three-month periods ended November 30, 2018 and 2017 was calculated based on the weighted average number of common shares outstanding through the quarter.

Additional Disclosure for Venture Issuers Without Significant Revenue

	2019	2018
Development of Intangible Asset	\$Nil	\$23,410
Material Expenses:		
Management fees	\$60,000	\$60,000
General and administrative	\$1,581	\$6,238
Professional fees	9,850	\$2,025

Summary of Quarterly Results

The following financial summary of quarterly operations has been presented on the basis of the unconsolidated financial statements of the Company.

Summary of Quarterly Operations

	Three Month Period Ended Nov. 30, 2018	Three Month Period Ended Aug 31, 2018	Three Month Period Ended May 31, 2018	Three Month Period Ended Feb. 28, 2018
	\$	\$	\$	\$
Revenue	21,202	21,046	55,780	19,922
Capital Expenses	-	-	-	-
Net Loss	(104,838)	(118,142)	(101,962)	(159,849)
Net Loss Per Share	(0.00)	(0.00)	(0.00)	(0.00)

	Three Month Period Ended Nov. 30, 2017	Three Month Period Ended Aug 31, 2017	Three Month Period Ended May 31, 2017	Three Month Period Ended Feb 28, 2017
	\$	\$	\$	\$
Revenue	27,740	19,612	25,976	19,340
Capital Expenses	-	-	-	-
Net Loss	(70,507)	(295,015)	(92,271)	(95,459)
Net Loss Per Share	(0.00)	(0.00)	(0.00)	(0.00)

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

Liquidity and Capital Resources

Capital Employed

	November 30, 2018	August 31, 2017
Non-current assets	\$ 457,515	\$ 489,330
Current assets	38,012	30,023
Current liabilities	(399,007)	(317,995)
Total assets less current liabilities	96,250	201,358
Non-current liabilities	-	-
Shareholders' equity	96,520	201,358
	\$ 96,520	\$ 201,358

Non-current assets

Non-current assets decreased by \$31,815 due to the amortization of intangible assets during the period. Intangible assets include development costs associated with the darelle.com online raffle platform.

Current assets

Current assets increased by \$7,989 at November 30, 2018 as compared to August 31, 2018, which is attributed to:

Cash

Cash increased by \$12,989 primarily due to lower cash requirements for operating activities of \$12,989.

Receivables

	November 30, 2018	August 31, 2018
Trade receivables	\$ 12,853	\$ 15,719
Allowance for doubtful debts	-	-
Net trade receivables	12,853	15,719
Other receivables	738	2,872
	\$ 13,591	\$ 18,591

Current liabilities

Current liabilities of \$399,007 increased by \$81,012 which is attributed to:

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities increased by \$80,842. The increase is predominantly due the accrual of unpaid management fees to related parties as of November 30, 2018 of \$60,000. The balance is amounts owing to third party suppliers.

Non-current liabilities

The Company had no non-currently liabilities outstanding as at November 30, 2018 and August 31, 2018.

Shareholders' equity

Shareholders' equity at November 30, 2018 decreased by \$104,838 as compared to the balance at August 31, 2018 and was attributed to the recognition of a net loss of \$104,838 for the period ended November 30, 2018.

Credit Facilities

The Company does not have a credit facility outstanding as at November 30, 2018.

Contractual Obligations

As of November 30, 2018, the Company has no lease commitments on its premises.

Off Balance Sheet Arrangements

As at November 30, 2018, the Company had no off-balance sheet arrangements.

Related Party Transactions

The Company's related parties are its Board of Directors and key management personnel (President and Chief Executive Officer (CEO), Chief Financial Officer (CFO) and President of a wholly owned subsidiary (Darelle Media Inc.) as well as any companies controlled by key management personnel or directors. Transactions conducted with related parties took place in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties.

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

Details of the related party transactions follow:

During the period ended November 30, 2018, the Company incurred and recorded \$60,000 (August 31, 2018 - \$240,000) 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, the officer of the Company and the wholly owned subsidiary will receive a monthly consulting fee of \$10,000. At November 30, 2018, \$325,852 (August 31, 2018 – \$265,852) was included in accounts payable to these companies for consulting fees rendered.

Key Management Personnel and Director Remuneration	Nov. 30, 2018	Nov. 30, 2017
Consulting fees	\$60,000	\$60,000
Share-based compensation	-	-
	\$60,000	\$60,000

Outstanding Share Data

Common shares outstanding

Authorized share capital consists of an unlimited number of common shares of which 73,708,147 (August 31, 2018 – 69,408,147) were issued and outstanding as at November 30, 2018.

The following table provides the weighted average number of common shares outstanding for purposes of computing loss per share for the relevant periods:

	For the quarter ended November 30,	
	2018	2017
Weighted average Common Shares Outstanding	73,708,147	69,408,147

New Accounting Standards

The following new IFRS accounting standards have been adopted by the Company and are further discussed below.

IFRS 9 – Financial Instruments

In 2014, the IASB issued the final version of IFRS 9 to replace IAS 39 – *Financial Instruments: Recognition and Measurement*. The Company adopted IFRS 9 retrospectively on September 1, 2018. The adoption of this standard did not have a significant impact to the interim condensed consolidated financial statements. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new "expected credit loss" model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The Company's financial liabilities include accounts payable and accrued liabilities, and funds in trust and have been classified other financial liabilities for valuation purposes. Other financial liabilities are measured initially at fair value and subsequently at amortized cost using the effective interest method. The fair value of accounts payable and accrued liabilities approximates their carrying amount due to their short-term nature. The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities.

IFRS 9 has eliminated the previous IAS 39 categories for held to maturity, loans and receivables and available for sale financial assets. A financial asset is now classified as measured at: amortized cost; fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPTL). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the new standard are never separated. Instead the hybrid financial instrument as a whole is assessed for classification. The Company's financial assets which consist of cash, accounts and other receivables are classified as loans and receivables. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The fair value of cash, accounts receivable approximates their carrying value due to their short-term nature.

IFRS 9 results in a single impairment model being applied to all financial instruments measured at amortized cost or at fair value through other comprehensive income. This expected credit loss impairment model requires more timely recognition of expected credit losses. Specifically, the new standard requires entities to account for expected credit losses from when financial instruments are first recognized and to recognize full lifetime expected losses on a timelier basis. The Company's policies and procedures surrounding the identification of credit risk and the recognition of credit losses comply with the requirements of this standard.

IFRS 15 – Revenue from Contracts with Customers

The Company adopted IFRS 15 – *Revenue from Contracts with Customers* on September 1, 2018 using the modified retrospective approach where the cumulative impact of adoption would be recognized in retained earnings as of September 1, 2018 and comparatives would not be restated. IFRS 15 replaced IAS

18 – *Revenue* in its entirety. The standard contains a single model that applies to contracts with customers and two approaches to recognize revenue: at a point in time or over time. This single model sets out a five-step framework to determine whether, how much and when revenue is recognized.

The Company derives revenue from contracts with charitable and nonprofit organizations who implement the Company's online raffle program. Under IFRS 15's new guidelines, revenues from service agreements with charitable and nonprofit organizations are recognized when the services are completed. The Company applied IFRS 15 retrospectively to all contracts that were not complete on September 1, 2018, the date of initial application to determine if a restatement was required for prior periods presented. The Company performed a comprehensive review of existing contracts, control processes and revenue recognition methodology. In evaluating the impact of the standard on previously reported comparative figures, the Company determined that there was no change required as the existing revenue recognition practices met the requirements of IFRS 15. Consequently, there were no adjustment to the opening balance of retained earnings as at September 1, 2018, no change to the classification and timing of revenue recognition, the measurement of contract costs or the recognition of contract assets (costs in excess of billings) and contract liabilities (deferred revenue).

Future Changes in Accounting Standards

The following are the new IFRS pronouncements that have been issued, that are not yet effective, that have not been early adopted, and that may have an impact on the Company in the future, as discussed below.

IFRS 16 – Leases replaces *IAS 17 – Leases*, *IFRIC 4 – Determining whether an arrangement contains a lease*, *SIC 15 – Operating Leases* and *SIC 27 – Evaluating the substance of transactions involving the legal form of a lease*. IFRS 16 eliminates the classification of leases as either operating or finance leases and requires the recognition of assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. Lessor accounting is substantially unchanged from IAS 17. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company has not yet evaluated the impact IFRS 16 on the consolidated financial statements.

Financial Instruments and Related Risk

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

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

The Company has exposure to credit, liquidity, and interest rate risk as follows:

Credit risk

Credit risk is the risk of that a counter-party to a financial asset will default, resulting in the Company incurring a financial loss. The Company is exposed to credit risk on its cash and accounts receivable to a maximum of the carrying value of the items at the reporting date.

The Company mitigates its exposure to credit risk by maintaining its bank accounts with major Canadian financial institutions with strong investment-grade ratings by a primary ratings agency.

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

As at November 30, 2018, \$11,456 (August 31, 2018 - \$7,781) of the trade accounts receivable balance of \$12,853 (August 31, 2018 - \$15,719) was past due. Other receivables at November 31, 2018 consist primarily of GST \$738 (August 31, 2018 - \$2,872).

Foreign exchange risk

The Company incurs certain operating expenses and capital expenditures in U.S. dollars. Accordingly, the fluctuations in the exchange rate between the U.S. and Canadian dollar can impact the Company's reported results.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial obligations.

The Company's monitors its ability to meet its short-term operating expenditures by raising additional funds through share issuances when required. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market or other alternative forms of financing is hindered, whether as a result of a downturn in stock market conditions generated or related to matters specific to the Company.

The Company's contractual liabilities and obligations are as follows:

	<1 year	1 to 3 years	4 to 5 years	>5 years	Total
Accounts payable and accrued liabilities	\$ 388,085	5,000			\$ 393,085
Funds held in trust	5,922	-	-	-	5,922
Balance November 30, 2018	\$ 394,007	5,000	-	-	\$ 399,007

	<1 year	1 to 3 years	4 to 5 years	>5 years	Total
Accounts payable and accrued liabilities	\$ 307,243	5,000			\$ 312,243
Funds held in trust	5,752	-	-	-	5,752
Balance August 31, 2018	\$ 312,995	-	-	-	\$ 317,995

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. When the Company has cash balances, the Company's current policy is to invest excess cash in certificates of deposit or high interest savings accounts of major Canadian chartered banks. As of November 30, 2018, and August 31, 2018, the Company had no investment. The other financial assets and liabilities of the Company do not bear interest. The Company does not use financial derivatives to decrease its exposure to interest risk. Management believes that the Company is not subject to significant interest rate risk.

Risks & Uncertainties

The Company, being a “Venture” issuer is exempted from filing an Annual Information Form. However, a detailed explanation of the risk factors which the Company is faced with is provided in the Company’s Management Information Circular dated November 24, 2017 at www.sedar.com. A number of the key risks, as well as the strategies that management employs to manage these risks, are discussed briefly below:

While risk management cannot eliminate the impact of all potential risks, the Company will strive to manage such risks to the extent possible and practicable. The risks and uncertainties described in this section are considered by management to be the most important in the context of the businesses of the Company. The risks and uncertainties below are not inclusive of all the risks and uncertainties the Company may be subject to, as other risks may apply.

Risks Related to the Business of the Company

The Company does not have an operating history

The Company has no history of earnings; it has not paid any dividends and it is unlikely to pay any dividends in the immediate or foreseeable future. As such, the Company is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other, and lack of revenues. The success of the Company will depend entirely on the expertise, ability, judgment, discretion, integrity and good faith of its senior management.

Lack of Access to Future Financing

The Company intends to continue to make investments to support the development and business growth and may require additional funds to respond to business challenges, including the need to develop new products or enhance existing products under development. Accordingly, the Company may need to engage in equity or debt financings to secure additional funds. If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and new equity securities issued could have rights, preferences and privileges superior to those of holders of The Company’s common shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. In addition, additional financing may not be available on favourable terms, if at all. If the Company is unable to obtain adequate financing or financing on terms satisfactory to them, when they require it, their ability to continue to support business development and growth and to respond to business challenges could be significantly limited.

Quarterly Results May Fluctuate

The Company may experience significant fluctuations in future quarterly operating results that may be caused by many factors, including the following:

Limited operating history;

Pace of development of development for Torpedo Heat Reclamation Product and the Well Head Heater Project;

Changes in pricing policies by the Company or its competitors;

Changes in level of marketing and other operating expenses to support future growth;

Competitive factors; and General economic conditions.

In addition, the Company's expenses will be largely based on anticipated revenue. As a result, a delay in generating or recognizing revenues could cause significant variations in operating results from quarter to quarter and could result in substantial operating losses.

Economic Risk

There is no guarantee that the Company will be able to generate sufficient cash flow from operations or through the incurrence of short or long-term debt. Additionally, the incurrence of future debt will increase the Company's interest expense.

No Anticipation of Paying Dividends

No dividends have been paid to date on the Company's Shares. Management of the Company anticipates that for the foreseeable future earnings, if any, will be retained for use in the business and that no cash dividends will be paid.

There is no U.S. public market for Company Shares

At the present time, there is no U.S. public market for the Company's securities. It is possible that a regular trading market will not develop, or if developed, that a market will not be sustained. Any market for the Company's securities that may develop will very likely be a limited one. In any event, due to the low price of the stock, many brokerage firms may choose not to engage in market making activities or effect transactions in such securities. Purchasers of the Company's securities may have difficulties in reselling them and many banks may not grant loans utilizing the Company's securities as collateral. The securities are not eligible for listing on the NASDAQ Stock Market and may never be eligible or listed on a U.S. exchange.

Limited Operating History and Evolving Business Model

darelle has a limited operating history and its business model is continually evolving. *darelle* has not earned operating profits and the company has incurred losses since inception. *darelle* may not be able to achieve or maintain profitability and *darelle* may continue to incur significant losses in the future. If *darelle*'s revenues do not materialize to offset costs and operating expenses, *darelle* will not be profitable.

Key Management Personnel

The business and future operating results of *darelle* depend in part upon its ability to attract, groom and retain qualified management, technical, sales and support personnel for its operations. The loss of key personnel could negatively impact *darelle*'s operations. *darelle* plans to hire additional personnel as needed, in all areas of its business, particularly for its sales, marketing and technology development areas. Competition for qualified personnel is intense and *darelle* cannot guarantee that it will be able to attract, train and then retain qualified personnel.

Intense Competition

The online e-commerce marketing industry has seen many new competitors in the past twenty-four months, and the industry is quickly becoming highly competitive and *darelle* may face additional competition from small-to-medium size competitors and from competitors that are better funded than *darelle*. Specific factors upon which *darelle* will compete will include, but are not limited to, functionality of its platform, technological sophistication, ease of use, timing for implementation, hosting of its offering, quality of support and services, and fees. Some of *darelle*'s current and potential competitors have longer operating histories, greater name

recognition, access to larger customers' bases and substantially greater resources, including sales and marketing, financial and other resources. As a result, these competitors may be able to:

- absorb costs associated with providing their products at a lower price;
- devote more resources to new customer acquisitions;
- respond to evolving market needs more quickly than *darelle* can;
- and finance more research and development activities to develop better services.

Rapidly Changing Technological Development

The market for *darelle*'s services will be characterized by rapid technological advances, changes in customer requirements, changes in protocols and evolving industry standards. If *darelle* is unable to develop enhancements to, and new features, for its intended services that keep pace with rapid technological developments, its services may become obsolete, less marketable and less competitive and *darelle*'s business will be harmed.

Network Expansion and Systems

In the future, *darelle* may need to expand its network and systems at a rapid pace. *darelle*'s network or systems may not be capable of meeting the demand for increased capacity, or *darelle* may incur additional unanticipated expenses to accommodate these capacity demands.

Development of Intellectual Property

darelle does not have any patents or patent applications pending with respect to its social communication and e-commerce platform ("Platform"). Even if *darelle* applied for patents in the future, there is no certainty that any patent will be granted, that any future patent will not be challenged, invalidated or circumvented, or that rights granted under any patent issued to it will afford a competitive advantage. *darelle* will rely on a combination of copyright, trademark and trade secret laws and restrictions on disclosure to protect its intellectual property rights. The foregoing affords only limited protection.

Protection of Intellectual Property

darelle depends on its ability to develop and maintain proprietary aspects of its technology. It seeks to protect its software, documentation and other written material under trade secret and copyright law, as well as with confidentiality provisions in contracts with its customers, suppliers, contractors and employees all of which afford limited protection. Despite the measures *darelle* will take to protect its intellectual property, there can be no assurance that these steps will be adequate or that third parties will not breach the confidentiality provisions in *darelle*'s contracts or infringe or misappropriate its intellectual property.

Privacy Concerns

Although *darelle* intends to comply with all relevant privacy legislation, there is the possibility that a lawsuit could be brought against *darelle* with respect to the proper handling and use of confidential information obtained by *darelle* through proposed transaction in its Platform and the collection of personal information.

Technological and Network Problems

darelle's services will be entirely dependent on specific technologies and networks. Despite redundancy built into the hosting operations, there is a risk of a disaster at the hosting facility, the penetration of the host system by a hacker, the failure of internal systems or infrastructure.

Changes in Internet-related and Other Laws

Laws and regulations that apply to communications and commerce over the Internet are becoming more prevalent. In particular, the growth and development of the market for online commerce has prompted calls for more stringent tax, consumer protection and privacy laws, both in Canada and abroad, that may impose additional burdens on companies conducting business online. This could negatively affect the business development of *darelle* and reduce demand for its services. Internet-related laws, however, remain unsettled, even in areas where there has been some legislative action. The adoption or modification of laws or regulations relating to the Internet or *darelle's* intended operations, or interpretations of existing law, could adversely affect *darelle*.

Approval

The audit committee has approved the disclosure contained in this MD&A. Additional information relating to the Company is available on SEDAR at www.sedar.com.