



Mezzi Holdings Inc. (formerly CCT CAPITAL LTD.)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED OCTOBER 31, 2014

(Unaudited)

(Expressed in Canadian Dollars)

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited condensed interim financial statements for the period ended October 31, 2014.

Mezzi Holdings Inc. (formerly CCT Capital Corp.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian Dollars)
AS AT

	October 31, 2014	April 30, 2014 (Audited)
ASSETS		
Current assets		
Cash	\$ 1,947,611	\$ 538,621
Accounts receivable	51,841	9,754
Other receivables	88,533	-
Prepaid expenses	99,064	29,350
Inventory (Note 5)	<u>166,972</u>	
Total current assets	<u>2,354,021</u>	<u>577,725</u>
Non-current assets		
Loan to Mezzi Canada Inc.	-	25,000
Intangible assets (Note 6)	<u>1,318,159</u>	<u>-</u>
Total non-current assets	<u>1,318,159</u>	<u>25,000</u>
Total assets	<u>\$ 3,672,180</u>	<u>\$ 602,725</u>
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 7)	<u>\$ 123,290</u>	<u>\$ 162,653</u>
Total current liabilities	<u>123,290</u>	<u>162,653</u>
Equity		
Share capital (Note 8)	6,460,487	1,967,338
Reserves (Note 8)	696,368	330,084
Deficit	<u>(3,607,965)</u>	<u>(1,857,350)</u>
Total equity	<u>3,548,890</u>	<u>440,072</u>
Total liabilities and equity	<u>\$ 3,672,180</u>	<u>\$ 602,725</u>

Approved and authorized on December 30, 2014 on behalf of the Board:

<u>"Keir Reynolds"</u> , Director	<u>"Robert Withers"</u> , Director
Keir Reynolds	Robert Withers

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

Mezzi Holdings Inc. (formerly CCT Capital Corp.)**CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Unaudited - Expressed in Canadian Dollars)

	Three Months Ended October 31, 2014	Three Months Ended October 31, 2013	Six Months Ended October 31, 2014	Six Months Ended October 31, 2013
EXPENSES				
Commission	\$ 9,191	\$ -	\$ 9,191	\$ -
Consulting (Note 10)	30,665	10,200	62,557	20,400
Depreciation	209	-	209	-
Management fees (Note 10)	207,250	-	609,750	-
Marketing	119,322	-	164,500	-
Office and miscellaneous	13,554	(321)	49,947	182
Professional fees	33,752	3,403	67,528	6,670
Salaries	22,568	-	22,568	-
Share-based payments (Note 8 and 10)	308,803	-	537,776	-
Shareholder communication	26,088	-	142,501	-
Transfer agent and regulatory fees	25,652	1,273	35,778	4,295
Travel and accommodation	19,798	-	51,471	-
Loss before other items	<u>(816,852)</u>	<u>(14,555)</u>	<u>(1,753,776)</u>	<u>(31,547)</u>
OTHER ITEMS				
Foreign exchange gain (loss)	(1,956)	-	(2,153)	-
Gain on debt settlement (Note 2)	50,960	-	50,960	-
Product development costs	<u>(45,646)</u>	<u>-</u>	<u>(45,646)</u>	<u>-</u>
Total other items	<u>3,358</u>	<u>-</u>	<u>3,161</u>	<u>-</u>
Loss and comprehensive loss for the period	<u>\$ (813,494)</u>	<u>\$ (14,555)</u>	<u>\$ (1,750,615)</u>	<u>\$ (31,547)</u>
Basic and diluted loss per common share	<u>\$ (0.03)</u>	<u>\$ (0.00)</u>	<u>\$ (0.06)</u>	<u>\$ (0.00)</u>
Weighted average number of common shares outstanding	<u>32,475,523</u>	<u>12,130,000</u>	<u>27,426,832</u>	<u>12,130,000</u>

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

Mezzi Holdings Inc. (formerly CCT Capital Corp.)
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian Dollars)

	Six Months Ended October 31, 2014	Six Months Ended October 31, 2013
CASH FLOW FROM OPERATING ACTIVITIES		
Loss for the period	\$ (1,750,615)	\$ (31,547)
Items not affecting cash:		
Depreciation	209	-
Gain on debt settlement	(50,960)	-
Shared-based payments	537,776	-
Changes in non-cash working capital items:		
Accounts receivable	(42,086)	(681)
Inventory	(166,972)	-
Prepaid expenses	(69,714)	-
Accounts payable and accrued liabilities	(91,495)	23,759
Net cash used in operating activities	(1,633,857)	(8,469)
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of intangible assets	(60,049)	-
Net cash used in investing activities	(60,049)	-
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from private placements	2,956,637	-
Share issuance costs	(183,741)	-
Proceeds from exercise of stock options	330,000	-
Net cash provided by financing activities	3,102,896	-
Change in cash for the period	1,408,990	(8,469)
Cash, beginning of period	538,621	16,287
Cash, end of period	\$ 1,947,611	\$ 7,818
Cash paid (received) during the period for interest	\$ -	\$ -
Cash paid (received) during the period for taxes	\$ -	\$ -
Supplementary cash flow information		
Transfer of reserves to share capital for exercise of options	\$ 201,338	\$ -
Payment of finder's fees through broker warrants	\$ (29,846)	\$ -
Acquisition of Mezzi Canada Inc through share issuance	\$ 1,200,000	\$ -

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

Mezzi Holdings Inc. (formerly CCT Capital Corp.)
CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited - Expressed in Canadian Dollars)

	Share Capital		Reserves	Deficit	Total Equity
	Common Shares	Amount			
Balance, May 1, 2013	12,130,000	\$ 1,303,088	\$ 330,084	\$ (1,682,572)	\$ (49,400)
Loss and comprehensive loss for the period	-	-	-	(31,547)	(31,547)
Balance, October 31, 2013	12,130,000	1,303,088	330,084	(1,714,119)	(80,947)
Balance, May 1, 2014	16,021,667	\$ 1,967,338	\$ 330,084	\$ (1,857,350)	\$ 440,072
Shares issued in private placements	14,783,186	2,956,637	-	-	2,956,637
Share issuance costs on private placement	-	(183,741)	-	-	(183,741)
Fair value of broker's warrants	-	(29,846)	29,846	-	-
Stock options exercised	1,320,000	330,000	-	-	330,000
Fair value of stock options exercised	-	201,338	(201,338)	-	-
Shares issued for acquisition of Mezzi Canada Inc. (Note 2)	6,000,000	1,200,000	-	-	1,200,000
Shares issued for debt settlement (Note 2)	93,800	18,761	-	-	18,761
Share based payments	-	-	537,776	-	537,776
Loss and comprehensive loss for the period	-	-	-	(1,750,615)	(1,750,615)
Balance, October 31, 2014	38,218,653	\$ 6,460,487	\$ 696,368	\$ (3,607,965)	\$ 3,548,890

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

1. CORPORATE INFORMATION

Mezzi Holdings Inc. (formerly CCT Capital Ltd.) (“Mezzi” or the “Company”) is a publicly listed company incorporated on April 16, 2006 under the Business Corporations Act (British Columbia). The Company is engaged in the sale and distribution of luxury accessories.

On October 24, 2014, the Company completed the acquisition (the “Acquisition”) of the privately held Mezzi Canada Inc., pursuant to a three-party amalgamation under the Canada Business Corporations Act (Note 2). Mezzi Canada Inc. became a wholly owned subsidiary of the Company. The Company trades on the TSX Venture Exchange under the symbol “MZI.”

The Company’s corporate office is located on Suite 300, 1090 Homer Street, Vancouver, B.C. Canada.

2. ACQUISITION OF MEZZI CANADA INC.

On June 20, 2014, the Company signed a definitive amalgamation agreement with Mezzi Canada Inc. (“Privco”). Pursuant to the Acquisition, Privco will amalgamate with 8918627 Canada Inc., a wholly owned subsidiary of the Company, such that the amalgamated entity is a wholly owned subsidiary of the Company. In consideration for the Acquisition, the Company will issue an aggregate of 6,000,000 common shares, valued at \$1,200,000, to the shareholders of Privco. The transaction completed on October 24, 2014 and was treated as an asset acquisition of the Mezzi Trademark and technology.

The total purchase price of \$1,200,000 has been allocated as follows:

Receivables	\$ 88,533
Intangible assets	1,258,319
Trade payable and accrued liabilities	(21,852)
Loan payable	<u>(125,000)</u>
Purchase price	\$ <u>1,200,000</u>

In addition, and as a condition to closing of the Acquisition, the Company has issued 93,800 common shares in settlement of certain existing indebtedness of the Company, resulting in a gain on debt settlement of \$50,960.

3. BASIS OF PRESENTATION

Statement of compliance

These unaudited condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the IFRS Interpretations Committee.

Basis of presentation

These unaudited condensed interim financial statements have been prepared on historical cost basis. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

These unaudited condensed interim financial statements are presented in Canadian dollars, which is the functional currency of the Company, unless otherwise noted.

3. BASIS OF PRESENTATION (cont'd...)

Significant accounting judgments and critical accounting estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the report amounts of revenues and expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates, which, by their nature, are uncertain. The impact of such estimates appears throughout the financial statements and may require 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 relevant factors that are believed to be reasonable under the circumstances.

Significant accounting judgments

Management must make judgments given the various options available as per accounting standards for items included in the financial statements. Judgments involve a degree of uncertainty and could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual events differ from a judgment made. A summary of items involving management judgment include, but are not limited to:

- i) The impairment and recoverability of the intangible asset- An integral component of impairment testing is determining the intangible asset's recoverable amount. The determination of the recoverable amount involves significant management judgment, including projections of future cash flows and appropriate discount rates. The cash flows are derived from the financial forecast for the next five years. Qualitative factors, including market presence and trends, strength of customer relationships, strength of debt and capital markets, and degree of variability in cash flows, as well as other factors, are considered when making assumptions with regard to future cash flows and the appropriate discount rate.
- ii) Recognition of deferred income tax assets- the extent to which deferred tax assets can be recognized is based on an assessment of the probability of the Company's future taxable income against which the deferred tax assets can be utilized.

Critical accounting estimates

Key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year include, but are not limited to, the following:

- i) Valuation of inventory – The Company estimates the net realizable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by market-driven changes that may reduce future selling prices. A change to these assumptions could impact the Company's inventory valuation and impact gross margins.
- ii) Share-based payment – The fair value of share-based payment is determined using a Black-Scholes Option pricing model. Such option pricing models require the input of subjective assumptions including the expected price volatility, option life, dividend yield, risk-free rate and estimated forfeitures at the initial grant.

4. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, 8918627 Canada Ltd. All intercompany transactions and balances have been eliminated. 8918627 Canada Ltd. was incorporated in the provinces of British Columbia and holds the Mezzi trademark.

Inventory

Inventory is valued at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and costs necessary to sell. Inventory includes costs incurred for direct materials, direct labor and manufacturing cost.

Intangible assets

An intangible asset is defined as being identifiable, able to bring future economic benefits to the Company and controlled by it. Intangible assets are recorded initially at cost and relate primarily to the Mezzi Trademark, website, app, and customer relationships. An intangible asset is recognized when

- i. it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- ii. management intends to complete the intangible asset and use or sell it;
- iii. there is an ability to use or sell the intangible asset;
- iv. it can be demonstrated how the intangible asset will generate probable future economic benefits;
- v. adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- vi. the expenditure attributable to the intangible asset during its development can be reliably measured.

Intangible assets with finite lives are amortized over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization begins when the intangible asset is available for use.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Impairment of long-lived assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Income taxes

Income tax expense 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. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years. Deferred tax is recorded 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.

Temporary differences are not provided for goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect both accounting or taxable loss, and differences relating to investments 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 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.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. For the years presented this calculation proved to be anti-dilutive.

Basic loss per share is calculated using the weighted-average number of common shares outstanding during the reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Share-based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the profit or loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the profit or loss over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods and services received in the profit or loss, unless they are related to the issuance of shares. Amount related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimates, for the effects of non-transferability, exercise restrictions and behavioral considerations.

All equity-settled share-based payments are reflected in reserves until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled and settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

Where options are cancelled or expired, the fair value of the options is allocated from reserves to deficit.

Share capital

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and development of its projects. These equity financing transactions may involve issuance of common shares. The Company's common shares are classified as equity instruments. Warrants that are issued as payment for agency fee or other transaction costs are accounted for as share-based payments.

In situations where share capital is issued, or received, as non-monetary consideration and the fair value of the asset received, or given up is not readily determinable, the fair market value (as defined) of the shares is used to record the transaction. The fair market value of the shares issued, or received, is based on the trading price of those shares on the appropriate Exchange on the date of the agreement to issue shares as determined by the Board of Directors.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories as follows:

Fair value through profit or loss ("FVTPL") - This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Loans and receivables ("LAR") - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment.

Held-to-maturity investments ("HTM") - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment.

Available-for-sale ("AFS") - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized in profit or loss.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Transaction costs associated with fair value through profit or loss financial assets are expensed as incurred while transaction costs associated with all other financial assets are included in initial carrying amount of the assets.

Financial liabilities

The Company classifies its financial liabilities into one of two categories as follows:

Fair value through profit or loss ("FVTPL") - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities ("OFL") - This category consists of liabilities carried at amortized cost using the effective interest method. These financial liabilities are initially recognized at fair value less directly attributable transaction costs.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

New accounting pronouncements

The following standards have not yet been adopted and are being evaluated to determine their impact on the Company's financial statements. The Company plans to adopt these standards as soon as they become effective for the Company's reporting period.

- New standard IFRS 9, *Financial Instruments*, classification and measurement is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, "*Financial Instruments: Recognition and Measurement*." IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit and loss. This standard is effective for annual periods beginning on or after January 1, 2018.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

5. INVENTORY

	October 31, 2014	April 30, 2014
Raw materials	\$ 166,972	\$ -
Total	\$ 166,972	\$ -

6. INTANGIBLE ASSETS

Intangible assets consist of following:

	October 31, 2014	April 30, 2014
Software, website and mobile app	\$ 59,840	\$ -
Mezzi trademark acquisition (Note 2)	<u>1,258,319</u>	<u>-</u>
Total	\$ 1,318,159	\$ -

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are as follows:

	October 31, 2014	April 30, 2014
Trade payables and accrued liabilities	\$ 101,521	\$ 69,979
Due to related parties (Note 10)	<u>21,769</u>	<u>92,674</u>
Total	\$ 123,290	\$ 162,653

8. SHARE CAPITAL AND RESERVES

a) Authorized share capital:

Unlimited number of voting common shares without par value

Unlimited number of preferred shares with no par value

b) Issued share capital

At October 31, 2014, the Company had 38,218,653 common shares issued and outstanding (April 2014-16,021,667).

On January 29, 2014, the Company implemented a stock consolidation of one post-consolidation common share for six pre-consolidation common shares. All figures as to the number of common shares, stock options, warrants, the prices of issued shares, exercise price of options and warrants, as well as the loss per common share in these financial statements are converted to post-consolidated amounts including comparative figures.

During the period ended October 31, 2014:

- On July 8, 2014, the Company completed a private placement for 14,783,186 common shares of the Company at \$0.20 per share for gross proceeds of \$2,956,637. In connection with the private placement, the Company paid finder's fees of \$183,741 and issued 354,000 finder's warrants exercisable at a price of \$0.50 per warrant to acquire one common share of the Company for a period of eighteen months. The broker warrants were valued at \$29,846.
- On July 24, 2014, 1,005,000 shares were issued from the exercise of stock options for gross proceeds of \$251,250. Accordingly, \$153,765 was reclassified from reserves to share capital.
- On September 2, 2014, 315,000 shares were issued from the exercise of stock options for gross proceeds of \$78,750. Accordingly, \$47,573 was reclassified from reserves to share capital.
- In October 2014, the Company completed the acquisition of privately held Mezzi Canada Inc through the issuance of 6,000,000 shares. As a condition of the acquisition, the Company has also issued 93,800 common shares of the Company in settlement of certain existing indebtedness of the Company. Please see Note 2.

8. SHARE CAPITAL AND RESERVES (cont'd...)

b) Issued share capital (cont'd...)

During the period ended October 31, 2013, the Company did not have any share activities.

c) Stock options

The Company has a stock option plan in place under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company.

During the period ended October 31, 2014, the Company granted 3,565,000 (2013 – \$Nil) stock options with fair value calculated using the Black-Scholes option-pricing model of \$537,776 (2013 – \$Nil). Share-based payments expense for the period ended October 31, 2014 consisted of the fair value of stock options vested during the period for \$537,776 (2013 – \$Nil). This amount was also recorded as reserves on the statements of financial position.

During the period ended October 31, 2014, 1,320,000 (2013 – \$Nil) options were exercised for total proceeds of \$330,000 (2013 – \$Nil). As a result of this stock option exercise, \$201,338 was reclassified from reserves to share capital.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the period:

	2014	2013
Risk-free interest rate	1.52%	-
Expected life of options	5 years	-
Annualized volatility	107.7%	-
Dividend rate	0.00%	-
Forfeiture rate	0.00%	-

Stock option transactions and the number of share options outstanding are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, April 30, 2014	-	\$ -
Granted	3,565,000	0.25
Exercised	(1,320,000)	0.25
Balance, October 31, 2014	2,245,000	\$ 0.25
Number of options currently exercisable	2,245,000	\$ 0.25
Weighted average remaining life of options outstanding	4.79 years	

8. SHARE CAPITAL AND RESERVES (cont'd...)

c) Stock options (cont'd...)

As at October 31, 2014, the following stock options were outstanding:

Number of options	Exercise Price	Expiry Date
595,000	\$ 0.25	May 23, 2019
1,030,000	0.25	August 27, 2019
<u>620,000</u>	0.25	October 16, 2019
2,245,000		

c) Broker Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, April 30, 2014	-	\$ -
Granted	<u>354,000</u>	<u>0.50</u>
Balance, October 31, 2014	354,000	\$ 0.50

As at October 31, 2014 the following warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
335,000	\$ 0.50	December 20, 2015
<u>19,000</u>	\$ 0.50	January 8, 2016
354,000		

9. FINANCIAL INSTRUMENTS AND RISK

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liabilities either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The Company's primary financial instruments are classified as follows:

<u>Financial instruments</u>	<u>Classifications</u>
Cash	FVTPL
Loan receivable	LAR
Accounts payable and accrued liabilities	OFL

The fair value of these assets and liabilities approximates their respective carrying amounts due to their short term nature. The Company does not currently hold any financial instruments that would be included in the classification of available-for-sale.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk that a customer or counterparty to a financial instrument will cause a financial loss to the Company by failing to meet its obligations. The Company's financial instruments that are exposed to concentrations of credit risk are primarily cash and accounts receivable. The Company limits its exposure to credit risk with respect to cash by holding it with major Canadian financial institutions. The Company's accounts receivable consists of GST receivables and a credit held with Trade Exchange Canada, Western Canada's largest trade exchange system, which allows the Company to barter for goods and services with other vendors.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at October 31, 2014, the Company had a cash balance of \$1,947,611 (April 30, 2014 – \$538,621) to settle current liabilities of \$123,290 (April 30, 2014 – \$162,653). All of the Company's financial liabilities have contractual maturities of 30 days or due on demand, and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, commodity and equity prices.

a) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company is satisfied with the credit ratings of its banks. As of October 31, 2014, the Company did not hold any investments. The Company believes it has no significant interest rate risk.

9. FINANCIAL INSTRUMENTS AND RISK (cont'd...)

Market risk (cont'd...)

b) Foreign currency risk

As at October 31, 2014, the Company has a minimal balance of cash in US dollars and does not believe that the foreign currency risk related to the balance is significant.

10. RELATED PARTY BALANCES AND TRANSACTIONS

Transactions with related parties and key management personnel are as follows:

	Nature of transactions	Six Months Ended October 31, 2014	Six Months Ended October 31, 2013
<u>Key management personnel:</u>			
A company controlled by the CEO	Management	\$ 120,000	\$ -
A company controlled by the former CEO	Management	362,500	-
A company controlled by the President	Management/Rent	77,000	-
A company controlled by the former CFO ⁱ⁾	Management/Rent	54,449	-
A former director and a company controlled by a former director of the Company	Consulting	-	20,400
Directors and Officers of the Company	Share-based payments	<u>413,260</u>	<u>-</u>
Total		<u>\$ 1,027,209</u>	<u>\$ 20,400</u>

i) Subsequent to the quarter ended October 31, 2014, a new CFO was appointed for the Company.

The amounts due to other related parties and key management personnel included in accounts payable and accrued liabilities are as follows:

	October 31, 2014	April 30, 2014
Due to a company controlled by the CEO	\$ -	\$ 4,039
Due to a company controlled by the former CFO	6,099	9,344
Due to a company controlled by the President	670	1,530
Due to a firm of which the CFO is a partner	15,000	-
Due to a former director and a company controlled by a former director of the Company	-	69,720
Due to the former CEO and director of the company	<u>-</u>	<u>8,041</u>
	<u>\$ 21,769</u>	<u>\$ 100,425</u>

11. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern.

In the management of capital, the Company monitors its adjusted capital which comprises all components of equity (ie. share capital, reserves and deficit).

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue common shares through private placements. The Company is not exposed to any externally imposed capital requirements.

No changes were made to capital management during the period ended October 31, 2014.