



Mezzi Holdings Inc.

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED OCTOBER 31, 2016

(Expressed in Canadian Dollars)

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This Management Discussion and Analysis (“MD&A”) of Mezzi Holdings Inc., (the “Company”) provides analysis of the Company’s financial results for the period ended October 31, 2016 and should be read in conjunction with the accompanying consolidated interim financial statements for the period ended October 31, 2016 and audited annual financial statements and notes thereto for the year ended April 30, 2016 which are available on SEDAR at www.sedar.com. This MD&A is current as at December 28, 2016.

The consolidated interim financial statements for the period ended October 31, 2016 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of financial statements. All amounts are expressed in Canadian dollars, unless otherwise stated.

FORWARD-LOOKING INFORMATION

This discussion contains “forward-looking statements” that involve risks and uncertainties. Such information, although considered to be reasonable by the Company’s management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made.

This MD&A may contain forward-looking statements that reflect the Company’s current expectations and projections about its future results. When used in this MD&A, words such as “estimate”, “intend”, “expect”, “anticipate” and similar expressions are intended to identify forward-looking statements, which, by their very nature, are not guarantees of the Company’s future operational or financial performance, and are subject to risks and uncertainties and other factors that could cause the Company’s actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A or as of the date otherwise specifically indicated herein.

Due to risks and uncertainties, including the risks and uncertainties identified above and elsewhere in this MD&A, actual events may differ materially from current expectations. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

CORPORATE UPDATE

On December 15, 2016, the Company announced a corporate update for its MEZZI Smart Luxury brand of tech-integrated accessories. The Company opened its first retail space located in Tsawwassen Mills, a new premium super-regional shopping centre located in the Greater Vancouver area, close to the US/Canadian Border.

In time for this launch at Tsawwassen Mills, the Company has successfully restocked its most popular styles including its Carezza clutch and Mini Cosima cross-body styles. Also, Mezzi is launching an all new style called “Ada”, named after Ada Lovelace (1815-52) the “first” computer programmer. Fittingly, this bag is specifically styled to carry most laptops up to 15-inches. Colourways for these new styles include Black, Brulee and an all-new colour, Monroe Red.

Many of these newly received bags have been pre-ordered with deliveries scheduled between now and the end of February. Also, we have an additional production delivery set for early January and our next production order is scheduled to be completed at the factory by the end of January. Additional styles, including the Cosima, Vedova bucket bag and another all-new style – a tote bag perfect for summer – are to be stocked and ready for Spring deliveries.

On December 6, 2016, the Company granted 2,150,000 options of the Company, exercisable at \$0.085 per share with a life of 5 years, to the current management and consultants of the Company.

On December 2, 2016, the Company announced that it retained the services of ChicExecs for retail channel management and public relations services in the United States. ChicExecs Store Placement and Channel Management has one of the largest virtual rolodexes including a massive personalized database and maintains strategic relationships with buyers and merchandise directors at every major retailer across the United States. Under the terms of the agreement, ChicExecs, starting in December, will be seeking to greatly expand the distribution of Mezzi's line of smart

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luxury accessories into boutiques and major retailers across the U.S. The Company also granted 2,000,000 options of the Company, exercisable at \$0.07 per share with a life of 5 years, to the consultants of the Company.

On November 16, 2016, the Company announced that sales resulted for the month of October including pre-orders and fulfilled transactions exceeded \$204,000.

On October 31, 2016, the Company entered into a non-binding agreement for a draw-down equity facility of up to \$4,000,000. Each offering will occur exclusively at the option of the Company, throughout the 24-month term of the agreement. The agreement provides for equity private placement offerings, to be conducted between MEZZI and Alumina Partners LLC ("Alumina Partners"), a New York-based private equity firm. Pursuant to the terms of the offerings, Alumina Partners will commit to purchase up to \$4,000,000 of units of the Company, consisting of one common share and one common share purchase warrant. The placement will be at a discount of 20% of the market price of the Shares. The exercise price of the Warrants will be at a 25% premium over the market price of the Shares. The completion of a definitive agreement is anticipated later this month.

On October 17, 2016, the Company granted 1,420,000 options of the Company, exercisable at \$0.09 per share with a life of 5 years, to the current management and consultants of the Company.

On October 6, 2016, the Company closed the last tranche of a non-brokered private placement by issuing 2,850,000 units for a total of \$285,000. Each unit consists of one common share of the Company and one share purchase warrant. Each whole warrant is exercisable into one additional common share of the Company at \$0.15 per warrant share for a period of one year from closing.

On October 5, 2016, the Company announced that the Company is launching multiple longer-term temporary stores and pop-ups in up to 6 cities prior to year-end. Confirmed locations are: Vancouver (October 21st and 22nd), Los Angeles (November 4th and 5th) and New York (November 18th to December 3rd). Additional cities being considered for the lucrative holiday season are: Toronto, Seattle and San Francisco.

On September 27, 2016, the Company announced that it received orders that exceeded \$285,000 in the previous 30 days.

On September 15, 2016, the Company closed the first tranche of a non-brokered private placement by issuing 9,359,000 units for a total of \$935,900. Each unit consists of one common share of the Company and one share purchase warrant. Each whole warrant is exercisable into one additional common share of the Company at \$0.15 per warrant share for a period of one year from closing.

On June 10, 2016, the Company granted 2,100,000 options of the Company, exercisable at \$0.09 per share with a life of 5 years, to the current management and consultants of the Company.

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NATURE OF BUSINESS

The Company is a publicly listed company incorporated on April 16, 2006 under the Business Corporations Act (British Columbia). The Company is a brand management company that is engaged in the sale and distribution of various consumer products and fashion accessories including MEZZI Smart Luxury, MLine Cases and Capital Eyewear. MEZZI Smart Luxury is a brand of luxury handbags that integrates wearable technologies and is the primary brand of focus at this time. Capital Eyewear is a classics-driven, boutique eyewear brand whose sole mission is to design and manufacture the best pair of eyewear you'll ever own. MLine Cases designs and distributes a line of laptop and speciality cases through an authorized dealer network of wholesale vendors located across North America.

On October 24, 2014, the Company completed the acquisition (the "Acquisition") of the privately held Mezzi Canada Inc. ("Privco"), pursuant to a three-party amalgamation under the *Canada Business Corporations Act* in which Privco amalgamated with a wholly-owned subsidiary of the Company. On closing of the Acquisition, the amalgamated entity became a wholly owned subsidiary of the Company. The Company trades on the TSX Venture Exchange under the symbol "MZI."

The Company is in the business of producing, developing and marketing several different brands and categories of consumer products through a scalable omni-channel sales platform. The Company designs and produces a line of luxury leather goods, marketed under the brand name "MEZZI". MEZZI is a line of Smart Luxury accessories that integrates fashion and technology into women's handbags and other leather fashion accessories. Each piece, including handbags, totes, clutches and essential leather goods, integrates: in-bag charging, in-bag light, audible and light notification alerts, wireless Bluetooth speaker for music streaming and crowd-sourced GPS technology in a seamless and functional manner while maintaining their fashion first style. Additional software and hardware technology functions are being tested for inclusion into subsequent products, allowing greater convenience, security and functionality for users. Wearable technology is being adopted at a breakneck pace and the handbag allows for numerous functional integrations.

Fiscal 2015 was the best year experienced by the Company ever and overcame certain production challenges experienced in fiscal 2014. Fiscal 2015 saw sales of \$419,823 vs. \$21,799 in 2014 representing a 1,825% year-over-year revenue growth. Part of this was attributable to a new pricing strategy that was implemented in November 2015 for the MEZZI Smart Luxury brand.

MEZZI has spent a considerable amount of time and effort on establishing the brand through social media, online advertising, brand ambassadors, fashion bloggers, press mentions, interviews, etc. and began in summer 2015 to expand beyond online store sales and to develop a more complete omni-channel strategy with several new retailers in Canada and the US carrying the MEZZI line. MEZZI has added several new retail stockists and is presently carried by nearly 50 retailers in North America. The Company is continuing to focus on the growth of both its wholesale and pop-up shop (temporary store locations) business segments. Due to strong demand and high sell-through rates with current retailers it is advantageous of the Company to continue growing these segments.

In September 2015, MEZZI completed the acquisition of Capital Eyewear, a boutique eyewear brand based in San Francisco, California. This brand was originally launched in 2009 and has focused on the design and production of wood and Italian acetate eyewear. Upon MEZZI's acquisition, it has been in the process of refreshing and re-launching the brand. Included in this re-launch are additional product styles, a completely new and immersive e-commerce experience and a much more aggressive wholesale strategy. The new website was launched in March 2016 and production has been shifted overseas to larger factories capable of producing much more extravagant designs. Initial prototyping has been completed and relaunch is planned for early 2017. As part of this relaunch, the Company is in discussions to acquire a majority stake in an existing private eyewear brand that will manage the Capital Eyewear brand.

MEZZI's three business units are participants in the more than USD \$240 billion annual personal luxury goods market. With significant investment into marketing and product development, the business has now begun to move into commercial operations and anticipates continued strong quarter over quarter organic growth.

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The Company continues to seek growth through the acquisition and development of other brands as MEZZI has positioned itself as a brand management entity whose accessory brands appeal to the largest demographic of consumers, millennials aged 18 to 35 and distributes through a range of sales channels with an emphasis on both the growing e-commerce market and temporary store locations. The Company is in advanced negotiations to acquire a majority stake in a US-based independent eyewear brand with a view to complete the acquisition prior to the end of the current fiscal.

Overall revenues for fiscal 2016 are projected to continue to experience significant growth. Subsequent to the end of fiscal 2015, the Company has begun its celebrity marketing efforts related to the MEZZI Smart Luxury brand of handbags. Along with this, major department stores are projected to start carrying and offering for sale the MEZZI brand in Spring 2017.

Additional information regarding MEZZI Holdings ongoing business operations is available at the Company's investor focused website at: www.mezzibrandgroup.com

GENERAL

On June 20, 2014, the Company signed a definitive amalgamation agreement (“Agreement”) with Privco. Pursuant to the Acquisition, Privco amalgamated 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 issued an aggregate of 6,000,000 common shares, valued at \$1,200,000, to the shareholder of Privco. The transaction was completed on October 24, 2014 and was treated as an asset acquisition.

The Acquisition constitutes a change of business for the Company, under the policies of the TSX Venture Exchange. As a result, readers are cautioned that historical financial information is not directly comparable to the current period expenditures.

On September 30, 2015, the Company, through a wholly owned subsidiary, completed the acquisition of certain assets of CPTL LLC (“Capital Eyewear”). Capital Eyewear is an eyewear design and manufacturing studio in California. The acquisition of Capital Eyewear’s assets was accounted for as a business combination as the Company acquired inventory and certain manufacturing processes capable of resulting in returns to the Company. Final consideration paid for the assets consisted of US\$125,000. An additional US\$50,000 is payable on the achievement of an annualized three-month recurring revenue run rate of US\$250,000 within an 18-month period, which increases by an additional US\$75,000 if the run rate increases to US\$500,000. In total, US\$125,000 will be paid if both targets are achieved. Furthermore, a royalty of 5% is payable on gross revenues with total royalty payments not to exceed US\$250,000.

SEGMENTED INFORMATION

The Company has two operating segments, the sale and distribution of luxury leather goods, premium luggage and cases and hand-made eyewear. The luxury leather goods segment falls under Mezzi, while premium luggage and cases falls under MLine. The latest operating segment of hand-made eyewear falls under Capital Eyewear.

		Mezzi		MLine		Capital Eyewear	
		Luxury leather goods		Luggage and cases		Eyewear	Total
Sales	\$	469,580	\$	2,278	\$	11,963	\$ 483,821
Cost of sales	\$	108,708	\$	852	\$	4,776	\$ 114,336
Gross profit	\$	360,872	\$	1,426	\$	7,187	\$ 369,485

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Summary of Quarterly Results

Selected financial information for the eight most recently completed quarters is as follows:

	Revenue	Interest Income	Earnings/ (Loss)	Basic and Diluted Loss/Share
October 31, 2016	\$ 418,020	\$ -	\$ (920,723)	\$ (0.02)
July 31, 2016	\$ 65,801	\$ -	\$ (623,104)	\$ (0.01)
April 30, 2016	\$ 118,753	\$ 113	\$ (611,592)	\$ (0.02)
January 31, 2016	\$ 205,154	\$ 31	\$ (474,173)	\$ (0.01)
October 31, 2015	\$ 80,681	\$ 125	\$ (701,995)	\$ (0.02)
July 31, 2015	\$ 15,235	\$ 988	\$ (554,614)	\$ (0.01)
April 30, 2015	\$ 9,022	\$ 2,251	\$ (478,640)	\$ (0.02)
January 31, 2015	\$ 12,777	\$ 748	\$ (606,987)	\$ (0.02)

No cash dividends have been declared or paid since the date of incorporation and the Company has no present intention of paying dividends on its common shares. The Company anticipates that all available funds will be invested to finance the growth of its business.

As the Company has undergone a change of business, readers are cautioned that historical financial information is not directly comparable to the current period expenditures.

Three months ended October 31, 2016 compared with three months ended October 31, 2015

During the three months ended October 31, 2016, the Company's net losses were \$920,723 compared to \$701,995 for the three months ended October 31, 2015.

Marketing fees for the three months ended October 31, 2016 were \$306,540 compared to \$216,112 for the three months ended October 31, 2015. The increase is primarily the result of increased payments to telemarketers compared to prior period.

Office expenses during the three months ended October 31, 2016 were \$42,245 compared to \$38,098 for the three months ended October 31, 2015. The increase in office expenses is primarily due to increased activities in the current period.

Salaries for the three months ended October 31, 2016 were \$51,725 compared to \$34,117 for the three months ended October 31, 2015. The increase is due to higher fees in the current period.

Professional fees for the three months ended October 31, 2016 were \$113,700 compared to \$55,150 for the three months ended October 31, 2015. The increase is primary due to increase in accrual for accounting and audit fees and more legal fees incurred.

Share-based payments for the three months period October 31, 2016 were \$113,560 compared to \$206,137 for the three months ended October 31, 2015. This is a result of 1,420,000 stock options granted to directors and officers of the Company.

Travel and accommodation for the three months period October 31, 2016 were \$2,309 compared to expense of \$35,169 for the three months ended October 31, 2015. The decrease is due to attending fewer trade shows to promote Mezzi's new product styles.

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Six months ended October 31, 2016 compared with six months ended October 31, 2015

During the six months ended October 31, 2016, the Company's net losses were \$1,543,827 compared to 1,256,609 for the six months ended October 31, 2015.

Marketing fees for the six months ended October 31, 2016 were \$389,742 compared to \$332,853 for the six months ended October 31, 2015. The increase is primarily the result of increased payments to telemarketers compared to prior period.

Office expenses during the six months ended October 31, 2016 were \$86,074 compared to \$126,546 for the six months ended October 31, 2015. The decrease in office expenses is primarily due to management's effort to curtail general costs in the current period.

Salaries for the six months ended October 31, 2016 were \$134,880 compared to \$166,404 for the six months ended October 31, 2015. The decrease is due to termination of a several full-time staff for the Mezzi business.

Professional fees for the six months ended October 31, 2016 were \$149,046 compared to \$77,550 for the six months ended October 31, 2015. The increase is primary due to increase in accrual for accounting and audit fees and more legal fees incurred.

Share-based payments for the six months period October 31, 2016 were \$272,373 compared to \$206,137 for the six months ended October 31, 2015. This is a result of 3,520,000 stock options granted to directors and officers of the Company.

Travel and accommodation for the six months period October 31, 2016 were \$61,540 compared to \$78,104 for the six months ended October 31, 2015. The decrease is due to attending fewer trade shows to promote Mezzi's new product styles.

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

The Company has started to generate revenues from operations.

To date, the Company's primary source of funding has been the issuance of equity securities for cash. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity financing, or that such access will be timely and in the amounts necessary to fund the Company's activities. There are many conditions beyond the Company's control which have a direct bearing on the level of investor interest in the purchase of Company securities.

As at October 31, 2016, the Company had working capital of \$338,693, as compared to \$83,557 at April 30, 2016.

During the period ended October 31, 2016, the Company experienced cash outflows of \$1,129,965 from operating activities as compared to \$1,209,785 in the comparative period, and consists primarily of changes in non-cash working capital items.

During the period ended October 31, 2016, the Company experienced cash outflows of \$nil from investing activities as compared to \$158,752 in the comparative period. The prior period cash outflow was from acquisition of equipment and write down of assets.

During the period ended October 31, 2016, the Company experienced cash inflows from financing activities of \$1,141,717 as compared to \$720,990 in the comparative period. The cash inflow was from proceeds of \$200,000 from exercise of warrants, proceeds of \$61,200 from exercise of options, loan of \$75,000, and \$927,400 subscriptions received for private placement to close subsequent to period end.

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CAPITAL RESOURCES

The Company has contingent consideration of \$11,320, cash of \$95,324 and 65,115,986 common shares issued and outstanding as at October 31, 2016

The Company has entered into a sublease agreement for premises expiring on September 29, 2018. Lease commitments are \$6,124 per month.

In light of the continued uncertainty regarding the global economy, the Company is making an effort to preserve cash used in operations for the compensation of consultants and management, while still developing the overall business of the Company and enhancing shareholder value. The ability to raise additional finance may be impaired, or such financing may not be available on favourable terms, due to conditions beyond the control of the Company, such as uncertainty in the capital markets or depressed commodity prices.

The Company has no lines of credit or other sources of financing, which have been arranged, but as yet unused. The Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to realize future profitable levels of operation or proceeds from the disposition of its business interests. As at October 31, 2016, the Company has minimal operating cash flows and has not yet achieved profitable operations, has accumulated losses since its inception and expects to incur further losses in the development of its business, and has no assurances that sufficient funding, including adequate financing, will be available, all of which casts significant doubt as to the validity of this assumption.

Accordingly, these financial statements do not reflect the adjustments to the carrying values of assets and liabilities, or the impact on the statement of operations and balance sheet classifications that would be necessary were the going concern assumption not appropriate. Such adjustments could be material.

OUTSTANDING SHARE DATA AS AT DECEMBER 28, 2016 AND THE DATE OF THIS MD&A

Authorized share capital: Unlimited number of common shares without par value.

Issued share capital as at December 28, 2016: 68,315,986 common shares issued and outstanding

As at the date of this MD&A, the Company had 68,315,986 common shares issued and outstanding, 18,533,620 warrants and 65,890,000 options outstanding.

Fully diluted shares: 81,527,886

RELATED PARTY TRANSACTIONS

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

	Nature of transactions	Six Months Ended October 31, 2016	Six Months Ended October 31, 2015
<u>Key management personnel - Current:</u>			
A company controlled by the CEO	Management	\$ 136,500	\$ 48,000
A company controlled by the CFO	Management	12,000	12,000
A firm of which the CFO is a partner	Professional	120,000	38,200
Directors and Officers of the Company	Share-based payments	217,199	69,373
		<u>397,199</u>	<u>167,573</u>
<u>Key management personnel - Former:</u>			
A company controlled by the former President	Product development/salary	\$ -	\$ 45,000
Total		<u>\$ 397,199</u>	<u>\$ 212,573</u>

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

	October 31, 2016	April 30, 2016
Due to a firm of which the CFO is a partner	\$ 15,000	\$ 19,320
Advance from the CEO	-	3,487
Total	\$ 15,000	\$ 22,807

RISKS FACTORS

The Company is subject to certain risks and uncertainties that are common in the retail industry and the market environment generally. These risks and uncertainties may impact the Company's ability to successfully execute its key strategies and may affect future events, performance or results. Certain of these risks and uncertainties are described in this MD&A. However, the risks and uncertainties set out in this MD&A are not exhaustive. New risk factors may emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on the Company's business performance, condition, operations or strategies and plans.

Ongoing Need for Financing

It is intended that the Company will continue to make investments to support business growth and may require additional funds to respond to business challenges, including the need to develop new services or enhance existing services, enhance operating infrastructure and acquire complementary businesses and technologies. 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 any new equity securities issued could have rights, preferences and privileges superior to those of holders of the Company's 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 growth and to respond to business challenges could be significantly limited.

The Company has a history of net losses, may incur net losses in the future and may not achieve or maintain profitability.

The Company may not be able to achieve or maintain profitability and may continue to incur losses in the future. In addition, it is expected that the Company will continue to increase operating expenses as it implements initiatives to continue to grow its business. If the Company's revenues do not increase to offset these expected increases in costs and operating expenses, the Company will not be profitable.

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If the Company is unable to attract new customers or to sell additional products to its existing customers, the Company's revenue growth will be adversely affected.

To increase the Company's revenues, it must regularly add new customers, sell additional products and / or services to existing customers and encourage existing customers to increase their minimum commitment levels. If the Company's existing and prospective customers do not perceive the Company's products to be of sufficiently high value and quality, the Company may not be able to attract new customers or increase sales to existing customers and its operating results will be adversely affected.

The Company's results of operations may fluctuate in the future. As a result, the Company may fail to meet or exceed the expectations of securities analysts or investors, which could cause the Company's stock price to decline.

The Company's results of operations may fluctuate as a result of a variety of factors, many of which are outside of its control. If the Company's results of operations fall below the expectations of securities analysts or investors, the price of the Company Shares could decline substantially. Fluctuations in results of operations may be due to a number of factors, including, but not limited to, those listed below:

- the Company's ability to increase sales to existing customers and attract new customers;
- the addition or loss of large customers;
- the amount and timing of operating costs and capital expenditures related to the maintenance and expansion of the Company's business, operations and infrastructure;
- the timing and success of new product introductions by the Company or its competitors;
- changes in the Company's pricing policies or those of competitors;
- limitations of the capacity of the Company's systems;
- the timing of costs related to the development or acquisition of products or businesses
- general economic, industry and market conditions; and
- geopolitical events such as war, threat of war or terrorist actions.

The revenues and results of operations of the Company may vary significantly in the future and that period-to-period comparisons of the Company's operating results may not be meaningful.

Competition

The Company will compete in a rapidly evolving and highly competitive market. Some of the Company's potential competitors have longer operating histories, greater name recognition, access to larger customer 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 the Company; and
- finance more research and development activities to develop better products.

In addition, many of these companies may have pre-existing relationships with the Company's current and potential customers. If the Company is not able to compete successfully against its current and future competitors, it will be difficult to acquire and retain customers, and the Company may experience limited revenue growth, reduced revenues and operating margins and loss of market share.

Failure to effectively expand the Company's sales and marketing capabilities could harm its ability to increase its customer base and achieve broader market acceptance of products.

Increasing the Company's customer base and achieving broader market acceptance of its products will depend to a significant extent on its ability to expand its sales and marketing operations. It is expected that the Company will be substantially dependent on word-of-mouth to obtain new customers. The Company's business will be seriously harmed if these expansion efforts do not generate a corresponding significant increase in revenues.

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Reliance on Intellectual Property

The Company will require continuous technological improvements in order to remain competitive. There can be no assurance that the Company will be successful in its efforts in this regard. The commercial advantage of the Company may depend to an extent on its intellectual property and its ability to prevent others from copying its products. In the future, the Company may seek patents or other similar protections in respect of a particular technology or process; however, there can be no assurance that any future patent applications will actually result in issued patents, or that, even if patents are issued, they will be of sufficient scope or strength to provide meaningful protection or any commercial advantage to the Company. Moreover, the process of seeking patent protection can itself be long and expensive. In the meantime, competitors may develop products that are similar or superior to the products of the Company or design around the patents owned by the Company, thereby adversely affecting the Company's competitive advantage in one or more of its businesses. Despite the efforts of the Company, its intellectual property rights may be invalidated, circumvented, challenged, infringed or required to be licensed to others. It cannot be assured that any steps it may take to protect its intellectual property rights and other rights to such proprietary technologies that are central to the Company's operations will prevent misappropriation or infringement of such technologies.

Infringement of Intellectual Property

From time to time the Company may receive notices from third parties alleging that it has infringed their intellectual property rights. Responding to any such claim, regardless of its merit, may be time consuming, result in costly litigation, divert management's attention and resources and cause the Company to incur significant expenses. Any meritorious claim of intellectual property infringement against the Company may potentially result in a temporary or permanent injunction, prohibiting it from marketing or selling certain products or requiring it to pay royalties to a third party. In the event of a meritorious claim, failure of the Company to develop or license substitute technology, its business and results of operations may be materially adversely affected.

Potential Conflicts of Interest

Certain directors or officers of the Company are also directors, officers, shareholders and/or Promoters of other reporting and non-Companies. Such associations may give rise to conflicts of interest from time to time. The directors and officers of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the Board of Directors, any director in a conflict will disclose his interest and abstain from voting on such matter. Conflicts of interest, if any, will be subject to, and will be resolved in accordance with, the procedures and remedies under the BCBCA.

Reliance on Others and Key Personnel

The success of the Company will be largely dependent upon the performance of its management and key employees, as well as the talents of its outside consultants and suppliers. The Company may not have any "key man" insurance policies, and therefore there is a risk that the death or departure of any one or more members of management or any key employee could have a material adverse effect on the Company. The Company also faces intense competition for qualified personnel and there can be no assurance that the Company will be able to attract and retain the employees, personnel and/or consultants necessary to successfully carry out its activities.

Cyclical Nature of Luxury Goods Market

The market for luxury goods, in which the Company will operate, is both cyclical and seasonal in nature. There can be no assurance that past operating results will be repeated, and the market itself is susceptible to cyclical trends in fashion which are beyond the control of the Company.

Introduction of New Products

The Company has a number of new products in the prototype stage which it anticipates will be introduced in the future. Detailed costing of these products has not been completed. There can be no assurance that these new products can be brought to market, that they can be produced at a competitive price, or that they are commercially viable.

Celebrity Marketing

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The Company intends to rely upon celebrity endorsements to market its products. There can be no assurance that this marketing strategy will be successful, or that the Company will be able to engage celebrities to endorse products.

Trends

The Company's success is based in large part on its ability to identify and interpret fashion and product trends, as well as to anticipate, gauge and react to changing consumer demands in a timely manner and to successfully market its merchandise. Fashion trends quickly change, which require the Company to correctly identify the fashion trend and balance its inventories. If the Company is unable to identify new fashion trends and adjust its product mix in a timely manner or if market preferences are misjudged, the Company would be faced with significant excess inventories for some products and depleted product inventory resulting in missed opportunities for other products. Additional markdowns and promotions may be required to reduce excess and slow moving inventories. If the Company experiences either significant inventory shortages or excess inventory that it is unable to sell or sell at reasonable gross margins or is otherwise unable to maintain gross margins on its inventory assortment, this is likely to have a material adverse effect on the Company's business and financial condition.

FINANCIAL INSTRUMENTS

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 and cash equivalents	FVTPL
Loan receivable	LAR
Accounts payable and accrued liabilities	OFL
Contingent consideration	FVTPL

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 cash equivalents and amounts receivable. The Company limits its exposure to credit risk with respect to cash and cash equivalents by holding it with major Canadian financial institutions. At October 31, 2016, cash and cash equivalents are comprised of \$11,500 (April 30, 2016 - \$11,500) held in an investment account with cash available on demand and \$83,824 (April 30, 2016 - \$68,205) in various business accounts held in a major Canadian financial institution. The Company's amounts receivable consists primarily of trade receivables and GST receivables and are not subject to significant credit risk.

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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, 2016, the Company had a cash and cash equivalents balance of \$95,324 (April 30, 2016 - \$79,705) to settle current liabilities of \$254,007 (April 30, 2016 - \$227,813). 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 and cash equivalent balances and no interest-bearing debt. As of October 31, 2016, the Company did not hold any investments. The Company believes it has no significant interest rate risk.

b) Foreign currency risk

As at October 31, 2016, the Company had the Canadian equivalent of cash and cash equivalents totaling \$60,079 (USD- \$44,860) (April 30, 2016- \$38,583) and accounts payable totaling \$25,349 (USD- \$18,927) (April 30, 2016- \$92,988) held in US dollars. Assuming that all other variables remain constant, a 10% change in the value of the Canadian dollar against the US dollar would not materially affect the loss from operations.

ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

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*, was issued in final form in July 2014 and will replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces new requirements for classifying and measuring financial assets. This standard is effective for years beginning on or after January 1, 2018. The impact of this amendment is to be determined.
- New standard IFRS 15, *Revenue from contracts with customers*, provides guidance on how and when revenue from contracts with customers to be recognized, along with new disclosure requirements in order to provide financial statement users with more information and relevant information. This standard is effective for reporting periods on or after January 1, 2018. The impact of this standard is to be determined.
- New standard IFRS 16, *Leases* of which requires lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 *Leases*. The new standard will be effective for annual periods beginning on or after May 1, 2019. Early application is permitted, provided the new revenue standard, IFRS 15 *Revenue from Contracts with Customers*, has been applied, or is applied at the same date as IFRS 16. The Company is in the process of evaluating the impact of the new standard.
- Amendments to standard IAS 16 and IAS 38, *Clarification of Acceptable Methods of Depreciation and Amortization* In May 2014, IASB issued amendments to IAS 16 and IAS 38 to clarify that depreciation

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method based on revenue that is generated by an activity that includes the use of an asset and amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is not appropriate. The amendment also adds guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate expectation of technological or commercial obsolescence of the asset. The amendments are effective for annual periods beginning on or after May 1, 2016. The Company is in the process of evaluation the impact of the new standard.

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.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements that are likely to have or are reasonably likely to have a material current or future effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that have not been disclosed in the Company's financial statements.

OTHER INFORMATION

Other information relating to the Company may be found on SEDAR at www.sedar.com.