



Mezzi Holdings Inc.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED JANUARY 31, 2017

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

UNAUDITED CONSOLIDATED INTERIM 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 consolidated interim financial statements for the period ended January 31, 2017.

Mezzi Holdings Inc.
CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)
AS AT

	January 31, 2017	April 30, 2016
ASSETS		
Current assets		
Cash and cash equivalents	\$ 62,698	\$ 79,705
Amounts receivable (Note 4)	23,210	39,976
Prepaid expenses	86,189	106,264
Inventory (Note 5)	140,076	85,425
Total current assets	312,173	311,370
Non-current assets		
Furniture and equipment (Note 6)	8,963	10,944
Intangible assets (Note 7)	1,339,062	1,396,811
Goodwill	34,355	34,355
Total non-current assets	1,382,380	1,442,110
Total assets	\$ 1,694,553	\$ 1,753,480
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 8 and 12)	\$ 206,944	\$ 177,549
Loans payable (Note 9)	140,983	50,264
Total current liabilities	347,927	227,813
Non-current liabilities		
Contingent consideration	11,320	11,320
Total liabilities	359,247	239,133
Equity		
Share capital (Note 10)	9,952,661	7,573,688
Subscription receivable (Note 10)	(21,250)	-
Reserves (Note 10)	775,354	634,160
Deficit	(9,371,459)	(6,693,501)
Total equity	1,335,306	1,514,347
Total liabilities and equity	\$ 2,431,452	\$ 1,753,480

Commitment (Note 15)

Subsequent events (Note 16)

Approved and authorized on behalf of the Board:

_____, Director _____, Director

“Keir Reynolds” *“John Veltheer”*

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

Mezzi Holdings Inc.**CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

	Three Months Ended January 31, 2017	Three Months Ended January 31, 2016	Nine Months Ended January 31, 2017	Nine Months Ended January 31, 2016
SALES	\$ 620,646	\$ 205,154	\$ 1,104,467	\$ 301,070
COST OF SALES	(581,389)	(175,745)	(695,725)	(245,548)
	39,257	29,409	408,742	55,522
EXPENSES				
Consulting	434,349	18,766	925,213	244,147
Depreciation	19,434	15,525	59,730	32,963
Interest expense	1,243	-	7,000	-
Management fees (Note 12)	30,000	30,000	178,500	90,000
Marketing	129,561	129,949	519,303	466,867
Office and miscellaneous	81,839	64,645	167,912	191,181
Professional fees (Note 12)	22,596	41,831	171,642	119,381
Salaries	51,370	64,438	186,250	230,843
Shareholder communication	33,000	-	138,747	-
Shipping charges	-	81,455	-	96,194
Share-based payments (Note 10 and 12)	356,250	40,000	628,623	246,136
Transfer agent and regulatory fees	4,285	4,176	25,406	8,669
Travel and accommodation	14,060	8,935	75,600	87,039
	(1,177,987)	(499,720)	(3,083,926)	(1,813,420)
OTHER ITEMS				
Foreign exchange gain (loss)	5,610	(3,893)	710	37,015
Rental income	-	-	-	3,832
Interest income	-	31	-	1,228
Product development costs	(1,011)	-	(3,484)	(14,959)
Total other items	4,599	(3,862)	(2,774)	27,116
Loss for the period	\$ (1,134,131)	\$ (474,173)	\$ (2,677,958)	\$ (1,730,782)
Basic and diluted loss per common share	\$ (0.02)	\$ (0.01)	\$ (0.05)	\$ (0.05)
OTHER COMPREHENSIVE INCOME				
Currency translation adjustment	\$ (341)	\$ 1,151	\$ (4,208)	\$ 1,151
Comprehensive loss for the period	\$ (1,134,472)	\$ (473,022)	\$ (2,682,166)	\$ (1,729,631)
Weighted average number of common shares outstanding	60,585,225	43,503,653	52,356,869	38,839,338

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

Mezzi Holdings Inc.
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	Nine Months Ended January 31, 2017	Nine Months Ended January 31, 2016
CASH FLOW FROM OPERATING ACTIVITIES		
Loss for the period	\$ (2,677,958)	\$ (1,730,782)
Items not affecting cash:		
Accrued interest	7,114	-
Contingent liability	-	62,648
Depreciation	59,730	32,963
Options exercised as bonus	-	40,000
Salary settlement	-	45,000
Shares issued for loan	13,333	-
Shares issued for marketing services	44,000	-
Shares issued for settlement of accounts payable	293,500	-
Share-based payments	615,290	206,136
Foreign exchange	-	1,151
Changes in non-cash working capital items:		
Amounts receivable	16,766	16,309
Deferred income	-	11,091
Inventory	(54,651)	(108,100)
Prepaid expenses	20,075	(107,136)
Accounts payable and accrued liabilities	29,395	30,373
Net cash used in operating activities	(1,633,406)	(1,500,347)
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of intangible assets and goodwill	-	(148,091)
Acquisition of furniture and equipment	-	(96,809)
Net cash used in investing activities	-	(244,900)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from private placements	927,400	-
Proceeds from exercise of warrants	200,000	-
Proceeds from exercise of stock options	445,200	770,250
Due to related party	-	50,000
Share issuance costs	(43,672)	(49,260)
Loans received	161,816	-
Loans repayment	(78,211)	-
Net cash provided by financing activities	1,612,533	770,990
Effects of translation	3,866	-
Change in cash and cash equivalents for the period	(17,007)	(974,257)
Cash and cash equivalents, beginning of period	79,705	1,092,630
Cash and cash equivalents, end of period	\$ 62,698	\$ 118,373
Cash received during the period for interest	\$ -	\$ 1,228
Cash paid during the period for taxes	\$ -	\$ -

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

Mezzi Holdings Inc.**CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY**

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

	Share Capital		Subscription receivable	Reserves	Deficit	Total Equity
	Common Shares	Amount				
Balance, April 30, 2015	38,218,653	\$ 6,460,487	\$ -	\$ 696,368	\$ (4,693,395)	\$ 2,463,460
Shares issued for salary settlement	150,000	45,000	-	-	-	45,000
Shares issued for private placement	5,135,000	770,250	-	-	-	770,250
Shares issuance cost	-	(49,260)	-	-	-	(49,260)
Share-based payments	-	-	-	206,136	-	206,136
Options exercised as bonus	200,000	59,820	-	(19,820)	-	40,000
Options cancelled	-	-	-	(183,324)	183,324	-
Currency translation adjustment	-	-	-	1,151	-	1,151
Loss for the period	-	-	-	-	(1,730,782)	(1,730,782)
Balance, January 31, 2016	43,703,653	\$ 7,286,297	\$ -	\$ 700,511	\$ (6,240,853)	\$ 1,745,955
Balance, April 30, 2016	48,993,653	\$ 7,573,688	\$ -	\$ 634,160	\$ (6,693,501)	\$ 1,514,347
Shares issued for loans	333,333	13,333	-	-	-	13,333
Shares issued for marketing services	400,000	44,000	-	-	-	44,000
Exercise of warrants	2,500,000	225,000	-	(25,000)	-	200,000
Exercise of options	5,730,000	933,982	-	(467,532)	-	466,450
Shares issued for private placements	12,209,000	1,220,900	-	-	-	1,220,900
Shares issuance cost	-	(58,242)	-	14,570	-	(43,672)
Share-based payments	-	-	-	615,290	-	615,290
Subscription receivable	-	-	(21,250)	-	-	(21,250)
Currency translation adjustment	-	-	-	3,866	-	3,866
Loss for the period	-	-	-	-	(2,677,958)	(2,677,958)
Balance, January 31, 2017	70,165,986	\$ 9,952,661	\$ (21,250)	\$ 775,354	\$ (9,371,459)	\$ 1,335,306

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

1. CORPORATE INFORMATION AND GOING CONCERN

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. (“Privco”), pursuant to a three-party amalgamation under the Canada Business Corporations Act. The Company trades on the TSX Venture Exchange under the symbol “MZI.” The Company’s corporate office is located on 1001-1185 West Georgia Street, Vancouver, B.C. Canada.

These consolidated interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and settle its obligations in the normal course of business. During the period ended January 31, 2017, the Company incurred a net loss of \$2,677,958 (2016 - \$1,730,782) and an accumulated deficit of \$9,371,459 (April 30, 2016 - \$6,693,501). The Company has not generated significant cash inflows from operations. These conditions cast significant doubt about the Company’s ability to continue as a going concern. The ability of the Company to carry out its planned business objectives is dependent on its ability to raise adequate financing from lenders, shareholders and other investors and/or generate profitability and positive cash flow. These consolidated interim financial statements do not give effect to the adjustments that would be necessary should the Company be unable to continue as a going concern and to realize its assets and liquidate its liabilities and commitments at amounts different from those in the accompanying consolidated financial statements.

These consolidated interim financial statements were authorized for issue by the Board of Directors on March 31, 2017.

2. BASIS OF PRESENTATION

Statement of compliance

These unaudited 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 consolidated interim financial statements have been prepared on historical cost basis. In addition, these consolidated interim financial statements have been prepared using the accrual basis of accounting except for cash flow information. These consolidated financial statements are presented in Canadian dollars, which is also the Company’s functional currency.

Comparative information

Certain comparative figures have been reclassified to conform to the current year’s presentation.

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 year. Actual outcomes could differ from these estimates. These consolidated interim financial statements include estimates, which, by their nature, are uncertain. The impact of such estimates appears throughout the consolidated 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.

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

Significant accounting judgments and critical accounting estimates (cont'd...)

Significant accounting judgments

Management must make judgments given the various options available as per accounting standards for items included in the consolidated 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. Qualitative factors, including market presence and trends, strength of customer relationships, strength of debt and capital markets, and other factors, are considered when making assumptions with regard to recoverability of the intangible asset.
- 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 payments – The fair value of share-based payments is determined using the Black-Scholes Option pricing model. This option pricing model requires the input of subjective assumptions including the expected price volatility, option life, dividend yield, risk-free rate and estimated forfeitures at the initial grant.
- iii) The application of the Company's accounting policy for intangible assets requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. At least annually or whenever there is an indicator for impairment management evaluates the recoverable amount, which is the higher of an asset's fair value less costs to sell and value in use. Intangibles are written down to their recoverable amount when a decline is identified. The determination of the recoverable amount requires the use of management's best assessment of the related inputs into the valuation models, such as future cash flows and discount rates.

3. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, 8918627 Canada Ltd, a company incorporated in the province of British Columbia, which holds the Mezzi trademark and Capital Eyewear Inc. A subsidiary is an entity in which the Company has control, directly or indirectly, where control is defined as the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. All intercompany transactions and balances have been eliminated.

Inventory

Inventory comprises finished goods held for resale and is valued at the lower of cost or net realizable value. Cost is calculated using the first-in, first-out method. 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 in acquiring the inventory.

Cash and cash equivalents

Cash and cash equivalents include cash on deposit and with maturities on the date of purchase of 90 days or less.

Intangible assets and Goodwill

An intangible asset is defined as being identifiable, able to bring future economic benefits to the Company and controlled by the Company. Intangible assets are recorded initially at cost and relate to the Mezzi trademark, software, website and mobile app.

Acquired intangible assets

Acquired intangible assets consist of software and the Mezzi trademark (Note 7). These costs are recognized at cost less accumulated amortization and impairment losses. Acquired intangible assets, except for indefinite-life trademarks, are amortized over their estimated useful lives. Software costs are amortized on a straight-line basis over three years. The Company's trademark has an indefinite useful life.

Internally-generated assets

Internally-generated assets consist of website and mobile app development costs and are capitalized 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.

Other development expenditures that do not meet these criteria are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in subsequent period. Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use. Website development costs are amortized at 55% using the declining-balance method.

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

Intangible assets and Goodwill (cont'd...)

Additions during the year are amortized on a pro-rata basis. The estimated useful lives and amortization methods of intangible assets are reviewed at the end of each financial reporting period, and the impact of any change in estimates is accounted for on a prospective basis.

Intangible assets are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Goodwill is not amortized but is tested for impairment annually or whenever there is an indication of impairment. Goodwill is measured at cost less accumulated impairment losses.

Business Combinations

Acquisition of businesses are accounted for using the acquisition method. The acquired assets, assumed liabilities and contingent consideration are recognized at fair value on the date the Company effectively obtains control. The measurement of each business combination is based on the information available at the acquisition date. The determination of fair value of the acquired intangible assets (including goodwill), property and equipment and other assets and liabilities assumed at the date of acquisition as well as the useful lives of any intangible assets and equipment are based on assumptions. The measurement is largely based on projected cash flows, discount rates and market conditions at the date of acquisition. Contingent consideration is based on the likelihood of various outcomes of specified future events.

Revenue

Revenues from the sale of goods are recognized when the risks and rewards of ownership are transferred to the buyer, collectability is probable and the amount of revenue can be measured reliably. Risk and rewards of ownership pass to the customer upon shipment to the customer.

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 (CGU)) 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 CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

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

Impairment of goodwill

Goodwill is tested annually for impairment and is allocated to the CGU to which it relates. Impairment is determined by assessing if the carrying value of a CGU, including the allocated goodwill, exceeds its recoverable amount. The assessment of the recoverable amount used in the goodwill impairment analysis requires management to make estimates and assumptions about capital requirements, expected sales volumes and prices, for which management considers historical prices and current market trends, as well as considering the Company's current projects, their expected output, costs and timing. These estimates and assumptions are subject to risks and uncertainty; hence there is a possibility that a change in circumstances will alter these projections, which may impact the recoverable amount of the assets.

Foreign currency translation

Foreign currency transactions are translated into Canadian dollars as follows:

- (i) Monetary assets and liabilities, at the rate of exchange in effect at the statement of financial position date;
- (ii) Non-monetary assets and liabilities; at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and
- (iii) Revenue and expense items, at the rate of exchange prevailing at the transaction date.

Gains and losses arising from the translation of foreign currency are included in the determination of net 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.

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

Loss per share (cont'd...)

Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

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 or at the fair value of the equity instruments issued (if it is determined the fair value of goods or services cannot be reliably measured), and are recorded at the date the goods or services are received.

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 and recognized as share issuance costs and reserves.

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. Proceeds, and issue costs, from unit placements are allocated between shares and warrants issued according to the residual method.

3. 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 ("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.

New accounting pronouncements

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

- i) 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.

Mezzi Holdings Inc.**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

January 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**New accounting pronouncements (cont'd...)**

- ii) 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.

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.

4. AMOUNTS RECEIVABLE

	January 31, 2017	April 30, 2016
Trade receivable	\$ 10,270	\$ 16,263
GST receivable	12,940	23,713
Total	\$ 23,210	\$ 39,976

5. INVENTORY

	January 31, 2017	April 30, 2016
Finished goods	\$ 140,076	\$ 85,425

Mezzi Holdings Inc.
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)
January 31, 2017

6. FURNITURE AND EQUIPMENT

	Computer Hardware		Furniture and Equipment		Total
Cost					
Balance, April 30, 2015	\$	-	\$	-	\$ -
Additions		5,324		91,485	96,809
Disposals		-		(54,243)	(54,243)
Balance, April 30, 2016 and January 31, 2017	\$	5,324	\$	37,242	\$ 42,566
Accumulated amortization					
Balance, April 30, 2015	\$	-	\$	-	\$ -
Amortization		799		713	1,512
Write-off		-		30,110	30,110
Balance, April 30, 2016		799		30,823	31,622
Amortization		1,018		963	1,981
Balance, January 31, 2017	\$	1,817	\$	31,786	\$ 33,603
Carrying amounts					
As at April 30, 2016	\$	4,525	\$	6,419	\$ 10,944
As at January 31, 2017	\$	3,507	\$	5,456	\$ 8,963

7. INTANGIBLE ASSETS

Intangible assets consist of the following:

	Mezzi trademark acquisition		Capital Eyewear brand acquisition		Software, website, and mobile app		Total
Cost							
Balance, April 30, 2015	\$	1,258,319	\$	-	\$	88,049	\$ 1,346,368
Additions		-		62,086		51,750	113,836
Balance, April 30, 2016 and January 31, 2017	\$	1,258,319	\$	62,086	\$	139,799	\$ 1,460,204
Accumulated amortization							
Balance, April 30, 2015	\$	-	\$	-	\$	11,916	\$ 11,916
Amortization		-		-		51,477	51,477
Balance, April 30, 2016	\$	-	\$	-	\$	63,393	\$ 63,393
Amortization		-		-		57,749	57,749
Balance, January 31, 2017	\$	-	\$	-	\$	121,142	\$ 121,142
Carrying amounts							
As at April 30, 2016	\$	1,258,319	\$	62,086	\$	76,406	\$ 1,396,811
As at January 31, 2017	\$	1,258,319	\$	62,086	\$	18,657	\$ 1,339,062

Mezzi Holdings Inc.**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

January 31, 2017

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are as follows:

	January 31, 2017	April 30, 2016
Trade payables and accrued liabilities	\$ 174,844	\$ 154,742
Due to related parties (Note 12)	32,100	22,807
Total	\$ 206,944	\$ 177,549

9. LOANS PAYABLE

Loans payable are as follows:

	January 31, 2017	April 30, 2016
Loan payable (i)	\$ 140,983	\$ 50,264

i) During the year ended April 30, 2016, the Company received a loan of \$50,000 (2015 - \$nil) from Linqster Technologies Inc., a corporation with common directors, that bears interest at 10% per annum compounded monthly. As of January 31, 2017, interest of \$4,450 has been accrued. The loan has a maturity date of April 11, 2017. As part of loan agreement, 133,333 bonus shares were issued as partial consideration (Note 10).

ii) During the period ended January 31, 2017, the Company received a loan of \$75,000 (2016 - \$nil) from an arm's length party, that bears interest at 10% per annum compounded monthly. As of January 31, 2017, interest of \$3,211 has been accrued. The loan has a maturity date of April 11, 2017. As part of loan agreement, 200,000 bonus shares were issued. The loan was repaid during the period ended January 31, 2017.

iii) During the period ended January 31, 2017, the Company received a non-interest bearing loan of \$86,816 (2016 - \$nil) from the CEO of the Company with no fixed term of repayment.

10. 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

As at January 31, 2017, the Company had 70,165,986 common shares issued and outstanding (April 30, 2016 – 48,993,653).

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

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

During the period ended January 31, 2017, the Company:

- issued a total of 333,333 common shares as partial consideration for loan facilities with a market value of \$13,333 (See Note 9).
- closed a private placement for 9,359,000 units at a price of \$0.10 per unit for total gross proceeds of \$935,900. Each unit consists of one common share of the Company and one share purchase warrant. Under the residual method, these warrants have been assigned a value of \$nil. In connection with the private placement, the Company issued 432,720 finder's warrants exercisable into one additional common share at a price of \$0.15 for a period of twelve months. The finder warrants were assigned a value of \$14,380. In addition, the Company incurred share issuance costs of \$43,272.
- closed a private placement for 2,850,000 units at a price of \$0.10 per unit for total gross proceeds of \$285,000. Each unit consists of one common share of the Company and one share purchase warrant. Under the residual method, these warrants have been assigned a value of \$nil. In connection with the private placement, the Company issued 4,000 finder's warrants exercisable into one additional common share at a price of \$0.15 for a period of twelve months. The finder warrants were assigned a value of \$190. In addition, the Company incurred share issuance costs of \$400.
- issued a total of 400,000 common shares as consideration for marketing consulting services agreement with a market value of \$44,000.
- issued a total of 2,500,000 common shares upon exercise of warrants for gross proceeds of \$200,000. The Company reallocated \$25,000 relating to the fair value of the warrants from contributed surplus to share capital.
- issued 5,730,000 common shares upon exercise of options for gross proceeds of \$466,450. The Company reallocated \$467,532 relating to the fair value of the options from contributed surplus to share capital. \$21,250 of the proceeds is to be received at a later date and recorded in subscription receivable.

During the year ended April 30, 2016, the Company:

- issued 150,000 common shares at a price per share of \$0.30 for a total of \$45,000 as part of a salary settlement to the former president of the Company.
- closed a private placement for 5,135,000 units at a price per \$0.15 for total gross proceeds of \$770,250. Each unit consists of one common share of the Company and one half of one share purchase warrant. Under the residual method, these warrants have been assigned a value of \$nil. In connection with the private placement, the Company issued 264,400 finder's warrants exercisable into one additional common share at a price of \$0.25 for a period of twenty-four months. The finder warrants were assigned a value of \$29,343. In addition, the Company incurred share issuance costs of \$49,260.
- 200,000 shares were issued from the exercise of stock options by the CEO of the Company and was accounted for as a bonus to the CEO in the amount of \$40,000.
- closed a non-brokered private placement for 5,290,000 units at a price of \$0.075 for total gross proceeds of \$396,750. 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 at a price of \$0.08 per warrant share for a period of twenty-four months. Under the residual method, these warrants are valued at \$52,900. In connection with the private placement, the Company issued 266,000 finder's warrants. The finder warrants were assigned a value of \$11,157. In addition, the Company incurred share issuance costs of \$15,960.

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

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 January 31, 2017, the Company:

- i) granted 2,100,000 incentive stock options under its stock option plan to directors, officers, consultants, and employees of the Company. The options are exercisable at a price of \$0.09 per share for a period of five years. Under the Black Scholes model, these options are valued at \$145,480.
- ii) granted 1,420,000 incentive stock options under its stock option plan to directors, officers, consultants, and employees of the Company. The options are exercisable at a price of \$0.09 per share for a period of five years. Under the Black Scholes model, these options are valued at \$113,560.
- iii) granted 2,000,000 incentive stock options under its stock option plan to consultants of the Company. The options are exercisable at a price of \$0.07 per share for a period of five years. Under the Black Scholes model, these options are valued at \$152,950.
- iv) granted 2,150,000 incentive stock options under its stock option plan to consultants of the Company. The options are exercisable at a price of \$0.085 per share for a period of five years. Under the Black Scholes model, these options are valued at \$203,300.

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

	2017	2016
Risk-free interest rate	0.85%	1.52%
Expected life of options	5 years	5 years
Annualized volatility	131.94%	107.70%
Dividend rate	0.00%	0.00%
Forfeiture rate	0.00%	0.00%

Mezzi Holdings Inc.**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

January 31, 2017

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

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

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

	Number of Options	Weighted Average Exercise Price
Balance, April 30, 2015	1,745,000	\$ 0.25
Granted	2,080,000	0.20
Cancelled	(800,000)	0.25
Exercised	(200,000)	0.25
Balance, April 30, 2016	2,825,000	0.22
Granted	7,670,000	0.08
Cancelled	(725,000)	0.20
Exercised	(5,730,000)	0.08
Balance, January 31, 2017	4,040,000	\$ 0.16
Number of options currently exercisable	4,040,000	\$ 0.16

As at January 31, 2017, the following stock options were outstanding and exercisable:

Number of options	Exercise Price	Expiry Date
395,000*	\$ 0.25	May 23, 2019
330,000**	0.25	August 27, 2019
75,000***	0.25	October 16, 2019
1,350,000****	0.20	September 21, 2020
1,050,000*****	0.09	June 10, 2021
540,000*****	0.09	October 17, 2021
300,000	0.09	December 6, 2021
4,040,000		

*10,000 options cancelled subsequently

**15,000 options cancelled subsequently

***25,000 options cancelled subsequently

****300,000 options cancelled subsequently

*****275,000 options cancelled subsequently

*****165,000 options cancelled subsequently

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

d) Warrants

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

	Number of Warrants	Weighted Average Exercise Price
Balance, April 30, 2015	354,000	\$ 0.50
Granted	8,387,900	0.24
Expired	(354,000)	0.50
Balance, April 30, 2016	8,387,900	\$ 0.14
Granted	12,645,720	0.15
Exercised	(2,500,000)	0.08
Balance, January 31, 2017	18,533,620	\$ 0.15

As at January 31, 2017, the following warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
9,791,720	\$ 0.15	September 14, 2017
2,854,000	0.15	October 6, 2017
2,831,900	0.25	September 21, 2017
3,056,000	0.08	February 19, 2018
18,533,620		

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

	2017	2016
Risk-free interest rate	0.58%	1.52%
Expected life of options	1.0 year	1.5 years
Annualized volatility	117.15%	139.00%
Dividend rate	0.00%	0.00%
Forfeiture rate	0.00%	0.00%

e) Escrow shares

As at January 31, 2017, the Company had 1,837,500 (April 30, 2016 – 2,756,250) shares held in escrow; 15% of the original total are released every six months.

11. 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 and cash equivalents	FVTPL
Amounts receivable	LAR
Accounts payable and accrued liabilities	OFL
Contingent consideration	FVTPL

We have measured Contingent consideration at Level 3 in the fair value hierarchy. We have used the discounted cash flow method, applying an after-tax discount rate of 20%, to capture the present value of the expected future economic benefits that will flow out of the Company arising from the contingent consideration.

The fair value of these assets and liabilities approximates their respective carrying amounts due to their short term nature.

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 January 31, 2017, 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 \$51,198 (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.

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 January 31, 2017, the Company had a cash and cash equivalents balance of \$62,698 (April 30, 2016 - \$79,705) to settle current liabilities of \$347,927 (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.

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

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. The Company is satisfied with the credit ratings of its banks. As of January 31, 2017, the Company did not hold any investments. The Company believes it has no significant interest rate risk.

b) Foreign currency risk

As at January 31, 2017, the Company had the Canadian equivalent of cash and cash equivalents totaling \$26,371 (USD- \$20,084) (April 30, 2016- \$38,583) and accounts payable totaling \$206,944 (USD- \$596,271) (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.

12. RELATED PARTY BALANCES AND TRANSACTIONS

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

	Nature of transactions	Nine Months Ended January 31, 2017	Nine Months Ended January 31, 2016
<u>Key management personnel - Current:</u>			
A company controlled by the CEO	Management	\$ 160,500	\$ 72,000
A company controlled by the CFO	Management	18,000	18,000
A firm of which the CFO is a partner	Professional	135,000	56,600
Directors and Officers of the Company	Share-based payments	231,383	246,136
Total		\$ 544,883	\$ 392,736

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

	January 31, 2017	April 30, 2016
Due to a firm of which the CFO is a partner	\$ 31,200	\$ 19,320
Due to the CEO	-	3,487
Total	\$ 31,200	\$ 22,807

Mezzi Holdings Inc.**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

January 31, 2017

13. 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 (i.e. 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 January 31, 2017.

14. SEGMENTED INFORMATION

The Company has three operating segments, the sale and distribution of luxury leather goods, premium luggage and cases and hand-made eyewear, with its non-current assets and operations located in North America. 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	\$	1,080,221	\$	6,123	\$	18,123	\$ 1,104,467
Cost of sales		(685,415)		(2,425)		(7,885)	(695,725)
Gross profit	\$	395,806	\$	3,698	\$	10,238	\$ 408,742

15. COMMITMENT

During the year ended April 30, 2016, the Company entered into a sublease agreement for premises expiring on September 29, 2018. Lease commitments are \$6,124 per month.

16. SUBSEQUENT EVENTS

Subsequent to the period ended January 31, 2017, the Company:

- granted 3,900,000 incentive stock options under its stock option plan to directors, officers, and consultants of the Company. The options are exercisable at a price of \$0.05 per share for a period of one year.
- granted 2,025,000 incentive stock options under its stock option plan to consultants of the Company to settle an aggregated debt of \$101,250. The options are exercisable at a price of \$0.05 per share for a period of one year.
- issued 600,000 common shares to settle an aggregated debt of \$30,000 owed to consultants of the Company.
- issued 5,925,000 common shares upon exercise of options for gross proceeds of \$296,250.