# Mezzi Holdings Inc.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

*FOR THE THREE AND NINE MONTH PERIODS*
*ENDED JANUARY 31, 2018*

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

## NOTICE OF NO AUDIT OR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

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

| | January 31, 2018 | April 30, 2017 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | $ 3,335,542 | $ 14,886 |
| Marketable securities | 30,000 | - |
| Amounts receivable (Note 4) | 57,832 | 14,133 |
| Prepaid expenses | 16,000 | 50,538 |
| Inventory (Note 5) | 36,562 | 81,402 |
| **Total current assets** | 3,475,936 | 160,959 |
| **Non-current assets** | | |
| Furniture and equipment (Note 6) | 4,493 | 8,303 |
| Intangible assets (Note 7) | 1,320,405 | 1,322,806 |
| Goodwill (Note 8) | 239,805 | 34,355 |
| **Total non-current assets** | 1,564,703 | 1,365,464 |
| **Total assets** | $ 5,040,639 | $ 1,526,423 |
| **LIABILITIES AND EQUITY** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities (Notes 9 and 13) | $ 636,793 | $ 313,487 |
| Loans payable (Note 10) | - | 65,474 |
| **Total current liabilities** | 636,793 | 378,961 |
| **Non-current liabilities** | | |
| Contingent consideration | - | 11,320 |
| **Total liabilities** | 636,793 | 390,281 |
| **Equity** | | |
| Share capital (Note 11) | 14,138,224 | 10,636,278 |
| Share subscriptions | 285,009 | - |
| Reserves | 729,440 | 598,755 |
| Deficit | (10,815,312) | (10,098,891) |
| | 4,337,361 | 1,136142 |
| **Non-Controlling Interest** (Note 8) | 66,485 | - |
| | 4,403,846 | 1,136,142 |
| **Total liabilities and equity** | $ 5,040,639 | $ 1,526,423 |

Commitment (Note 16)
Subsequent events (Note 17)

**Approved and authorized on behalf of the Board:**

*"Keir Reynolds"*, Director *"Ed Low"*, Director

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

**Mezzi Holdings Inc.**
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

| | Three months ended January 31, 2018 | Three months ended January 31, 2017 | Nine months ended January 31, 2018 | Nine months ended January 31, 2017 |
|---|---|---|---|---|
| **SALES** | $ (2,671) | $ 620,646 | $ 52,116 | $ 1,104,467 |
| **COST OF SALES** | (4,832) | (581,389) | (13,972) | (695,725) |
| | (7,503) | 39,257 | 38,144 | 408,742 |
| **EXPENSES** | | | | |
| Amortization | 3,151 | 19,434 | 6,211 | 59,730 |
| Consulting | 172,271 | 434,349 | 372,902 | 925,213 |
| Interest expense | - | 1,243 | 1,687 | 7,000 |
| Management fees (Note 13) | 32,000 | 30,000 | 92,000 | 178,500 |
| Marketing | (5,908) | 129,561 | (3,688) | 519,303 |
| Office and miscellaneous | 39,400 | 81,839 | 131,283 | 167,912 |
| Professional fees (Note 13) | (9,445) | 22,596 | 79,392 | 171,642 |
| Salaries | (2,329) | 51,370 | 26,848 | 186,250 |
| Shareholder communication | - | 33,000 | 40,859 | 138,747 |
| Share-based payments (Notes 11 and 13) | (2,042) | 356,250 | 104,763 | 628,623 |
| Transfer agent and regulatory fees | 10,802 | 4,285 | 22,586 | 25,406 |
| Travel and accommodation | 5,370 | 14,060 | 9,255 | 75,600 |
| | (243,270) | (1,177,987) | (884,098) | (3,083,926) |
| **OTHER ITEMS** | | | | |
| Consulting and management service income | - | - | 29,048 | - |
| Foreign exchange gain (loss) | (3,393) | 5,610 | 14 | 710 |
| Gain on sale of investment | - | - | 145,422 | - |
| Product development costs | - | (1,011) | - | (3,484) |
| Write down on inventory | (36,845) | | (36,845) | - |
| Write-off of accounts payable | 46,149 | | 46,149 | - |
| **Total other items** | 5,911 | 4,599 | 183,788 | (2,774) |
| **Loss for the period** | $ (244,862) | $ (1,134,131) | $ (662,166) | $ (2,677,958) |
| **Attributed to** | | | | |
| Equity holders of the Company | (244,862) | $ (1,134,131) | (716,421) | (2,677,958) |
| Non-controlling interest | - | - | 54,255 | - |
| | $ (244,862) | $ (1,134,131) | (662,166) | (2,677,958) |
| **Basic and diluted loss per common share** | $ (0.01) | $ (0.02) | $ (0.06) | $ (0.05) |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | | |
| Currency translation adjustment | $ (323) | $ (341) | $ (1,312) | $ (4,208) |
| **Comprehensive Loss for the period** | $ (245,185) | $ (1,134,472) | $ (663,478) | $ (2,682,166) |
| **Weighted average number of common shares outstanding** | 16,714,893 | 6,058,523 | 10,706,056 | 5,235,687 |

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

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

| | Three months ended October 31, 2018 | Three months ended October 31, 2017 | Nine months ended January 31, 2018 | Nine months ended January 31, 2017 |
|---|---|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | | |
| Loss for the period | $ (244,862) | $ (1,134,131) | $ (662,166) | $ (2,677,958) |
| Items not affecting cash: | | | | |
| Accrued interest | - | 1,337 | - | 7,114 |
| Amortization | 3,151 | 19,435 | 6,211 | 59,730 |
| Foreign exchange | - | - | - | - |
| Shares issued for debt settlement | - | - | - | 293,500 |
| Shares issued for loan | - | (4,573) | - | 13,333 |
| Shares issued for marketing services | - | 44,000 | - | 44,000 |
| Gain on sale of investment | - | - | (145,422) | - |
| Share-based payments | (2,042) | 356,250 | 104,763 | 615,290 |
| Changes in non-cash working capital items: | | | | |
| Amounts receivable | 11,631 | 274,423 | (43,699) | 16,766 |
| Prepaid expenses | 23,505 | (13,872) | 34,538 | 20,075 |
| Inventory | 37,165 | (12,650) | 44,840 | (54,651) |
| Accounts payable and accrued liabilities | 404,851 | 10,341 | 325,347 | 29,395 |
| Net cash generated (used) in operating activities | 233,399 | (503,442) | (335,588) | (1,633,406) |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | | |
| Marketable securities | - | - | (30,000) | - |
| Net cash on acquisition of subsidiary | - | - | 33,734 | - |
| Proceeds from sale of investment | - | - | 134,607 | - |
| Net cash used in investing activities | - | - | 138,341 | - |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | | |
| Proceeds from private placement | 2,696,102 | - | 3,221,102 | 927,400 |
| Proceeds from exercise of warrants | 73,700 | - | 73,700 | 200,000 |
| Proceeds from exercise of stock options | - | 384,000 | 205,500 | 445,200 |
| Share issuance costs | (153,248) | - | (200,122) | (43,672) |
| Subscriptions received | 285,009 | - | 285,009 | - |
| Loans received | - | 86,816 | - | 161,816 |
| Loans paid | (4,000) | - | (65,474) | (78,211) |
| Net cash provided by financing activities | 2,897,563 | 470,816 | 3,519,215 | 1,612,533 |
| **Effects of translation** | (323) | - | (1,312) | 3,866 |
| **Change in cash and cash equivalents for the period** | 3,130,639 | (32,626) | 3,320,656 | (17,07) |
| **Cash and cash equivalents, beginning of period** | 204,903 | 95,324 | 14,886 | 79,705 |
| **Cash and cash equivalents, end of period** | $ 3,335,542 | $ 62,698 | $ 3,335,542 | $ 62,698 |
| **Cash received during the period for interest** | $ - | $ - | $ - | $ - |
| **Cash paid during the period for taxes** | $ - | $ - | $ - | $ - |

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

**Mezzi Holdings Inc.**

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

| | Share Capital | | | | | | |
|---|---|---|---|---|---|---|---|
| | Common Shares | Amount | Subscriptions receivable | Reserves | Non-Controlling Interest | Deficit | Total Equity |
| Balance, April 30, 2016 | 4,899,365 | $ 7,573,688 | $ - | $ 634,160 | | $ (6,693,501) | $ 1,514,347 |
| Shares issued for loans | 33,333 | 13,333 | - | - | | - | 13,333 |
| Shares issued for marketing services | 40,000 | 44,000 | - | - | | | 44,000 |
| Exercise of warrants | 250,000 | 225,000 | - | (25,000) | | - | 200,000 |
| Exercise of options | 573,000 | 933,982 | - | (467,532) | | - | 466,450 |
| Shares issued for private placement | 1,220,900 | 1,220,900 | - | - | | | 1,220,900 |
| Share issuance costs | - | (58,242) | - | 14,570 | | | (43,672) |
| Share based payments | - | - | - | 615,290 | | | 615,290 |
| Subscriptions 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 | 7,016,598 | $ 9,952,661 | $ (21, 250) | $ 775,354 | - | $ (9,371,459) | $ 1,335,306 |
| Balance, April 30, 2017 | 8,098,098 | $ 10,636,278 | | $ 598,755 | - | $ (10,098,891) | $ 1,136,142 |
| Shares issued for the acquisition of Mekenix (Note 8) | 765,000 | 229,500 | | - | 12,230 | - | 241,730 |
| Exercise of options | 410,000 | 309,763 | | (104,763) | | - | 205,000 |
| Exercise of warrants | 737,000 | 77,949 | - | (4,249) | | | 73,700 |
| Shares issued for private placement | 19,255,007 | 3,221,102 | | - | | - | 3,221,102 |
| Share issuance costs | - | (200,122) | | | | | (200,122) |
| Share-based payments | - | (136,246) | | 241,009 | | - | 104,763 |
| Currency translation adjustment | - | - | | (1,312) | | - | (1,312) |
| Share subscriptions | | | 285,009 | | | | 285,009 |
| Loss for the period | - | - | | - | 54,255 | (716,421) | (662,166) |
| Balance, January 31, 2018 | 29,265,105 | $ 14,138,224 | $ 285,009 | $ 729,440 | 66,485 | $ (10,815,312) | $ 4,403,846 |

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

## 1. CORPORATE INFORMATION AND GOING CONCERN

Mezzi Holdings Inc. ("Mezzi" or the "Company") is a publicly listed company incorporated on April 16, 2006 under the *Business Corporations Act* (British Columbia) and is engaged in the sale and distribution of luxury accessories. The Company's shares are listed on the TSX Venture ("TSX-V") under the symbol "MZI". The corporate office is located at 1001 – 1185 West Georgia Street, Vancouver, BC, V6E 4E6.

These unaudited condensed interim consolidated financial statements of the Company as at and for the three and nine month periods ended January 31, 2018 comprise of the Company and its US subsidiaries. They have been prepared assuming the Company will continue on a going-concern basis.

The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to raise adequate financing through the capital markets. During the three and nine-month period ended January 31, 2018, the Company incurred losses of $(244,862) and $(662,166) respectively, compared to losses of $(1,134,131) and $(2,677,958) for the three and nine-month comparative periods ending January 31, 2017. The Company had an accumulated deficit of $(10,815,312) as at January 31, 2018 (April 30, 2017 - $(10,098,891)). 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 unaudited condensed interim consolidated 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.

On August 17, 2017, the Company consolidated its share capital on a ten to one basis. These statements reflect the share consolidation retroactively.

## 2. BASIS OF PRESENTATION

### Statement of compliance

These unaudited condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC"). These condensed interim consolidated financial statements were prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting and as such they do not include all of the information required for full annual financial statements.

These consolidated financial statements were authorized for issue by the Board of Directors on April 2, 2018.

### Basis of presentation

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

### 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 polices and reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting year; actual outcomes could differ from these estimates. These condensed interim consolidated financial statements include estimates, which, by their nature, are uncertain. The impact of such estimates appears throughout these unaudited condensed interim 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 and were reasonable under the circumstances.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these condensed interim consolidated financial statements are set out below. These policies have been applied consistently by the Company and its subsidiaries to all periods presented and during the most recent fiscal year. Please refer to the audited consolidated financial statements for the year ended April 30, 2017 for a complete summary of significant accounting policies.

**Principles of consolidation**

These consolidated financial statements include the accounts of the Company and its' wholly owned subsidiaries, 8918627 Canada Ltd., a company incorporated in the province of British Columbia, which holds the Mezzi trademark and Capital Eyewear Inc., a company incorporated in the state of Delaware and Mekenix Commerce Inc., a Santa Monica, CA based e-commerce sales firm.

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 on consolidation.

**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 Disclosure Initiative (Amendments to IAS 7 *Statement of Cash Flows*)

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, and are effective for annual periods beginning on or after January 1, 2017.

ii) IFRS 15 *Revenue from Contracts with Customers*

This new standard establishes a comprehensive framework for the recognition, measurement and disclosure of revenue replacing IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue — Barter Transactions Involving Advertising Services*.

The main features introduced by this new standard compared with predecessor IFRS are as follows:
Revenue is recognized based on a five-step model:

1. Identify the contract with customer;
2. Identify the performance obligations;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations; and
5. Recognize revenue when (or as) the performance obligations are satisfied.

New disclosure requirements on information about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. The new standard is effective for annual periods beginning on or after January 1, 2018.

iii) Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 *Share-based Payment*)

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued):

**New accounting pronouncements (continued):**

i) Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 *Share-based Payment*) (cont'd)

The amendments provide guidance on the accounting for:
the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;

- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The new standard is effective for annual periods beginning on or after January 1, 2018.

ii) IFRS 16 *Leases*

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The new standard is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that also apply IFRS 15 *Revenue from Contracts with Customers*.

There are no other IFRS or IFRIC interpretations that are not yet effective that are expected to have a material impact on the Company's consolidated financial statements.

(Expressed in Canadian Dollars)

## 4. AMOUNTS RECEIVABLE

| | January 31, 2018 | April 30, 2017 |
|---|---|---|
| Other receivables | $ 42,903 | $ 4,738 |
| GST receivable | 14,929 | 9,395 |
| Total | $ 57,832 | $ 14,133 |

## 5. INVENTORY

| | January 31, 2018 | April 30, 2017 |
|---|---|---|
| Finished goods | $ 36,562 | $ 81,402 |

## 6. FURNITURE AND EQUIPMENT

| | Computer Hardware | Furniture and Equipment | Total |
|---|---|---|---|
| **Cost** | | | |
| Balance, April 30, 2016 | $ - | $ - | $ - |
| Additions | 5,324 | 91,485 | 96,809 |
| Disposals | - | (54,243) | (54,243) |
| Balance, April 30, 2017 and January 31, 2018 | $ 5,324 | $ 37,242 | $ 42,566 |
| **Accumulated amortization** | | | |
| Balance, April 30, 2016 | $ 799 | $ 30,823 | $ 31,622 |
| Amortization | 1,357 | 1,284 | 2,641 |
| Balance, April 30, 2017 | 2,156 | 32,107 | 34,263 |
| Amortization | 3,168 | 642 | 3,810 |
| Balance, January 31, 2018 | $ 5,324 | $ 32,749 | $ 38,073 |
| **Carrying amounts** | | | |
| As at April 30, 2017 | $ 3,168 | $ 5,135 | $ 8,303 |
| As at January 31, 2018 | $ - | $ 4,493 | $ 4,493 |

(Expressed in Canadian Dollars)

## 7. INTANGIBLE ASSETS

Intangible assets consist of the following:

| | Mezzi trademark | Capital Eyewear brand | Software, website, and mobile app | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance, April 30, 2016 | $ 1,258,319 | $ - | $ 88,049 | $ 1,346,368 |
| Additions | - | 62,086 | 51,750 | 113,836 |
| Balance, April 30 and January 31, 2018 | $ 1,258,319 | $ 62,086 | $ 139,799 | $ 1,460,204 |
| **Accumulated amortization** | | | | |
| Balance, April 30, 2016 | $ - | $ - | $ 63,393 | $ 63,393 |
| Amortization | - | - | 74,005 | 74,005 |
| Balance, April 30, 2017 | - | - | 137,398 | 137,398 |
| Amortization | - | - | 2,401 | 2,401 |
| Balance, January 31, 2018 | $ - | $ - | $ 139,799 | $ 139,799 |
| **Carrying amounts** | | | | |
| As at April 30, 2017 | $ 1,258,319 | $ 62,086 | $ - | $ 1,322,806 |
| As at January 31, 2018 | $ 1,258,319 | $ 62,086 | $ - | $ 1,320,405 |

## 8. MEKENIX

On May 1, 2017, the Company completed the acquisition of a majority stake of Mekenix Commerce Inc. ("Mekenix"). Mekenix is a Santa Monica, CA based e-commerce sales firm that partners with compelling brands to manage and execute their e-commerce sales channels. Pursuant to the transaction, the Company issued 765,000 common shares in exchange for a 51% ownership stake in Mekenix.

The acquisition of Mekenix was accounted for as a business combination under IFRS 3 *Business Combinations*. The assets acquired on May 1, 2017 are consolidated in the consolidated statements of financial position from May 1, 2017. Mekenix's revenues and expenses prior to that date are not consolidated into the Company's consolidated statements of loss and comprehensive loss.

| | |
|---|---|
| **The total purchase price was allocated as follows:** | |
| Cash | $ 33,734 |
| Amounts receivable | 25,000 |
| Assumption of payables | (33,774) |
| Non-controlling interest | (12,230) |
| Goodwill | 216,770 |
| | $229,500 |

| | |
|---|---|
| **The total purchase price of $229,500 is comprised of:** | |
| Issuance of 765,000 common shares of Mezzi | $ 229,500 |

(Expressed in Canadian Dollars)

## 9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are as follows:

| | | January 31, 2018 | | April 30, 2017 |
|---|---|---|---|---|
| Trade payables and accrued liabilities | $ | 537,777 | $ | 262,187 |
| Due to related parties (Note 13) | | 99,016 | | 51,300 |
| Total | $ | 636,793 | $ | 313,487 |

## 10. LOANS PAYABLE

Loans payable are as follows:

| | | January 31, 2018 | | April 30, 2017 |
|---|---|---|---|---|
| Loans payable (Note 13) | $ | - | $ | 65,474 |

i) During the nine-month period ended January 31, 2018, the Company received and repaid a non-interest-bearing loan of $4,000 (2017 - $nil) from the CEO.

## 11. SHARE CAPITAL AND RESERVES

a) Authorized share capital:

Unlimited number of voting common shares without par value
Unlimited number of preferred shares without par value

b) Issued share capital

As at January 31, 2018, the Company had 29,265,106 common shares issued and outstanding (April 30, 2017 – 8,098,090).

On August 15, 2017, the Company closed a private placement for 7,000,000 units at a price of $0.075 per unit for total gross proceeds of $525,000. Each unit consists of one common share of the Company and one share purchase warrant. In connection with the private placement, the Company incurred share issuance costs of $46,874.

On January 30, 2018, the Company closed the first tranche of a private placement for 12,255,007 units at a price of $0.22 per unit for total gross proceeds of $2,696,102. Each unit consists of one common share of the Company and one share purchase warrant. In connection with the private placement, the Company incurred share issuance costs of $144,935.

(Expressed in Canadian Dollars)

## 11. SHARE CAPITAL AND RESERVES (continued):

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.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the three and nine-month periods ended January 31, 2018:

| | 2018 | 2017 |
|---|---|---|
| Risk-free interest rate | 0.94% | 0.85% |
| Expected life of options | 5 years | 5 years |
| Annualized volatility | 140% | 131.94% |
| Dividend rate | 0.00% | 0.00% |
| Forfeiture rate | 0.00% | 0.00% |

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

| | Number of Options | | Weighted Average Exercise Price |
|---|---|---|---|
| Balance, April 30, 2016 | 282,500 | $ | 2.20 |
| Granted | 1,788,500 | | 0.60 |
| Cancelled | (151,500) | | 1.70 |
| Exercised | (1,594,500) | | 0.60 |
| Balance, April 30, 2017 | 325,000 | | 1.62 |
| Granted | 410,000 | | 0.50 |
| Cancelled | (165,500) | | 1.58 |
| Exercised | (410,000) | | 0.50 |
| Balance, January 31, 2018 | 159,500 | $ | 1.67 |
| Number of options currently exercisable | 159,500 | $ | 1.67 |

As at January 31, 2018, the following stock options were outstanding and exercisable:

| Number of options | Exercise Price | Expiry Date |
|---|---|---|
| 38,500 | $ 2.50 | May 23, 2019 |
| 21,500 | $ 2.50 | August 27, 2019 |
| 5,000 | $ 2.50 | October 16, 2019 |
| 17,500 | $ 2.00 | September 21, 2020 |
| 37,500 | $ 0.90 | June 10, 2021 |
| 19,500 | $ 0.90 | October 17, 2021 |
| 20,000 | $ 0.90 | December 6, 2021 |
| 159,500 | | |

(Expressed in Canadian Dollars)

## 11. SHARE CAPITAL AND RESERVES (continued):

d) Warrants

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

| | Number of Warrants | Weighted Average Exercise Price |
|---|---|---|
| Balance, April 30, 2016 | 838,790 | $ 1.40 |
| Granted | 1,264,572 | 1.50 |
| Exercised | (250,000) | 0.80 |
| Balance, April 30, 2017 | 1,853,362 | $ 1.38 |
| Granted | 14,149,924 | 0.22 |
| Exercised | (737,000) | 0.10 |
| Expired | (1,547,762) | 1.50 |
| Balance, January 31, 2018 | 13,718,524 | $ 0.24 |

As at January 31, 2018, the following warrants were outstanding:

| Number of Warrants | Exercise Price | Expiry Date |
|---|---|---|
| 305,600 | $ 0.80 | February 19, 2018 |
| 6,654,622 | $ 0.10 | August 15, 2019 |
| 6,758,302 | $ 0.35 | January 29, 2019 |
| 13,718,524 | | |

e) Escrow shares

During the nine-month period ended January 31, 2018, 91,875 common shares were released from escrow. As at January 31, 2018, the Company had nil shares held in escrow (April 30, 2017 – 91,875).

## 12. 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:

## 12. FINANCIAL INSTRUMENTS AND RISK (continued):

| Financial instruments | Classifications |
|---|---|
| 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. As at January 31, 2018, cash and cash equivalents are comprised of $11,500 (April 30, 2017 - $11,500) held in an investment account with cash available on demand and $3,324,042 (April 30, 2017 - $3,386) 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, 2018, the Company had a cash and cash equivalents balance of $3,335,542 (April 30, 2017 - $14,886) to settle current liabilities of $636,793 (April 30, 2017 - $378,961). 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. The Company is satisfied with the credit ratings of its banks. As of January 31, 2018, 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, 2018, the Company's expenditures are predominantly in Canadian dollars, and any future equity raised is expected to be predominantly in Canadian dollars. As at January 31, 2018, the Company had insignificant financial instruments in a foreign currency. The foreign currency risk is not significant.

(Expressed in Canadian Dollars)

## 13. RELATED PARTY BALANCES AND TRANSACTIONS

The Company has determined that key management personnel consists of the Company's Board of Directors and its corporate officers. During the nine month period ended January 31, 2018, the Company incurred the following amounts charged by directors and officers and companies controlled and/or owned by directors and officers of the Company:

| | Nature of transactions | Nine Months Ended January 31, 2018 | Nine Months Ended January 31, 2017 |
|---|---|---|---|
| **Key management personnel - Current:** | | | |
| A company controlled by the CEO | Management | $ 84,000 | $ 160,500 |
| A company controlled by the former CFO | Management | 6,000 | 18,000 |
| A firm of which the CFO is a former partner | Professional | - | 135,000 |
| Directors and Officers of the Company | Share-based payments | - | 231,383 |
| Total | | $ 90,000 | $ 544,383 |

During the nine-month period ended January 31, 2018, the CEO loaned the Company $4,000 (April 30, 2017 - $Nil). The Company repaid the full amount during the period. The loan was unsecured and non-interest bearing with no specific terms of repayment.

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

| | January 31, 2018 | April 30, 2017 |
|---|---|---|
| Due to a firm of which the CFO is a former partner | $ 51,300 | $ 51,300 |
| Due to companies controlled by the CEO | 47,716 | - |
| Total | $ 99,016 | $ 43,520 |

## 14. 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 nine-month period ended January 31, 2018.

(Expressed in Canadian Dollars)

## 15. 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 the hand-made eyewear segment falls under Capital Eyewear.

The Company's segmented information for the nine month period ended January 31, 2018 is as follows:

| | | **Mezzi** | | **Capital Eyewear** | | |
|---|---|---|---|---|---|---|
| | | Luxury leather goods | | Eyewear | | **Total** |
| Sales | $ | 47,701 | $ | 4,415 | $ | 52,116 |
| Cost of sales | | (12,934) | | (1,038) | | (13,972) |
| Gross profit | $ | 34,767 | $ | 3,377 | $ | 38,144 |

## 16. 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.

## 17. SUBSEQUENT EVENTS

Subsequent to the period ended January 31, 2018, the Company closed the remaining tranches of its previously announced private placement totalling $2,221,121. These funds were raised by the Company issuing 1,750,000 units at a price of $0.20 cent per unit and 8,905,097 units at a price of $0.22. Each unit consists of one common share and one half of one common share purchase warrant entitling the holder thereof to purchase one additional common share for a period of 12 months from the closing date at a price of $0.35.

In connection with the above final tranche closings, the company paid aggregate cash commissions of $151,221 and issued 574,096 brokers' warrants, each such broker's warrant entitling the holder to acquire one common share of Mezzi at $0.35 for a period of 12 months from the closing date. All shares, together with any shares that may be issued on exercise of the warrants and brokers' warrants, will be subject to a hold period of 4 months from the date of issuance.

In addition, subsequent to the period ended January 31, 2018, 305,600 warrants with an exercise price of $0.80 expired.

## 18. COMPARATIVE NUMBERS

Certain prior period comparative numbers have been reclassified to conform to current period's presentations.