

**CARTEL BLUE, INC. AND SUBSIDIARY**  
**(f/k/a Revenge Designs, Inc.)**

**FINANCIAL STATEMENTS**  
**JANUARY 31, 2017**

**RESTATED**

**(UNAUDITED)**

**CARTEL BLUE, INC. AND SUBSIDIARY**  
**(f/k/a REVENGE DESIGNS, INC.)**  
**CONSOLIDATED BALANCE SHEETS**

|   | <b>January 31, 2017</b><br><b>(Unaudited)</b><br><b>(Restated)</b> | <b>January 31, 2016</b><br><b>(Unaudited)</b> |
|---|--|---|
|   | <b>Assets</b>  |   |
| Current Assets  |  |   |
| Cash and cash equivalents   | \$ 2,048   | \$ 934  |
| Inventory   | 275,554  | 219,742                                       |
| Total Current Assets  | <u>277,602</u>   | <u>220,676</u>                                |
| Non-Current Assets  |  |   |
| Fixed assets, net   | 4,313  | 7,537   |
| Intangible assets   | 900,000  | 900,000                                       |
| Total Non-Current Assets  | <u>904,313</u>   | <u>907,537</u>                                |
| Total Assets  | <u>\$ 1,181,915</u>  | <u>\$ 1,128,213</u>                           |
|   | <b>Liabilities and Stockholders' Equity</b>                        |   |
| Current Liabilities   |  |   |
| Accounts payable and accrued expenses   | \$ 263,467   | \$ 246,182                                    |
| Accrued interest  | 40,372   | 9,296   |
| Payable to related party  | 16,091   | 21,632  |
| Payable to shareholder  | 20,190   | -   |
| Convertible note payable  | 57,000   | 15,000  |
| Notes payable   | 318,456  | 109,200                                       |
| Notes payable to officer  | 177,000  | -   |
| Total Current Liabilities   | <u>892,576</u>   | <u>401,310</u>                                |
| Non-Current Liabilities   |  |   |
| Notes payable, net of current portion   | 40,225   | -   |
| Notes payable to officer, net of current portion  | 1,092  | 207,100                                       |
| Total Non-Current Liabilities   | <u>41,317</u>  | <u>207,100</u>                                |
| Total Liabilities   | <u>933,893</u>   | <u>608,410</u>                                |
| Stockholders' Equity:   |  |   |
| Preferred stock, 5,000,000 shares authorized, and no shares issued, \$0.001 par value   | -  | -   |
| Common stock, \$0.00001 par value, 500,000,000 shares authorized, 120,456,850 and 120,530,422 shares outstanding at January 31, 2017 and January 31, 2016, respectively | 1,205  | 1,205   |
| Common stock to be issued, 6,000,000 and 0 at January 31, 2017 and 2016, respectively   | 60   | -   |
| Additional paid-in capital  | 4,214,143  | 4,024,190                                     |
| Accumulated deficit   | (3,967,386)  | (3,505,592)                                   |
| Total Stockholders' Equity  | <u>248,022</u>   | <u>519,803</u>                                |
| Total Liabilities and Stockholders' Equity  | <u>\$ 1,181,915</u>  | <u>\$ 1,128,213</u>                           |

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

**CARTEL BLUE, INC. AND SUBSIDIARY**  
**(f/k/a REVENGE DESIGNS, INC.)**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**

|   | <b>Years Ended</b>         |                            |
|---|----------------------------|----------------------------|
|   | <b>January 31, 2017</b>    | <b>January 31, 2016</b>    |
|   | <b>(Restated)</b>          |                            |
| <b>Revenue, net</b>                                   | \$ -                       | \$ -                       |
| Cost of sales   | <u>62,117</u>              | <u>123,000</u>             |
| <b>Gross profit</b>                                   | <u>(62,117)</u>            | <u>(123,000)</u>           |
| <b>Operating Expenses:</b>                            |                            |                            |
| Depreciation expense                                  | 3,224                      | 2,133                      |
| General and administrative expenses                   | <u>362,164</u>             | <u>296,619</u>             |
| Total operating expenses                              | <u>365,388</u>             | <u>298,752</u>             |
| <b>Loss from operations</b>                           | <u>(427,505)</u>           | <u>(421,752)</u>           |
| Other Expense   |                            |                            |
| Interest expense                                      | <u>34,289</u>              | <u>10,741</u>              |
| Total Other Expense                                   | <u>34,289</u>              | <u>10,741</u>              |
| <b>Net loss</b>                                       | \$ <u><u>(461,794)</u></u> | \$ <u><u>(432,493)</u></u> |
| <b>Net loss per share:</b>                            |                            |                            |
| Basic   | \$ <u><u>(0.004)</u></u>   | \$ <u><u>(0.004)</u></u>   |
| Diluted   | \$ <u><u>(0.004)</u></u>   | \$ <u><u>(0.004)</u></u>   |
| <b>Weighted average number of shares outstanding:</b> |                            |                            |
| Basic   | <u>121,764,106</u>         | <u>110,803,822</u>         |
| Diluted   | <u>121,764,106</u>         | <u>110,803,822</u>         |

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

**CARTEL BLUE, INC. AND SUBSIDIARY**  
**(f/k/a REVENGE DESIGNS, INC.)**  
**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**  
**(UNAUDITED)**

|  | <u>Common Stock</u> |                 | <u>Additional</u>      | <u>Total</u>          | <u>Stockholders'</u> |
|--|---------------------|-----------------|------------------------|-----------------------|----------------------|
|  | <u>Shares</u>       | <u>Amount</u>   | <u>Paid in Capital</u> | <u>Accumulated</u>    | <u>Equity</u>        |
|  |                     |                 |                        | <u>Deficit</u>        |                      |
| <b>Balance January 31, 2015</b>              | 175,152,072         | \$ 1,751        | \$ 3,948,644           | \$ (3,073,099)        | \$ 877,296           |
| Adjustment for shares outstanding            | (72)                | -               | -                      | -                     | -                    |
| Cancellation of 55,704,928 shares            | (55,704,928)        | (557)           | 557                    | -                     | -                    |
| Issuance of shares                           | 1,083,350           | 11              | 74,989                 | -                     | 75,000               |
| Net loss for the year ended January 31, 2016 | -                   | -               | -                      | (432,493)             | (432,493)            |
| <b>Balance January 31, 2016</b>              | 120,530,422         | 1,205           | 4,024,190              | (3,505,592)           | 519,803              |
| Issuance of shares                           | 271,428             | 3               | 15,800                 | -                     | 15,803               |
| Reissuance of shares previously cancelled    | 3,750,000           | 38              | (38)                   | -                     | -                    |
| Issuance of shares as compensation           | 12,000,000          | 120             | 194,280                | -                     | 194,400              |
| Purchase of shares                           | (10,095,000)        | (101)           | (20,089)               | -                     | (20,190)             |
| Net loss for the year ended January 31, 2017 | -                   | -               | -                      | (461,794)             | (461,794)            |
| <b>Balance January 31, 2017 (Restated)</b>   | <u>126,456,850</u>  | <u>\$ 1,265</u> | <u>\$ 4,214,143</u>    | <u>\$ (3,967,386)</u> | <u>\$ 248,022</u>    |

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

**CARTEL BLUE, INC. AND SUBSIDIARY**  
**(f/k/a REVENGE DESIGNS, INC.)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

|   | <b>Years Ended</b>      |                         |
|---|-------------------------|-------------------------|
|   | <b>January 31, 2017</b> | <b>January 31, 2016</b> |
|   | <b>(Restated)</b>       |                         |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                       |                         |                         |
| Net Loss  | \$ (461,794)            | \$ (432,493)            |
| Adjustments to reconcile net loss to net cash used in operating activities:       |                         |                         |
| Depreciation/Amortization expense   | 3,224                   | 2,133                   |
| Issuance of shares as compensation  | 194,400                 | -                       |
| (Increase) / decrease in assets:  |                         |                         |
| Prepaid expenses  | -                       | 10,000                  |
| Inventory   | (55,812)                | (219,742)               |
| Increase/ (decrease) in current liabilities:                                      |                         |                         |
| Accounts payable and accrued expenses   | 48,361                  | 242,024                 |
| Payable to related party  | (5,541)                 | 21,632                  |
| Total Adjustments   | <u>184,632</u>          | <u>56,047</u>           |
| <b>Net cash used in operating activities</b>                                      | <u>(277,162)</u>        | <u>(376,446)</u>        |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                       |                         |                         |
| Purchase of fixed assets  | <u>-</u>                | <u>(7,170)</u>          |
| <b>Net cash used in investing activities</b>                                      | <u>-</u>                | <u>(7,170)</u>          |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                       |                         |                         |
| Proceeds from issuance of convertible note  | 42,000                  | 15,000                  |
| Proceeds from issuance of notes payable, net                                      | 249,481                 | 87,450                  |
| (Payments) proceeds from notes payable from officer, net                          | (29,008)                | 207,100                 |
| Proceeds from issuance of common stock  | <u>15,803</u>           | <u>75,000</u>           |
| <b>Net cash provided by financing activities</b>                                  | <u>278,276</u>          | <u>384,550</u>          |
| <b>Net increase in cash and cash equivalents</b>                                  | 1,114                   | 934                     |
| <b>Cash and cash equivalents, beginning balance</b>                               | <u>934</u>              | <u>-</u>                |
| <b>Cash and cash equivalents, ending balance</b>                                  | \$ <u><u>2,048</u></u>  | \$ <u><u>934</u></u>    |
| <b>SUPPLEMENTAL DISCLOSURES:</b>  |                         |                         |
| Cash paid during the year for:  |                         |                         |
| Income tax payments   | \$ <u><u>-</u></u>      | \$ <u><u>-</u></u>      |
| Interest payments   | \$ <u><u>-</u></u>      | \$ <u><u>-</u></u>      |
| Supplemental schedule of non-cash financing activities:                           |                         |                         |
| Reissuance of 9,750,000 shares of common stock                                    | \$ <u><u>-</u></u>      | \$ <u><u>-</u></u>      |
| Amount payable to shareholder for repurchase of 10,950,000 shares of common stock | \$ <u><u>20,190</u></u> | \$ <u><u>-</u></u>      |
| Cancellation of 115,704,928 shares of common stock                                | \$ <u><u>-</u></u>      | \$ <u><u>1,157</u></u>  |

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

**Cartel Blue, Inc. and Subsidiary**  
**(f/k/a Revenge Designs, Inc.)**  
**Notes to the Consolidated Financial Statements**  
**(Unaudited)**

**1. Company Information**

Cartel Blue, Inc. (f/k/a Revenge Designs, Inc.), a Nevada corporation, operates through its wholly-owned subsidiary Cartel Blue, Inc., a Wyoming Corporation. Cartel Blue is a Los Angeles based and eco-friendly apparel company that utilizes high quality fabrics and designs with contemporary and edgy marketing strategies in conjunction with popular and unique celebrities in the film, television and music industries.

The Company primarily manufactures and markets eco-friendly cotton premium jeans and tops for both men and women. Cartel Blue manufactures all of its apparel products in the United States of America while utilizing the best in class of fabric suppliers and apparel designers.

In addition, the Company has certain intellectual property related to apparel design. It plans to develop this intellectual property.

**Restatements**

Subsequent to the issuance of the Company's financial statements for the fiscal year ended January 31, 2017, the Company determined that certain transactions and presentation in the financial statements had not been accounted for properly in the Company's financial statements. Specifically, the 6,000,000 shares issued for consulting services on January 31, 2017 was not recorded in the stockholders equity and as an operating expense.

The Company decided to restate the financials for the fiscal year ended January 31, 2017.

The effects of these restatements and reclassifications are as follows:

**BALANCE SHEET**

|   | <b>Reported</b>         | <b>Adjustments</b>      | <b>Restated</b>         |
|---|-------------------------|-------------------------|-------------------------|
|   | <b>January 31, 2017</b> | <b>January 31, 2017</b> | <b>January 31, 2017</b> |
| <b>EQUITY</b>   |                         |                         |                         |
| Preferred stock                                       | -                       | -                       | -                       |
| Common stock  | 1,205                   | -                       | 1,205                   |
| Shares to be issued                                   | -                       | 60                      | 60                      |
| APIC  | 4,120,003               | 94,140                  | 4,214,143               |
| Accumulated deficit                                   | (3,873,186)             | (94,200)                | (3,967,386)             |
| <b>TOTAL EQUITY</b>                                   | <b>248,022</b>          | <b>-</b>                | <b>248,022</b>          |
| <br><b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b> | <br><b>\$ 1,181,915</b> | <br><b>\$ -</b>         | <br><b>\$ 1,181,915</b> |

## STATEMENTS OF OPERATIONS

|                                      | Reported         | Adjustments      | Restated         |
|--------------------------------------|------------------|------------------|------------------|
|                                      | January 31, 2017 | January 31, 2017 | January 31, 2017 |
| Revenue                              | \$ -             | \$ -             | \$ -             |
| Cost of revenue                      | 62,117           | -                | 62,117           |
| <b>Gross profit</b>                  | <b>(62,117)</b>  | <b>-</b>         | <b>(62,117)</b>  |
| <b>Operating expenses</b>            |                  |                  |                  |
| Depreciation expense                 | 3,224            | -                | 3,224            |
| General and administration expenses  | 267,964          | 94,200           | 362,164          |
| <b>Total operating expenses</b>      | <b>271,188</b>   | <b>94,200</b>    | <b>365,388</b>   |
| <b>(loss) Income from operations</b> | <b>(333,305)</b> | <b>(94,200)</b>  | <b>(427,505)</b> |
| <b>Other income / (expense)</b>      |                  |                  |                  |
| Interest expense                     | 34,289           | -                | 34,289           |
| <b>Total other income</b>            | <b>34,289</b>    | <b>-</b>         | <b>34,289</b>    |
| <b>Net (loss) income</b>             | <b>(367,594)</b> | <b>(94,200)</b>  | <b>(461,794)</b> |
| <b>Net (loss) income per share:</b>  |                  |                  |                  |
| Basic                                | \$ (0.003)       | \$ (0.001)       | \$ (0.004)       |
| Diluted                              | \$ (0.003)       | \$ (0.001)       | \$ (0.004)       |

## STATEMENTS OF CASH FLOWS

|   | Reported         | Adjustments      | Restated         |
|---|------------------|------------------|------------------|
|   | January 31, 2017 | January 31, 2017 | January 31, 2017 |
| Net income (loss)   | \$ (367,594)     | \$ (94,200)      | \$ (461,794)     |
| Adjustments to reconcile net loss to net cash used in operating activities: |                  |                  |                  |
| Depreciation & amortization   | 3,224            | -                | 3,224            |
| Stock options and shares issued for compensation                            | 100,200          | 94,200           | 194,400          |
| (Increase) / decrease in assets:  |                  |                  |                  |
| Inventory   | (55,812)         | -                | (55,812)         |
| Increase/ (decrease) in current liabilities:                                |                  |                  |                  |
| Accounts payable and accrued expenses                                       | 48,361           |                  | 48,361           |
| Payable to related party  | (5,541)          | -                | (5,541)          |
| <b>Net cash used in operating activities</b>                                | <b>(277,162)</b> | <b>-</b>         | <b>(277,162)</b> |

## **2. Going Concern**

As reflected in the accompanying financial statements, the Company had an accumulated deficit of \$3,967,386 as of January 31, 2017.

While the Company is attempting to commence operations and generate revenues, the Company's cash position may not be significant enough to support the Company's daily operations. Management intends to raise additional funds by way of a public or private offering. Management believes that the actions presently being taken to further implement its business plan and generate revenues provide the opportunity for the Company to continue as a going concern. While the Company believes in the viability of its strategy to generate revenues and in its ability to raise additional funds, there can be no assurances to that effect. The ability of the Company to continue as a going concern is dependent upon the Company's ability to further implement its business plan and generate revenues.

The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

## **3. Significant Accounting Policies**

### Basis of Presentation

The accompanying consolidated financial statements were prepared in conformity with generally accepted accounting principles in the United States ("US GAAP").

### Risks and Uncertainties

The Company is subject to risks from, among other things, competition associated with the industry in general, other risks associated with financing, liquidity requirements, rapidly changing customer requirements and technologies and limited operating history.

### Contingencies

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. The Company's management and legal counsel assess such contingent liabilities, and such assessment inherently involves judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought.

If the assessment of a contingency indicates it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's financial statements. If the assessment indicates that a potential material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material would be disclosed. Loss contingencies considered to be remote by management are generally not disclosed unless they involve guarantees, in which case the guarantee would be disclosed.

### Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include collectability of accounts receivable, accounts payable, sales returns and recoverability of long-term assets.



### Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities less than or equal to three months at the date of purchase to be cash and cash equivalents. Cash and cash equivalents are stated at cost, which approximates fair value, and consist of bank deposits and certificates of deposit that are readily convertible into cash. The Company maintains its cash deposits and cash equivalents at well-known, stable financial institutions and is covered by insurance.

### Inventory

Inventories are valued at the lower of cost (determined on a weighted average basis) or market. Management compares the cost of inventories with the market value and allowance is made to write down inventories to market value, if lower. As of January 31, 2017, inventory consisted predominantly of raw materials.

### Revenue and Cost Recognition

The Company has no current source of revenue; therefore the Company has not yet adopted any policy regarding the recognition of revenue or costs associated with such revenue streams. Operating expenses recognized in the Statement of Operations are expensed as incurred.

### Advertising Costs

The Company's policy regarding advertising is to expense advertising costs when incurred. No advertising costs were incurred for the fiscal years ending January 31, 2017 and 2016.

### No Items of Other Comprehensive Income or Loss

The Company has no items of other comprehensive income or loss for the years ended January 31, 2017 and 2016. Therefore, the net loss as presented in the Company's Statement of Operations equals comprehensive loss.

### Income Taxes

The Company uses the asset and liability method to account for income taxes as prescribed by ASC 740, Income Taxes. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities as measured by the enacted tax rates which will be in effect when these differences reverse. Deferred tax expense (benefit) is the result of changes in deferred tax assets and liabilities. Deferred income tax assets and liabilities are adjusted to recognize the effects of changes in tax laws or enacted tax rates in the period during which they are signed into law.

The Company may recognize the tax benefit from an uncertain tax position claimed on a tax return only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The authoritative standards issued by FASB also provide guidance on de-recognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures. The factors used to assess the likelihood of realization are the Company's forecast of future taxable income and available tax planning strategies that could be implemented to realize the net deferred tax assets. Under ASC 740, Income Taxes, a valuation allowance is required when it is more likely than not that all or some portion of the deferred tax assets will not be realized through generating sufficient future taxable income. Failure to achieve forecasted taxable income in applicable tax jurisdictions could affect the ultimate realization of deferred tax assets and could result in an increase in the Company's effective tax rate on future earnings.

### Earnings (Loss) Per Share

Basic loss per share is computed by dividing net loss attributable to common stockholders by the weighted average common shares outstanding for the period. Diluted loss per share is computed giving effect to all potentially dilutive common shares. Potentially dilutive common shares may consist of incremental shares issuable upon the exercise of stock options and warrants and the conversion of notes payable to common stock. In periods in which a net loss has been incurred, all potentially dilutive common shares are considered anti-dilutive and thus are excluded from the calculation. At January 31, 2017 and 2016, the Company did not have any potentially dilutive common shares.

|  | <b>For the Year Ended</b>      |                                |
|--|--------------------------------|--------------------------------|
|  | <b><u>January 31, 2017</u></b> | <b><u>January 31, 2016</u></b> |
| <b>Net loss</b>  | \$ (461,794)                   | \$ (432,493)                   |
| <b>Weighted average number of shares used in computing basic and diluted net loss per share:</b> |                                |                                |
| Basic and diluted  | 121,764,106                    | 110,803,822                    |
| Net loss per share:  |                                |                                |
| Basic and diluted  | \$ (0.004)                     | \$ (0.004)                     |

#### Fair Value of Financial instruments

For certain of the Company's financial instruments, including cash and equivalents, restricted cash, accounts receivable, accounts payable, accrued liabilities and short-term debt, the carrying amounts approximate their fair values due to their short maturities. ASC Topic 820, "Fair Value Measurements and Disclosures," requires disclosure of the fair value of financial instruments held by the Company. ASC Topic 825, "Financial Instruments," defines fair value, and establishes a three-level valuation hierarchy for disclosures of fair value measurement that enhances disclosure requirements for fair value measures. The carrying amounts reported in the consolidated balance sheets for receivables and current liabilities each qualify as financial instruments and are a reasonable estimate of their fair values because of the short period of time between the origination of such instruments and their expected realization and their current market rate of interest. The three levels of valuation hierarchy are defined as follows:

Level 1 inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets.

Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. The Company analyzes all financial instruments with features of both liabilities and equity under ASC 480, "Distinguishing Liabilities from Equity," and ASC 815.

As of January 31, 2017 and January 31, 2016, the Company did not identify any assets and liabilities that are required to be presented on the balance sheet at fair value.

#### Intangible Assets

The Company records identifiable intangible assets at fair value on the date of acquisition and evaluates the useful life of each asset. Finite-lived intangible assets primarily consist of software development capitalized. Finite-lived intangible assets are amortized on a straight-line basis. No events or changes in circumstances indicate that impairment existed as of January 31, 2017.

#### Recently Issued Accounting Pronouncements

There have been no new accounting pronouncements during the year ended January 31, 2017, that we believe would have a material impact on our financial position or results of operations.

#### **4. Fixed Assets**

Fixed assets consist of the following as of January 31, 2017 and January 31, 2016:

|                          | <u>January 31, 2017</u> | <u>January 31, 2016</u> |
|--------------------------|-------------------------|-------------------------|
| Furniture and equipment  | \$ 9,670                | \$ 9,670                |
| Accumulated depreciation | (5,357)                 | (2,133)                 |
|                          | <u>\$ 4,313</u>         | <u>\$ 7,537</u>         |

Fixed assets are depreciated on a straight-line basis over a 3 year period. Depreciation expense for the years ended January 31, 2017 and 2016 was \$3,223 and \$2,133 respectively.

#### **5. Intangible Assets**

Intangible assets consist of the following as of January 31, 2017 and January 31, 2016:

|                   | <u>January 31, 2017</u> | <u>January 31, 2016</u> |
|-------------------|-------------------------|-------------------------|
| Intangible assets | \$ 900,000              | \$ 900,000              |

Trademarks and intellectual property for \$900,000 were deemed to have indefinite lives and are not amortized but are tested for impairment annually. As of January 31, 2017, the Company concluded there was no impairment.

#### **6. Income Taxes**

For the year ending January 31, 2017, the Company incurred a net operating loss of \$461,794 and, accordingly, no provision for income taxes has been recorded. In addition, no benefit for income taxes has been recorded due to the uncertainty of the realization of any tax assets. At January 31, 2017, the Company had \$3,967,386 of federal and state operating loss carryforwards. Based on the available objective evidence, management believes it is more likely than not that the net deferred tax assets will not be fully realizable. Accordingly, the Company provided for a full valuation allowance against its net deferred tax assets at January 31, 2017 and January 31, 2016.

The Company did not have any temporary differences for the years ended January 31, 2017 and 2016. The Company is subject to U.S. federal and state income tax examinations by tax authorities for the period ended January 31, 2013, 2014, 2015, 2016 and 2017.

## 7. Notes Payable

As of January 31, 2017 and January 31, 2016, the Company had the following notes payable.

| <u>Description</u>  | <u>January 31, 2017</u> | <u>January 31, 2016</u> |
|---|-------------------------|-------------------------|
| Note payable with interest at 0% per annum due on demand.                                     | \$ 21,750               | \$ 21,750               |
| Note payable with interest at 6% per annum due on demand.                                     | 7,950                   | 7,950                   |
| Note payable with interest at 6% per annum due on demand.                                     | 17,000                  | 17,000                  |
| Note payable with interest at 6% per annum due on demand.                                     | 5,000                   | 5,000                   |
| Note payable with interest at 6% per annum due on demand.                                     | 4,000                   | 4,000                   |
| Note payable with interest at 6% per annum due on October 30, 2016.                           | 14,500                  | 14,500                  |
| Note payable with interest at 6% per annum due on November 30, 2016.                          | 13,000                  | 13,000                  |
| Note payable with interest at 6% per annum due on December 10, 2016.                          | 1,000                   | 1,000                   |
| Note payable with interest at 6% per annum due on January 31, 2017.                           | 25,000                  | 25,000                  |
| Note payable with interest at 6% per annum due on February 28, 2017.                          | 19,400                  | -                       |
| Note payable with interest at 6% per annum due on March 31, 2017.                             | 15,000                  | -                       |
| Note payable with interest at 8% per annum due on March 31, 2017.                             | 5,095                   | -                       |
| Note payable with interest at 6% per annum due on April 30, 2017.                             | 23,750                  | -                       |
| Note payable with interest at 6% per annum due on May 31, 2017.                               | 37,000                  | -                       |
| Note payable with interest at 6% per annum due on June 30, 2017.                              | 18,000                  | -                       |
| Note payable with interest at 6% per annum due on July 31, 2017.                              | 6,000                   | -                       |
| Note payable with interest at 6% per annum due on August 31, 2017.                            | 20,000                  | -                       |
| Note payable with interest at 6% per annum due on September 30, 2017.                         | 20,740                  | -                       |
| Note payable with interest at 6% per annum due on October 31, 2017.                           | 6,780                   | -                       |
| Note payable with agreement not executed as of October 31, 2017.                              | 415                     | -                       |
| Notes payable with interest at 8% per annum due from October 31, 2017 through May 3, 2018.    | 47,020                  | -                       |
| Notes payable with interest at 8% per annum due from August 13, 2017 through June 30, 2018.   | 178,092                 | 207,100                 |
| Note payable with interest at 94% per annum. Monthly payments of \$665.91 until paid in full. | 7,856                   | -                       |
| Note payable with interest at 6% per annum due on January 31, 2019                            | 23,425                  | -                       |
| Total   | <u>\$ 537,773</u>       | <u>\$ 316,300</u>       |
| Total Current Portion   | <u>\$ 496,456</u>       | <u>\$ 207,100</u>       |
| Total Non-Current Portion   | <u>\$ 41,317</u>        | <u>\$ 109,200</u>       |

**Convertible notes payable:**

| <u>Description</u>   | <u>January 31, 2017</u> | <u>January 31, 2016</u> |
|--|-------------------------|-------------------------|
| Convertible Notes, amendment dated January 17, 2017 extended maturity date to December 31, 2017 for November 15, 2015 agreement.<br>Amendment increased the convertible from 83,333 shares to 750,000 shares or cash at the lenders request.     | 15,000                  | 15,000                  |
| Convertible Notes, amendment dated January 17, 2017 extended maturity date to December 31, 2017 for September 16, 2016 agreement.<br>Amendment increased the convertible from 166,667 shares to 1,000,000 shares or cash at the lenders request. | 20,000                  | -                       |
| Convertible Notes, matures December 31, 2017. Convertible to 1,100,000 shares or cash at the lenders request.  | 22,000                  | -                       |
| Total  | <u>\$ 57,000</u>        | <u>\$ 15,000</u>        |
| Total Current Portion  | <u>\$ 57,000</u>        | <u>\$ 15,000</u>        |
| Total Non-Current Portion  | <u>\$ -</u>             | <u>\$ -</u>             |

Interest expense on the loans payable for the years ended January 31, 2017 and 2016 was \$34,289 and \$10,741 respectively. The Company is currently working on extending the notes that have recently matured.

**8. Equity****Common Stock**

In November 2012, the Company issued 275 million of its common shares in the acquisition of Omega Mercantile, Ltd. In addition, the Company issued 100,100,000 shares of its common stock in payment of accrued liabilities totaling \$64,675.

At January 31, 2015 the Company had completed agreements to effect the retirement of the 275,000,000 shares of stock of Omega Mercantile and for the acquisition of Cartel Blue, Inc. and its assets in exchange for 75,000,000 shares of the Company.

In July 2015, 115,704,928 common shares were cancelled. On October 5, 2015, the Company reissued 60,000,000 shares that should not have been cancelled.

In September 2015, the Company issued 1,033,350 common shares to four individuals for \$65,000. With the issuance of the common stock, the Company also issued 1,033,350 in common stock warrants.

In February 2016, the Company issued 71,428 common shares to an individual for \$10,000.

In October 2016, the Company issued 200,000 common shares to an individual for exercising 200,000 warrants for \$5,803.

In October 2016, the Company reissued 3,750,000 common shares that were previously cancelled in April 2015.

In January 2017, the Company issued 6,000,000 common shares for stock compensation to a shareholder for value received of \$100,200 or \$0.0167 per share.

In January 2017, the Company issued 6,000,000 common shares for stock compensation to 5 individuals as compensations for consulting services totaling \$94,200 or \$0.0157 per share.

In January 2017, a shareholder returned 10,950,000 common shares for \$20,190 due by December 31, 2017. The shares were immediately cancelled. If the \$20,190 is not paid by December 31, 2017, the Company must issue 10,000,000 shares of common stock to the individual.

## 9. Related Party Transactions

For the year ended January 31, 2017, the Company has loans from the president of the Company in the amount \$178,092 with interest at 8% per annum and due in 24 months from the date of the loans. Notes will mature from February 2017 to June 2018. Interest accrued on the loans payable was \$23,837 as of January 31, 2017.

The above related party also provided working capital of \$16,092 as of as of January 31, 2017.

## 10. Warrants

In September 2015, the Company issued 1,033,350 in common stock warrants with the sale of the 1,033,350 shares of common stock. Each warrant entitles the holder to purchase from the Company one share of its common stock at an exercise price of 50% of the average closing price for the five trading days prior to the exercise of the warrants.

The Company accounts for common stock warrants as either equity instruments or derivative liabilities depending on the specific terms of the warrant agreement. Common stock warrants are accounted for as derivative liabilities if the stock warrants allow for cash settlement or provide for modification of the warrant exercise price in the event subsequent sales of common stock are at a lower price per share than the then-current warrant exercise price. The warrants issued were accounted as an equity instrument.

As of January 31, 2017, outstanding stock warrants consisted of the following:

|                                       | <b>Number of<br/>Warrants</b> | <b>Weighted<br/>Average<br/>Exercise<br/>Price</b> | <b>Weighted<br/>Average<br/>Remaining<br/>Contractual<br/>Term</b> |
|---------------------------------------|-------------------------------|--|--|
| Balance outstanding, January 31, 2016 | 1,033,350                     | \$ -   | 4.59   |
| Granted                               | -                             | -  | -  |
| Exercised                             | (200,000)                     | 0.029015   | -  |
| Forfeited/expired                     | -                             | -  | -  |
| Balance outstanding, January 31, 2017 | 833,350                       | \$ -   | 3.59   |
| Exercisable, January 31, 2017         | 833,350                       | \$ -   | 3.59   |

## **11. Commitments and Contingencies**

### Commitments

On June 1, 2015 the Company entered into a lease agreement for its office space, the lease commenced on June 1, 2015 at a cost of \$2,950 per month through May 31, 2016. The lease is currently a month to month lease. As of January 31, 2017, total rent expense was \$36,070.

### Legal Proceedings.

Various legal actions, claims, and other contingencies arise in the normal course of our business. Contingencies are recorded in the consolidated financial statements, or are otherwise disclosed, in accordance with ASC 450-20, "Loss Contingencies". Specific reserves are provided for loss contingencies to the extent we conclude that a loss is both probable and estimable. We use a case-by-case evaluation of the underlying data and update our evaluation as further information becomes known, and the known claim that had activity during the period covered by this report is as follows:

*Case No. 2:2015-CV-07052; CBD Jeans, Inc. vs. Cartel Blue, Inc., Revenge Designs, Inc. and David Thomas Rhodes.*

Plaintiff's Complaint was filed in United States District Court for the Central District of California, Western Division, on September 4, 2015 alleging infringement of Trademark and related issues. On November 17, 2015, the Company filed an answer denying all allegations in the Plaintiff's pleadings as well as a Counterclaim by Defendants against the Plaintiff based upon the Company's pre-existing Trademark and prior usage. The matter was settled without any monetary considerations on September 16, 2016.

## **12. Subsequent Events**

Management has evaluated events subsequent through April 26, 2017 for transactions and other events that may require adjustment of and/or disclosure in such financial statements. Management determined that there were no reportable subsequent events to be disclosed.