



**PEEKABOO BEANS INC.**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED  
JUNE 30, 2020 AND 2019**

**(UNAUDITED)**

**NOTICE OF NO AUDITOR REVIEW OF  
INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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

**PEEKABOO BEANS INC.**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
*(Expressed in Canadian dollars - unaudited)*

	Note	June 30, 2020	September 30, 2019
<b>ASSETS</b>			
<b>Current assets</b>			
Amounts receivable		\$ 443	\$ 2,270
Apparel production deposits	6	55,376	15,361
Prepaid expense		25,662	10,883
Inventories	7	657,850	1,446,699
<b>Total current assets</b>		<u>739,331</u>	<u>1,475,213</u>
<b>Non-current assets</b>			
Right-of-use assets	9	19,445	-
Software and equipment	14	1,261	1,880
<b>Total assets</b>		<u><b>\$ 760,037</b></u>	<u><b>\$ 1,477,093</b></u>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Bank overdraft		\$ 49,202	\$ 20,800
Trade payables and accrued liabilities	15	1,007,253	882,236
Commissions payable	8	3,728	1,871
Lease liabilities	9	21,439	-
Loans	17	717,938	625,034
<b>Total current liabilities</b>		<u>1,799,378</u>	<u>1,529,941</u>
<b>Non-current liabilities</b>			
Loans	17	369,518	304,745
<b>Total liabilities</b>		<u>2,168,896</u>	<u>1,834,686</u>
<b>Shareholders' equity</b>			
Share capital	16	14,608,085	14,432,486
Reserves	16	2,754,684	2,732,567
Deficit		(18,765,441)	(17,516,573)
Accumulated other comprehensive loss		(6,187)	(6,073)
<b>Total shareholders' equity</b>		<u>(1,408,859)</u>	<u>(357,593)</u>
<b>Total liabilities and equity</b>		<u><b>\$ 760,037</b></u>	<u><b>\$ 1,477,093</b></u>

Note 1, "Nature of Operations and Going Concern"  
Note 20, "Commitments and Contingencies"

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

**PEEKABOO BEANS INC.**

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

*(Expressed in Canadian dollars - unaudited)*

	Note	Three months ended June 30,		Nine months ended June 30,	
		2020	2019	2020	2019
Sales		\$ 215,749	\$ 254,873	\$ 1,266,642	\$ 1,137,618
Cost of goods sold	7	186,809	235,895	1,294,557	749,975
Commissions	8	7,845	12,455	34,127	61,793
<b>Gross profit</b>		<b>21,095</b>	<b>6,523</b>	<b>(64,042)</b>	<b>319,327</b>
<b>Operating expenses</b>					
Marketing and advertising		40,163	51,398	175,538	440,611
Administrative	10	102,106	91,144	325,476	449,372
Distribution and information technology	11	4,948	70,194	54,700	211,506
Executive and employee salaries	12	70,587	207,788	423,303	602,763
Share-based compensation	16	2,641	36,673	22,117	59,037
Professional fees and public company costs	13	26,446	2,996	138,652	127,595
Investor relations		-	13,500	39	98,883
<b>Total operating expenses</b>		<b>246,891</b>	<b>473,693</b>	<b>1,168,992</b>	<b>1,989,767</b>
<b>Loss before other expenses</b>		<b>(225,796)</b>	<b>(467,170)</b>	<b>(1,231,034)</b>	<b>(1,663,917)</b>
<b>Other expenses</b>					
Interest and finance costs		28,774	27,409	94,944	84,315
Government subsidies		(33,847)	-	(33,847)	-
Gain on settlement of accounts payable		-	-	(49,400)	(35,058)
Foreign exchange and other expense		259	9,596	276	(54,547)
<b>Net loss for the period</b>		<b>(220,981)</b>	<b>(504,175)</b>	<b>(1,243,006)</b>	<b>(1,658,627)</b>
<b>Other comprehensive loss</b>					
Currency translation adjustment on foreign operations		249	-	114	(61,003)
<b>Comprehensive loss for the period</b>		<b>\$ (221,230)</b>	<b>\$ (504,175)</b>	<b>\$ (1,242,892)</b>	<b>\$ (1,719,630)</b>
<b>Basic and diluted loss per common share</b>		<b>\$ (0.01)</b>	<b>\$ (0.02)</b>	<b>\$ (0.03)</b>	<b>\$ (0.06)</b>
<b>Weighted average number of common shares outstanding</b>		<b>35,939,952</b>	<b>30,030,662</b>	<b>35,939,952</b>	<b>30,030,662</b>

**PEEKABOO BEANS INC.**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIT)**  
*(Expressed in Canadian dollars - unaudited)*

	Note	Number of shares	Share capital	Reserves	Deficit	Accumulated Other Comprehensive Loss	Total
<b>At September 30, 2018</b>		<b>20,856,533</b>	<b>\$ 13,065,242</b>	<b>\$ 2,629,257</b>	<b>\$ (15,107,191)</b>	<b>\$ (10,195)</b>	<b>\$ 577,113</b>
Issuance of shares pursuant to private placements, net of share issuance costs (cash)	16	11,100,000	1,147,950	-	-	-	1,147,950
Share issuance costs on agent warrants	16	-	(3,669)	3,669	-	-	-
Share issuance cost on finders' shares	16	340,000	-	-	-	-	-
Settlement of accounts payable	16	701,162	105,174	-	-	-	105,174
Share-based compensation	16	-	-	59,037	-	-	59,037
Net loss	16	-	-	-	(1,658,627)	-	(1,658,627)
Currency translation adjustment		-	-	-	-	(61,003)	(61,003)
<b>At June 30, 2019</b>		<b>28,497,695</b>	<b>\$ 13,903,715</b>	<b>\$ 2,653,322</b>	<b>\$ (16,765,818)</b>	<b>\$ (71,198)</b>	<b>\$ 169,644</b>
<b>At September 30, 2019</b>		<b>35,044,885</b>	<b>\$ 14,432,485</b>	<b>\$ 2,732,567</b>	<b>\$ (17,516,573)</b>	<b>\$ (6,073)</b>	<b>\$ (357,594)</b>
Adjustment on adoption of IFRS 16	4	-	-	-	(5,862)	-	(5,862)
<b>At October 1, 2019</b>		<b>35,044,885</b>	<b>\$ 14,432,485</b>	<b>\$ 2,732,567</b>	<b>\$ (17,522,435)</b>	<b>\$ (6,073)</b>	<b>\$ (363,456)</b>
Settlement of debt	16	500,000	15,000	-	-	-	15,000
Shares issued for services	16	1,440,000	57,600	-	-	-	57,600
Exercise of warrants	16	2,060,000	103,000	-	-	-	103,000
Share-based compensation	16	-	-	22,117	-	-	22,117
Net loss		-	-	-	(1,243,006)	-	(1,243,006)
Currency translation adjustment		-	-	-	-	(114)	(114)
<b>At June 30, 2020</b>		<b>39,044,885</b>	<b>\$ 14,608,085</b>	<b>\$ 2,754,684</b>	<b>\$ (18,765,441)</b>	<b>\$ (6,187)</b>	<b>\$ (1,408,859)</b>

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

**PEEKABOO BEANS INC.**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*(Expressed in Canadian dollars - unaudited)*

	Nine months ended June 30,	
	2020	2019
<b>OPERATING ACTIVITIES</b>		
Loss for the period	\$ (1,243,006)	\$ (1,659,627)
Adjustments for:		
Share-based compensation	22,117	59,037
Non-cash consulting fees	72,599	-
Accrued interest on loans	8,318	68,989
Accrued interest on leases	3,092	-
Amortization	88,118	766
Changes in non-cash working capital items:		
Amounts receivable	1,827	(23,009)
Inventories	788,849	78,318
Apparel production deposits	(40,015)	35,529
Prepaid expenses	(14,779)	68,627
Trade payables and accrued liabilities	126,874	169,133
Interest paid on lease liabilities	(3,092)	-
<b>Cash used in operating activities</b>	<b>(189,098)</b>	<b>(1,201,237)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of equipment	-	(456)
<b>Cash used in investing activities</b>	<b>-</b>	<b>(456)</b>
<b>FINANCING ACTIVITIES</b>		
Loan advances	190,162	275,000
Loan repayments	(40,804)	(244,792)
Repayment of principal on lease liabilities	(91,366)	-
Exercise of warrants	103,000	-
Share issuances, net of issuance costs	-	1,087,950
<b>Cash provided by financing activities</b>	<b>160,992</b>	<b>1,118,158</b>
Effect of foreign exchange on cash	(114)	(61,003)
<b>Change in cash during the period</b>	<b>(28,220)</b>	<b>(144,538)</b>
<b>Cash (bank overdraft), beginning of period</b>	<b>(20,800)</b>	<b>229,089</b>
<b>Cash (bank overdraft), end of period</b>	<b>\$ (49,020)</b>	<b>\$ 84,551</b>

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

**PEEKABOO BEANS INC.**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020**  
*(Expressed in Canadian dollars – unaudited)*

**1. NATURE OF OPERATIONS AND GOING CONCERN**

Peekaboo Beans Inc. is a children's apparel brand with a focus on environmentally responsible clothes which are sold through an omni-channel approach. Children playwear apparel is sold through retail, social platforms and online.

Peekaboo Beans Inc. is incorporated in the Province of British Columbia, Canada, and has its head office located at 206 – 5000 Canoe Pass Way, Tsawwassen, BC. Peekaboo Beans Inc. and its wholly-owned subsidiaries are referred to as the "Company" or "Peekaboo Beans".

To date, the Company has incurred losses and further losses are anticipated as the Company develops its business. The continuing operations of the Company are dependent upon its ability to generate profitable operations in the future, and to continue to secure additional financing. There can be no assurance that the Company will be successful in its efforts to raise additional financing or if financing is available or that it will be on terms that are acceptable to the Company. These events and conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The Company's common shares are listed for trading on the Canadian Securities Exchange ("CSE") in Canada under the trading symbol, "BEAN".

**2. BASIS OF PRESENTATION**

These unaudited interim condensed consolidated financial statements have been prepared in accordance with IAS 34 – Interim financial reporting (International Accounting Standard) which is in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These unaudited interim condensed consolidated financial statements follow the same accounting policies and methods of application, and should be read in conjunction with, the audited annual financial statements of the Company for the year ended September 30, 2019. These unaudited interim condensed consolidated financial statements do not include all the information and note disclosures required by IFRS for annual consolidated financial statements and therefore should be read in conjunction with the Company's audited consolidated financial statements for the year ended September 30, 2019.

There have been no significant changes to the Company's accounting policies from those disclosed in the audited consolidated financial statements for the year ended September 30, 2019. There have also been no significant changes in judgments or estimates from those disclosed in the audited consolidated financial statements for the year ended September 30, 2019.

The Company's board of directors approved the release of these financial statements on August 27, 2020.

**3. SIGNIFICANT ACCOUNTING POLICIES**

These interim financial statements have been prepared using the accounting policies as outlined in note 3 of the Fiscal 2019 audited consolidated financial statements, with the exception of the accounting standards adopted in the year ended September 30, 2020 ("Fiscal 2020"). Changes to significant accounting policies are described below.

## PEEKABOO BEANS INC.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020

*(Expressed in Canadian dollars - unaudited)*

#### 4. SIGNIFICANT NEW ACCOUNTING STANDARDS

##### Standards recently adopted

##### IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16, Leases (“IFRS 16”), which sets out a new model for lease accounting replacing IAS 17, Leases (“IAS 17”) and related interpretations. The standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Lessors continue to classify leases as finance and operating leases. Other areas of the lease accounting model have been impacted, including the definition of a lease. IFRS 16 became effective for annual periods beginning on or after January 1, 2019. The Company adopted the standard on October 1, 2019 using the modified retrospective method, with the cumulative effect initially recognized in retained earnings, with no restatement of prior comparative period.

Substantially all of the Company’s existing leases are real estate leases for its retail store, distribution centers and support offices and all were classified as operating leases prior to adoption of IFRS 16. The Company recognized right-of-use assets and lease liabilities for leases previously classified as operating leases under IAS 17. The depreciation expense on the right-of-use assets and the finance charge on the lease liabilities substantially replaced the lease-related expenses recorded in selling, general and administrative expenses, previously recognized on a straight-line basis over the lease term under IAS 17. Variable lease payments and non-lease components are expensed as incurred.

The new standard does not change the amount of cash transferred between the lessor and lessee, but changes the presentation of the operating and financing cash flows presented on the Company’s consolidated statements of cash flows.

The Company has elected to apply the following recognition exemptions and practical expedients, as described under IFRS 16:

- i) recognition exemption of short term leases;
- ii) recognition exemption of low-value leases;
- iii) grandfather prior conclusions on contracts containing leases on transition;
- iv) a single discount rate was applied to a portfolio of leases with similar characteristics on transition;
- v) initial direct costs were excluded in the measurement of the right-of-use assets on transition;
- vi) hindsight was used in determining lease term at the date of transition.

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as at October 1, 2019. The right-of-use assets were measured as if the standard had been applied since the commencement date of the lease, but discounted using the lessee’s incremental borrowing rate at the date of initial application. The cumulative adjustment was recognized directly to retained earnings at October 1, 2019.

The following table summarizes the adjustments to opening balances resulting from the initial adoption of IFRS 16:

**PEEKABOO BEANS INC.****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

JUNE 30, 2020

*(Expressed in Canadian dollars - unaudited)***4. SIGNIFICANT NEW ACCOUNTING STANDARDS (continued)****IFRS 16 – Leases (continued)**

	As reported previously under IAS 17, September 30, 2019	IFRS 16 transition adjustments	Balance at October 1, 2019
<b>Assets</b>			
Right-of-use assets	\$ -	\$ 106,944	\$ 106,944
Total impact on assets	\$ -	\$ 106,944	\$ 106,944
<b>Liabilities</b>			
Lease liabilities	\$ -	\$ 112,806	\$ 112,806
Retained earnings (deficit)	-	(5,862)	(5,862)
Total impact on liabilities and shareholders' equity (deficit)	\$ -	\$ 106,944	\$ 106,944

Upon adoption of IFRS 16, the Company updated its lease accounting policies as follows:

The Company assesses whether a contract is or contains a lease at the inception of the contract. Leases are recognized as a right-of-use asset and corresponding lease liability at the lease commencement date. The lease liability is measured at the present value of the future fixed payments and variable lease payments that depend on an index or rate over the lease term, less any lease incentives receivable, discounted using the lessee's incremental borrowing rate, unless the implicit interest rate in the lease can be easily determined. Lease liabilities are subsequently measured at amortized cost using the effective interest rate method.

Lease terms applied are the contractual non-cancellable periods of the lease, plus periods covered by renewal or termination options, if the Company is reasonably certain to exercise those options. Lease liabilities are remeasured (with a corresponding adjustment to the right-of-use asset) when there is a change in the lease term, a change in the future lease payments resulting from a change in an index or rate used to determine those payments, or when the lease contract is modified and the lease modification is not accounted for as a separate lease.

The right-of-use assets include the initial measurement of the corresponding lease liabilities, lease payments at or before the commencement date, any initial direct costs, less any lease incentives received before the commencement date. The right-of-use assets are subsequently measured at cost and are depreciated on a straight-line basis from the date the underlying asset is available for use over the lease term.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liabilities and are recognized in cost of goods sold and selling, general and administrative expenses as incurred.



## PEEKABOO BEANS INC.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020

*(Expressed in Canadian dollars - unaudited)*

#### 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of unaudited condensed interim consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and assumptions are continuously evaluated and are based on management's best judgments and experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Actual results may differ from these estimates.

In preparing these interim financial statements, the significant judgments made by management in applying the Company's accounting policies and key sources of estimation of uncertainty were the same as those applied in note 5 of the Fiscal 2019 audited consolidated financial statements, except as noted below relating to the adoption of IFRS 16.

The Company exercises judgment in determining the appropriate lease term on a lease by lease basis and considers all facts and circumstances that create an economic incentive to exercise a renewal or termination option. The periods covered by renewal options are included in the least term only if the Company is reasonably certain it will exercise such renewal options.

The Company uses the lessee's incremental borrowing rate when determining the carrying amount of right-of-use assets and lease liabilities, as the interest rates implicit in the lease agreements are not readily available. The Company determines the incremental borrowing rate of each leased asset as the rate of interest that the Company would have to pay to borrow, over a similar term with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment.

#### 6. APPAREL PRODUCTION DEPOSITS

	June 30, 2020	September 30, 2019
<u>Apparel Production Deposits</u>	<u>\$ 55,376</u>	<u>\$ 15,361</u>

The Company is required to make deposits to its manufacturers to secure production. The deposits made will be credited against final purchase invoice after the inventory is shipped to the Company's warehouse.

The Company's contract manufacturers are located in Vietnam and conduct business transactions in United States dollars (USD).

#### 7. INVENTORIES

Inventory consists of children's playwear apparel which is purchased from third party manufacturers. As at June 30, 2020, the Company holds finished goods of \$657,850 (September 30, 2019 - \$1,446,699).

Inventory expensed in net loss and included in cost of goods sold for the three and nine months ended June 30, 2020 was \$186,809 and \$1,294,557 (2019 - \$235,895 and \$749,975), respectively.

**PEEKABOO BEANS INC.****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

JUNE 30, 2020

*(Expressed in Canadian dollars - unaudited)***8. COMMISSIONS PAYABLE**

The Company accrues sales commissions that are payable to its Stylists when they elect not to have their sales commissions paid by cash immediately and choose to apply outstanding commissions owed against future apparel purchases. As at June 30, 2020, commissions earned but unpaid totaled \$3,728 (September 30, 2019 - \$1,871) recorded as commissions payable.

**9. LEASES**

The following table reconciles the change in right-of-use assets for the period ended June 30, 2020:

	<u>Right-of-use assets</u>
<u>Cost</u>	
Balance on transition, October 1, 2019	\$ 211,652
Additions	-
Balance, June 30, 2020	<u>\$ 211,652</u>
<u>Accumulated amortization</u>	
Balance on transition, October 1, 2019	\$ 104,707
Amortization	87,500
Balance, June 30, 2020	<u>\$ 192,207</u>
<u>Net carrying value</u>	
As at date of transition, October 1, 2019	\$ 106,944
As at June 30, 2020	<u>\$ 19,445</u>

The following table reconciles the change in lease liabilities for the period ended June 30, 2020:

	<u>Lease liabilities</u>
Balance on transition, October 1, 2019	\$ 112,806
Accretion of lease liabilities	6,558
Repayment of interest and principal on lease liabilities	(97,925)
Balance, June 30, 2020	<u>\$ 21,439</u>

**10. ADMINISTRATIVE**

	Three months ended June 30,		Nine months ended June 30,	
	2020	2019	2020	2019
Credit card processing and miscellaneous	\$ 1,356	\$ (15,347)	\$ 4,229	\$ 15,845
Consulting	37,485	47,398	165,553	257,561
Insurance	9,398	7,190	28,158	32,141
Travel, meals and entertainment	2,487	21,043	17,889	50,926
Amortization and office cost	51,380	30,860	138,804	92,899
	<u>\$ 102,106</u>	<u>\$ 91,144</u>	<u>\$ 354,643</u>	<u>\$ 449,372</u>

**PEEKABOO BEANS INC.****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

JUNE 30, 2020

*(Expressed in Canadian dollars - unaudited)***11. DISTRIBUTION AND INFORMATION TECHNOLOGY**

	Three months ended June 30,		Nine months ended June 30,	
	2020	2019	2020	2019
Rent and utilities	\$ (9,769)	\$ 39,872	\$ (399)	\$ 107,828
Information technology	14,717	30,322	55,099	103,678
	<u>\$ 4,948</u>	<u>\$ 70,194</u>	<u>\$ 54,700</u>	<u>\$ 211,506</u>

**12. EXECUTIVE AND EMPLOYEE COMPENSATION**

	Three months ended June 30,		Nine months ended June 30,	
	2020	2019	2020	2019
<u>Executive and employee salary compensation</u>				
Executive officer salaries	\$ 11,011	\$ 43,750	\$ 94,865	\$ 128,667
Employee salaries	59,576	164,038	328,438	474,096
	<u>\$ 70,587</u>	<u>\$ 207,788</u>	<u>\$ 423,303</u>	<u>\$ 602,763</u>

**13. PROFESSIONAL FEES AND PUBLIC COMPANY COSTS**

	Three months ended June 30,		Nine months ended June 30,	
	2020	2019	2020	2019
Legal	\$ 19,788	\$ 35,008	\$ 75,683	\$ 75,796
Audit and accounting	-	(40,220)	39,953	10,538
Other listing and transfer agent fees	6,658	8,208	23,016	41,261
	<u>\$ 26,446</u>	<u>\$ 2,996</u>	<u>\$ 138,652</u>	<u>\$ 127,595</u>

**14. SOFTWARE AND EQUIPMENT**

	Computer Hardware	Computer Software and Development	Total
<u>Cost</u>			
Balance, September 30, 2019	\$ 5,435	\$ 42,615	\$ 48,050
Acquisitions	-	-	-
<b>Balance, June 30, 2020</b>	<u>\$ 5,435</u>	<u>\$ 42,615</u>	<u>\$ 48,050</u>
<u>Accumulated Amortization</u>			
Balance, September 30, 2019	\$ 4,173	\$ 41,997	\$ 46,171
Amortization	387	232	619
<b>Balance, June 30, 2020</b>	<u>\$ 4,560</u>	<u>\$ 42,229</u>	<u>\$ 46,660</u>
<u>Net Book Value</u>			
As at September 30, 2019	\$ 1,262	\$ 618	\$ 1,880
<b>As at June 30, 2020</b>	<u>\$ 874</u>	<u>\$ 386</u>	<u>\$ 1,260</u>

**PEEKABOO BEANS INC.****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2020***(Expressed in Canadian dollars - unaudited)***15. TRADE AND OTHER PAYABLES**

	<u>June 30, 2020</u>	<u>September 30, 2019</u>
Trade payables	\$ 757,444	\$ 544,457
Accruals	40,167	80,167
Other non-trade payables	209,642	257,612
	<u>\$ 1,007,253</u>	<u>\$ 882,236</u>

**16. SHARE CAPITAL**

The Company has authorized an unlimited number of common shares and preferred shares without par value. All common shares issued have equal rights to dividends and shareholders are entitled to one vote per share at annual and general meetings of the Company.

As at June 30, 2020, the Company had 38,794,885 common shares issued and outstanding. Details of the issuance of share capital are as follows:

**(a) Issued and Outstanding**

During the nine months ended June 30, 2020, the Company:

- (i) Issued 500,000 common shares valued at \$15,000 pursuant to settlement of \$50,000 of debt and recorded a gain on settlement of liabilities of \$35,000. The common shares were valued at the trading price of the Company's stock at the time of issuance.
- (ii) Issued 1,440,000 common shares valued at \$57,600 pursuant to settlement of services with a value of \$72,000 and recorded a gain on settlement of liabilities of \$14,400. The common shares were valued at the trading price of the Company's stock at the time of issuance.
- (iii) Issued 1,810,000 common shares valued at \$90,500 pursuant to exercise of warrants at \$0.05 per share.

During the nine months ended June 30, 2019, the Company:

- (i) Issued 750,000 units at a price of \$0.20 per unit for settlement of services with a value of \$150,000. Each unit consists of one common share and one-half of one common share purchase warrant, exercisable at \$0.30 until October 4, 2020.
- (ii) Issued 701,162 common shares valued at \$105,174 pursuant to settlement of \$140,232 of accounts payable and recorded a gain on settlement of accounts payable of \$35,058. The common shares were valued at \$105,174 which is the trading price of the Company's stock at the time of issuance.
- (iii) Issued 5,850,000 units at a price of \$0.10 per unit for aggregate gross proceeds of \$585,000. Each unit consists of one common share and one common share purchase warrant, exercisable at \$0.15 until December 4, 2021. The share purchase warrants had no value under the residual method since the fair value of common shares was equal to the private placement unit price on the date of issuance. In connection with the private placement, the Company issued 340,000 common shares and 340,000 finders' warrants exercisable at \$0.30 until December 4, 2021. The Company recorded \$1,701 as share issuance cost in relation to the finders' warrants issued.

**PEEKABOO BEANS INC.****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2020***(Expressed in Canadian dollars - unaudited)***16. SHARE CAPITAL (continued)****(a) Issued and Outstanding (continued)**

- (iv) Issued 4,500,000 Units pursuant to private placement at \$0.10 per Unit for aggregate gross proceeds of \$450,000. Each Unit consists of one common share and one common share purchase warrant, exercisable at \$0.15 until May 31, 2022. In connection with the private placement, the Company issued 30,000 finders' warrants exercisable at \$0.15 until May 31, 2022 to finders who introduced subscribers to the private placement. The Company recorded \$37,050 as share issuance cost in relation to the finders' Warrants issued.

All outstanding warrants exercise period of each warrant may be accelerated by the Company if, at any time during the term of the warrant, the volume weighted average price of the Company's common shares on the Canadian Securities Exchange is equal to or greater than \$1.55 over a period of 10 consecutive trading days.

**(b) Stock Options**

In 2016, and revised in 2019, the Company adopted a stock option plan. The stock option plan will be a 10% rolling plan, whereby the total number of common shares that may be reserved for issuance will be 10% of the issued and outstanding shares of the Company at the time of grant, less any shares reserved for issuance pursuant to the grant of stock options under any other share compensation arrangements.

A summary of options activity to June 30, 2020 is as follows:

	<u>Options Outstanding</u>	<u>Weighted Average Exercise Price</u>
<b>September 30, 2019</b>	<b>1,917,442</b>	<b>\$ 0.38</b>
Issued	-	-
<b>June 30, 2020</b>	<b>1,917,442</b>	<b>0.38</b>
<b>Exercisable</b>	<b>1,472,442</b>	<b>\$ 0.43</b>

Share-based compensation for the three and nine months ended June 30, 2020 was \$2,641 and \$22,118 (2019 - \$36,673 and \$43,991) for stock options that were granted or vested in the period.

	<u>Three months ended June 30,</u>		<u>Nine months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Executive, officer and director	\$ 2,641	\$ 23,727	\$ 19,059	\$ 25,047
Employee	-	-	-	5,998
Consultant	-	12,496	3,059	12,946
	<b>\$ 2,641</b>	<b>\$ 36,673</b>	<b>\$ 22,118</b>	<b>\$ 43,991</b>

**PEEKABOO BEANS INC.****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2020***(Expressed in Canadian dollars - unaudited)***16. SHARE CAPITAL (continued)****(b) Stock Options (continued)**

The grant date fair value of the options granted and vested during the three and nine months ended June 30, 2020 was valued using the Black-Scholes Option Pricing Model with the following assumptions:

	<u>2020</u>	<u>2019</u>
Volatility	76-133%	66-68%
Risk-free interest rate	1.5%	1.5%
Expected life of option	2 - 10 years	2 years
Dividend yield	0%	0%

**(c) Warrants**

A summary of warrant activity to June 30, 2020 is as follows:

	<u>Warrants Outstanding</u>	<u>Weighted Average Exercise Price</u>
<b>September 30, 2019</b>	<b>15,175,181</b>	<b>\$ 0.27</b>
Exercised	(1,810,000)	0.18
Expired	(2,163,981)	0.85
<b>June 30, 2020</b>	<b>11,201,200</b>	<b>\$ 0.17</b>

At June 30, 2020, the weighted average remaining life of the outstanding warrants is 1.42 years (September 30, 2019 – 1.96 years).

During the nine months ended June 30, 2019, 490,000 consultant, agent, corporate finance, or finders' warrants were issued and the Company recorded share-based compensation expense of \$15,046 and share issuance cost of \$3,669. The warrants issued during this period were valued using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	<u>2019</u>
Volatility	86-114%
Risk-free interest rate	1.5%
Expected life of option	2-3 years
Dividend yield	0%

**17. LOANS**

<b>Debt Ranked by Seniority</b>	<b>June 30, 2020</b>	<b>September 30, 2019</b>
<b><u>Current loans:</u></b>		
Short-term loans (a),(c),(d), (e)(i)	\$ 717,938	\$ 625,034
<b><u>Non-current loans:</u></b>		
Convertible promissory note (b), (e)(ii)	369,518	304,745
	<b>\$ 1,087,456</b>	<b>\$ 929,799</b>

**PEEKABOO BEANS INC.****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2020***(Expressed in Canadian dollars - unaudited)***17. LOANS (continued)****Movement on short term loans**

	Amount
Balance at September 30, 2019	\$ 625,034
Additions	342,967
Interest	45,009
Repayments	(295,072)
Balance at June 30, 2020	<u>\$ 717,938</u>

**Movement on non-current loans**

	Amount
Balance at September 30, 2019	\$ 304,745
Additions	40,000
Interest	24,773
Repayments	-
Balance at June 30, 2020	<u>\$ 369,517</u>

**(a) Apparel loans**

As at June 30, 2020, the Company has an apparel loan of \$83,479 (September 30, 2019 - \$83,479) owing to an apparel finance company. The loan is secured by specific apparel inventory and is charged a quarterly finance fee.

**(b) Canada Emergency Business Loan**

The Company received the Canada Emergency Benefit Account interest-free loan of \$40,000. Repaying the balance of the loan on or before December 31, 2022 will result in loan forgiveness of 25 percent (up to \$10,000).

**(c) Shopify Loan**

The Company received a loan from Shopify in the amount of \$76,000 advanced on June 18, 2020, with \$82,080 repayable using a 10% remittance rate based on Shopify sales. Remittances to Shopify will continue until the total remittance payments equal the repayable amount.

**(d) Unsecured promissory notes**

(i) The Company has a \$184,360 (September 30, 2019 – \$184,661) unsecured promissory note bearing interest at 12% per annum, maturing on March 9, 2020. Total interest accrued on the loan during the nine months ended June 30, 2020 is \$16,643 (2019 – \$16,759). The loan is now due on demand and continues to accrue interest. The loan is currently being renegotiated and continues to accrue interest.

(ii) The Company's Chief Executive Officer is owed \$116,408 by way of an unsecured promissory note bearing interest at 12% per annum, maturing on November 12, 2018. Total interest accrued on the loan during the nine months ended June 30, 2020 is \$12,597 (2019 – \$8,975). The loan is now due on demand and continues to accrue interest. The loan is currently being renegotiated and continues to accrue interest.

(iii) As at June 30, 2020, the Company has advances payable in the amount of \$31,292 (2019 - \$15,785). The advances are to be repaid through a specified percentage of 20% of the Company's product sales and has no specified repayment date.

## PEEKABOO BEANS INC.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020

*(Expressed in Canadian dollars - unaudited)*

#### 17. LOANS (continued)

##### (e) Unsecured convertible promissory notes

- (i) The Company's former Chief Financial Officer is owed \$231,992 (September 30, 2019 - \$245,121) by way of an unsecured convertible promissory note. The loan was due on December 31, 2019, bearing interest of 12% per annum and convertible into units at \$0.60 per unit. Each unit will consist of one share and one half of one share purchase warrant, exercisable at \$0.80 per share. On initial receipt of the loan, and on amendment, the Company determined that the carrying value of the debt did not materially differ from the fair market value, and as a result none of the balance was attributed to the conversion option and recorded in equity. Total interest accrued during the nine months ended June 30, 2020 is \$21,362 (2019 - \$22,008). The loan is currently being renegotiated and continues to accrue interest.
- (ii) During the year ended September 30, 2019, the Company received \$275,000 by way of an unsecured convertible promissory note. The note bears interest at 12% per annum, matures on November 6, 2021, and is convertible into units at \$0.20 per unit. Each unit will consist of one share and one half of one share purchase warrant, exercisable at \$0.30 per share until November 6, 2021. On initial receipt of the loan, the Company determined that the carrying value of the debt did not materially differ from the fair market value, and as a result none of the balance was attributed to the conversion option and recorded in equity. Total interest accrued during the nine months ended June 30, 2020 is \$24,773 (2019 - \$21,427).

#### 18. LOSS PER SHARE

Diluted loss per share for the nine months ended June 30, 2020 is the same as basic loss per share as the effect of warrants and options would be anti-dilutive.

#### 19. RELATED PARTY TRANSACTIONS

During the nine months ended June 30, 2020:

- (a) The Company paid its Chief Executive Officer \$94,865 (2019 - \$128,667) in salary (Note 12).
- (b) The Company recorded \$18,484 (2019 - \$23,727) in share-based compensation to officers and directors.
- (c) The Company owes its Chief Executive Officer \$116,408 by way of an unsecured promissory note bearing interest at 12% per annum (Note 17(d)(ii)). Total interest expense on the loan during the nine months ended June 30, 2020 is \$12,597 (2019 - \$8,975).

#### 20. COMMITMENTS AND CONTINGENCIES

The commercial premises from which the Company carries out its head office and warehouse locations are leased from third parties. This rental contract is classified as operating lease since there is no transfer of risks and rewards inherent to ownership. The minimum rent payable under non-cancellable operating leases are as follows:

2020	<u>\$ 97,925</u>
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## PEEKABOO BEANS INC.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020

*(Expressed in Canadian dollars - unaudited)*

#### 21. FINANCIAL INSTRUMENTS

The Company is exposed to certain financial risks as listed below. There has been no change in the exposure to risk, nor its objectives, policies and process for managing the risk from the prior year. Disclosures relating to exposure to risks, in particular credit risk, liquidity risk, foreign exchange risk and interest rate risk are provided below.

##### Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that are exposed to concentrations of credit risk are primarily cash. The Company limits its exposure to credit risk with respect to cash by investing available cash with major Canadian chartered banks. The Company's cash is not subject to any external restrictions.

##### Liquidity Risk

As at June 30, 2020, the Company had a cash overdraft of \$49,020 (2019 – overdraft of \$20,800) available to settle current liabilities of \$1,755,381 (2019 - \$1,529,941). The Company's liquidity follows a seasonal pattern based on the timing of inventory purchases. The Company expects to finance its inventory purchases and administrative expenditures through cash flows from operations, debt as well as equity financing.

The following table identifies the undiscounted contractual maturities of the Company's financial liabilities as at June 30, 2020:

	Within one year	After one but not more than five years	After five years	Total
Bank overdraft	\$ 49,020	\$ -	\$ -	\$ 49,020
Trade and other payables	1,007,253	-	-	1,007,253
Commissions payable	3,728	-	-	3,728
Short-term loan	717,938	-	-	717,938
Lease liabilities	21,439	-	-	52,808
Notes payable	-	369,518	-	369,518
	<b>\$ 1,799,378</b>	<b>\$ 369,518</b>	<b>\$ -</b>	<b>\$ 2,168,896</b>

##### Market Risk – foreign exchange risk

At June 30, 2020, a majority of the Company's inventory purchases are in US dollars. All of the Company's revenues and future equity raised is expected to be predominantly in Canadian dollars. Accordingly, the US dollar denominated financial assets and liabilities are subject to fluctuations in exchange rates and can have an effect on the Company's reported results. Management has chosen not to hedge its foreign exchange risk.

The Company's foreign exchange risk is primarily limited to currency fluctuations between the Canadian and US dollar. At June 30, 2020, the Company does not have significant financial assets or liabilities denominated in US dollars.

## PEEKABOO BEANS INC.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020

*(Expressed in Canadian dollars - unaudited)*

#### 21. FINANCIAL INSTRUMENTS (continued)

##### Market Risk – foreign exchange risk (continued)

In order to protect itself from the risk of losses should the value of the Canadian dollar decline compared to the foreign currency, the Company may consider using forward contracts to fix the exchange rate of a portion of its expected U.S. dollar requirements. The contracts will be matched with anticipated foreign currency purchases.

##### Market Risk – interest rate risk

Financial instruments that potentially subject the Company to cash flow interest rate risk include financial assets and liabilities with variable interest rates and consist of cash and the credit facility. As at June 30, 2020, cash consisted of cash on hand and balances (overdraft) with banks. Financial assets and financial liabilities that bear interest at fixed rates are subject to fair value interest rate risk.

##### Fair Values

At June 30, 2020, and September 30, 2019, the Company's financial assets and liabilities approximate fair value due to their short-term to maturity or because they bear interest at market rates.

#### 22. CAPITAL MANAGEMENT

As at June 30, 2020, the Company's capital is composed of interest-bearing debt, its loan facility, and shareholders' equity. The Company's primary objectives, when managing its capital, are to maintain adequate levels of funding to support the manufacturing operations of the Company and to maintain corporate and administrative functions.

The Company defines capital as long-term debt, and equity, consisting of the issued common shares, stock options and warrants. The capital structure of the Company is managed to provide sufficient funding operating activities. Funds are primarily secured through a combination of equity capital raised by way of private placements and short-term and long-term debt. There can be no assurances that the Company will be able to continue raising equity capital and bank debt in this manner. The Company invests all capital that is surplus to its immediate needs in short-term, liquid and highly rated financial instruments, such as cash and other short-term deposits, which are all held with major financial institutions.

There were no changes to the Company's approach to capital management during the period ended June 30, 2020.

#### 23. REVENUE SEGMENTS

Geographic information – revenue from customers:

	Three months ended June 30,		Nine months ended June 30,	
	2020	2019	2020	2019
Canada	\$ 488,982	\$ 254,873	\$ 1,036,918	\$ 1,120,897
USA	13,975	-	13,975	16,721
Total	<u>\$ 502,957</u>	<u>\$ 254,873</u>	<u>\$ 1,050,893</u>	<u>\$ 1,137,618</u>

**PEEKABOO BEANS INC.****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2020***(Expressed in Canadian dollars - unaudited)***24. SUBSEQUENT EVENTS**

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries including Canada, businesses are being forced to cease or limit operations for indefinite periods of time. The Company will continue to actively monitor developments and evaluate the impact on its business. The Company has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the nine months ended June 30, 2020 have not been adjusted to reflect their impact. The duration and impact of the outbreak is unknown at this time, as is the efficacy of government interventions. As a result, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and financial condition of the Company in future periods.