

FORM 5

QUARTERLY LISTING STATEMENT

Name of Listed Issuer: Peekaboo Beans Inc. (the "Issuer").

Trading Symbol: BEAN

This Quarterly Listing Statement must be posted on or before the day on which the Issuer's unaudited interim financial statements are to be filed under the *Securities Act*, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer's first, second and third fiscal quarters. This statement is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

General Instructions

- (a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.
- (b) The term "Issuer" includes the Listed Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

SCHEDULE A: FINANCIAL STATEMENTS

See Financial Statements for the quarter ended December 31, 2018 attached as Schedule A.

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

SCHEDULE B: SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in Schedule A.

1. Related party transactions

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

All Related Party transactions, if any, have been disclosed in the Issuer’s Management Discussion and Analysis for the quarter ended December 31, 2018 attached as Schedule C.

- (a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.
- (b) A description of the transaction(s), including those for which no amount has been recorded.
- (c) The recorded amount of the transactions classified by financial statement category.
- (d) The amounts due to or from Related Persons and the terms and conditions relating thereto.
- (e) Contractual obligations with Related Persons, separate from other contractual obligations.
- (f) Contingencies involving Related Persons, separate from other contingencies.

2. Summary of securities issued and options granted during the period.

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

All securities issued and options granted, if any, have been disclosed in the Issuer’s Financial Statements for the quarter ended December 31, 2018 – see Schedule A.

- (a) summary of securities issued during the period,

Date of Issue	Type of Security (common shares, convertible debentures, etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid

- (b) summary of options granted during the period,

Date	Number	Name of Optionee if Related Person and relationship	Generic description of other Optionees	Exercise Price	Expiry Date	Market Price on date of Grant

3. Summary of securities as at the end of the reporting period.

A summary of securities as at the end of the reporting period have been disclosed in the Issuers Financial Statements for the quarter ended December 31, 2018 – see Schedule A.

Provide the following information in tabular format as at the end of the reporting period:

- (a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,
- (b) number and recorded value for shares issued and outstanding,
- (c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and
- (d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

Authorized Share Capital	Issued and Outstanding	Options	Warrants	Escrowed Shares

4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.

Name	Position
Traci Costa	Director, President, Chief Executive Officer and Corporate Secretary
Darrell Kopke	Director
Sarah Bundy	Director
Dave Fong	Interim CFO

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

Provide Interim MD&A if required by applicable securities legislation.

See Management Discussion and Analysis for the quarter ended December 31, 2018 attached as Schedule C.

Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.
2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated February 28, 2019.

Traci Costa
Name of Director or Senior Officer

/s/ "Traci Costa"
Signature

Director, President, Chief Executive Officer
and Corporate Secretary
Official Capacity

Issuer Details Name of Issuer Peekaboo Beans Inc.		For Quarter Ended December 31, 2018	Date of Report 02/28/19
Issuer Address 170 - 11120 Bridgeport Road			
City/Province/Postal Code Richmond, British Columbia, V6X 1T2		Issuer Fax No. N/A	Issuer Telephone No. (604) 279-2326
Contact Name Traci Costa		Contact Position Director, President, Chief Executive Officer and Corporate Secretary	Contact Telephone No. (604) 279-2326
Contact Email Address ir@peekaboobeans.com		Web Site Address www.peekaboobeans.com	

SCHEDULE A

FINANCIAL STATEMENTS

FOR THE QUARTER ENDED DECEMBER 31, 2018



PEEKABOO BEANS INC.

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
DECEMBER 31, 2018 AND 2017**

(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	<u>December 31, 2018</u>	<u>September 30, 2018</u>
ASSETS			
Current assets			
Cash		\$ 443,214	\$ 229,089
Trade receivables		61,465	16,031
Apparel production deposits	4	151,829	35,529
Prepaid expense		70,353	98,034
Inventories	5	1,553,996	1,815,779
Total current assets		<u>2,280,857</u>	<u>2,194,462</u>
Non-current assets			
Software and equipment	12	2,687	2,568
Total assets		<u>\$ 2,283,544</u>	<u>\$ 2,197,030</u>
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables and accrued liabilities	13, 18	\$ 528,301	\$ 735,547
Commissions payable	6	61,517	75,571
Current portion of bank debt	15	-	-
Loans	15	570,564	563,597
Total current liabilities		<u>1,160,383</u>	<u>1,374,715</u>
Non-current liabilities			
Loans	15	525,265	245,202
Total liabilities		<u>1,685,648</u>	<u>1,619,917</u>
Shareholders' equity			
Share capital	14	13,903,715	13,065,242
Reserves	14	2,636,956	2,629,257
Deficit		(15,893,988)	(15,107,191)
Accumulated other comprehensive loss		(48,787)	(10,195)
Total shareholders' equity		<u>597,896</u>	<u>577,113</u>
Total liabilities and equity		<u>\$ 2,283,544</u>	<u>\$ 2,197,030</u>

Note 1, "Nature of Operations and Going Concern"

Note 18, "Commitments and Contingencies"

On behalf of the Board of Directors of Peekaboo Beans Inc. on February 28, 2019

/s/ Traci Costa

/s/ Darrell Kopke

Ms. Traci Costa, CEO and Director

Mr. Darrell Kopke, Director

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)

		Three months ended	
		December 31,	
	Note	2018	2017
Sales		\$ 468,877	\$ 760,541
Cost of goods sold	5	317,302	463,721
Commissions	6	42,708	155,426
Gross profit		<u>108,867</u>	<u>141,394</u>
Operating expenses			
Stylists training, recruitment and marketing	7	370,493	56,752
Administrative	9	183,808	186,637
Distribution and information technology	10	55,632	134,749
Executive and employee salary compensation	8	216,574	248,158
Share-based compensation	14	5,998	32,061
Professional fees and public company costs	11	58,908	39,107
Investor relations		51,882	42,408
Total operating expenses		<u>943,295</u>	<u>739,872</u>
Loss before other expenses		<u>(834,428)</u>	<u>(598,478)</u>
Other expenses			
Interest and finance costs		30,866	65,979
Gain on settlement of accounts payable		(35,058)	-
Foreign exchange and other expense		(43,439)	12,671
Net loss for the period		<u>(786,797)</u>	<u>(677,128)</u>
Other comprehensive loss			
Currency translation adjustment on foreign operations		(38,592)	-
Comprehensive loss for the period		<u>\$ (825,389)</u>	<u>\$ (677,128)</u>
Basic and diluted loss per common share		<u>\$ (0.03)</u>	<u>\$ (0.06)</u>
Weighted average number of common shares outstanding		<u>22,628,967</u>	<u>11,972,715</u>

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
At September 30, 2017		11,894,535	\$ 9,345,299	\$ 2,239,816	\$ (11,721,177)	\$ -	\$ (136,062)
Issuance of shares pursuant to private placements, net of share issuance costs (cash)	14	2,488,500	1,323,725	-	-	-	1,323,725
Share issuance costs on agent warrants	14	-	(68,643)	68,643	-	-	-
Share issuance cost on corporate finance shares	14	105,666	-	-	-	-	-
Share-based compensation	14	-	-	32,061	-	-	32,061
Net loss		-	-	-	(677,128)	-	(677,128)
At December 31, 2017		14,488,701	\$ 10,600,381	\$ 2,340,520	\$ (12,398,305)	\$ -	\$ 542,596
At September 30, 2018		20,856,533	\$ 13,065,242	\$ 2,629,257	\$ (15,107,191)	\$ (10,195)	\$ 577,113
Issuance of shares pursuant to private placements, net of share issuance costs (cash)	14	6,600,000	735,000	-	-	-	735,000
Share issuance costs on agent warrants	14	-	(1,701)	1,701	-	-	-
Share issuance cost on finders' shares	14	340,000	-	-	-	-	-
Settlement of accounts payable	14	701,162	105,174	-	-	-	105,174
Share-based compensation	14	-	-	5,998	-	-	5,998
Net loss		-	-	-	(786,797)	-	(786,797)
Other comprehensive loss		-	-	-	-	(38,592)	(38,592)
At December 31, 2018		28,497,695	\$ 13,903,715	\$ 2,636,956	\$ (15,893,988)	\$ (48,787)	\$ 597,897

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

	Three months ended December 31,	
	2018	2017
OPERATING ACTIVITIES		
Loss for the period	\$ (786,797)	\$ (677,128)
Adjustments for:		
Share-based compensation	5,998	32,061
Gain on settlement of payables	35,058	-
Accrued interest in excess of interest paid	-	20,715
Amortization	269	870
Changes in non-cash working capital items:		
Trade receivables	(45,435)	(9,511)
Inventories	261,783	263,469
Apparel production deposits	(116,300)	(368,839)
Prepaid expenses	27,681	(4,364)
Trade payables and accrued liabilities	(56,126)	8,489
Cash used in operating activities	(687,836)	(734,238)
INVESTING ACTIVITIES		
Purchase of equipment	(387)	-
Cash used in investing activities	(387)	-
FINANCING ACTIVITIES		
Loan advances	275,000	-
Loan repayments	(9,060)	(5,025)
Share issuances, net of issuance costs	675,000	1,323,725
Cash provided by financing activities	940,940	1,318,700
Effect of foreign exchange on cash	(38,592)	-
Change in cash during the period	214,125	584,462
Cash, beginning of period	229,089	183,880
Cash, end of period	\$ 443,214	\$ 768,342

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
DECEMBER 31, 2018

(Expressed in Canadian dollars – unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

Peekaboo Beans Inc. is an online retailer of children's apparel and sells its apparel through an affiliate marketing program referred to as "Social Retailing". In its prior year, the Company sold its apparel primarily through a direct-sales network of independent sales representatives, referred to as "Stylists". Stylists encouraged parents to host sales parties or "Pop-ups" in their homes to demonstrate and sell the apparel.

Peekaboo Beans Inc. is incorporated in the Province of British Columbia, Canada, and has its head office located at 170 – 11120 Bridgeport Road, Richmond, BC, V6X 1T2. The Company was originally incorporated under the Business Corporations Act of the Province of Alberta and was continued under the Canada Business Corporations Act on July 8, 2002. On December 21, 2005, the Company was continued to the jurisdiction of the Province of British Columbia. 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 further 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, 2018. 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, 2018.

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, 2018. 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, 2018.

The Company's board of directors approved the release of these financial statements on February 22, 2019.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years and quarters presented in these financial statements unless otherwise indicated.

PEEKABOO BEANS INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

(Expressed in Canadian dollars - unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of Consolidation

The following entities have been consolidated within these financial statements:

Entity	Registered	Holding
Peekaboo Beans Inc.	British Columbia, Canada	Parent, public holding
Peekaboo Beans (Canada) Inc.	British Columbia, Canada	100% owned
Peekaboo Beans, Inc.	Delaware, United States	100% owned

The subsidiaries are controlled by the Company. Control exists when the Company is exposed, or has rights, to the variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign Currency Transactions

The functional currency is measured using the currency of the primary economic environment in which that entity operates. The financial statements are presented in Canadian dollars which is the functional currency of the Company and its Canadian subsidiary. The functional currency of the Company's United States subsidiary is the United States dollar.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in gain or loss in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

The financial results and position of foreign operations whose functional currency is different from presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date; and
- Income and expenses are translated at monthly average exchange rates during the year.

Exchange differences arising on translation of foreign operations are transferred directly to currency translation on foreign operations on the statement of comprehensive loss and are reported as a separate component of equity in accumulated other comprehensive loss. These differences are recognized in profit or loss in the year in which the operation is disposed of.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. For cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash. The Company had no cash equivalents as at December 31, 2018.

(d) Inventory

Finished goods are valued at the lower of average cost, which is net of vendor rebates, and net realizable value. Net realizable value is the estimated selling price of inventory in the ordinary course of business, less any estimated selling costs. Cost of inventory includes expenditures in acquiring the inventories, production costs and other cost incurred in bringing them to their existing location. Provision is made for obsolete, slow-moving or defective items, where appropriate.

(e) Sales revenue recognition and other income

Revenue represents sales of children apparel and catalogues. Sale of children apparel and catalogues, net of returns, is recognized when the significant risks and rewards of ownership of the goods have passed to the customer, usually on delivery of the goods.

(f) Cost of sales

Cost of sales includes cost of goods or the manufacturing costs of children apparel and other costs incurred in bringing them to their existing location and Stylists' sales commission.

(g) Software and equipment

Software and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Equipment is stated at historical cost less accumulated amortization and accumulated impairment losses. Amortization is calculated on a declining balance method to write off the cost of the assets to their residual values over their estimated useful lives. The amortization rates applicable to each category of equipment are as follows:

Class	Amortization rate
Computer software and development	50%
Computer hardware	30%

(h) Stock-based compensation

Share options granted by the Company allow Directors, Executive Officers, Managers, Employees and Consultants to acquire shares of the Company. Share-based payments to Employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

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

DECEMBER 31, 2018

*(Expressed in Canadian dollars - unaudited)***3. SIGNIFICANT ACCOUNTING POLICIES (continued)****(i) Loss per share**

Basic loss per share is calculated using the weighted average number of shares outstanding during the period. The diluted earnings per share are calculated by adjusting the weighted average number of shares outstanding to include additional shares issued from the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that the proceeds from such exercises are used to purchase common shares at the average market price for the period.

4. APPAREL PRODUCTION DEPOSITS

	December 31, 2018	September 30, 2018
Apparel Production Deposits	\$ 151,829	\$ 35,529

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).

5. INVENTORIES

Inventory consists of children's playwear apparel which is purchased from third party manufacturers. As at December 31, 2018, the Company holds finished goods of \$1,553,996 (September 30, 2018 - \$1,815,779).

Inventory expensed in net loss and included in cost of goods sold for the three months ended December 31, 2018 was \$317,302 (2017 - \$463,721), respectively.

6. 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 December 31, 2018, commissions earned but unpaid totaled \$61,517 (September 30, 2018 - \$75,571) recorded as commissions payable.

7. STYLISTS TRAINING, RECRUITMENT, AND MARKETING

Various costs are incurred in the training and recruitment of stylists and are included in the earnings for the period incurred. Pop-up hostesses receive product credit and discounts for hosting sales parties. From time to time, direct-sales industry management consultants are engaged and payments are included in the period incurred.

	Three months ended December 31,	
	2018	2017
Training	\$ -	\$ 20,760
Recruitment	-	3,131
Marketing	370,493	32,861
	\$ 370,493	\$ 56,752

PEEKABOO BEANS INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

*(Expressed in Canadian dollars - unaudited)***8. ADMINISTRATIVE**

	Three months ended December 31,	
	2018	2017
Credit card processing and miscellaneous	\$ 11,397	\$ 20,108
Consulting	100,937	113,917
Insurance	16,004	7,962
Travel, meals and entertainment	16,669	31,818
Amortization and office cost	38,801	12,832
	<u>\$ 183,808</u>	<u>\$ 186,637</u>

9. DISTRIBUTION AND INFORMATION TECHNOLOGY

	Three months ended December 31,	
	2018	2017
Rent and utilities	\$ 43,012	\$ 22,522
Information technology	12,620	112,227
	<u>\$ 55,632</u>	<u>\$ 134,749</u>

10. EXECUTIVE AND EMPLOYEE COMPENSATION

	Three months ended December 31,	
	2018	2017
<u>Executive and employee salary compensation</u>		
Executive officer salaries	\$ 41,167	\$ 22,250
Employee salaries	175,407	225,908
	<u>\$ 216,574</u>	<u>\$ 248,158</u>

11. PROFESSIONAL FEES AND PUBLIC COMPANY COSTS

	Three months ended December 31,	
	2018	2017
Legal	\$ 47,065	\$ 33,282
Audit and accounting	-	-
Other including listing and transfer agent fees	11,843	5,825
	<u>\$ 58,908</u>	<u>\$ 39,107</u>

PEEKABOO BEANS INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

*(Expressed in Canadian dollars - unaudited)***12. SOFTWARE AND EQUIPMENT**

	Computer Hardware	Computer Software and Development	Total
<u>Cost</u>			
Balance, September 30, 2018	\$ 5,047	\$ 42,616	\$ 47,663
Acquisitions	388	-	388
Balance, December 31, 2018	\$ 5,435	\$ 42,616	\$ 48,051
<u>Accumulated Amortization</u>			
Balance, September 30, 2018	\$ 3,716	\$ 41,379	\$ 45,095
Amortization	114	155	269
Balance, December 31, 2018	\$ 3,830	\$ 41,534	\$ 45,364
<u>Net Book Value</u>			
As at September 30, 2018	\$ 1,331	\$ 1,237	\$ 2,568
As at December 31, 2018	\$ 1,605	\$ 1,082	\$ 2,687

13. TRADE AND OTHER PAYABLES

	December 31, 2018	September 30, 2018
Trade payables	\$ 231,719	\$ 430,251
Accruals	141,490	206,093
Other non-trade payables	155,092	99,203
	\$ 528,301	\$ 735,547

14. 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 December 31, 2018, the Company had 28,497,695 common shares issued and outstanding, of which 301,717 were held in escrow. Details of the issuance of share capital are as follows:

(a) Issued and Outstanding

During the three months ended December 31, 2018, the Company:

- (a) Issued 750,000 Units pursuant to private placement at a price of \$0.20 per Unit for aggregate gross proceeds 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.
- (b) 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 the trading price of the Company's stock at the time of issuance.
- (c) Issued 5,850,000 Units pursuant to non-brokered private placement 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. In connection with the private placement, the Company issued 340,000 common shares and 340,000 warrants exercisable at \$0.30 until December 4, 2021 to finders who introduced subscribers to the private placement. 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

DECEMBER 31, 2018

*(Expressed in Canadian dollars - unaudited)***14. SHARE CAPITAL (continued)****(a) Issued and Outstanding (continued)**

During the three months ended December 31, 2017, the Company:

- (a) Issued 2,488,500 common shares pursuant to private placement at a price of \$0.60 per share for aggregate gross proceeds of \$1,493,100. A commission of \$101,400 was paid and an aggregate of 169,066 Agents warrants were issued. Each warrant is exercisable for one common share at a price of \$0.60 per common share for a period of 24 months, valued at \$68,643. A corporate finance fee was settled with the issuance of 105,666 common shares, valued at \$63,400 and recorded as share issuance cost.

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 TSX Venture Exchange is equal to or greater than \$1.55 over a period of 10 consecutive trading days.

(b) Stock Options

In 2016, the Company adopted a stock option plan which conforms to the rules and policies of the CSE. 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.

During the year ended September 30, 2017, 875,000 stock options were issued to management, staff and consultants. The options are exercisable into one common share of the Company at an exercise price of \$0.60 until May 12, 2027.

During the three months ended December 31, 2018, 100,000 stock options were issued to consultants and management, exercisable into one common share of the Company at exercise prices of \$0.60 to \$0.80.

A summary of options activity to December 31, 2018 is as follows:

	Options Outstanding	Weighted Average Exercise Price
September 30, 2018	1,670,000	\$ 0.65
Issued	100,000	0.16
December 31, 2018	1,770,000	0.62
Exercisable	1,370,000	\$ 0.57

Share-based compensation for the three months ended December 31, 2018 was \$5,998 (2017 - \$32,061) for stock options that were granted and vested in the period.

	Three months ended December 31,	
	2018	2017
Executive, officer and director	\$ -	\$ -
Employee	5,998	12,481
Consultant	-	19,581
	\$ 5,998	\$ 32,061

PEEKABOO BEANS INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

*(Expressed in Canadian dollars - unaudited)***14. SHARE CAPITAL (continued)****(b) Stock Options (continued)**

The grant date fair value of the options granted and vested during the three months ended December 31, 2018 and 2017 was valued using the Black-Scholes Option Pricing Model with the following assumptions:

	<u>2018</u>	<u>2017</u>
Volatility	66-86%	213%
Risk-free interest rate	1.5%	0.68%
Expected life of option	2 years	2 years
Dividend yield	0%	0%

(c) Warrants

A summary of warrant activity to December 31, 2018 is as follows:

	<u>Warrants Outstanding</u>	<u>Weighted Average Exercise Price</u>
September 30, 2018	6,278,717	\$ 0.71
Issued	6,565,000	0.14
December 31, 2018	12,843,717	\$ 0.43

At December 31, 2018, the weighted average remaining life of the outstanding warrants is 1.97 years (September 30, 2018 – 1.25 years).

During the three months ended December 31, 2018, 340,000 (2017 – 169,066) agent, corporate finance, or finders' warrants were issued and were valued using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	<u>2018</u>	<u>2017</u>
Volatility	86%	147%
Risk-free interest rate	1.5%	0.68%
Expected life of option	2 years	2 years
Dividend yield	0%	0%

15. LOANS

Debt Ranked by Seniority		<u>December 31, 2018</u>	<u>September 30, 2018</u>
<u>Current loans:</u>			
Short-term loans	(a)-(b)	\$ 570,564	\$ 563,597
<u>Non-current loans:</u>			
Convertible promissory note	(c)	525,265	245,202
		<u>\$ 1,095,829</u>	<u>\$ 808,799</u>

Movement on short term loans

	<u>Amount</u>
Balance at September 30, 2018	\$ 563,597
Additions	-
Interest	8,612
Repayments	(1,644)
Balance at December 31, 2018	<u>\$ 570,565</u>

PEEKABOO BEANS INC.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Expressed in Canadian dollars - unaudited)

15. LOANS (continued)

Movement on convertible promissory notes

	Amount
Balance at September 30, 2018	\$ 245,202
Additions	275,000
Interest	12,480
Repayments	(7,417)
Balance at December 31, 2018	<u>\$ 525,265</u>

(a) Apparel loans

As at December 31, 2018, the Company has an apparel loan of \$278,250 (September 30, 2018 - \$278,250) owing to an apparel finance company of which a former Director of the Company was an officer and a shareholder. The loan is secured by specific apparel inventory and is charged a quarterly finance fee.

(b) Unsecured promissory notes

(i) The Company has a \$190,309 (September 30, 2017 – \$188,540) unsecured promissory note bearing interest at 12% per annum, that matured on December 31, 2017. Total interest accrued on the loan during the three months ended December 31, 2018 is \$5,587 (2017 – 5,809). The loan is currently being renegotiated.

(ii) The Company's Chief Executive Officer is owed \$102,005 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 three months ended December 31, 2018 is \$3,025. The loan is currently being renegotiated.

(c) Unsecured convertible promissory notes

(i) The Company's former Chief Financial Officer is owed \$245,202 (September 30, 2018 - \$245,202) by way of an unsecured convertible promissory note. The loan was originally due December 31, 2017, bore interest at 8% per annum and was convertible into units at \$1.05 per unit but was amended on September 28, 2017. The loan is now 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 three months ended December 31, 2018 is \$7,416 (2017 - \$5,873).

(ii) During the three months ended December 31, 2018, 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 three months ended December 31, 2018 is \$5,063 (2017 - \$nil).

PEEKABOO BEANS INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

(Expressed in Canadian dollars - unaudited)

16. LOSS PER SHARE

Diluted loss per share for the three months ended December 31, 2018 is the same as basic loss per share as the effect of warrants and options would be anti-dilutive.

17. RELATED PARTY TRANSACTIONS

During the three months ended December 31, 2018:

- (a) The Company paid its Chief Executive Officer \$41,167 (2017 - \$22,250) and its former Chief Financial Officer \$nil (2017 - \$16,650) in salary (Note 10).
- (b) The Company paid \$nil (2017 - \$1,920) in share-based compensation to officers and directors.
- (c) The Company owes its former Chief Financial Officer \$245,202 under a convertible promissory note (Note 15(c)(i)). Total interest accrued during the three months ended December 31, 2018 is \$7,416 (2017 - \$5,873).
- (d) The Company owes its Chief Executive Officer \$102,005 by way of an unsecured promissory note bearing interest at 12% per annum (Note 15(b)(ii)). Total interest accrued on the loan during the three months ended December 31, 2018 is \$3,025.

18. 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:

2019	<u>\$ 46,475</u>
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19. 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.

PEEKABOO BEANS INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

*(Expressed in Canadian dollars - unaudited)***19. FINANCIAL INSTRUMENTS (continued)****Liquidity Risk**

As at December 31, 2018, the Company had a cash balance of \$443,214 (September 30, 2018 - \$229,089) available to settle current liabilities of \$1,160,383 (September 30, 2018 - \$1,374,715). 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, bank debt, as well as equity financing.

The following table identifies the undiscounted contractual maturities of the Company's financial liabilities as at December 31, 2018:

	Within one year	After one but not more than five years	After five years	Total
Trade and other payables	\$ 528,302	\$ -	\$ -	\$ 528,302
Commissions payable	61,517	-	-	61,517
Short-term loan	570,564	-	-	570,564
Notes payable	-	525,265	-	525,265
	\$ 1,160,383	\$ 525,265	\$ -	\$ 1,685,648

Market Risk – foreign exchange risk

At December 31, 2018, 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 December 31, 2018, the Company does not have significant financial assets or liabilities denominated in US dollars.

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.

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 December 31, 2018, cash consisted of cash on hand and balances with banks.

Financial assets and financial liabilities that bear interest at fixed rates are subject to fair value interest rate risk. The Company's bank debt is the only financial liability bearing a variable interest rate. It is recorded at amortized cost.

Fair Values

At December 31, 2018, and September 30, 2018, 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.

PEEKABOO BEANS INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

(Expressed in Canadian dollars - unaudited)

20. CAPITAL MANAGEMENT

As at December 31, 2018, 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 December 31, 2018.

21. REVENUE SEGMENTS

Geographic information – revenue from external customers:

	Three months ended December 31,	
	2018	2017
Canada	\$ 468,877	\$ 760,541
USA	-	-
Total	\$ 468,877	\$ 760,541

SCHEDULE C

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE QUARTER ENDED DECEMBER 31, 2018**



Management’s Discussion and Analysis of Financial Condition and Results of Operations as at December 31, 2018 and 2017

The following is management’s discussion and analysis (“MD&A”) of Peekaboo Beans Inc.’s financial condition and results of operations for the three months ended December 31, 2018 and 2017 and should be read in conjunction with the interim financial statements and related notes for the same reporting periods. The MD&A will also outline the economic operating conditions and how these influence business activities of Peekaboo Beans Inc.

All references herein refer to the audited financial statements and related notes for the three months ended December 31, 2018 and or 2017, except where otherwise indicated. All financial information is expressed in Canadian dollars (“\$”). Unless otherwise indicated, a reference to the “Company” or “Peekaboo” means Peekaboo Beans Inc. The Company’s fiscal year is the year ended September 30th (“year-end”). Reference to a “fiscal year” means the Company’s year commencing on October 1st of that year and ending on September 30th of the following year. For example, fiscal 2019 means the period beginning October 1, 2018 and ending September 30, 2019. Reference to “reported quarter” means the three months commencing on October 1, 2018 and ending December 31, 2018. In addition, reference will be made to “Notes”, which refers to the Notes to the Financial Statements.

Organization of the MD&A

Part 1 – Overview and Outlook

The Company2
Overall Performance4

Part 2 – Financial Performance Review

Selected Quarterly Results.....4
Summary of Reported Period Results.....4
Liquidity and Capital Resources.....5

Part 3 – Capitalization

Outstanding Share Data6

Part 4 – Additional Information

Transactions between Related Parties.....7
Forward-Looking Statements7
Accounting Policy.....8

Peekaboo Beans Inc.

PART 1 – OVERVIEW AND OUTLOOK

The Company

Peekaboo Beans Inc. is an online retailer of children’s apparel operating in Canada and the United States of America (“US”). Peekaboo is listed on the CSE Venture Exchange in Canada (Symbol: BEAN) and first and only Canadian listed company with a majority female board of directors and executive management.

During Q4/2018, the Company decided to sell its apparel through an affiliate program instead of direct sales. The Company launched the affiliate programs during Q1/2019.

The Company shifted from a direct sales model to an affiliate marketing program referred to as "Social Retailing" in order to increase margins, provide better control of the internal supply chain, and remove limitations on where product is sold. The transition included moving 1,500 Stylists from the direct sales program to its new social selling program. With an already robust social media presence, Peekaboo Beans is positioned well to utilize digital media and technology to spring board the business to new growth. The new Social Retail program is designed to create mutually beneficial partnerships with brand ambassadors to grow the Company's distribution and sales in North America and worldwide. By leveraging the brand through various channels including social media, blogs and influencers, Peekaboo Beans' reach exponentially expands while affiliates are earning commission for engagement, sales and social interactions. The Company aims to broaden distribution through an omni-channel platform, including major e-commerce sites, host more pop-up boutiques within large retailers, and sell products through social media channels. However, the transition to an affiliate program caused sales to decrease as the Company stopped recruiting and training of Stylists.

The Company continues to designs and manufactures children’s playwear that is stylish, functional and allows free, unstructured play for children. Peekaboo is helping to create a revolutionary lifestyle brand around the growing culture of children’s play by focusing on the Company’s core customers, “Parents”.

Peekaboo’s design team in British Columbia, Canada works with child development specialists, educators, and therapists to review, evaluate and create new designs that take into consideration the developmental needs of children by creating value with versatile pieces and longevity through quality construction.

The fabric that Peekaboo designs in-house for its playwear apparel are third-party tested to guarantee that it is aligned with OEKO-TEK® Standard 100, an independent testing and certification system for all stages of production from textile raw materials to end products. The requirement is that all components of an item comply with the required criteria without exception, including the outer material, sewing threads, linings, prints, etc., as well as non-textile accessories such as buttons, zip fasteners, rivets, etc. for harmful substances and sensitivity to skin contact. In addition, Peekaboo conducts its own third-party lab testing to ensure its dyeing mills are adhering to the Company’s standards that its fabric does not contain harmful levels of heavy metals and other harsh additives that are found in most children’s clothing fabrics and dyes.

The Company does not own or operate any manufacturing facilities. Peekaboo works closely with its third-party contract manufacturers who adhere to a vendor code of ethics regarding social and environmental sustainability practices. Peekaboo relies on a limited number of suppliers to provide custom designed fabrics and follows the production of its apparel from raw fiber to finished garment.

Peekaboo Beans Inc.

The Company is currently setting up retail store locations in BC, and has launched pop-up store locations across Canada. During fiscal 2018, Peekaboo's apparel was sold exclusively through a direct-sales network of independent sales representatives or "Stylists" in Canada and in the US. The affiliate program was launched in Q1/2019.

In previous years, Peekaboo produced four seasonal collections each year with the Fall collection being the biggest season for sales. Starting in January 2017, the Company has adopted a new rhythm to launch six collections in one calendar year, with the expectations that more frequent launches will generate more consistent sales and keep the Stylists and customers continuously engaged with Peekaboo's products. Orders are processed through Peekaboo's online system, and payments are made at Pop-ups or directly on the Company's website, usually by credit cards. In addition to being the most significant source of revenues, Pop-ups also act as business opportunities for Stylists to gain engagement to book more parties, present the direct-sales business opportunity to potential Stylists and market Peekaboo's brand and apparel.

The Company's recurring cash requirements include executive and employee salary compensation, distribution and information technology costs, and administrative and public company costs.

The Company's recurring working capital requirements include financing the lead-time for inventory and apparel production deposits necessary for seasonal collections. The Company places apparel production deposits several months before the final purchase order and pays for goods before shipment to Canada from Vietnam, which happens several months before the Company receives payment for goods sold.

The Company sells its apparel and holds cash in Canadian and United States Dollars. The fluctuation in the price of the Canadian dollar, United States Dollars and to a lesser degree, the Vietnamese dong may affect financial performance. The economic health of the economies of North America and to a lesser extent, Vietnam, may affect the financial performance of the Company.

Overall Performance

During the quarter, the Company raised net proceeds of approximately \$735,000 in funding through share financing and \$275,000 through convertible notes.

The Company has been focusing on transitioning the business model from the traditional direct sales model to the more technology-based affiliate style marketing program of Social Retailing. The goals are to focus on increasing margins, providing improved control over the internal supply chain, continue generating sales and brand awareness through pop-up stores, and remove limitations on where product is sold. In 2019, the Company will continue to execute on the new Social Retailing business model.

Peekaboo Beans Inc.

PART 2 – FINANCIAL PERFORMANCE REVIEW

Summary of Quarterly Results

The following selected financial data as reported by the Company for the three months ended December 31, 2018, which is the first quarter of financial year ending September 30, 2019, has been summarized from the Company's unaudited interim consolidated financial statements and are qualified in their entirety by reference to, and should be read in conjunction with, such financial statements.

	2019 Q1	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2
Revenue	\$ 468,877	\$ 544,992	\$ 695,346	\$ 752,227	\$ 760,541	\$ 862,160	\$ 976,381	\$ 658,635
Net loss	(786,797)	(1,333,582)	(439,869)	(935,345)	(677,128)	(1,394,063)	(792,285)	(476,021)
Loss per share, basic and diluted	\$ (0.03)	\$ (0.06)	\$ (0.03)	\$ (0.07)	\$ (0.06)	\$ (0.16)	\$ (0.09)	\$ (0.07)

Summary of Reported Period Results

For the three months ended December 31, 2018

The following analysis of the Company's operating results for the three months ended December 31, 2018, includes a comparison to the corresponding comparative three months ended December 31, 2017. Please refer to the Interim Consolidated Statements of Comprehensive Loss.

	December 31, 2018	% ¹	December 31, 2017	% ¹	YoY% ²
Sales	\$ 468,877	-	\$ 760,541	-	-38%
Cost of sales					
Cost of goods sold	317,302	68%	463,721	61%	-32%
Stylist commission	42,708	9%	155,426	20%	-73%
Gross profit	108,867	23%	141,394	19%	-23%
Operating costs	943,295	201%	739,872	97%	27%
Number of Stylists	1,500		900		67%

(1) As a percentage (%) of sales.

(2) Year-over-year (YoY) change as a percentage (%).

Under the direct-sales model, sales are driven by the number of Stylists and the average sales per Stylist per year. Cost of sales includes apparel manufacturing and design costs (cost of goods) and commissions paid to Stylists for selling apparel, which fluctuates with sales.

The process of changing to an affiliate program from a direct sales model sales caused sales to decline to \$469k from \$760k in the prior comparative period as the Company stopped recruiting and training Stylists. The Company has repositioned itself to sell existing inventory through its revamped online platform and social retailing business model.

Gross margin increased to 23% from 19% a year earlier due to the change to the direct sales model and resulting decrease in commissions payable.

Peekaboo Beans Inc.

Operating expenses related to the operation of a direct-sales model increased to \$943k compared to \$739k in the prior comparative period due to an increase in marketing efforts in the first quarter.

Administrative expense remained consistent with the prior period. Employee salaries decreased from \$225k to \$175k in the prior period due to the reduction of staff related to supporting the Stylist platform.

Professional fees and public company costs increased from \$39k in the prior period to \$59k due to an increase in legal fees relating to private placements. Distribution and information technology costs decreased from \$134k to \$56k due to streamlining the back-end systems and reduction of complexities relating to the Stylist platform.

Share-based compensation for employees and executives totaled \$5,998 in the quarter.

Loan interest and other finance costs decreased to \$30,866 compared to \$65,979 largely due to the Company repaying outstanding loans during the 2018 fiscal year and reducing its overall debt.

The Company reported an operating loss of \$834k in the three months ended December 31, 2018 compared to \$677k in the prior comparative period. The basic loss per weighted average number of common shares was \$0.03 and a loss of \$0.06 for the respective periods.

Liquidity and Capital Resources

The following analysis of the Company's liquidity and capital resources as at December 31, 2018, includes a comparison to the corresponding, comparative year ended September 30, 2018. Please refer to the Statement of Financial Position and Statement of Cash Flows.

The Company's principal source of funds available are equity and debt financing. The Company believes it has sufficient working capital to maintain its liquidity for the next fiscal year.

The Company's tangible assets include cash, inventories, and apparel production deposits. Other assets required for the operation of the Company include trade receivables and software and equipment.

Cash increased to \$443,214 from \$229,089, while receivables were \$61,465 compared to \$16,031 as the Company receives payment in full when a customer places a purchase order with an independent sales representative on the Company's website using their credit cards. The difference is due to the credit card companies' processing time.

Apparel production deposits increased to \$151,829 from \$35,529 due to deposits paid on Spring 2019.

Inventories decreased by 14% to \$1.5-million as compared to the prior period.

Prepaid expense decreased by 28% to \$70,353 the previous year due to the utilization of investor relation contracts which required advance payment in the prior year.

Total debt or liabilities increased 8% to \$1.7-million from the prior period and includes \$1.2-million in liabilities that is repayable within the year.

Debt repayable within the year consisted of trade payables and accrued liabilities of \$528,301, loans that are current totaling \$570,564 and commission payable to Stylists of \$61,517. Commissions owing to Stylists occur when Stylists elect not to have their sales commissions paid to them but instead applied towards future apparel purchases.

Peekaboo Beans Inc.

Current loans include \$278,250 owing to a Canadian apparel finance company, \$102,005 in an unsecured promissory note due to the Company's CEO, and \$190,309 in an unsecured promissory note.

Long-term debts include an unsecured convertible promissory note from a former executive and director of the Company for \$245,202 bearing interest at 12% per annum and convertible into the shares and warrants of the Company, and an unsecured convertible promissory note of \$280,063, bearing interest at 12% and convertible into shares and warrants of the Company.

Trade payables decreased 21% from the prior period to \$528,302, with the variance over the prior year mostly attributable to timing of payments to vendors.

Shareholders' equity increased to \$597,896 from \$577,113 in the prior period.

The statement of cash flows shows the structure of and changes in cash during the reported period. The statement contains cash changes in operating activities, investing activities and financing activities. During the three months ending December 31, 2018, the Company generated \$214,125 of cash to hold \$443,214 at period end. Operating activities used \$687k in cash predominately from operating losses during the year and increase in inventory. Financing activities generated cash of \$940k due to proceeds of private placement share financings and an unsecured convertible promissory note, offset by loan repayments of \$9,060.

PART 3 – CAPITALIZATION

As of December 31, 2018:

Shares

The Company had 28,497,695 common shares issued and outstanding, of which 301,717 were held in escrow.

Warrants

The Company has the following warrants outstanding:

- 300,000 warrants outstanding exercisable at \$0.80 per share until March 30, 2019
- 1,428,429 warrants outstanding exercisable at \$0.80 per share until May 12, 2019
- 476,385 warrants outstanding exercisable at \$0.80 per share until June 29, 2019
- 439,055 warrants outstanding exercisable at \$0.80 per share until September 28, 2019
- 169,066 warrants outstanding exercisable at \$0.60 per share until December 20, 2019
- 1,491,666 warrants outstanding exercisable at \$1.00 per share until February 16, 2020
- 313,249 warrants outstanding exercisable at \$0.75 per share until February 16, 2020
- 375,000 warrants outstanding exercisable at \$0.30 per share until October 4, 2020
- 6,190,000 warrants outstanding exercisable at \$0.15 per share until December 21, 2021

Stock Options

During fiscal 2017, 855,000 and 20,000 stock options were issued to management, staff and consultants, respectively on May 12th, 2017 and September 26th, 2017. The options are exercisable into one common share at \$0.60 until May 12th, 2019 and September 26th, 2019, respectively.

Peekaboo Beans Inc.

During fiscal 2018, 850,000 stock options were issued to consultants and management, exercisable into one common share of the Company at exercise prices of \$0.24 to \$0.80.

On January 15, 2019, 30,000 stock options were issued to a director, exercisable into one common share of the Company at an exercise price of \$0.155 and expiring on January 15, 2029.

Weighted Average Number of Common Shares

The weighted average number of common shares outstanding for the first quarter of 2019 was 22,628,967 and 11,972,715 for the first quarter of 2018. The weighted average of outstanding shares incorporates any changes of shares outstanding over a reported period and is used to calculate key financial measures such as earnings per share for the period.

Other than the aforementioned, no other dilutive securities were outstanding at year-end.

Part 4 – ADDITIONAL INFORMATION

Transactions Between Related Parties

During the three months ended December 31, 2018:

- (a) The Company paid its Chief Executive Officer \$41,167 (2017 - \$22,250) and its former Chief Financial Officer \$nil (2017 - \$16,650) in salary.
- (b) The Company paid \$nil (2017 - \$1,920) in share-based compensation to officers and directors.
- (c) The Company owes its former Chief Financial Officer \$245,202 under a convertible promissory note. Total interest accrued during the three months ended December 31, 2018 is \$7,416 (2017 - \$5,873).
- (d) The Company owes its Chief Executive Officer \$102,005 by way of an unsecured promissory note bearing interest at 12% per annum. Total interest accrued on the loan during the three months ended December 31, 2018 is \$3,025.

Forward-Looking Statements

This document contains forward-looking statements. The Company's representatives may also make forward-looking statements orally from time to time.

Statements in this document that are not historical facts, including statements about the Company's beliefs and expectations, recent business and economic trends constitute forward-looking statements. Forward-looking statements include, without limitation, statements regarding the outlook for future operations, forecasts of future revenue and expenditures, market conditions or other business plans. Forward-looking statements include statements regarding the intent, belief or current expectations of the Company, primarily on the results of operations, financial position or cash flows of the Company.

The statements are based on current plans, estimates, and projections and are subject to change. A number of factors could cause actual results to differ materially from those contained in any forward-looking statement, and the Company undertakes no obligation to update publicly any changes in light of new information or future events.

Peekaboo Beans Inc.

Shareholders and potential investors are cautioned that any such forward-looking statements are not guarantees and involve risks and uncertainties. Actual results may differ from those in the forward-looking statements as a result of various factors, such as general economic and business conditions particularly in Canada and North America, including changes in interest rates, actions by government authorities in Canada, including changes in government regulation in the direct-sales industry; political conditions and future decisions by the Company's directors or executive officers in response to changing conditions; the ability to execute prospective business plans; and misjudgments in the course of preparing forward-looking statements.

Material factors and assumptions underlying the Company's expectations regarding forward-looking statements include, among others: the ability of the Company to obtain financing on acceptable terms; that the Company will be able to maintain appropriate levels of liquidity and working capital; stability in the global economic environment particularly in Canada and the People's Republic of China ("China") and broadly in regard to North America and Canadian interest rates; and that interest rates and foreign exchange rates, particularly with regard to the Canadian dollar, the United States of America ("United States") dollar ("US\$") and to a lesser degree the Renminbi, the currency of China, will not vary materially from current levels.

Shareholders and potential investors are advised that these cautionary remarks expressly qualify in their entirety all forward-looking statements attributable to the Company or persons acting on its behalf contained in this MD&A.

This forward-looking statement dated September 30, 2018, references CSA Staff Notice 51-330 Guidance regarding the Application of Forward-Looking Information Requirements under National Instrument 51-102 Continuous Disclosure Obligations dated November 20, 2009.

Accounting Policy

Financial information for fiscal 2019 and 2018 presented and discussed in this MD&A is prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Significant accounting policies and outline the measurement and other accounting policies that are relevant to understanding Peekaboo's financial statements, business operations, and the direct-selling industry.

Changes in accounting policies distinguish how the Company should present and disclose different types of accounting changes in its financial statements. Changes in accounting policies need to be applied retroactively while changes in accounting estimates are accounted for prospectively.

Critical accounting estimates and judgments outline the estimates and assumptions that management made that can significantly affect Peekaboo's financial statements and include inventory valuation, income taxes, and stock-based compensation during fiscal 2018.

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