

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 June 30, 2020 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 June 30, 2020 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 June 30, 2020– 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 June 30, 2020 – 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	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 June 30, 2020 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 January 28, 2021.

Traci Costa
Name of director or Senior Officer
"Traci Costa"
Signature
Director, President, Chief Executive Officer and
Corporate Secretary
Official Capacity

Issuer Details Name of Issuer Peekaboo Beans Inc.		For Quarter Ended June 30, 2020	Date of Report 01/28/2021
Issuer Address 206-5000 Canoe Pass Way			
City/Province/Postal Code Tsawwassen, British Columbia, V4M 0B3		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 JUNE 30, 2020



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
ASSETS			
Current assets			
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
Total current assets		<u>739,331</u>	<u>1,475,213</u>
Non-current assets			
Right-of-use assets	9	19,445	-
Software and equipment	14	1,261	1,880
Total assets		<u>\$ 760,037</u>	<u>\$ 1,477,093</u>
LIABILITIES AND EQUITY			
Current liabilities			
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
Total current liabilities		<u>1,799,378</u>	<u>1,529,941</u>
Non-current liabilities			
Loans	17	369,518	304,745
Total liabilities		<u>2,168,896</u>	<u>1,834,686</u>
Shareholders' equity			
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)
Total shareholders' equity		<u>(1,408,859)</u>	<u>(357,593)</u>
Total liabilities and equity		<u>\$ 760,037</u>	<u>\$ 1,477,093</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
Gross profit		21,095	6,523	(64,042)	319,327
Operating expenses					
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
Total operating expenses		246,891	473,693	1,168,992	1,989,767
Loss before other expenses		(225,796)	(467,170)	(1,231,034)	(1,663,917)
Other expenses					
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)
Net loss for the period		(220,981)	(504,175)	(1,243,006)	(1,658,627)
Other comprehensive loss					
Currency translation adjustment on foreign operations		249	-	114	(61,003)
Comprehensive loss for the period		\$ (221,230)	\$ (504,175)	\$ (1,242,892)	\$ (1,719,630)
Basic and diluted loss per common share		\$ (0.01)	\$ (0.02)	\$ (0.03)	\$ (0.06)
Weighted average number of common shares outstanding		35,939,952	30,030,662	35,939,952	30,030,662

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, 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)	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)
At June 30, 2019		28,497,695	\$ 13,903,715	\$ 2,653,322	\$ (16,765,818)	\$ (71,198)	\$ 169,644
At September 30, 2019		35,044,885	\$ 14,432,485	\$ 2,732,567	\$ (17,516,573)	\$ (6,073)	\$ (357,594)
Adjustment on adoption of IFRS 16	4	-	-	-	(5,862)	-	(5,862)
At October 1, 2019		35,044,885	\$ 14,432,485	\$ 2,732,567	\$ (17,522,435)	\$ (6,073)	\$ (363,456)
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)
At June 30, 2020		39,044,885	\$ 14,608,085	\$ 2,754,684	\$ (18,765,441)	\$ (6,187)	\$ (1,408,859)

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
OPERATING ACTIVITIES		
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)	-
Cash used in operating activities	(189,098)	(1,201,237)
INVESTING ACTIVITIES		
Purchase of equipment	-	(456)
Cash used in investing activities	-	(456)
FINANCING ACTIVITIES		
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
Cash provided by financing activities	160,992	1,118,158
Effect of foreign exchange on cash	(114)	(61,003)
Change in cash during the period	(28,220)	(144,538)
Cash (bank overdraft), beginning of period	(20,800)	229,089
Cash (bank overdraft), end of period	\$ (49,020)	\$ 84,551

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
Assets			
Right-of-use assets	\$ -	\$ 106,944	\$ 106,944
Total impact on assets	\$ -	\$ 106,944	\$ 106,944
Liabilities			
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	<u>\$ 106,944</u>
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
	\$ 4,948	\$ 70,194	\$ 54,700	\$ 211,506

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
	\$ 70,587	\$ 207,788	\$ 423,303	\$ 602,763

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
	\$ 26,446	\$ 2,996	\$ 138,652	\$ 127,595

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

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>
September 30, 2019	1,917,442	\$ 0.38
Issued	-	-
June 30, 2020	1,917,442	0.38
Exercisable	1,472,442	\$ 0.43

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
	\$ 2,641	\$ 36,673	\$ 22,118	\$ 43,991

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>
September 30, 2019	15,175,181	\$ 0.27
Exercised	(1,810,000)	0.18
Expired	(2,163,981)	0.85
June 30, 2020	11,201,200	\$ 0.17

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

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

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
	\$ 1,799,378	\$ 369,518	\$ -	\$ 2,168,896

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.

SCHEDULE C

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE QUARTER ENDED JUNE 30, 2020**



Peekaboo Beans Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Third Quarter Ended June 30, 2020

August 27, 2020

The following is management's discussion and analysis ("MD&A") of Peekaboo Beans Inc.'s financial condition and results of operations for the period ended June 30, 2020 and 2019 and should be read in conjunction with the audited 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 in this MD&A to "Q3 2020" are to our three months ended June 30, 2020, to "Q3 2019" are to our three months ended June 30, 2019. All financial information is expressed in Canadian dollars ("C\$"). Unless otherwise indicated, a reference to the "Company" or "PK Beans" 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 2020 means the period beginning October 1, 2019 and ending September 30, 2020. In addition, reference will be made to "Notes", which refers to the Notes to the Financial Statements.

The unaudited condensed interim consolidated financial statements and accompanying notes for Q3 2020 and this MD&A were authorized for issue by the Company's Board of Directors.

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"). PK Beans 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.

The Company launched their official rebrand from "Peekaboo Beans" to "PK Beans", with a new modernized name and logo. The change made it to reflect not only the growth of both children wearing the product, but also the business itself. The new logo will provide room of the Company to broaden the size range and the product offering. The new brand, "PK Beans", focus is on high quality and long-lasting children's clothing. They are passionate about the benefits of a playful life for children all while being an ethical company specifically with the manufacturing process and sustainability. Going forward the website will be redirected from www.peekaboobeans.com to www.pkbeans.com. In addition, the new logo will not be printed on the clothing until the Company's Fall 2020 Collection.

During Q3 the Company introduced the adventure subscription box "PKB Explorers Club". This is a monthly subscription that will extend the Company's retail apparel brand into children adventure play space. The objective of this initiative is to enhance the brand and convert the steps taken in marketing into a profitable recurring revenue stream. In addition, this can also be an opportunity to increase licensing prospects and broadening the omni-channel platform.

PKB Explorers' Club is designed for kids to maneuver from digital to active play, thus reinforcing the message that playtime is important and needs to be well balanced for the benefit of children's development. PK Explorers' Club allows children to become immersed into a magical storybook world, conceived by Emmy-winning child psychologists. Each month, children receive a new storybook, with Augmented Reality (AR) components for a balanced digital engagement. In addition, with AR, it includes active play components, such as a dress-up felt board and an adventure map. This subscription is an imagination and ingenuity booster; storytelling ties everything together engaging kids and their imaginations for healthy, purposeful play and learning.

The Company embarked on the first phase of their secondhand resale program, known as "PK Replay," within their flagship store location in BC. With the high quality and longevity of the clothing, being able to offer good quality secondhand pieces is perfect for reaching new and longstanding customers. Meanwhile this will keep clothing out of landfills and having a positive impact on the environment. This is an economic and environmentally new opportunity for the Company as there is rapid growth in the secondhand retail appeal market. After the instore launch in April for Earth day the Company has met positive growth as the second hand and vintage PK Beans styles currently provide a 56% margin and repurposed items boast an 86% gross margin for the Company.

Due to the COVID-19 outbreak, the Company made the decision to close their Flagship store location indefinitely, effective March 19, 2020. On June 2nd the store re-opened resulting in the month to date sales made at the location account for 27% of June's revenues. However, the Company's website does remain open for customers. The Company has been working with manufactures and suppliers to ensure a continued flow of services and inventory during Q3 and for the remainder of 2020.

The Company continues to design and manufacture children's playwear that is stylish, functional and allows free, unstructured play for children. PK Beans 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".



PK Beans' 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 PK Beans 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, PK Beans 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. PK Beans works closely with its third-party contract manufacturers who adhere to a vendor code of ethics regarding social and environmental sustainability practices. PK Beans 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.

The Company's recurring cash requirements include executive and employee salary compensation, distribution and information technology costs, some 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 Q3 2020, the Company generated quarterly sales of \$215,749, a decrease of 57% from Q2 2020 and an increase of 15% over Q3 2019. Other highlights in the quarter include:

- Like most retailers, we extended a temporary closure of our Flagship Store and redirected all initiatives online. Experiencing a 21% increase in sales for April 2020 (over April 2019), online visitors were up 66% from 2019 for April and 32% of sales attributed to first time customers
- PKB Explorers' Club, the Company's monthly subscription interactive adventure series that launched in March, continues to grow with 107 subscribers to date. It has garnered attention through social media, and appeared on higher profile accounts, including Jillian Harris' Instagram stories with 1M+ followers.
- Since launching the PK Beans Summer 2020 Collection, the Company has sold 10% of their inventory and have increased their page views 65% and their new users by 58% year-over-year.

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 2020, the Company will continue to execute on the new Social Retailing business model.



PART 2 – FINANCIAL PERFORMANCE REVIEW

Financial Highlights

Summary of Quarterly Results

The following selected financial data as reported by the Company for Q3 2020, 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.

	2020 Q3	2020 Q2	2020 Q1	2019 Q4	2019 Q3	2019 Q3	2019 Q1	2018 Q4
Revenue	\$ 215,749	\$ 502,957	\$ 547,936	\$ 343,539	\$ 254,873	\$ 413,868	\$ 468,877	\$ 544,992
Net loss	(220,981)	(603,478)	(418,081)	(751,755)	(503,175)	(367,655)	(786,797)	(1,333,582)
Loss per share, basic and diluted	\$ (0.01)	\$ (0.02)	\$ (0.01)	\$ (0.02)	\$ (0.02)	\$ (0.01)	\$ (0.03)	\$ (0.06)

Summary of Reported Results

For the three months ended June 30, 2020

The following analysis of the Company's operating results for Q3 2020, includes a comparison to the corresponding comparative Q3 2019. Please refer to the Interim Consolidated Statements of Comprehensive Loss.

	June 30, 2020	% ¹	June 30, 2019	% ¹	YoY% ²
Sales	\$ 215,749	-	\$ 254,873	-	-15%
Cost of sales					
Cost of goods sold	186,809	87%	235,895	93%	-21%
Stylist commission	7,845	4%	12,455	5%	-37%
Gross profit	21,095	10%	6,523	3%	223%
Operating costs	246,891	114%	473,693	186%	-48%

Sales decreased by 15% from the prior comparative period Q3 2019 due to the decrease on store sales during COVID – 19 pandemic.

Gross margin increased to \$21,095 from \$6,523 a year earlier, as the children's sleepwear which was released in the Spring 2020 Collection, provided higher margins.

Operating expenses related to the operation of the business decreased to \$246,891 compared to \$473,693, a year earlier as a result of streamlining operations and reducing overhead expenses in the current period.

Employee salaries decreased from \$164,038 in the prior comparative period to \$59,576 in the current period.

Professional fees and public company costs increased from \$2,996 in the prior comparative period to \$26,446 in the current period. Distribution and information technology costs decreased from \$70,194 to \$4,948 due to elimination of legacy technology systems relating to the Stylist platform, and due to IFRS 16 changes in the accounting treatment for office and warehouse lease payments.



Share-based compensation for employees and executives totaled \$2,641, down from \$36,673 in the prior comparative period.

Loan interest and other finance cost increased slightly to \$27,501 compared to \$27,409 in the prior comparative period.

The Company reported a net loss of \$221,230 in Q3 2020 compared to \$504,175 in Q3 2019. The basic loss per weighted average number of common shares was \$0.01 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 for Q3 2020, includes a comparison to the corresponding, comparative year end September 30, 2019. 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 amounts receivables and software and equipment.

Total assets decreased to \$760,037 compared to \$1.47-million the previous year as the Company continued to sell through its existing inventory on hand to generate cash.

Cash increased to an overdraft of \$49,020 from \$20,800, while amounts receivables were immaterial as the Company receives payment in full when a customer places a purchase order 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 \$55,376 from \$15,361 as the Company placed some new purchase orders for Fall/Winter 2020 during Q3 2020.

Inventories decreased to \$657,850 from \$1.45 million compared to the prior year as the Company continued to sell through its inventories to generate cash flow.

Prepaid expense increased to \$25,662 from \$10,883 in the prior year, due to the addition of director insurance which required advance payment.

Total debt or liabilities increased 18% to \$2.1 million from the prior year, and includes \$1.8-million in debt that is repayable within the year and \$369,518 in long-term debt.

Debt repayable within the year consisted of trade payables and accrued liabilities of \$1 million, loans that are current totaling \$717,938, commission payable of \$3,728, and lease liabilities of \$21,439.

Current loans include \$83,479 owing to a Canadian apparel finance company and \$116,408 in an unsecured promissory note due to the Company's CEO. Current loans also include \$231,992 by way of an unsecured convertible promissory note owing to the Company's former CFO.

Long-term debts include an unsecured convertible promissory note of \$275,000 in principal, which was received during the previous year.

Trade payables and other accrued liabilities increased 50% from the prior year to \$1,007,253, with the variance over the prior year mostly attributable to timing of payments to vendors and to cash constraints.



Shareholders' equity increased to a deficit of \$1,408,859 from a deficit balance of \$57,593 last year due to net losses during the 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 Q3 2020, the Company used \$28,220 of cash to hold an overdraft of \$49,020 at period-end. Operating activities used \$189,098 in cash predominately from operating losses during the year, a stark improvement from the \$687,835 cash used in operating activities during Q3 2019. Financing activities generated cash of approximately \$160,992 due to loans received, offset by loan repayments of \$40,804.

PART 3 – CAPITALIZATION

As of June 30, 2020:

Shares

As at June 30, 2020, the Company had 39,044,885 common shares issued and outstanding, of which none were held in escrow.

Warrants

The Company has the following warrants outstanding:

- 1,436,200 warrants outstanding exercisable at \$0.30 per share until September 26, 2020
- 375,000 warrants outstanding exercisable at \$0.30 per share until October 4, 2020
- 5,690,000 warrants outstanding exercisable at \$0.15 per share until December 21, 2021
- 120,000 warrants outstanding exercisable at \$0.195 per share until March 22, 2022
- 3,370,000 warrants outstanding exercisable at \$0.15 per share until May 31, 2022
- 210,000 warrants outstanding exercisable at \$0.15 per share until August 7, 2022

During Q2 2020, the Company's warrant exercise incentive program ran from February 14th to March 4th, by which all warrant holders would receive a reduced exercise price of \$0.05 for a period of 20 days. Prior to expiry, the Company announced that the program was to be extended to March 18th. The Company issued 2,060,000 common shares valued at \$103,000 pursuant to exercise of warrants at \$0.05 per share in the current year.

Stock Options

During Q3 2020, no stock options were issued. As at June 30, 2020, the Company had 1,917,442 stock options outstanding, with exercise prices ranging from \$0.10 to \$0.60 and expiry dates ranging from 5 to 10 years after issuance.

Weighted Average Number of Common Shares

The weighted average number of common shares outstanding for Q3 2020 was 39,044,885 and 30,030,662 for Q3 2019. 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 Q3 2020 and 2019:

- (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 \$116,419 by way of an unsecured promissory note bearing interest at 12% per annum. Total interest accrued on the loan during the nine months ended June 30, 2020 is \$12,597 (2019 – \$8,975).

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.

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 Vietnam 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, 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 Q3 2020 and 2019 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 PK Beans' 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 PK Beans' financial statements and include inventory valuation, income taxes, and stock-based compensation during fiscal 2020.

-End of Document-

