Management's Discussion and Analysis of Financial Condition and Results of Operations as at March 31, 2019 and 2018

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 March 31, 2019 and 2018 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 and six months ended March 31, 2019 and or 2018, 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 January 1, 2019 and ending March 31, 2019. 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 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 affiliate 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 dying 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.

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 $723,000 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.

PART 2 – FINANCIAL PERFORMACE REVIEW

Summary of Quarterly Results

The following selected financial data as reported by the Company for the period ended March 31, 2019, which is the second 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 Q2	2019 Q1	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2017 Q4	2017 Q3
Revenue	$ 413,868	$ 468,877	$ 544,992	$ 695,346	$ 752,227	$ 760,541	$ 862,160	$ 976,381
Net loss	(367,655)	(786,797)	(1,333,582)	(439,869)	(935,345)	(677,128)	(1,394,063)	(792,285)
Loss per share, basic and diluted	$ (0.01)	$ (0.03)	$ (0.06)	$ (0.03)	$ (0.07)	$ (0.06)	$ (0.16)	$ (0.09)

Summary of Reported Period Results

For the three months ended March 31, 2019

The following analysis of the Company's operating results for the three months ended March 31, 2019, includes a comparison to the corresponding comparative three months ended March 31, 2018. Please refer to the Interim Consolidated Statements of Comprehensive Loss.

	March 31, 2019	**%[1]**	**March 31, 2018**	**%[1]**	**YoY%[2]**
Sales	**$ 413,868**	**-**	$ 752,227	**-**	-45%
Cost of sales					
Cost of goods sold	**196,778**	**48%**	375,667	50%	-48%
Stylist commission	**6,630**	**2%**	107,477	14%	-94%
Gross profit	**210,460**	**51%**	269,083	36%	-22%
Operating costs	**572,779**	**138%**	1,155,516	83%	-50%
Number of Stylists	**1,500**		1,133		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 caused sales to decline to $413,868 from $752,227 in the prior comparative period as the Company reduced efforts in 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 51% from 36% a year earlier due to the change to the direct sales model and resulting decrease in commissions expense.

Operating expenses related to the operation of the business decreased to $572,779 compared to $1.16-million in the prior comparative period due to the Company significantly reducing overhead and head count. Previous human resources requirements were much greater to support the Stylist sales and training platform.

Administrative expense reduced from $252,564 in the prior comparative period to $174,420 in the current period. Employee salaries decreased from $195,299 in the prior period, to $134,651 in the current period, due to the reduction of staff related to supporting the Stylist sales and training platform.

Professional fees and public company costs decreased slightly from $71,277 in the prior period to $65,691. Distribution and information technology costs increased from $64,221 to $85,680 due to payouts to legacy technology system relating to the Stylist platform.

Share-based compensation for employees and executives totaled $16,747 in the quarter.

Loan interest and other finance costs decreased to $26,040 from $54,121 in the prior period, largely due to the Company repaying outstanding loans during the current fiscal year and reducing its overall debt.

The Company reported an operating loss of $367,655 in the three months ended March 31, 2019 compared to $935,345 in the prior comparative period. The basic loss per weighted average number of common shares was $0.01 and a loss of $0.04 for the respective periods.

Liquidity and Capital Resources

The following analysis of the Company's liquidity and capital resources as at March 31, 2019, 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 $217,438 from $229,089, while receivables were $83,521 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 decreased to $nil from $35,529 as the Spring 2019 product was received during the current quarter.

Inventories increased from $1,815,779 to almost $2-million in the current period, as Spring 2019 product was received into the warehouse.

Prepaid expense decreased from $98,034 in the previous year to $33,961 due to the utilization of investor relation contracts which required advance payment in the prior year.

Total debt or liabilities increased 29% to $2.1-million from the prior period and includes $1.5-million in liabilities that is repayable within the year.

Debt repayable within the year consisted of trade payables and accrued liabilities of $1.12-million, loans that are current totaling $366,461 and commission payable to Stylists of $61,275. Commissions owing to Stylists occur when Stylists elect not to have their sales commissions paid to them but instead applied towards future apparel purchases.

Current loans include $78,250 owing to a Canadian apparel finance company, $96,019 in an unsecured promissory note due to the Company's CEO, and $192,192 in an unsecured promissory note due to the Company's former CFO.

Long-term debts include an unsecured convertible promissory note from a former executive and director of the Company for $247,701 bearing interest at 12% per annum and convertible into the shares and warrants of the Company, and an unsecured convertible promissory note of $288,200, bearing interest at 12% and convertible into shares and warrants of the Company.

Trade payables increased 67% from the prior period to $1.12-million, with the variance over the prior year mostly attributable to timing of payments to vendors.

Shareholders' equity decreased to $224,195 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 March 31, 2019, the Company used $11,651 of cash to hold $217,438 at period end. Operating activities used $673,847 in cash predominately from operating losses during the year and increase in inventory. Financing activities generated cash of $23,655 due to proceeds of private placement share financings and an unsecured convertible promissory note, offset by loan repayments of $226,345.

PART 3 – CAPITALIZATION

As of March 31, 2019:

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:

- 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
- 120,000 warrants outstanding exercisable at $0.195 per share until March 22, 2022

Stock Options

During the year ended September 30, 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.

During fiscal 2018, 870,000 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.

During the six months ended March 31, 2019, 130,000 stock options were issued to employees and directors, exercisable into one common share of the Company at exercise prices of $0.16.

Weighted Average Number of Common Shares

The weighted average number of common shares outstanding for the second quarter of 2019 was 28,497,695 and 13,640,840 for the second 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 six months ended March 31, 2019:

(a) The Company paid its Chief Executive Officer $84,917 (2018 - $44,500) and its former Chief Financial Officer $nil (2018 - $39,250) in salary.

(b) The Company paid $1,320 (2018 - $33,171) in share-based compensation to officers and directors.

(c) The Company owes its former Chief Financial Officer $247,701 under a convertible promissory note. Total interest accrued during the six months ended March 31, 2019 is $14,762 (2018 - $14,780).

(d) The Company owes its Chief Executive Officer $96,019 by way of an unsecured promissory note bearing interest at 12% per annum. Total interest accrued on the loan during the six months ended March 31, 2019 is $5,984.

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 ("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 Vietnam Dong, the currency of Vietnam, 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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