Management's Discussion and Analysis of Financial Condition and Results of Operations as at March 1st, 2017.

The following is management's discussion and analysis ("MD&A") of Peekaboo Beans Inc.'s financial condition and results of operations for the three months ended December 31st, 2016, and should be read in conjunction with the interim financial statements and related notes for the same reporting period. 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 interim financial statements and related notes for the three months ended December 31st, 2016, 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 financial year is the year ending 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 2016 means the period beginning October 1st, 2015 and ending September 30th, 2016. Reference to "reported quarter" means the three calendar months commencing on October 1st of that year and ending on December 31st of that year. 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 is a direct-sales retailer of children's apparel.

The Company 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, "Mothers".

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.

Peekaboo's apparel is sold exclusively through a direct-sales channel of independent sales representatives or "Stylists" in Canada and beginning in the United States. The Company does not own, rent or operate any retail store locations. Peekaboo's direct-sales business offers women the business opportunity to generate income and not sacrifice time with their families.

The direct-sales channel allows for actual product demonstration, and unlike other selling channels Peekaboo's Stylists can provide Mothers with a higher level of service and encourage repeat purchases. As Stylists purchase the apparel themselves for their children, they can provide the first-hand testimonial of the quality of the apparel, which serves as a powerful sales tool and is strengthened by ongoing personal contact and education between the Stylists and Mothers. The Company's network of Stylists encourages friends to host sales parties or "Soirees" in their homes to demonstrate and sell the Company's children's playwear apparel, in return for hosting they will receive free products and discounts.

Peekaboo produces four seasonal collections each fiscal year with the Fall collection being the biggest season for sales. Orders are processed through Peekaboo's online system, and payments are made at Soirees, usually by credit cards. Soirees, act as a business opportunity to sell the product, book more parties, present the direct-sales business opportunity to potential Stylists and market Peekaboo's brand and apparel.

The Company has approximately 1,054 Stylists across Canada as of December 31st, 2016. Mothers become Stylists for a number of reasons. Many become a Stylist to earn part-time money to contribute to their family's income, whereas others are drawn to Peekaboo because they can be their own boss and earn rewards based on their skills and hard work. Mothers join to build a community and give themselves something to work on while staying at home with their children. Peekaboo has ensured that there is an opportunity for all Mothers from any lifestyle to become a Stylist.

Peekaboo's direct-sales business model allows the business to grow quickly with modest investment capital as most of the Company's costs are fixed once the investment has been made in the independent sales representative network, which Peekaboo has done over the past five years. Peekaboo does not incur any incremental direct costs to add new Stylists to the Company's existing markets. Stylist compensation varies directly with sales unlike other children's apparel manufacturers who require significant expenditures for retail store rent in many different locations, retail sales staff and capital to hold inventory across a retail store network or costs for marketing and returned goods if sold through independent retail store network. E-commerce retailers who offer convenience and simplicity operate with thin margins, expensive shipping, extensive online marketing costs and loss of revenue from returned goods. In direct-sales, the Stylists bear the majority of the consumer marketing expenses and sponsor and coordinate a good proportion of the recruiting and training of new Stylists.

Peekaboo's primary drivers for sales growth are growing the Stylist network, Stylist retention and increasing the average revenue per Stylist. Other drivers that influence growth include Stylist and sales manager training and the time and costs to market and recruit new Stylists. Investing in brand awareness through campaigns promoting the importance of play to children's development increases the Stylist retention rate.

The Company's recurring cash requirements include executive and employee salaries, distribution, information technology costs and some administration[1] and public company expenses such as regulatory, shareholder communication and corporate governance[2].

The Company's recurring working capital requirements include financing the lead-time for inventory and apparel production deposits necessary for seasonal direct-sales catalogues. The Company places apparel production deposits several months before the final purchase order, so fabric and design can begin. When the apparel has been delivered to Peekaboo, the apparel is categorized as inventory. Difference in apparel production deposits between comparative periods is due to timing differences for when apparel has been ordered and deposit made. The Company pays for goods before shipment to Canada from China, which is several months before the Company receives payment for goods sold.

The Company sells its apparel and holds cash in Canadian dollars. The fluctuation in the price of the Canadian dollar, US$ and to a lesser degree, the Renminbi may affect financial performance. The economic health of the economies of Canada and to a lesser extent China may affect the financial performance of the Company. As the Company expands into the United States, the health of the US economy will affect financial performance.

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[1] Note 7, "Executive and Employee Compensation", Note 9, "Distribution and Information Technology", Note 8, "Administrative".

[2] Note 10, "Governance, Restructuring and Public Company Costs".

Highlights

- In September 2016, Peekaboo Beans raised over over $1.1-million through the issuance of units priced at $1.05 and listed on the TSX Venture Exchange ("TSXV") under the trading symbol, "BEAN". Each units was priced at $1.05 and consists of one share and one warrant exercisable at $1.25 one year after issuance ("$1.05 Unit Financing),
- Expanded the direct-sales network to approximately 1,054 Stylists across Canada,

Overall Performance

With an established Stylist base, the Company developed and tested a new Stylist compensation and reward program to be more aligned towards a direct-sales channel. The compensation plan is one of the key components for a successful direct-sales company. The Company also formed a leadership group of key Stylists who were trained to become sales leaders in their market and learned how to recruit and train new Stylists. The Company has recruited and will train regional sales managers to manage the growing Stylist sales force.

The Company delayed investing in any growth intiatives until fiscal 2017, which resulted in the sales growing by its organic growth level during the reported quarter. Growth strategies required the Company to fund a permanent source of working capital for increased inventory and apparel production deposits. In anticpation of a delay in the equity financing, the Company arranged a $500,000 bridge loan[3] with Northpark Limited, a venture capital company in January 2017.

PART 2 - FINANCIAL PERFORMACE REVIEW

Summary of Quarterly Results

The Company has not presented quarterly information for its past eight quarters, as it has not prepared quarterly financial statements for such quarters as a private company prior to fiscal 2016.

	December 31, 2016	September 30, 2016	June 30, 2016
Revenue	$ 861,131	$ 931,900	$ 812,586
Net loss and comprehensive loss	(338,035)	(1,523,349)	(416,461)
Basic and diluted loss per share	(0.05)	(0.38)	(0.14)
Weighted average shares outstanding	6,890,108	3,962,251	2,910,728

Summary of Reported Period Results

For the three months ended December 31st, 2016

The following is an analysis of the Company's operating results for the three months ended December 31st, 2016. Peekaboo Beans corresponding comparative results as a private company have been provided for comparative purposes. Please refer to the Statement of Loss.

[3] Note 18, "Events Subsequent to the Reporting Date".

Sales during the first quarter remained flat at $861,131, compared to the same period last year as several growth initiatives were postponed due to the delay in funding. Without the establishment of permanent working capital, the Company would not be able to fund the cash requirements resulting from higher sales growth.

The retention rate of Stylists is an equally important driver of sales and is largely influenced by Peekaboo's apparel and culture. The Stylist base expanded 35% to approximately 1,054 Stylists as of December 31st, 2016 compared to a year earlier. Stylists held on averaged 1,311 Soiree parties during the first quarter 2017 compared to 1,306 a year earlier while the average customer order increased to $155 compared to $125. The Company's main markets continue to be in order of sales were Alberta (37%), British Columbia (33%) and the Maritime provinces (13%).

Cost of sales, which includes direct costs traceable to the manufacturing and sale of children's playwear apparel and includes the cost of goods[4] and Stylist's commissions[5], declined to $711,111 or 83% of sales compared to 89% of sales a year earlier. Cost of goods during the first quarter totaled $501,931 while Stylist's commission was $209,180.

Gross profit, a rough measure of underlying profitability, increased to $150,020 or 17% of sales compared to 11% of sales a year earlier. The Company plans to continue to increase its gross profit margin to 25% of sales through lowering cost of goods.

Operating costs, which are considered indirect costs associated with the overall operation of the Company, did not change materially in the first quarter compared to a year earlier. With proceeds from the financing, the Company increased investment in training sales leaders and marketing to recruit new Stylists and in distribution and information technology, to accommodate a larger and growing Stylists base, during the first quarter compared to a year earlier. The Company had 18 full and part-time employees as of December 2016. The Company's direct-sales business model does not require the Company to operate or rent retail stores, hire retail employee staff or pay advertising and marketing costs to promote its apparel to customers.

Other costs which include finance expense and other expenses did not change materially during the comparative periods.

The Company reported an operating loss of $294,585 in the first quarter of fiscal 2017 compared to an operating loss of $288,191 a year earlier.

The Company reported a net loss of $338,035 in the first quarter of fiscal 2017 compared to a loss of $315,238 a year earlier. The basic loss per weighted average number of common shares was $0.05 and a loss of $0.11 for the respective periods.

Liquidity and Capital Resources

The following is an analysis of the Company's liquidity and capital resources for the fiscal three months ended December 31st, 2016. Peekaboo Beans comparative results as a private company have been provided for comparative purposes. Please refer to the Statement of Financial Position and Statement of Cash Flows.

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[4] Note 4, "Cost of goods"

[5] Note 5, "Stylists commissions"

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

The Company's tangible assets include cash, inventory, and apparel production deposits. Inventories include the Fundamental Collections, which consists of commonly ordered apparel throughout the year, and Stylist Business Supplies, to help Stylists run their direct sales business and inventory reserves. Other assets required for the operation of the Company include trade receivables and software and equipment. The Company does not account for the value of its independent sales network that sells and distributes its apparel or the Peekaboo brand. The Company's direct-sales business model does not require the Company to own retail stores.

Total assets decreased to $1.3-million in the first quarter of fiscal 2017 compared to $1.6-million at year-end due largely to lower inventory levels.

Cash fell to $115,937 from $160,835 at year-end while trade receivables did not change materially during the comparative periods.

At December 31st, 2016, the Company owed $1.3-million in debt that is repayable within the year and $878,691 in long-term debt. Total liabilities declined to $2.2-million in the first quarter of 2017 compared to $2.4-million during the same period last year due to debt holder converting debt into equity. During the three months ended December 31st, 2016, the Company raised $102,900 and converted $152,250 of debt into the $1.05 Unit Financing.

Debt used for the operations of the Company consisted of trade payables and accrued liabilities of $734,264 and commissions owing to Stylists of $141,387 which occurs when Stylists elect not to have their sales commissions paid to them but instead applied towards future apparel purchases.

The Company borrowed $1.3-million in short and long term loans to fund working capital and selective growth initiatives[6]. Short-term debt includes a $273,000 revolving loan from an apparel finance company and a $109,805 demand loan from an independent Company director. Long-term debts include $670,072 in convertible promissory notes and an unsecured $191,984 promissory note bearing 12% interest and due on December 31st, 2017.

The shareholder equity deficiency increased to $845,304 at December 31st, 2016, compared to a deficit of $762,419 at September 30th, 2016.

The statement of cash flows shows the structure of and changes in cash for the three months ended December 31st, 2016. It is broken down into operating activities, investing activities and financing activities. During the first quarter of 2017, the Company used $44,898 of cash to hold $160,835 at December 31st, 2016. Operating activities generate $91,314 in cash compared the use of $532,811 of cash a year earlier due to lower cash required for apparel production deposits due to seasonal ordering timing. Financing activities generated cash of $46,416 largely from proceeds of the $1.05 Unit Financing, net of loan repayments. Other than the aforementioned, other uses and generation of cash flows did not materially affect cash flows during the reported period.

[6] Note 14, "Loans".

PART 3 – CAPITALIZATION

As at December 31st, 2016:

Shares Outstanding
Peekaboo had 7,026,423 shares outstanding of which 952,700 common shares are held in escrow. Subsequent to the reporting period, the Company converted $210,000 of debt into 200,000 shares issued at $1.05 and issued 200,000 warrants exercisable at $1.25 one year after issuance.

Warrants Outstanding
The Company had 2,960,258 warrants outstanding exercisable at $1.25 per share. Subsequent to the reporting period, the Company issued 200,000 warrants exercisable at $1.25 one year after issuance related to the conversion of debt into equity.

Stock Options Outstanding
No stock options have been issued from the Company's stock option plan.

Weighted Average Number of Common Shares
The weighted average number of common shares outstanding for first quarter ending December 31st, 2016 was 6,890,108 and 2,920,865 as of December 31st, 2015. 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[7]
During the three months ended December 31st, 2016 (December 31st, 2015), the Company entered into the following related party transactions:

- Paid its Chief Executive Officer $22,250 (2015 - $22,250) in salary.
- Paid $16,650 in salary and accrued interest of $2,768 on loans from an Executive Manager (2015 – 12,500).
- A director accrued $9,805 in interest under a demand loan, bearing interest at 12% per annum.

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.

[7] Note 16, "Related party transactions"

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 the People's Republic of China ("China") and broadly in regard to North America and Canadian interest rates; and that interest rates and foreign exchange rates, particularly with regard to the Canadian dollar, the United States of America ("United States") dollar ("US$") and to a lesser degree the Renminbi, the currency of China, will not vary materially from current levels.

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

This forward-looking statement dated March 1st, 2017, 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 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").

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