Management's Discussion and Analysis of Financial Condition and Results of Operations as at May 30th, 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 March 31st, 2017, 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 March 31st, 2017, except where otherwise indicated. All financial information is expressed in Canadian dollars ("$"). Unless otherwise indicated, a reference to the "Company" or "Peekaboo" means Peekaboo Beans Inc. The Company's 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 2017 means the period beginning October 1st, 2016 and ending September 30th, 2017. Reference to "reported quarter" means the three months commencing on January 1st of 2017 and ending on March 31st of 2017. In addition, reference will be made to "Notes", which refers to the Notes to the Interim Consolidated Financial Statements.

Organization of the MD&A

PART 1 - OVERVIEW AND OUTLOOK

The Company

Peekaboo Beans 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, lease or operate any retail store locations. Peekaboo's direct-sales business offers stylists the business opportunity to generate income and not sacrifice time with their families. To date, The Company has paid out approximately $2 million in commissions to its Stylists.

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, the hostesses receive free products and discounts.

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 plans 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 Soirees or directly on the Company's website, 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.

At the end of the reporting period ended on March 31, 2017, the Company has 1,111 Stylists across Canada. Mothers become Stylists for a number of reasons. Many become a Stylist to earn part-time money to contribute to their family's income, and some are drawn to Peekaboo because they can be their own boss and earn substantial rewards based on their skills and hard work. Peekaboo Beans has built a community where the Company helps Mothers across Canada connect with each other, who share the same belief in play as the Company and together promote a playful lifestyle for children while also supporting their families at home. Peekaboo has ensured that there is an opportunity for all Mothers of 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 multiple retail store rent, 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 industry, the Stylists bear the majority of the consumer marketing expenses and sponsors coordinate a good proportion of the recruiting and training of new Stylists.

Peekaboo's primary drivers for sales growth are growing the Stylist network, retaining current Stylists and increasing the average sales 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 happens several months before the Company receives payment for goods sold. Up to the public listing of the Company in late September 2016, the Company has used interest-bearing loans from related parties to fund the working capital required for the production-to-payment cycle.

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[1] Note 7, "Executive and Employee Compensation", Note 9, "Distribution and Information Technology", Note 8, "Administrative".
[2] Note 10, "Governance and Public Company Costs".

The Company sells its apparel and holds cash in Canadian dollars. The fluctuation in the price of the Canadian dollar, US dollar 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.

Highlights

- Expanded the direct-sales network to approximately 1,111 Stylists across Canada.
- Initial steps for US expansion in September.
- Improved gross profit by aggressive cost reduction and adjustments to the Stylist's compensation.
- Listed on the TSX Venture Exchange ("TSXV") under the trading symbol, "BEAN".
- Deleveraged the balance sheet by raising a small amount of equity funding and converted $677,250 of debt into equity through the issuance of units priced at $1.05 and each unit consisting of one share and one share purchase warrant to purchase a further share at $1.25 no later than October 2017 ("$1.05 Unit Financing").
- Subsequent to the reporting period, the Company is set to further convert $534,950 of debt into $0.60 Unit Financing, with each unit consisting of one common share of the Company and one-half of common share purchase warrant.
- Arranged favorable bridge loan financing with a Canadian venture capital fund.
- Subsequent to the reporting period, lead by Canaccord Genuity Corp, the Company raised over $1.6 million in equity funding for US expansion, through the issuance of units priced at $0.60 and each unit consisting of one share and one half share purchase warrant to purchase a further share at $0.80 until June 2019 ("$0.60 Unit Financing").
- Build a conservative share structure with 10 million shares and 4.4 million warrants outstanding exercisable at $1.25 and $0.80 and expiring no later than October 2017 and June 2019, respectively. All warrants are subject to an advance exercise period, meaning if at any time during the term of the warrant the volume weighted average price of the Company's common shares on the TSX Venture Exchange is equal to or greater than $1.55 over a period of 10 consecutive trading days.

Overall Performance

Growth strategies required the Company to fund a permanent source of working capital for increased inventory and apparel production deposits and capital to fund the time when apparel orders are paid for and when the Company receives payment from Stylists and customers. Accordingly, growth initiatives were temporary postponed until the establishment of permanent working. The advantage of the direct-sales business model is that it allows Peekaboo the flexibility on when to expand as the majority of expansion costs are variable in nature and borne on the Stylist. In January 2017, the Company arranged a bridge loan with a venture capital fund to finance working capital requirements until the closing of the $0.60 Unit Financing ("Bridge Loan"). Subsequent to the reporting period on May 12, 2017, the Company raised approximately $1.6 million through the issuance of 2,633,001 units pursuant to $0.60 Unit Financing.

The Company deleveraged its balance sheet by converting $677,250 of debt into the $1.05 Unit Financing during the reporting period and a further $534,950 of debt, including the Bridge Loan, into the $0.60 Unit Financing, pending TSXV approval.

The Company's major growth initiative in fiscal 2017, is to fund and prepare for the Company's expansion into the United States beginning with a soft launch in the Pacific Northwest states of Washington and Oregon.

PART 2 - FINANCIAL PERFORMACE REVIEW

Summary of Quarterly Results

The following selected financial data as reported by the Company for the past three fiscal quarters have 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.

The Company has not presented quarterly information for its past eight quarters ending September 30, 2016 as it did not publicly release its quarterly financial statements for such quarters as a private company in and prior to the fiscal year of 2016.

	March 31, 2017 (unaudited)	As percentage (%) of sales	March 31, 2016 (unaudited)	As percentage (%) of sales	Year over year change as a percentage (%)
Sales	$658,635		$928,311		-29%
Cost of sales	502,301	76%	838,541	90%	-40%
Cost of Goods Sold	371,684	56%	596,174	64%	-38%
Stylist commission	130,617	20%	242,367	26%	-46%
Gross profit	156,334	24%	89,770	10%	74%
Operating Costs	377,793	57%	354,877	38%	6%
Total assets	1,437,604		1,770,233		-19%
Total liabilities	1,940,380		1,878,654		3%
Total shareholder equity	-499,530		-108,421		361%
Number of Stylists	1,111		872		27%
Number of Soirees	497		730		-32%

Summary of Reported Period Results

For the six months ended March 31, 2017

The following analysis of the Company's operating results for the six months ended March 31, 2017, includes a comparison against the corresponding comparative period for the six months ended March 31, 2016. Please refer to the Interim Consolidated Statements of Comprehensive Loss.

Sales fell 15% to $1,519,766 during the second quarter compared to the same period last year due to a delay in the manufacturing and inventory shipment of the Spring collection which results in a late sale launch and selling period. The delay was due to lack of working capital during fall 2016, which was rectified, with the establishment of the Bridge Loan in January 2017.

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 27% to approximately 1,111 Stylists as of end of March compared to a year earlier. Stylists held on averaged 1,211 Soiree parties during the second quarter compared to 1,499 a year earlier due to the late Spring selling season. The Company's main markets in order of sales were Alberta (38%), British Columbia (31%) and the Maritime provinces (15%). The Company made modest invested Stylist training, recruitment and marketing in the current and comparative periods due to temporary postponement of growth initiatives.

Cost of sales, which includes direct costs traceable to the manufacturing and sale of children's apparel (cost of goods[4]) and and Stylist's commissions[5], declined 25% to $1.2 million when compared to the previous year. Cost of goods sold fell 22% to $873,615 while Stylist's commissions fell 30% to $339,797 when compared to the year before. The Company restructured its commission payout on discounted items and the Company plans to continue to lower its cost of goods through past and new initiatives.

Gross profit, a rough measure of underlying profitability, increased to $306,354 over the previous year representing 20% of sales compared to 10% of sales a year earlier. The improvement in gross margin is due to strategic increase of retail prices on apparel and lower cost of sales through lower apparel production costs and a modified commission plan. The Company plans to continue to improve its gross profit margin to 25% of sales representing the higher end of direct-sales retailers. Traditional retailers calculate gross profit differently than direct-sales retailers.

Operating costs, which are considered indirect costs associated with the overall operation of the Company, increased 16% to $822,398 compared to $713,724 a year earlier largely due to the addition of governance and public company costs in the reported period. The Company had 18 full and part-time employees at the end of March. The Company's direct-sales business model does not require the Company to operate or lease 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 increased due to the Company's listing on the TSXV and investor relations services. Loan interest increased in the reported period due to the Bridge Loan and other loans.

The Company reported an operating loss of $516,044 compared to a loss of $523,760 in the previous year. The net loss for the reported period was $814,056 compared to a loss of $663,910 in the previous year while basic and diluted loss per weighted average number of common shares was $0.12 and $0.23 for the respective years.

Summary of Reported Period Results

For the three months ended March 31, 2017

The following analysis of the Company's operating results for the three months ended March 31, 2017, includes a comparison against the corresponding comparative period for the three months ended March 31, 2016.

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[4] Note 4 Cost of Sales
[5] Note 5 Stylist Commissions

Sales declined to $658,635 compared to $928,311, while cost of sales declined to $502,301 compared to $838,541, a year earlier. Operating costs totaling $377,793 while finance expenses totaled $253,045 and included loan interest of $106,975 and investor relations expenses of $147,070.

The Company reported an operating loss of $221,459 compared to $265,107 the previous year.

Liquidity and Capital Resources

The following is an analysis of the Company's liquidity and capital resources for the six months ended March 31, 2017, includes a comparison to the Company's year-end, ending September 30th, 2016. Please refer to the Statement of Financial Position and Statement of Cash Flows.

The Company's principal sources of funds are equity and 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. Other assets required for the operation of the Company include trade receivables and software and equipment. The Company does not account for the value for 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 $1.4 million at March 31, 2017 compared to year-end due to lower cash holdings and apparel production deposits.

Cash fell to $31,657 from $160,835 at year-end while trade receivables did not change materially during the comparative periods.

In aggregate, apparel production deposits and inventories during the reported period did not change materially. The Company held apparel production deposits of $172,156 and inventory of $1.2 million at the end of March[6]. The Company places apparel production deposits for upcoming seasonal collections. When the apparel has been delivered to Peekaboo, the apparel is recorded as inventory. Difference in apparel production deposits between comparative periods is due to timing differences for when apparel has been ordered and when deposits are made.

Total liabilities of $2.2 million remained unchanged compared to year-end. Approximately, $534,950 in non-trade debt, which totaled $1.3 million at the end of March, will be repaid pending TSXV approval through the issuance of $0.60 Unit's subsequent to the reporting period.

Debt repayable within the fiscal year consists of trade payables and accrued liabilities of $811,370, loans totaling $424,484 and commissions owing to Stylists of $73,401. Trade payables increased due to the extension of payments to preserve cash flow. Commissions owing to Stylists occurs when Stylists elect not to have their sales commission paid to them in the same period it is earned but instead leave it in the Company's reserve, available for future payout in cash or direct application to their apparel purchases. Current loans include $273,000 owing to a Canadian apparel finance company and a demand loan from a director of the Company for $113,054 and which was repaid subsequent to March.

[6] Note 3, "Apparel Production Deposits and Inventories".

Long-term debts include an $187,556 unsecured loan bearing interest at 12% per annum and a convertible promissory note from the Chief Financial Officer of the Company for $267,047 bearing interest at 8% and convertible into the $1.05 Unit Financing. Also included in long-term debts is a $462,633 convertible promissory note, which was repaid through the repayment of cash and pending TSXV approval conversion of principal into the $0.60 Unit Financing subsequent to March.

The shareholder equity deficiency remained materially unchanged at $796,325 at the end of March compared to year-end.

The statement of cash flows shows the structure of and changes in cash for the six months ended March 31, 2017. During the reported period, the Company used $129,178 of cash to hold $31,657 at the end of March. Operating activities used $716,145 in cash predominantly to finance operating losses, while financing activities generated cash of $586,966 from the Bridge Loan and proceeds from the $1.05 Unit financing. Other than the aforementioned, other uses and generation of cash did not materially affect cash flows during the reported period.

PART 3 - CAPITALIZATION

The Company has authorized unlimited common shares without par value. As at March 31st, 2017:

Shares Outstanding

Peekaboo had 7,526,423 shares outstanding of which 952,700 common shares are held in escrow. On March 30, 2017, the Company converted $315,000 of debt into 300,000 shares issued at $1.05 and issued 300,000 warrants exercisable at $1.25 one year after issuance.

Warrants Outstanding

The Company had 3,460,258 warrants outstanding exercisable at $1.25 per share. On March 30, 2017, the Company issued 300,000 warrants exercisable at $1.25 one year after issuance related to the conversion of debt into equity.

Stock Options Outstanding

Subsequent to the reporting period, on May 12, 2017, the board of directors of the Company granted an aggregate of 855,000 incentive stock options pursuant to the Company's stock option plan to certain directors, officers and consultants. The options are exercisable at a price of $0.60 for a period of 10 years.

Weighted Average Number of Common Shares

The weighted average number of common shares outstanding for second quarter ending March 31st, 2017 was 7,031,692. 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[10]

During the three months ended March 31st, 2017 (March 31st, 2016), the Company entered into the following related party transactions:

- Paid its Chief Executive Officer $45,558 (2016 - $44,500) in salary.
- Paid $40,904 (2016 - $0) in salary to and accrued interest of $15,289 on loans from its Chief Financial Officer (2015 – 12,500). As at March 31, 2017, the Chief Financial Officer was owed $267,047 under a convertible promissory note
- Owed $100,000 plus $13,054 in accrued interest under a demand loan, bearing interest at 12% per annum to a director's spouse

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 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.

[10] Note 17, "Related party transactions"

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").

Going Concern

These unaudited consolidated financial statements have been prepared on a going concern basis, which presumes the realization of assets and settlement of liabilities in the normal course of operations in the foreseeable future. The continuing operations of the Company are dependent upon its ability to raise adequate financing and commence profitable operations in the future.

These unaudited consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. The factors indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

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