PEEKABOO BEANS INC.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Peekaboo Beans Inc.

We have audited the accompanying consolidated financial statements of Peekaboo Beans Inc., which comprise the consolidated statements of financial position as at September 30, 2017 and 2016, and the consolidated statements of comprehensive loss, changes in deficiency and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Peekaboo Beans Inc. as at September 30, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without modifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describe matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Peekaboo Beans Inc.'s ability to continue as a going concern.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
January 29, 2018

PEEKABOO BEANS INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	Note	September 30, 2017	September 30, 2016
ASSETS			
Current assets			
Cash		$ 183,880	$ 160,835
Trade receivables		8,879	4,386
Apparel production deposits	6	63,512	321,670
Prepaid expense		209,541	94,174
Inventories	7	1,134,727	1,024,355
Total current assets		1,600,539	1,605,420
Non-current assets			
Software and equipment	14	4,374	8,287
Total assets		1,604,913	1,613,707
LIABILITIES AND DEFICIENCY			
Current liabilities			
Trade payables and accrued liabilities	15	$ 671,214	$ 775,121
Commissions payable	8	106,892	116,714
Current portion of bank debt	17	20,100	18,430
Loans	17	695,949	622,866
Total current liabilities		1,494,155	1,533,131
Non-current liabilities			
Long-term debt	17	-	591,237
Loans	17	246,821	251,758
Total liabilities		1,740,975	2,376,126
Shareholders' deficiency			
Share capital	16	9,345,299	6,578,386
Reserves	16	2,239,816	1,379,968
Deficit		(11,721,177)	(8,720,773)
Total shareholders' deficiency		(136,062)	(762,419)
Total liabilities and deficiency		$ 1,604,913	$ 1,613,707

Note 1 - Nature of Operations and Going Concern
Note 20 - Commitments
Note 24 - Events Subsequent to the Reporting Date

On behalf of the Board of Directors of Peekaboo Beans Inc. on January 29, 2018

/s/ Traci Costa
Ms. Traci Costa, CEO and Director

/s/ Darrell Kopke
Mr. Darrell Kopke, Director

The accompanying notes are an integral part of these consolidated financial statements.

PEEKABOO BEANS INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

	Note	Year Ended September 30, 2017	2016
Sales		$ 3,358,307	$ 3,540,449
Cost of goods sold	7	2,076,342	2,231,163
Commissions		749,375	855,104
Gross profit		532,591	454,182
Operating expenses			
Stylists training, recruitment and marketing	9	241,763	315,529
Administrative	10	443,003	244,270
Distribution and information technology	11	267,090	161,738
Executive and employee salary compensation	12	860,928	750,248
Share-based compensation	16	313,518	-
Professional fees and public company costs	13	386,031	139,801
Investor relations		411,473	-
Inventory obsolescence	7	102,821	-
Operating loss		(3,026,628)	(1,611,586)
Loss before other expenses		(2,494,037)	(1,157,404)
Other expenses			
Listing costs	5	-	1,268,042
Loss on debt settlement	16	197,740	-
Interest and finance costs		286,794	110,752
Foreign exchange and other expense		21,833	16,612
Net loss and comprehensive loss for the year		$ (3,000,404)	$ (2,552,809)
Basic and diluted loss per common share		$ (0.35)	$ (0.66)
Weighted average number of common shares outstanding		8,520,038	3,855,072

The accompanying notes are an integral part of these consolidated financial statements.

PEEKABOO BEANS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIENCY
(Expressed in Canadian dollars)

	Note	Number of shares	Share capital	Obligation to issue shares	Share subscriptions receivable	Reserves	Deficit	Total
Balance at September 30, 2015		3,851,885	$ 3,818,620	$ 1,000,335	$ (5,000)	$ 1,225,520	$ (6,167,964)	$ (128,489)
Cash received for shares previously issued		-	-	-	5,000	-	-	5,000
Obligation to issue units now issued	16	952,700	1,000,335	(1,000,335)	-	-	-	-
Issuance of shares for cash	16	1,000,447	900,402	-	-	150,067	-	1,050,469
Share issue costs and warrants	16		(21,524)	-	-	4,381	-	(17,143)
Recapitalization transaction:								
Shares of North Group	5	978,391	880,553	-	-	-	-	880,553
Reversal of shares of PBI		(5,805,032)	-	-	-	-	-	-
Shares issued on reverse takeover	5	5,805,032	-	-	-	-	-	-
Net loss		-	-	-	-	-	(2,552,809)	(2,552,809)
Balance at September 30, 2016		6,783,423	6,578,386	-	-	1,379,968	(8,720,773)	(762,419)
Issuance of units for cash	16	3,588,001	2,124,646	-	-	72,255	-	2,196,900
Issuance of units for debt	16	878,111	544,429	-	-	180,179	-	724,608
Issuance of units on conversion of debt	16	645,000	449,100	-	-	228,150		677,250
Finders warrants	16	-	(65,746)	-	-	65,746	-	-
Share issuance costs	16	-	(285,515)	-	-	-	-	(285,515)
Share-based compensation	16	-	-	-	-	313,518	-	313,518
Net loss		-	-	-	-	-	(3,000,404)	(3,000,404)
Balance at September 30, 2017		11,894,535	$ 9,345,299	$ -	$ -	$ 2,239,816	$ (11,721,177)	$ (136,062)

The accompanying notes are an integral part of these consolidated financial statements.

PEEKABOO BEANS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	Year Ended September 30, 2017	2016
OPERATING ACTIVITIES		
Loss for the year	$ (3,000,404)	$ (2,552,809)
Adjustments for:		
Net cash acquired on reverse takeover	-	9,474
Share-based payments	313,518	-
Loss on settlement of debt	197,740	-
Accrued interest expense on loan	24,316	11,923
Amortization	4,440	4,573
Inventory obsolescence	102,821	
Non-cash listing costs	-	880,553
Changes in non-cash working capital items:		
Trade receivables	(4,493)	1,676
Inventories	(213,193)	169,734
Apparel production deposits	258,158	(101,388)
Prepaid expenses and deposits	(115,367)	(94,174)
Trade payables and accrued liabilities	(40,796)	61,106
Cash used in operating activities	(2,473,260)	(1,609,332)
INVESTING ACTIVITIES		
Purchase of equipment	(527)	-
Cash used in investing activities	(527)	-
FINANCING ACTIVITIES		
Bank loan repayment	(21,770)	(44,940)
Other loan advances	607,219	787,626
Private placement, net of issuance costs	1,911,385	1,038,326
Cash provided by financing activities	2,496,834	1,781,012
Change in cash during the year	23,045	171,680
Cash (bank overdraft)at beginning of year	160,835	(10,845)
Cash, end of year	$ 183,880	$ 160,835
Supplemental cash flow information:		
Interest paid	$ 114,552	$ 26,886
Income taxes paid	$ -	$ -
Other non-cash transactions:		
Shares issued for settlement of debt	$ 544,429	$ -
Shares issued for settlement of notes payable	$ 677,250	$ -

The accompanying notes are an integral part of these consolidated financial statements.

PEEKABOO BEANS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Peekaboo Beans Inc. designs children playwear apparel which is sold through a direct-sales network of independent sales representatives, referred to as “stylists”. Stylists encourage parents to host sales parties or “Pop-ups” in their homes to demonstrate and sell the playwear apparel.

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

On September 23, 2016, the Company completed its reverse takeover transaction (“RTO”) with Peekaboo Beans Inc. (“PBI”) whereby PBI listed its shares on the TSX Venture Exchange (“TSXV”). These consolidated financial statements present the historical financial information of PBI up to the date of the RTO and the consolidated financial information thereafter. Peekaboo Beans Inc. and its wholly-owned subsidiaries are referred to as the “Company” or “Peekaboo Beans” (Note 5).

To date, the Company has incurred losses and further losses are anticipated as the Company further develops its business. The continuing operations of the Company are dependent upon its ability to generate profitable operations in the future, and to continue to secure additional financing. There can be no assurance that the Company will be successful in its efforts to raise additional financing or if financing is available or that it will be on terms that are acceptable to the Company. These events and conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

The Company’s common shares are listed for trading on the TSX Venture Exchange (TSXV”) in Canada under the trading symbol, “BEAN”.

2. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The Company’s board of directors approved the release of these financial statements on January 29, 2018.

These financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are measured at fair value, as explained in the significant accounting policies set out in Note 3. The financial statements are presented in Canadian dollars and all financial amounts, other than per-share amounts, are rounded to the nearest dollar. The functional currency of the Company is the Canadian dollar.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Consolidation

The following entities have been consolidated within these financial statements:

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

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

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

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

(b) Foreign Currency Transactions

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

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

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

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

(c) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. For cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash. The Company had no cash equivalents as at September 30, 2017 and 2016.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Inventory

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

(e) Sales revenue recognition and other income

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

(f) Cost of sales

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

(g) Software and equipment

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

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

(h) Stock-based compensation

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial instruments

Financial assets and liabilities are classified into one of five categories: fair value through profit and loss ("FVTPL"), held-to-maturity, loans and receivables, available-for-sale ("AFS") financial assets or financial liabilities at amortized cost. All financial instruments, including derivatives, are measured at the statement of financial position date at fair value except for loans and receivables, held-to-maturity investments and financial liabilities, which are measured at amortized cost. The Company has made the following classifications:

- Cash and trade receivables are classified as "Loans and Receivables". After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method.
- Trade payables, commissions payable, loans and bank debt are classified as "Other Financial Liabilities". After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method.

At each reporting date, the Company assesses whether there is objective evidence that a financial asset has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

(j) Loss per share

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

(k) Taxation

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it arises in a business combination, or from items recognized directly in equity or other comprehensive loss/income.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax is provided using the asset and liability method of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Taxation continued

Deferred income tax assets and deferred income tax liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(l) New Standards, Interpretations and Amendments Issued But Not Yet Effective

Certain pronouncements, issued by the IASB or the IFRIC, were adopted during the year, or are mandatory for the Company's fiscal years beginning on or after October 1, 2017 or are required to be adopted in future periods. The following pronouncements are relevant to the financial statements, although none of these are expected to have a material effect on financial statement presentation:

(i) IFRS 9, "Financial Instruments: Recognition and Measurement" replaces the requirements of IAS39, "Financial Instruments: Recognition and Measurement". This final version of IFRS 9 brings together the classification and measurements as well as impairment and hedge accounting phases of the project to replace IAS 39. In addition to the new requirements for classification and measurement of financial assets, a new general hedge accounting model and other amendments issued in previous versions of IFRS 9, the standard also introduces new impairment requirements that are based on a forward-looking expected credit loss model. These changes are applicable for annual periods beginning on or after January 1, 2018. The Company has not yet assessed the future impact of this new standard on its financial statements.

(ii) IFRS 15, "Revenue from contracts with customers" replaces the requirements of IAS 11, "Construction Contracts", and IAS 18, "Revenue and related interpretations". This standard specifies the steps and timing for issuers to recognize revenue as well as requiring them to provide more informative, relevant disclosures. These changes are applicable for annual periods beginning on or after January 1, 2017, with earlier application permitted. The standard is effective for the Company's fiscal year beginning October 1, 2017. The Company does not expect this standard to have an effect on its financial statements.

(iii) IFRS 16 "Leases" replaces IAS 17 "Leases" and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 15.

There are no other pending IFRSs or IFRIC interpretations that are expected to be relevant to the Company's financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing these financial statements, the Company makes estimates and assumptions concerning the future that affect the amounts recorded. Actual results could differ from these estimates. Estimates and assumptions are based on historical experience, expectations of future events and other factors considered by management to be reasonable. The estimates and assumptions that could result in a material impact to the carrying amounts of assets and liabilities are outlined below:

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Use of Estimates

(a) Inventory Valuation

The Company records a write-down to reflect management's best estimate of the net realizable value of inventory which includes assumptions and estimates for future sell-through of units, selling prices as well as disposal costs, where appropriate, based on historical experience. Management continually reviews the carrying value of its inventory, to assess whether the write-down is adequate, based on current economic conditions and an assessment of sales trends.

(b) Stock-based Compensation

The Company measures the cost of equity-settled transactions with employees and consultants by reference to the fair value of equity instruments at the date on which they are granted. Estimating fair value for share-based payments requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the assumptions with respect to the expected life of the option, volatility and dividend yield.

Use of Judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgements, apart from those involving estimates, in applying accounting policies. The most significant judgements applying to the Company's financial statements include the assessment of the Company's going concern and expected life of equipment.

5. REVERSE TAKEOVER

On September 23, 2016, North Group issued 5,805,032 of its common shares for the acquisition of 100% of the 5,805,032 issued and outstanding common shares of PBI (Note 1). As a result of the RTO, the shareholders of PBI acquired control of the resulting consolidated group. Therefore, the transaction was accounted for as PBI being the acquirer and North Group being the acquiree. Under this basis of accounting, the consolidated group is considered to be a continuation of PBI, with the net identifiable assets of North Group deemed to have been acquired at fair value by PBI.

The fair value of the consideration paid by PBI for the acquisition of North Group was determined based on the fair value of the 978,391 shares of the consolidated entity that was held by the existing shareholders of North Group on completion of the RTO. The fair value of these shares was determined to be $0.90 per share for total consideration of $880,553. The consideration paid was first allocated to the fair value of the identifiable assets and liabilities of North Group. Because North Group did not meet the definition of a business as defined by IFRS 3, the excess was recorded as an expense in the statement of comprehensive loss and attributed to the cost of listing the Company's shares on the TSXV.

The Company also incurred $285,296 in legal and $54,250 in accounting and audit-related costs in conjunction with the reverse takeover transaction, which have been included in the listing costs in the consolidated statement of comprehensive loss for the year ended September 30, 2016.

5. REVERSE TAKEOVER (continued)

Fair value of North Group shares issued for RTO (at $0.90 per share)	**$**	**880,553**
Net assets of North Group acquired:		
Cash		9,747
Payables		(159,303)
Debt		(567,797)
Intercompany advances		669,408
Excess of fair value of consideration paid over net assets acquired		(47,945)
Listing cost on RTO		928,496
Other listing costs		339,546
Total listing costs	**$**	**1,268,042**

6. APPAREL PRODUCTION DEPOSITS

		2017		**2016**
Apparel Production Deposits	$	63,512	$	321,670

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 the People's Republic of China ("China") and conduct business transactions in United States dollars (USD).

7. INVENTORIES

Inventory consist of children's playwear apparel which is purchased from third party manufacturers. As at September 30, 2017, the Company holds finished goods of $1,134,727 (2016 - $1,024,355).

Inventory expensed in net loss and included in cost of sales for the year ended September 30, 2017 was $1,885,113 (2016 - $1,978,982) The Company recorded obsolete inventory write-downs as the management determined the net realizable value of inventories from 2015 collections and prior are lower than cost. The inventory obsolescence amount recognized in the statement of comprehensive loss was $102,821 (2016 – $nil).

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 September 30, 2017 commissions earned but unpaid totalled $106,892 (2016 - $116,714), recorded as commissions payable.

9. STYLISTS TRAINING, RECRUITMENT, AND MARKETING

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

	2017	**2016**
Training	$ 134,004	$ 121,009
Recruitment	5,994	49,300
Marketing	101,765	145,220
	$ 241,763	**$ 315,529**

(Expressed in Canadian dollars)

10. ADMINISTRATIVE

	2017	2016
Credit card processing and miscellaneous	$ 92,122	$ 77,637
Consulting	238,155	76,357
Insurance	54,333	9,569
Office and general	4,701	55,307
Travel, meals and entertainment	53,693	25,400
	$ 443,004	**$ 244,270**

11. DISTRIBUTION AND INFORMATION TECHNOLOGY

	2017	2016
Rent and utilities	$ 87,009	$ 91,061
Information technology	180,081	70,677
	$ 267,090	**$ 161,738**

12. EXECUTIVE AND EMPLOYEE COMPENSATION

	2017	2016
Executive officer salaries	$ 167,467	$ 89,000
Executive manager salaries	-	66,590
Employee salaries	693,461	594,658
	$ 860,928	**$ 750,248**

13. PROFESSIONAL FEES AND PUBLIC COMPANY COSTS

	2017	2016
Professional fees	$ 143,469	$ 76,518
Public company costs	242,562	63,283
	$ 386,031	**$ 139,801**

14. SOFTWARE AND EQUIPMENT

	Computer Hardware	Computer Software and Development	Total
Cost			
Balance, September 30, 2016 and 2015	$ 4,520	$ 42,616	$ 47,136
Acquisitions	527	-	527
Balance, September 30, 2017	**$ 5,047**	**$ 42,616**	**$ 47,663**
Accumulated Amortization			
Balance, September 30, 2015	$ 1,554	$ 32,718	$ 34,272
Amortization	734	3,839	4,573
Balance, September 30, 2016	2,288	36,557	38,845
Amortization	858	3,585	4,440
Balance, September 30, 2017	**$ 3,146**	**$ 40,142**	**$ 43,288**
Net Book Value			
As at September 30, 2016	**$ 2,232**	**$ 6,055**	**$ 8,287**
As at September 30, 2017	**$ 1,901**	**$ 2,474**	**$ 4,374**

(Expressed in Canadian dollars)

15. TRADE AND OTHER PAYABLES

	2017	**2016**
Trade payables	$ 461,702	$ 669,297
Accruals	58,060	8,819
Customer deposits	49,378	-
Other non-trade payables	102,072	97,005
	$ 671,212	**$ 775,121**

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 September 30, 2017, the Company had 11,894,535 common shares issued and outstanding, of which 445,620 were held in escrow. Details of the issuance of share capital are as follows:

(a) Issued and Outstanding

During the year ended September 30, 2017, the Company:

i) Issued 98,000 units for aggregate proceeds of $102,900 at a price of $1.05 per unit. Each unit consisted of one share and one share purchase warrant to purchase another share at $1.25 for a period of one year. The share purchase warrants were valued at $24,500 using the residual method. The Company paid share issuance costs of $7,203 and issued 9,800 share purchase warrants exercisable at $1.25 for agent's commission. The finder warrants were valued at $5,030.

ii) Issued 645,000 units for the conversion of $677,250 in loans. Each unit consisted of one share and one share purchase warrant to purchase another share at $1.25 for a period of two years. The share purchase warrants were valued at $228,150 using the residual method.

iii) Issued 2,633,001 units at a price of $0.60 per unit for aggregate proceeds of $1,579,801. Each unit consisted of one share and one half share purchase warrant exercisable at $0.80 per warrant for a period of two years. The share purchase warrants were valued at $26,330 using the residual method. The Company paid share issuance costs of $169,606 and issued 111,930 finders' warrants exercisable at $0.80 per finder warrant. The finder warrants were valued at $43,348.

iv) Issued 857,000 units at a price of $0.60 per unit for aggregate proceeds of $514,200. Each unit consisted of one share and one half share purchase warrant exercisable at $0.80 per warrant for a period of two years. The share purchase warrants were valued at $21,425 using the residual method. The Company paid share issuance costs of $108,706 and issued 47,887 finders' warrants. The finder warrants were valued at $17,369.

v) Issued 878,111 units for the conversion of $526,867 in debt. Each unit consisted of one share and one half share purchase warrant to purchase another share at $0.80 for a period of two years. The Company recorded the shares at their fair value of $544,429. The 439,055 warrants were determined to have a value of $180,179 using the Black-Scholes Option Pricing Model with the following assumptions: volatility - 146%; risk-free interest rate - 1.08%; expected life - 2 years; dividend yield - 0%. As a result, the Company realized a loss of $197,740.

(Expressed in Canadian dollars)

16. SHARE CAPITAL (continued)

(a) Issued and Outstanding (continued)

During the year ended September 30, 2016, the Company:

i) Issued 1,000,447 units for aggregate gross proceeds of $1,050,469. Each unit is priced at $1.05 per unit, with each unit consisting of one common share and one share purchase warrant to purchase another share at $1.25 until September 23, 2017. The Company paid finder's fees in connection with a portion of the unit financing, comprised of an aggregate cash fee of $17,143 (7% of the gross proceeds raised from subscriptions introduced by such finders) and 23,323 warrants.

ii) Issued 952,700 common shares pursuant to shares held in escrow and recorded as obligation to issue shares during the year ended September 30, 2015.

All outstanding warrants' exercise period 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 TSXV is equal to or greater than $1.55 over a period of 10 consecutive trading days.

(b) Stock Options

During the year ended September 30, 2016, the Company adopted a stock option plan which conforms to the rules and policies of the TSXV. The stock option plan will be a 10% rolling plan, whereby the total number of common shares that may be reserved for issuance will be 10% of the issued and outstanding shares of the Company at the time of grant, less any shares reserved for issuance pursuant to the grant of stock options under any other share compensation arrangements.

During the year ended September 30, 2017, 875,000 stock options were issued to management, staff and consultants. The options are exercisable into one common share of the Company at an exercise price of $0.60 until May 12, 2019.

A summary of options activity to September 30, 2017 is as follows:

	Options Outstanding	Weighted Average Exercise Price
September 30, 2016	**-**	**$ -**
Issued	875,000	$ 0.60
September 30, 2017	**875,000**	**$ 0.60**
Exercisable	**772,500**	

Share-based compensation for the year ended September 30, 2017 was $313,518 (2016 - $nil).

	2017	2016
Executive officer and director stock-based compensation	$ 251,385	$ -
Employee stock-based compensation	37,279	-
Consultant stock-based compensation	24,854	-
	$ 313,518	**$ -**

The grant date fair value of the options granted was $352,393 which was valued using the Black-Scholes Option Pricing Model with the following assumptions:

	2017
Volatility	213.18%
Risk-free interest rate	0.68%
Expected life of option	2 years
Dividend yield	0%

(Expressed in Canadian dollars)

16. SHARE CAPITAL (continued)

(c) Warrants

A summary of warrant activity to September 30, 2017 is as follows:

	Warrants Outstanding	Weighted Average Exercise Price
September 30, 2015	1,203,688	$ 1.25
Issued	1,503,770	1.25
September 30, 2016	2,707,458	1.25
Issued	3,096,669	0.87
Expired	(3,052,458)	1.25
September 30, 2017	**2,751,669**	**$ 0.82**

At September 30, 2017, the weighted average remaining life of the outstanding warrants is 1.62 years (2016 – 0.99 years).

During the year ended September 30, 2017, a total of 169,617 (2016 – 23,323) agent or finders' warrants were issued and were valued using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	2017	2016
Volatility	153.43%	73.2%
Risk-free interest rate	0.78%	1.6%
Expected life of warrant	1.94 years	4 to 10 years
Dividend yield	0%	0%

17. LOANS

		2017	2016
Current loans:			
Bank debt, current portion	(a)	$ 20,100	$ 18,430
Short-term loans	(b), (c), (d),(e)	695,949	622,866
		716,049	641,296
Non-current loans:			
Bank debt, non-current portion	(a)	-	23,440
Convertible promissory note	(f)	246,820	251,758
Long-term promissory note	(d)	-	567,797
		-	842,995
		$ 962,869	**$ 1,484,291**

(a) Bank debt
The Company has outstanding long-term loans from the Business Development Bank of Canada ("BDC") which bear interest at BDC's floating base rate plus a variance of 3.1% to 3.5% per year and are due before September 2018.

(b) Loan
As at September 30, 2017, the outstanding balance of an unsecured demand loan, bearing interest of 12% per annum is $8,091 (2016 - $106,581) from a relative of a director. During the year ended September 30, 2017, total interest accrued on the loan was $13,444 (2016 - $3,496). On September 28, 2017, the Company settled $111,935 of the then outstanding debt by issuing shares for debt.

17. LOANS (continued)

(c) Apparel loans

As at September 30, 2017, the Company has an apparel loan of $278,250 (2016 - $273,000) owing to an apparel finance company of which a former Director of the Company was an officer and shareholder. The loan is secured by specific apparel inventory and is charged a quarterly finance fee (Note 19).

(d) Venture capital convertible loan

During the year ended September 30, 2016, Northpark Limited (a company with a former director in common) advanced $555,000 under a promissory note for a loan of up to $700,000. The loan was due on December 31, 2017, bears interest at 15% per annum and is convertible into units of the Company at $1.05 per unit. As additional consideration for the loan, Northpark Limited received 480,000 warrants. 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 additional warrants. During the year ended September 30, 2017, Northpark Limited converted a total of $1,019,250 of the rolling promissory note into 970,714 units of the Company at a price of $1.05 per unit. Each unit consisted of one common share and one share purchase warrant exercisable at $1.25 per share for a period of one year.

As at September 30, 2017, the outstanding balance is $221,068 (2016 - $567,762). During the year ended September 30, 2017, total interest accrued on the loan was $97,930 (2016 - $nil).

(e) Unsecured Promissory note

The Company has an $188,540 (2016 – $188,292) unsecured promissory note bearing interest at 12% per annum, maturing on December 31, 2017. Total interest accrued on the loan during the year ended September 30, 2017 is $22,801 (2016 - $16,045). The loan in currently being renegotiated.

(f) Executive officer convertible promissory note

The Company's Chief Financial Officer is owed $246,821 (2016 - $251,758) by way of an unsecured convertible promissory note. The loan was originally due December 31, 2017, bore interest at 8% per annum and was convertible into units at $1.05 per unit but was amended on September 28, 2017. The loan is now due on December 31, 2019, bearing interest of 12% per annum and convertible into units at $0.60 per unit. Each unit will consist of one share and one half of one share purchase warrant, one whole 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 year ended September 30, 2017 is $17,277 (2016 - $4,937).

18. LOSS PER SHARE

Diluted loss per share for the years ended September 30, 2017 and 2016 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 year ended September 30, 2017 and 2016:

(a) The Company paid its Chief Executive Officer $89,000 (2016 - $89,000) and its Chief Financial Officer $78,467 (2016 - $66,590) in salary (Note 12).

(b) The Company recorded $258,479 (2016 - $nil) in share-based compensation to officers and directors.

(c) At September 30, 2017, the Company owes its Chief Financial Officer (former Executive Manager) $32,031 (2016 - $nil) for unpaid expense reimbursement and $246,821 (2016 - $251,758) under an unsecured convertible promissory note (Note 17). Total interest accrued during the year ended September 30, 2017 was $17,277 (2016 - $4,937) (Note 17).

(Expressed in Canadian dollars)

19. RELATED PARTY TRANSACTIONS (continued)

(d) During the year ended September 30, 2016, the Company incurred a total of $80,175 in fees to former directors and officers of North Group. At September 30, 2016, $52,123 was owing to these parties.

(e) During the year ended September 30, 2017, a company with a former director in common converted a total of $1,019,250 of a promissory note into 970,714 units of the Company at a price of $1.05 per unit (Note 17).

(f) Refer to note 17(b)

20. COMMITMENTS

The Company has entered into the following agreements:

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 the lease is as follows:

2018	$ 46,475

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 September 30, 2017, the Company had a cash balance of $183,880 (2016 - $160,835) available to settle current liabilities of $1,494,155 (2016 - $1,533,131). The Company's liquidity follows a seasonal pattern based on the timing of inventory purchases. The Company expects to finance its inventory purchases and administrative expenditures through cash flows from operations, bank debt, as well as equity financing (Note 24).

The following table identifies the undiscounted contractual maturities of the Company's financial liabilities as at September 30, 2017:

	Within one year	After one but not more than five years	After five years	Total
Trade and other payables	$671,214	$ -	$-	671,214
Commissions payable	106,892	-	-	106,892
Short-term loan	695,949	-	-	695,949
Convertible note	-	246,821	-	246,821
Bank debt	20,100	-	-	20,100
	$1,494,155	**$246,821**	**$-**	**$1,740,976**

21. FINANCIAL INSTRUMENTS (continued)

Market Risk – foreign exchange risk

At September 30, 2017, a majority of the Company's inventory purchases are in United States dollars. All of the Company's revenues and future equity raised is expected to be predominantly in Canadian dollars. Accordingly, the United States 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 United States dollar. At September 30, 2017, the Company does not have significant financial assets or liabilities denominated in United States dollars.

In order to protect itself from the risk of losses should the value of the Canadian dollar decline compared to the foreign currency, the Company may consider using forward contracts to fix the exchange rate of a portion of its expected United States dollar requirements. The contracts will be matched with anticipated foreign currency purchases.

Financial instruments that potentially subject the Company to cash flow interest rate risk include financial assets and liabilities with variable interest rates and consist of cash and the credit facility. As at September30, 2017, cash consisted of cash on hand and balances with banks.

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

Fair Values

At September 30, 2017 and 2016, 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 September 30, 2017, the Company's capital is composed of interest bearing debt, its loan facility and bank debt, 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 bank loans, other 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, short-term debt and bank 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 year ended September 30, 2017.

(Expressed in Canadian dollars)

23. INCOME TAXES

	2017	2016
Net loss before income taxes	$ (3,000,404)	$ (2,552,809)
Income tax rate	27.7%	18%
Expected income tax benefit	(830,356)	(458,816)
Non-deductible expenses	136,582	189,271
Share issue costs	(74,234)	-
Adjustment to prior years provision versus statutory tax returns	2,815,677	-
Effect of RTO	-	(191,993)
Change in valuation allowance	(2,047,669)	461,538
	$ -	$ -

The Company recognizes tax benefits on losses or other deductible amounts generated where it is probable the Company will generate taxable income to utilize its deferred tax assets. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	2017	2016
Deferred income tax assets:		
Non-capital losses	$ 2,510,707	$ 846,073
Net capital losses	426,275	71,373
Equipment	6,535	2,709
Share issuance costs and other	453,243	1,783
Unrecognized deferred income tax assets	(3,396,760)	(921,938)
	$ -	$ -

The non-capital losses expire in the year 2007 through 2027.

24. EVENTS SUBSEQUENT TO THE REPORTING DATE

On December 20, 2017, the Company closed a private placement consisting of 2,488,500 common shares at a price of $0.60 per share for aggregate gross proceeds of $1,493,100. A commission of $101,440 was paid and an aggregate of 169,066 Agents warrants were issued. Each warrant is exercisable for one common share at a price of $0.60 per common share for a period of 24 months. A corporate finance fee was settled with the issuance of 105,666 common shares.