PEEKABOO BEANS INC.

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 AND 2017

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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, 2018 and 2017, and the consolidated statements of comprehensive loss, changes in equity (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, 2018 and 2017 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 28, 2019

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

	Note	September 30, 2018	September 30, 2017
ASSETS			
Current assets			
Cash		$ 229,089	$ 183,880
Trade receivables		16,031	8,879
Apparel production deposits	5	35,529	63,512
Prepaid expense		98,034	209,541
Inventories	6	1,815,779	1,134,727
Total current assets		2,194,462	1,600,539
Non-current assets			
Software and equipment	13	2,568	4,374
Total assets		$ 2,197,030	$ 1,604,913
LIABILITIES AND EQUITY (DEFICIENCY)			
Current liabilities			
Trade payables and accrued liabilities	14	$ 735,547	$ 671,213
Commissions payable	7	75,571	106,892
Current portion of bank debt	16	-	20,100
Loans	16	563,597	695,949
Total current liabilities		1,374,715	1,494,154
Non-current liabilities			
Loans	16	245,202	246,821
Total liabilities		1,619,917	1,740,975
Shareholders' equity (deficiency)			
Share capital	15	13,065,242	9,345,299
Reserves	15	2,629,257	2,239,816
Deficit		(15,107,191)	(11,721,177)
Accumulated other comprehensive loss		(10,195)	-
Total shareholders' equity (deficiency)		577,113	(136,062)
Total liabilities and equity (deficiency)		$ 2,197,030	$ 1,604,913

Note 1 - Nature of Operations and Going Concern
Note 19 - Commitments
Note 24 - Events Subsequent to the Reporting Date

On behalf of the Board of Directors of Peekaboo Beans Inc. on January 28, 2019

/s/ Traci Costa	/s/ Darrell Kopke
Ms. Traci Costa, CEO and Director	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, 2018	2017
Sales	22	$ 2,753,106	$ 3,358,307
Cost of goods sold	6	2,008,971	2,179,163
Commissions		448,377	749,375
Gross profit		295,758	429,769
Operating expenses			
Stylists training, recruitment and marketing	8	417,017	241,763
Administrative	9	628,910	443,003
Distribution and information technology	10	328,910	267,090
Executive and employee salary compensation	11	1,112,012	860,928
Share-based compensation	15	171,151	313,518
Professional fees and public company costs	12	387,345	386,031
Investor relations		461,192	411,473
Total operating expenses		3,506,537	2,923,806
Loss before other expenses		(3,210,779)	(2,494,037)
Other expenses			
Loss on debt settlement	15	-	197,740
Interest and finance costs		195,897	286,794
Foreign exchange (gain) loss		(20,662)	21,833
Net loss for the year		(3,386,014)	(3,000,404)
Other comprehensive loss			
Currency translation adjustment on foreign operations		(10,195)	-
Comprehensive loss for the year		$ (3,396,209)	$ (3,000,404)
Basic and diluted loss per common share		$ (0.21)	$ (0.35)
Weighted average number of common shares outstanding		15,903,857	8,520,038

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

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

	Note	Number of shares	Share capital	Reserves	Deficit	Accumulated Other Comprehensive Loss	Total
Balance at September 30, 2016		6,783,423	$ 6,578,386	$ 1,379,968	$ (8,720,773)	$ -	$ (762,419)
Issuance of units for cash	15	3,588,001	2,124,646	72,255	-	-	2,196,900
Issuance of units for debt	15	878,111	544,429	180,179	-	-	724,608
Issuance of units on conversion of debt	15	645,000	449,100	228,150			677,250
Finders warrants	15	-	(65,746)	65,746	-	-	-
Share issuance costs	15	-	(285,515)	-	-	-	(285,515)
Share-based compensation	15	-	-	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)
Issuance of units for cash	15	8,681,833	3,833,533	89,500	-	-	3,923,033
Finders warrants	15	-	(138,601)	138,601	-	-	-
Share issuance costs on corporate finance shares	15	254,832	-	-	-	-	-
Exercise of agents' warrants	15	25,333	15,200	-	-	-	15,200
Reallocation of warrant exercise value	15	-	9,811	(9,811)	-	-	-
Share-based compensation	15	-	-	171,151	-	-	171,151
Net loss		-	-	-	(3,386,014)	-	(3,386,014)
Currency translation adjustment		-	-	-	-	(10,195)	(10,195)
Balance at September 30, 2018		**20,856,533**	**$ 13,065,242**	**$ 2,629,257**	**$ (15,107,191)**	**$ (10,195)**	**$ 577,113**

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, 2018	2017
OPERATING ACTIVITIES		
Loss for the year	$ (3,386,014)	$ (3,000,404)
Adjustments for:		
Share-based payments	171,151	313,518
Loss on settlement of debt	-	197,740
Accrued interest expense on loan	92,265	24,316
Amortization	1,807	4,440
Changes in non-cash working capital items:		
Trade receivables	(7,153)	(4,493)
Inventories	(681,052)	(110,372)
Apparel production deposits	27,983	258,158
Prepaid expenses	111,507	(115,367)
Trade payables and accrued liabilities	33,013	(40,796)
Cash used in operating activities	(3,636,493)	(2,473,260)
INVESTING ACTIVITIES		
Purchase of equipment	-	(527)
Cash used in investing activities	-	(527)
FINANCING ACTIVITIES		
Loan repayments	(346,336)	(21,770)
Loan advances	100,000	607,219
Share issuances, net of issuance costs	3,938,233	1,911,385
Cash provided by financing activities	3,691,897	2,496,834
Effect of foreign exchange on cash	(10,195)	-
Change in cash during the year	45,209	23,045
Cash, beginning of year	183,880	160,835
Cash, end of year	**$ 229,089**	**$ 183,880**
Supplemental cash flow information:		
Interest paid	$ 57,460	$ 114,552
Income taxes paid	$ -	$ -
Other non-cash transactions:		
Shares issued for settlement of debt	$ -	$ 544,429
Shares issued for settlement of notes payable	$ -	$ 677,250
Shares issued for financing	$ 175,274	$ -

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

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) 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. Peekaboo Beans Inc. and its wholly-owned subsidiaries are referred to as the "Company" or "Peekaboo Beans".

To date, the Company has incurred losses and further losses are anticipated as the Company 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 Canadian Securities Exchange ("CSE") 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 28, 2019.

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.	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 dollar.

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.

The financial results and position of foreign operations whose functional currency is different from presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date; and
- Income and expenses are translated at monthly average exchange rates during the year.

Exchange differences arising on translation of foreign operations are transferred directly to currency translation on foreign operations on the statement of comprehensive loss and are reported as a separate component of equity in accumulated other comprehensive loss. These differences are recognized in profit or loss in the year in which the operation is disposed of.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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, 2018 and 2017.

(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, 2018 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 does not expect this standard to have a material impact on its financial statements.

(ii) IFRS 15 "Revenue from Contracts with Customers" was issued May 2015 and specified how and when an entity will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The Company has determined that the adoption of IFRS 15 will not have a material impact 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. The Company is currently assessing the impact of this standard on its financial statements.

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.

(c) 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. APPAREL PRODUCTION DEPOSITS

		2018		2017
Apparel Production Deposits	$	35,529	$	63,512

The Company is required to make deposits to its manufacturers to secure production. The deposits made will be credited against final purchase invoice after the inventory is shipped to the Company's warehouse.

The Company's contract manufacturers are located in Vietnam and conduct business transactions in United States dollars (USD).

6. INVENTORIES

Inventory consist of children's playwear apparel which is purchased from third party manufacturers. As at September 30, 2018, the Company holds finished goods of $1,815,779 (2017 - $1,134,727).

Inventory expensed in net loss and included in cost of sales for the year ended September 30, 2018 was $2,008,971 (2017 - $2,179,163). The Company recorded obsolete inventory write-downs as the management determined the net realizable value of inventories from 2016 and 2017 collections and prior are lower than cost. The inventory obsolescence amount recognized in the statement of comprehensive loss during the year ending September 30, 2018 was $206,000 (2017 – $102,821) and was recorded in cost of goods sold.

7. 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, 2018 commissions earned but unpaid totalled $75,571 (2017 - $106,892), recorded as commissions payable.

(Expressed in Canadian dollars)

8. 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.

	2018	2017
Training	$ 88,472	$ 134,004
Recruitment	8,455	5,994
Marketing	320,090	101,765
	$ 417,017	**$ 241,763**

9. ADMINISTRATIVE

	2018	2017
Credit card processing and miscellaneous	$ 68,532	$ 92,122
Consulting	375,253	238,155
Insurance	13,715	54,333
Office and general	78,227	4,701
Travel, meals and entertainment	93,183	53,692
	$ 628,910	**$ 443,003**

10. DISTRIBUTION AND INFORMATION TECHNOLOGY

	2018	2017
Rent and utilities	$ 87,548	$ 87,009
Information technology	241,362	180,081
	$ 328,910	**$ 267,090**

11. EXECUTIVE AND EMPLOYEE COMPENSATION

	2018	2017
Executive officer salaries	$ 227,521	$ 167,467
Employee salaries	884,491	693,461
	$ 1,112,012	**$ 860,928**

12. PROFESSIONAL FEES AND PUBLIC COMPANY COSTS

	2018	2017
Professional fees	$ 312,055	$ 143,469
Public company costs	75,290	242,562
	$ 387,345	**$ 386,031**

(Expressed in Canadian dollars)

13. SOFTWARE AND EQUIPMENT

	Computer Hardware	Computer Software and Development	Total
Cost			
Balance, September 30, 2016	$ 4,520	$ 42,616	$ 47,136
Acquisitions	527	-	527
Balance, September 30, 2017	5,047	42,616	47,663
Acquisitions	-	-	-
Balance, September 30, 2018	**$ 5,047**	**$ 42,616**	**$ 47,663**
Accumulated Amortization			
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
Amortization	570	1,237	1,807
Balance, September 30, 2018	**$ 3,716**	**$ 41,379**	**$ 45,095**
Net Book Value			
As at September 30, 2017	**$ 1,901**	**$ 2,474**	**$ 4,374**
As at September 30, 2018	**$ 1,331**	**$ 1,237**	**$ 2,568**

14. TRADE AND OTHER PAYABLES

	2018	2017
Trade payables	$ 430,251	$ 461,702
Accruals	206,093	58,060
Customer deposits	-	49,378
Other non-trade payables	99,203	102,073
	$ 735,547	**$ 671,213**

15. 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, 2018, the Company had 20,856,533 common shares issued and outstanding, of which 301,717 were held in escrow. Details of the issuance of share capital are as follows:

(a) Issued and Outstanding

During the year ended September 30, 2018, the Company:

i) Issued 2,488,500 common shares pursuant to private placement at a price of $0.60 per share for aggregate gross proceeds of $1,493,100. A commission of $101,400 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, valued at $68,643. A corporate finance fee was settled with the issuance of 105,666 common shares, valued at $63,400 and recorded as share issuance cost.

ii) Issued 2,983,333 units for aggregate proceeds of $2,237,500 at a price of $0.75 per unit pursuant to a brokered private placement. Each unit consisted of one share and one half of one share purchase warrant to purchase another share at $1.00 for a period of two years. The share purchase warrants were valued at $89,500 using the residual method. The Company paid share issuance costs of $267,136 and issued 238,666 share purchase warrants exercisable for two years at $0.75 for agent's commission. The finders' warrants were valued at $64,055. The Company also issued the agents 149,166 units with a fair value of $111,875 as a corporate finance fee in connection with the private placement.

15. SHARE CAPITAL (continued)

(a) Issued and Outstanding (continued)

iii) Issued 3,210,000 units for aggregate proceeds of $642,000 at a price of $0.20 per unit pursuant to a non-brokered private placement. Each unit consisted of one share and one half of one share purchase warrant to purchase another share at $0.30 until September 26, 2020. The share purchase warrants had no value under the residual method since the fair value of common shares was equal to the private placement unit price on the date of issuance. The Company paid share issuance costs of $80,991 and issued 81,200 share purchase warrants exercisable for two years at $0.30 for agent's commission. The finders' warrants were valued at $5,903.

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.

(b) Stock Options

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

During the year ended September 30, 2018, 850,000 stock options were issued to consultants and management, exercisable into one common share of the Company at exercise prices of $0.24 to $0.80 and expiry dates ranging from 5 to 10 years after issuance.

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.

(Expressed in Canadian dollars)

15. SHARE CAPITAL (continued)

(b) Stock Options (continued)

A summary of options activity to September 30, 2018 is as follows:

	Options Outstanding		Weighted Average Exercise Price
September 30, 2016	**-**	**$**	**-**
Issued	875,000		0.60
September 30, 2017	**875,000**		**0.60**
Issued	870,000		0.70
Forfeited/cancelled	(75,000)		0.60
September 30, 2018	**1,670,000**	**$**	**0.65**
Exercisable and vested	**1,195,000**	**$**	**0.60**

Share-based compensation for the year ended September 30, 2018 was $171,151 (2017 - $313,518).

	2018	2017
Executive officer and director stock-based compensation	$ 61,052	$ 251,385
Employee stock-based compensation	31,586	37,279
Consultant stock-based compensation	78,513	24,854
	$ 171,151	**$ 313,518**

The grant date fair value of the options granted was $230,370 (2017 - $352,393) which was valued using the Black-Scholes Option Pricing Model with the following assumptions:

	2018	2017
Volatility	66-76%	213.18%
Risk-free interest rate	1.5%	0.68%
Expected life of option	2 years	2 years
Dividend yield	0%	0%

(c) Warrants

A summary of warrant activity to September 30, 2018 is as follows:

	Warrants Outstanding		Weighted Average Exercise Price
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
Issued	3,660,181		0.64
Exercised	(25,333)		0.60
Expired	(107,800)		1.25
September 30, 2018	**6,278,717**	**$**	**0.71**

At September 30, 2018, the weighted average remaining life of the outstanding warrants is 1.25 years (2017 – 1.62 years).

During the year ended September 30, 2018, a total of 488,932 (2017 – 169,617) finders' or corporate finance warrants were issued and were valued using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	2018	2017
Volatility	82-147%	153.43%
Risk-free interest rate	0.68-1%	0.78%
Expected life of warrant	2 years	1.94 years
Dividend yield	0%	0%

(Expressed in Canadian dollars)

16. LOANS

		2018	2017
Current loans:			
Bank debt, current portion	(a)	$ -	$ 20,100
Short-term loans	(b)-(e)	563,597	695,949
		563,597	716,049
Non-current loans:			
Convertible promissory note	(f)	245,202	246,821
		$ 808,799	**$ 962,870**

Movement on bank debt

	Amount
Balance at September 30, 2017	$ 20,100
Interest	1,120
Repayments	(21,220)
Balance at September 30, 2018	**$ -**

Movement on short term loans

	Amount
Balance at September 30, 2017	$ 695,949
Additions	100,000
Interest	63,232
Repayments	(295,584)
Balance at September 30, 2018	**$ 563,597**

Movement on convertible promissory note

	Amount
Balance at September 30, 2017	$ 246,821
Interest	27,913
Repayments	(29,532)
Balance at September 30, 2018	**$ 245,202**

(a) Bank debt

The Company had outstanding long-term loans from the Business Development Bank of Canada ("BDC") which bore interest at BDC's floating base rate plus a variance of 3.1% to 3.5% per year and were repaid prior to September 30, 2018.

(b) Loan

During the year ended September 30, 2018, the Company repaid the remaining $8,481 (2017 - $8,091) balance of an unsecured demand loan bearing interest of 12% per annum, owing to a relative of the director.

(c) Apparel loans

As at September 30, 2018, the Company has an apparel loan of $278,250 (2017 - $278,250) 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.

16. LOANS (continued)

(d) Unsecured Promissory notes

(i) The Company has a $184,722 (2017 – $188,540) 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, 2018 is $22,498 (2017 - $22,801). The loan is currently being renegotiated.

(ii) As at September 30, 2018, the Company's Chief Executive Officer is owed $100,625 by way of an unsecured promissory note bearing interest at 12% per annum, maturing on November 12, 2018. Total interest accrued on the loan during the year ended September 30, 2018 is $625. The loan is currently being renegotiated.

(e) Venture capital convertible loan

At September 30, 2017, the Company had an outstanding convertible loan of $221,068 with Northpark Limited (a company with a former director in common). During the year ended September 30, 2018, total interest accrued on the loan was $8,770 (2017 – $97,930) and the balance of $229,838 was fully repaid.

(f) Executive officer convertible promissory note

The Company's former Chief Financial Officer is owed $245,202 (2017 - $246,821) 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, 2018 is $29,532 (2017 - $17,277).

17. LOSS PER SHARE

Diluted loss per share for the years ended September 30, 2018 and 2017 is the same as basic loss per share as the effect of warrants and options would be anti-dilutive.

18. RELATED PARTY TRANSACTIONS

During the year ended September 30, 2018 and 2017:

(a) The Company paid its Chief Executive Officer $149,021 (2017 - $89,000), which included $27,771 of retroactive pay, and its Chief Financial Officer $78,500 (2017 - $78,467) in salary (Note 11).

(b) The Company recorded $61,052 (2017 - $258,479) in share-based compensation to officers and directors.

(c) At September 30, 2018, the Company owes its Chief Financial Officer (former Executive Manager) $nil (2017 - $32,031) for unpaid expense reimbursement and $245,202 (2017 - $246,821) under an unsecured convertible promissory note (Note 16). Total interest accrued during the year ended September 30, 2018 was $29,532 (2017 - $17,277) (Note 16).

(d) At September 30, 2018, the Company owes its Chief Executive Officer $100,625 under an unsecured promissory note (Note 16). Total interest accrued during the year ended September 30, 2018 was $625.

(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.

(Expressed in Canadian dollars)

19. 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:

2019	$ 46,475

20. 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, 2018, the Company had a cash balance of $229,089 (2017 - $183,880) available to settle current liabilities of $1,374,715 (2017 - $1,494,154). 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.

The following table identifies the undiscounted contractual maturities of the Company's financial liabilities as at September 30, 2018:

	Within one year	After one but not more than five years	After five years	Total
Trade and other payables	$ 735,547	$ -	$ -	$ 735,547
Commissions payable	75,571	-	-	75,571
Short-term loan	563,597	-	-	563,597
Convertible note	-	245,202	-	245,202
	$ 1,374,715	**$ 245,202**	**$ -**	**$ 1,619,917**

20. FINANCIAL INSTRUMENTS (continued)

Market Risk – foreign exchange risk

At September 30, 2018, a majority of the Company's inventory purchases are in United States dollars. A majority 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, 2018, 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 September 30, 2018, 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 was the only financial liability bearing a variable interest rate. It was recorded at amortized cost.

Fair Values

At September 30, 2018 and 2017, 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.

21. CAPITAL MANAGEMENT

As at September 30, 2018, the Company's capital is composed of interest bearing debt, its loan facility, and shareholders' equity. The Company's primary objectives, when managing its capital, are to maintain adequate levels of funding to support the manufacturing operations of the Company and to maintain corporate and administrative functions.

The Company defines capital as 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, 2018.

(Expressed in Canadian dollars)

22. REVENUE SEGMENTS

Geographic information – revenue from external customers:

	2018	2017
Canada	$ 2,601,819	$ 3,358,307
USA	151,287	-
Total	$ 2,753,106	$ 3,358,307

23. INCOME TAXES

	2018	2017
Net loss before income taxes	$ (3,386,014)	$ (3,000,404)
Income tax rate	27.3%	27.7%
Expected income tax benefit	(923,723)	(830,356)
Non-deductible expenses	48,147	136,582
Share issue costs	(103,900)	(74,234)
Adjustment to prior years provision versus statutory tax returns	(306,667)	2,815,677
Impact of future income tax rates applied vs current statutory rate	(132,351)	-
Change in valuation allowance	1,210,694	(2,047,669)
	$ -	$ -

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:

	2018	2017
Deferred income tax assets:		
Non-capital losses	$ 3,530,663	$ 2,510,707
Net capital losses	469,365	426,275
Equipment	168,729	6,535
Share issuance costs and other	437,697	453,243
Unrecognized deferred income tax assets	(4,607,454)	(3,396,760)
	$ -	$ -

The non-capital losses expire in the year 2008 through 2028.

24. EVENTS SUBSEQUENT TO THE REPORTING DATE

On December 21, 2018, the Company closed a non-brokered private placement to issue 5,850,000 units at a price of $0.10 per unit for gross proceeds of $585,000. Each unit comprises of one common share and one share purchase warrant exercisable at $0.15 until December 21, 2021. In connection with the private placement, the Company issued 340,000 common shares and 340,000 warrants.

On January 15, 2019, 30,000 stock options were issued to a director, exercisable into one common share of the Company at an exercise price of $0.155 and expiring on January 15, 2029.