



**TINKERINE STUDIOS LTD.**

**1<sup>st</sup> Quarter Report 2016**

**For the three months ended March 31, 2016**



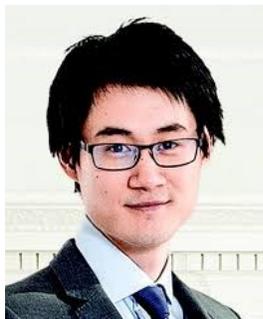
*Ditto™ Pro 3D Printer & Tinkerine U online 3D content*



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**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FOR**  
**Tinkerine Studios Ltd. (“the Company”)**



**President’s Message**

Tinkerine Studios passed many milestones in 2015, designing and manufacturing one of the worlds most user friendly and reliable 3D printers, winning countless awards, and bringing true value to 3D printing education with STEAM based content and training tools, all this spite aggressive competitive entry.

The competitive landscape of 3D printing has continued to evolve at a fast pace in this space. But this is only Day 1 for 3D printing. Today we build literacy and push the forefront of applications that showcases not only the untapped capabilities of the technology but also build the foundations of knowledge and skill set for our customers. Tomorrow, we provide simple and powerful tools to personalize, and accelerate the process of discovery and bringing new ideas to life. Tinkerine U, our online platform is designed to address the very problem of literacy in 3D, to build the foundation that will move us forward as a company alongside our customers. This strategy is not without risks, it requires crisp execution against established market leaders.

*A long term emphasis*

Our decisions have consistently reflected our mission to simplify the tools, to expand the human mind and to allow for new creations to emerge and to this we stay focused. We measure ourselves in terms of metrics most indicative of our market leadership in 3D printing education. Customer satisfaction, revenue growth, and our ability to educate our customers to better understand the capabilities and to better utilize the tools in which we provide. As we expand we will continue to invest in our 3D printing products and training platform.

I would like to bring attention to our whole team for their continuing contribution in seeing Tinkerine succeed. I also thank our shareholders for their support as we execute our business strategy and look forward to future developments and regular updates on our expanding sales figures.

Sincerely,

Eugene Suyu

President and CEO, Tinkerine Studios

## Financial Highlights

	Three Months Ended March 31st 2016	Three Months Ended March 31st 2015
Income	\$ 171,689	\$ 108,542
Cost of Goods Sold	107,117	85,191
Gross Margin	64,572	23,361
Earnings/Loss before interest, tax, depreciation and amortization)	(214,480)	(405,966)
Net Income (Loss)	(311,224)	(525,037)
Net Comprehensive Income (Loss)	(311,223)	(475,027)
Basic and Diluted income(loss) per share	-0.01	-0.01
Weighted average number of common shares		
Basic and Diluted	43,122,964	42,026,505

# Management's Discussion and Analysis of the Financial Position and Results of Operations

May 30, 2016

The following discussion and analysis regarding the financial position and results of operations provides information of the operations and financial results of Tinkerine Studios Ltd. ("the Company") that the management believes is relevant for the review, assessment and understanding the Company's unaudited condensed consolidated interim financial statements for the three months ended March 31, 2016. The Management's Discussion and Analysis (MD&A) should be read in conjunction with the unaudited consolidated interim financial statements. Readers may want to refer to the December 31, 2015 audited financial statements and the accompanying notes which are available at [www.sedar.com](http://www.sedar.com).

## Background and Description of the Business

Tinkerine Studios Ltd is one of Canada's largest designer, producer and distributor of 3D printers, with its innovative software and through TinkerineU supports the growing related online educational content market.

Tinkerine designs, manufactures and distributes 3D printers in Canada, USA and to the APAC region.

The Company's product offering is the Ditto, Litto and Ditto Pro which are well priced in each segment of the market and are gaining a reputation for quality 3D printers and innovative, high quality educational support.

The financial information in this MD&A is based on the Company's unaudited consolidated interim financial statements which have been prepared in Canadian dollars, in accordance with International Financial Reporting Standard ("IFRS").

## Non-IFRS Measures

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) in Canadian dollars. Certain supplementary information and measures not recognized under IFRS are also provided in this MD&A where management believes they assist the reader in understanding Tinkerine's results. These measures are calculated by Tinkerine on a consistent basis unless otherwise specifically explained. These measures are further explained as follows:

*EBITDA* – means net earnings or losses before interest, taxes, depreciation, amortization, foreign exchange gains and losses and stock-based compensation. EBITDA is a metric used to assess the financial performance of an entity. Management believes that this metric assists in determining the ability of the Corporation to generate cash from operations.

*Cash flow from operations* – means cash flow from operations before changes in non-cash operating working capital. This measure is not intended to be an alternative to cash provided by operating activities as provided in the consolidated statements of cash flows, comprehensive income or other measures of financial performance calculated in accordance with IFRS. Cash flow from operations assists management and investors in analyzing operating performance and leverage.

## Q1 2016 Overview and Highlights

The Company's principal business is the design, manufacture and distribution of 3D printers, software and related online educational content. It is also the exclusive supplier of the filament that is used in the printer

- Q1 2016 revenue of \$171,689 was 58% above Q1 2015 revenue of \$108,542
- Tinkerine continues to expand their sales channels and their dealer network to grow their sales in the next 3 quarters as the Company builds to expand and strengthen the dealer network for our Ditto™ Pro 3D printers internationally and in the United States.

- In Q1 2016 revenue derived by geographic segment was Canada – 153,388 and United States – 18,301 versus geographic segmented sales in Q1 2015 of Canada – \$42,118, United States – 43,746 and Other – 22,688

Earnings before interest, taxes, depreciation, amortization, foreign exchange gains and losses and stock-based compensation (EBITDA) improved by \$191,486 to a loss of \$214,480 in Q1 2016 from a loss of \$405,966 in Q1 2015.

The Company's net loss for Q1 2016 dropped to \$311,224 compared to the net loss of \$528,624 in Q1 2015. This improvement is attributable to our sales growth of 58% and the implemented measures to decrease our controllable expenses and our total cash expenses to approximately \$277,670 in Q1 2016 from \$483,164 in Q1 2015.

#### **Q1 2016 Financial Highlights**

- **58% increase in sales revenue.**
- **177% increase in gross margin.**
- **32% decrease in expenses.**
- **EBITDA in Q1 2016 of \$214,480 versus \$405,966 in Q1 2015.**
- **Working capital increased in Q1 2016 by 14% to \$820,062 from \$718,159 in Q4 2015**
- **An improvement of 54% in the quarterly cash deficit from operating activities of \$243,520 in Q1 2016 versus deficit of \$528,559 in Q1 2015.**

### ***Detailed Discussion and Analysis of Operating Results for the Periods Ended March 31<sup>st</sup> 2016 and March 31 2015***

#### **1. Revenue**

Revenue was \$171,689 for the three months ended March 31, 2016 versus \$108,542 for the comparative period Q1 2015.

For Q1 2016, revenue was represented by 84% hardware sales, 9.5% filament and 6.5% services/miscellaneous. Comparatively revenue for Q1 2015 was represented by 88% hardware sales, 10% filament and 2% services/miscellaneous

The number of 3D printers sold in Q1 2016 was represented by the sale of 82 3D printers compared to 54 3D printers sold in the first quarter of 2015

Filament Revenue for Q1 2016 increase by 55% to \$19,813.82 compared to \$12,756.95 in Q1 2015. Sales increase can be directly attributed to the increase in printer sales as well the Company has expanded the product line and increase the variety of filaments available for use with the 3D printer

#### **2. Gross Profit Margins**

Gross profit for the three months ended March 31, 2016 was \$64,572 or 38% versus \$23,351 or 21.5% for the three month ended March 31, 2015. Comparative margins are skewed higher in the three months ended March 31, 2016 due to operating efficiencies in this quarter. Q1 2016 gross profit margin of 38% also benefited by the strength of the US dollar relative to the Canadian dollar based on the limited sales to the United States in this quarter. However, the gross margin was offset by the trade discounts offered to our dealers as part of the overall dealer partner support program.

#### **3. Expenses**

In Q1 2016 the Company incurred \$375,796 of total expenses compared to \$551,975 in Q1 2015. The Company's RTO occurred in April 2014 and expenditures prior to that time were more limited. The Company has implemented measures to decrease our controllable expenses and our total cash expenses to approximately \$277,670 in Q1 2016 from \$483,164 in Q1 2015. We continued to review departmental budgets and corporate spending in certain areas and these are further discussed below.

Highlighted quarterly expenses include the following:

- Remuneration and benefits was \$131,762 for Q1 2016 versus \$204,917 for Q1 2015. Staffing levels were adjusted in all functional areas, including the reduction in business development and investor relations staff. Also the Chief Financial Officer was internally replaced in January by one of the founders
- Stock based compensation was \$79,339 in Q1 2016 versus approximately \$62,380 in Q1 2015. This is a non-cash expense and represents the fair value of stock options granted and outstanding using a Black Scholes calculation. Under IFRS, the expense is recognized as the options vest each quarter with a larger proportion of the expense recognized in earlier quarters. In this quarter the directors passed a resolution to amend the exercise price on all 2,425,000 issued options to \$0.075. Also in this quarter key employees were issued with a total of 1,075,000 share options at the exercise price of \$0.075.
- Professional and consulting fees were \$32,856 for Q1 2016 versus \$86,999 in Q1 2015. In Q1 2016 we continued to review and reduce consulting costs particularly expenses related to consultant and investor relations.
- Product promotion, trade shows and travel was \$10,868 for Q1 2016 versus \$67,399 in Q1 2015. We changed our trade show strategy and focused on selective trade shows where key metrics like leads and attendance versus expense were used to determine participation in the trade show. These costs predominantly relate to marketing, branding, advertising and attending trade shows and while we strive to maintain meaningful marketing activities each quarter such costs are not incurred evenly from period to period but are based on the timing of the trade show.

#### 4. Other Income and Expenses

During Q1 2015 the Company completed a research and development project that was partially funded by the National Research Council of Canada for which we recognized grant income of \$50,000.

#### **LIQUIDITY**

As at March 31, 2016, the Company had net working capital of \$820,062 compared to \$718,159 at December 31, 2015. Our cash position was \$272,228 at the end of Q1 2016 compared to \$200,748 at December 31, 2015. This improved liquidity is due to the injection of funds of \$315,000 from the private placement.

In Q1 2016 the Company increased its investment in inventory by approximately \$51,236 to \$608,351 with inventory Finished Goods increasing by \$72,523 to \$310,863 at March 31, 2016. This increase in 3D printer inventory improves our ability to fulfil dealers' orders in a timely manner and provides the infrastructure to onboard larger dealers. Prepaids and Deposits were \$30,597 at March 31, 2016 versus \$40,023 in December 31, 2015 and these payments are related to prepayment of overseas parts purchases.

At the time of release of this MD&A management believes the Company is presently operating with adequate working capital to continue a steady expansion of its business over the coming months. While our cash position is somewhat tight we believe we can manage our existing operations with the existing working capital. However, any unforeseen downturn in sales or, alternatively, pursuit of a more aggressive growth strategy would necessitate further equity investment.

#### **CAPITAL RESOURCES**

As at March 31, 2016, the Company's share capital was \$4,329,411 representing 48,938,349 issued and outstanding common shares without par value. In Q1 2016, 6,300,000 common shares were issued at \$0.05e in a private placement. Also 6,300,000 warrants were issued on a one for one basis as part of the same private placement. Reserves, representing the fair value of stock options outstanding and vested and warrants issued, is recorded at \$445,919. The net increase of approximately \$79,339 in Reserves during the first three months of 2016 is for the calculated charge for Stock-based Compensation of \$79,339.

As at March 31, 2016 the Company has 3,500,000 stock options outstanding with a weighted average exercise price of \$0.075 and an average remaining term of 3.8 years. Warrants outstanding include 6,300,000 at \$0.10 which expire in March 2018.

The Company has no debt facilities and no off balance sheet arrangements.

## **OUTSTANDING SHARE INFORMATION**

The Company's authorized capital is unlimited common shares without par value. As at March 31 2016, the following common shares, options and share purchase warrants were outstanding:

<b>As at March 31, 2016</b>	<b>Number issued and outstanding</b>
Common Shares	48,938,349
Stock Options	3,500,000
Warrants	6,300,000
Fully Diluted	58,738,349

## **TRANSACTIONS WITH RELATED PARTIES**

Balances due to related parties are unsecured, non-interest bearing and have no fixed terms of repayment. Included in trade payables at March 31, 2016 is \$8,531.16 (December 31, 2015 - \$11,546) due to officers in the normal course of business.

### ***Key management personnel compensation***

During the three months ended March 31, 2016, the officers of the Company were paid salaries or independent contractor fees as follows: Eugene Suyu, CEO, \$15,000 (Q1 2015 -\$15,000); Martin Burian, CFO, \$15,000 (Q1 2015 - \$57,543). In aggregate Stock-based compensation of \$0 was attributable to options held by directors and officers in the three months ended March 31, 2016 (Q1 2015 - \$17,556).

### ***Officers and directors***

The following individuals were re-elected director at the June 15, 2015 AGM and continue to the date of this MD&A other than as noted below:

- Desmond Liew -- Chairman and Director
- Eugene Suyu -- Chief Executive Officer, President and Director
- Martin Burian -- Chief Financial Officer, Secretary and Director
- Todd Blatt -- Director and Vice-President of Market Direction

Martin Burian resigned as CFO and director effective February 19<sup>th</sup> 2016 [and Justin Sy was appointed interim CFO.](#)

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company does not have any off-balance sheet arrangements as at March 31, 2016 and to the date of this MD&A.

## **CHANGES IN ACCOUNTING POLICIES**

The preparation of the condensed interim financial statements and related MD&A have been prepared in conformity with IFRS requires estimates and assumptions that affect the amounts reported in these financial statements. Accounting policies for these condensed financial statements have been prepared consistent with those applied and disclosed in the Company's annual audited financial statements.

## **APPROVAL**

The Board of Directors of the Company has approved the disclosure contained in this MD&A on May 25 2016

### **ADDITIONAL INFORMATION**

Additional information relating to the Company is on SEDAR at [www.sedar.com](http://www.sedar.com).

### **CAUTION REGARDING FORWARD-LOOKING INFORMATION**

The MD&A contains forward-looking statements and forward-looking information (collectively, “forward-looking statements”) within the meaning of applicable Canadian and US securities legislation. These statements relate to future events or the future activities or performance of the Company. All statements, other than statements of historical fact are forward-looking statements. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or which by their nature refer to future events. These forward looking statements include, but are not limited to, statements concerning:

- the Company’s strategies and objectives, both generally and in respect of its existing business and planned business operations;
- the Company’s plans to grow sales and expand its distribution network;
- the Company’s future cash requirements;
- general business and economic conditions;
- the Company’s ability to meet its financial obligations as they come due, and to be able to raise the necessary funds to continue operations; and,
- the timing, pricing, completion, regulatory approval of proposed financings if applicable.

Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Inherent in forward looking statements are risks and uncertainties beyond the Company’s ability to predict or control, including, but not limited to, risks related to the Company’s ability to raise the necessary capital or to be fully able to implement its business strategies, and other risks identified herein under “Risk Factors”.

The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results are likely to differ, and may differ materially, from those expressed or implied by forward looking statements contained in this report. Such statements are based on a number of assumptions, which may prove incorrect, including, but not limited to, assumptions about:

- general business and economic conditions;
- conditions in the financial markets generally, and with respect to the prospects for small capitalization commercial/technology companies specifically;
- the Company’s ability to roll out its business plan which includes new product launches and associated planning in production, sales, distribution and marketing;
- the Company’s ability to secure and retain employees and contractors to carry out its business plans;

These forward-looking statements are made as of the date hereof and the Company does not intend and does not assume any obligation, to update these forward-looking statements, except as required by applicable law. For the reasons set forth above, investors should not attribute undue certainty to or place undue reliance on forward-looking statements.

Historical results of operations and trends that may be inferred from the following discussion and analysis may not necessarily indicate future results from operations. In particular, up to April 4, 2014 the Company was operating as a private company with constrained resources.

## **BUSINESS RISK FACTORS**

Each of the following factors could have a material adverse effect on the Company's financial condition and results of operations.

**3D Printing Industry:** The Company operates in the desktop market (alternatively described as the consumer segment) of the 3D printing industry. The desktop market has existed since 2008. Although projected to grow at a high rate, this segment can be viewed as being an early adopter stage market. The ability for the Company to successfully negotiate this market represents a substantial risk.

**Dependence upon key personnel:** The success of the Company's operations will also depend upon its ability to attract and retain talented and qualified personnel. The Company currently has a small management team, several of which can be considered key to expanding the Company's business operation, the loss of which would likely be detrimental to the Company.

**Competition:** The desktop market of the 3D printing industry is competitive with several direct competitors having much greater financial resources than the Company and also more operating experience. Furthermore, the desktop market is undergoing a period of rapid innovation with many of the participants striving to improve the technology and the flexibility of the products. These factors combine to make the competitive environment a substantial risk.

**Financing risks:** The Company existing financial resources have come from the issue of new equity and, in an international setting, can be viewed as limited. Further the Company has negative operating cash flow and a cash balance of \$287,228. Therefore, without growth in operating cash flow the Company will require further equity capital injection(s) to sustain itself. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable.

**Dilution to the Company's existing shareholders:** Any future equity issues may be dilutive to present and prospective holders of common shares.

**Regulatory requirements:** The activities of the Company are subject to regulations governing various matters, including but not limited to standards and certifications for electronic devices, employment standards for employees engaged in manufacturing and assembly, export and import regulations and duties, and sales and goods and service tax compliance. While the Company endeavours to remain compliant in all such aspect, the inability to do so could have an adverse effect on its permissions to continue to operate.

**Foreign currency risk:** The Company's functional and reporting currency is the Canadian dollar. The Company incurs foreign currency risk on purchases that are denominated in a currency other than the functional currency of the Company, which will have an impact on the profitability of the Company and may also affect the value of the Company's assets, liabilities and the amount of equity. The Company's main risks are associated with fluctuations in the US dollar as a substantial portion of its parts and materials purchases are denominated in US dollars and a portion of its sales are denominated in US dollars. The Company does not enter into any foreign exchange hedging contracts.



**TINKERINE STUDIOS LTD.**

**Interim Consolidated Financial Statements  
(unaudited)**

**March 31, 2016**

**(Expressed in Canadian dollars)**

**TINKERINE STUDIOS LTD.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (unaudited)**  
**(Expressed in Canadian Dollars)**

	Notes	March 31, 2016	December 31, 2015
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	4	\$ 272,228	\$ 200,748
Receivables	5	58,406	20,715
Inventory	6	608,351	557,115
Prepays and deposits		30,597	40,023
<b>Total current assets</b>		<b>969,582</b>	<b>818,601</b>
Property and equipment	7	53,158	59,745
Intangible asset	8	109,808	122,009
<b>TOTAL ASSETS</b>		<b>\$ 1,132,548</b>	<b>\$ 1,000,355</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Trade payables and accrued liabilities	9, 10	\$ 149,520	\$ 100,442
Customer deposits and deferred revenue		-	-
		<b>149,520</b>	<b>100,442</b>
<b>EQUITY</b>			
Share capital	12	4,329,411	4,014,412
Reserve	12	445,919	366,580
Deficit		(3,792,302)	(3,481,079)
		<b>983,028</b>	<b>899,913</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 1,132,548</b>	<b>\$ 1,000,355</b>

Nature and continuance of operations (Note 1)

Commitment (Note 15)

Subsequent events (Note 18)

Approved on behalf of the Directors:

*"Eugene Suyu"*

*"Todd Blatt"*

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

**TINKERINE STUDIOS LTD.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (unaudited)**  
**(Expressed in Canadian Dollars)**

	Notes	Three Months Ended March 31 2016	Three Months Ended March 31 2015
<b>REVENUE</b>	13	\$ 171,689	\$ 108,542
<b>COST OF SALES</b>			
Cost of goods sold		107,117	47,515
Production training and start-up		-	37,676
		107,117	85,191
<b>GROSS PROFIT</b>		64,572	23,351
<b>EXPENSES</b>			
Amortization	7, 8	18,787	6,431
Bad debts		-	-
Bank and credit card charges		2,296	2,682
Foreign exchange gain		(1,384)	(3,347)
Insurance		8,650	8,528
Office and general		5,659	5,724
Product promotion, trade shows and travel		10,868	67,399
Professional and consulting fees		32,856	86,999
Rent and utilities		29,544	26,788
Research and development		35,342	32,246
Remuneration and benefits	10 and 12	131,762	204,917
Stock-based compensation	12	79,339	62,380
Shareholder communications, filing & transfer agency		22,076	51,228
		375,796	551,975
<b>NET LOSS</b>		(311,224)	(528,624)
<b>OTHER ITEMS</b>			
Interest income		1	3,597
Government grant		-	50,000
Write-off of trade payables		-	-
Transaction costs of RTO	11	-	-
<b>NET AND COMPREHENSIVE LOSS</b>		\$ (311,223)	\$ (475,027)
<b>NET LOSS PER COMMON SHARE - BASIC AND DILUTED</b>		\$ (0.01)	\$ (0.01)
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED</b>		43,122,964	42,422,634

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

TINKERINE STUDIOS LTD.  
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (unaudited)  
(Expressed in Canadian Dollars)

	Notes	Share capital				Total
		Number of shares	Amount	Reserve	Deficit	
<b>Balance at December 31, 2015</b>		42,638,349	\$ 4,014,411	\$ 366,580	\$ (3,481,079)	\$ 899,913
Transactions with owners, in their capacity as owners and other transfers:						
Shares issued for cash - private placement	12	6,300,000	\$ 315,000			315,000
Stock-based compensation	12	-	-	79,339	-	79,339
Issue of Warrants - Equity Fair Value		-	-	-	-	-
Net and comprehensive loss		-	-	-	(311,223)	(311,223)
<b>Balance at March 31, 2016</b>		48,938,349	4,329,411	445,919	(3,792,302)	983,029

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

**TINKERINE STUDIOS LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)**  
(Expressed in Canadian Dollars)

	Three Months March 31 2016	Three Months March 31 2015
<b>Cash Flow from Operating Activities</b>		
Net loss for the year	\$ (311,223)	\$ (475,027)
Items not involving cash		
Amortization	18,787	6,431
Stock-based compensation	79,339	62,380
Shares issued for services	-	-
Warrants issued for services	-	-
Write-off of trade payables	-	-
Transaction costs of RTO	-	-
Changes in non-cash working capital items		
Receivables	(37,691)	(68,864)
Inventory	(51,236)	(64,523)
Prepays and deposits	9,426	(51,287)
Trade payables and accrued liabilities	49,078	71,444
Due to shareholders	-	-
Customer deposits and deferred revenue	-	(9,113)
Net cash used in operating activities	<u>(243,520)</u>	<u>(528,559)</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(0)	(3,466)
Intangible asset	(0)	(18,098)
Net cash acquired on reverse take-over	-	-
Net cash used in investing activities	<u>(0)</u>	<u>(21,564)</u>
<b>Cash Flow from Financing Activities</b>		
Net proceeds from share issuances	<u>315,000</u>	<u>46,300</u>
Net cash provided by financing activities	<u>315,000</u>	<u>46,300</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>71,480</u>	<u>(503,823)</u>
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<u>200,748</u>	<u>1,471,072</u>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<u>\$ 272,228</u>	<u>\$ 967,249</u>

**Supplemental cash flow information:**

December 31, 2015

The Company recorded a fair value of \$4,750 for shares issued for services.

The Company reallocated \$281,585 from reserve to deficit upon the cancellation of stock options.

The Company reallocated \$62,381 from reserve to deficit upon the expiry of warrants.

March 31, 2016

The Company recorded a private placement and issued shares of 6,300,000 at 5c per share & 6,300,000 warrants

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

## **Notes to Consolidated Financial Statements (unaudited)**

### **1. Nature and Continuance of Operations**

Tinkerine Studios Ltd. (formerly White Bear Resources Inc.) (–the “Company”) was incorporated on May 25, 2006 under the laws of the province of British Columbia, Canada. The Company was previously listed on the TSX Venture Exchange (“TSX-V”) under the trading symbol WBR. The Company’s main activity was the acquisition, exploration and evaluation of resource properties.

On April 4, 2014, White Bear Resources Inc. (“White Bear”) completed a share exchange (Note 11) with Tinkerine Studio Ltd. (“Tinkerine”), a private company incorporated on May 8, 2012 under the laws of British Columbia, Canada. On April 14, 2014, the Company began trading on the TSX-V under trading symbol TTD. The transaction was accounted for as an acquisition of White Bear by Tinkerine, resulting in a reverse take-over (“RTO”). Immediately following the RTO, White Bear changed its name to Tinkerine Studios Ltd. and Tinkerine changed its name to Tinkerine 3D Print Systems Ltd. For purposes of these consolidated financial statements, the “Company” is defined as the consolidated entity.

The Company’s primary business is the design and distribution of 3D printers, software and related online educational content.

The Company’s registered and records office at 1500-1055 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7 and its head office is located at 341 W. 6<sup>th</sup> Avenue, Vancouver, British Columbia, Canada, V5Y 1L1.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

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, that it will be on terms that are acceptable to the Company. These events cast significant doubt about the Company’s ability to continue as a going concern.

Based on the Company’s operating history, and its relationship with its stakeholders, Management of the Company through a private placement raised \$330,000 at the end of March 2016 and considers this sufficient capital to fund operations for this fiscal year. Further discussion of liquidity risk has been disclosed in Note 17. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue operations as a going concern.

### **2. Basis of Presentation and Significant Accounting Policies**

The financial statements were authorized for issue on May 25, 2016 by the directors of the Company.

#### ***Statement of compliance with International Financial Reporting Standards***

The consolidated financial statements of the Company, including comparatives, comply with International Accounting Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

## 2. **Basis of Presentation and Significant Accounting Policies (cont'd)**

### ***Basis of preparation***

The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted, which is the Company's functional currency.

Certain figures for the prior year have been reclassified to conform to the current presentation.

### ***Principles of consolidation***

The consolidated financial statements include the accounts of the Company and its 100% controlled entity, Tinkerine 3D Print Systems Ltd.

The consolidated financial statements include the accounts of White Bear from April 4, 2014, the date of the share exchange. The financial statements prior to this date include only the accounts of Tinkerine. Inter-company transactions and balances are eliminated upon consolidation.

### ***Significant estimates and assumptions***

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. The preparation of the financial statements also requires management to exercise judgment in the process of applying the accounting policies.

On an on-going basis, management evaluates its estimates and assumptions in relation to assets, liabilities and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances, as the basis for its estimates and assumptions. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. Actual outcomes may differ from those estimates under different assumptions and conditions.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the impairment and useful lives of equipment and leasehold improvements and intangible assets, fair value measurements for financial instruments and stock-based transactions and the recoverability and measurement of deferred tax assets.

### ***Significant judgments***

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- Allowance for doubtful accounts;
- The classification of financial instruments; and
- The determination of the functional currency of the Company and its subsidiary.

## **2. Basis of Presentation and Significant Accounting Policies (cont'd)**

### ***Foreign currency translation***

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

### ***Cash and cash equivalents***

Cash and cash equivalents include highly liquid Canadian dollar denominated guaranteed investment certificates which are readily convertible to contracted amounts of cash without penalty. Cash equivalents are classified as held-for-trading and are recorded at fair value with realized and unrealized gains and losses reported in the statement of comprehensive loss.

### ***Transactions and balances***

Foreign currency transactions are translated into 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 profit 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 loss 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 loss. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

### ***Trade and other receivables***

Receivables are amounts due from customers for goods sold in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

### ***Inventory***

The Company records inventory at the lower of cost and estimated net realizable value. Costs include raw materials, freight, duty, brokerage and non-recoverable taxes, and are assigned to inventories on a first-in first-out basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### ***Property and equipment***

Property and equipment stated at historical cost less accumulated depreciation and accumulated impairment losses. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

## 2. Basis of Presentation and Significant Accounting Policies (cont'd)

The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Depreciation and amortization are calculated on a straight-line method to write off the cost of the assets to their residual values over their estimated useful lives, as follows:

Asset	Basis
Equipment	Straight-line over 5 years
Computers	Straight-line over 3 years
Leasehold improvements	Straight-line over 3 years

### *Intangible assets*

#### Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

#### Internally-generated intangible assets - Research and development expenditures

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

### *Intangible assets (cont'd)*

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in loss in the period in which it is incurred.

## **2. Basis of Presentation and Significant Accounting Policies (cont'd)**

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

At March 31, 2016, the Company has recorded intangible assets relating to certain expenditures on development which met the criteria for recognition.

Intangible Assets in Quarter 1 were put into use and therefore were amortized on a straight line basis over its estimated useful life of three years.

### ***Impairment of long-lived assets***

The carrying amount of the Company's long-lived assets (which includes equipment and intangible assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

### ***Trade payables and accrued liabilities***

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

### ***Revenue recognition***

Revenue is recognized, net of discounts and customer rebates, when title and risk are transferred, and payments are received or rights to receive consideration are obtained, and collection of consideration is reasonably assured. Revenue received in advance of these criteria is deferred until future periods.

## 2. Basis of Presentation and Significant Accounting Policies (cont'd)

### *Warranty provision*

During 2015 the Company commenced to make a warranty provision estimate for its products sold, based on its experience with warranty covered repairs and modifications. Management will continue to review the adequacy of its warranty provision and will adjust, if necessary, its warranty provision policy.

### *Financial instruments*

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive loss, except for impairment losses and foreign exchange gains and losses.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost. Derivative financial liabilities are classified at fair value through profit and loss and are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

## 2. Basis of Presentation and Significant Accounting Policies (cont'd)

### *Financial instruments (cont'd)*

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument 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.

### *Income taxes*

#### Current income tax

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 loss or equity is recognized in other comprehensive loss 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

Deferred income tax is provided using the asset and liability method on 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.

### ***Stock-based Compensation***

The Company operates a Stock Option Plan (the "Plan"). 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 share-based payment 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. Accounting Standards Issued but Not Yet Effective

#### ***IFRS 9 “Financial Instruments”***

This new standard is a partial replacement of IAS 39 “Financial Instruments: Recognition and Measurement”. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The proposed effective date of IFRS 9 is for annual periods beginning on or after January 31, 2018.

#### ***IFRS 15 “Revenue from Contracts with Customers”***

This new standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2017 with early adoption permitted.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company’s financial statements.

### 4. Cash and Cash Equivalents

The components of cash and cash equivalents are as follows:

	March 31, 2016	December 31, 2015
Cash	\$ 287,228	\$ 200,748
Term deposit	-	
	\$ 287,228	\$ 200,748

### 5. Accounts Receivable

	March 31, 2016	December 31, 2015
Trade receivables	\$ 55,400	\$ 10,441
GST receivable	3006	10,274
	\$ 58,406	\$ 20,715

### 6. Inventory

	December 31, 2016	December 31, 2015
Raw materials	\$ 297,488	\$ 318,775
Finished goods	310,863	238,340
	\$ 608,351	\$ 557,115

### 7. Property and Equipment

	Equipment	Computers	Leasehold improvements	Total
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<b>Cost:</b>										
December 31, 2014	\$	52,089	\$	11,861	\$	31,969	\$	95,919		
Additions		6,584				2,850		9,434		
December 31, 2015		58,673		11,861		34,819		105,353		
<b>Additions</b>						-				
March 31, 2016		58,673		11,861		34,819		105,353		
<b>Amortization:</b>										
December 31, 2014	\$	7,514	\$	2,968	\$	7,827	\$	18,309		
Additions		11,736		3,952		11,611		27,299		
December 31, 2015		19,250		6,920		19,438		45,608		
<b>Additions</b>						2,934	988		2665	6587
March 31, 2015		22,184		7908		22,103		52,195		
<b>Net book value:</b>										
December 31, 2015	\$	39,423	\$	4,941	\$	15,382	\$	59,745		
March 31, 2016	\$	36,489	\$	3,953	\$	12,716	\$	53,158		

## 8. Intangible Asset

		<b>Tinkerine U</b>	
<b>Cost:</b>			
December 31, 2014		\$	137,773
Additions			22,655
Recoveries			(14,020)
December 31, 2015			146,408
<b>Additions</b>			
			-
<b>Recoveries</b>			
			-
December 31, 2016			146,408
<b>Amortization:</b>			
December 31, 2014		\$	-
Additions			24,400
December 31, 2015			24,400
<b>Additions</b>			
			12,200
March 31, 2016			24,400
<b>Net book value:</b>			
December 31, 2015		\$	122,008
March 31, 2016		\$	109,808

At December 31, 2014, management has assessed the intangible asset for recoverability and no events or circumstances indicated that the carrying value may not be recoverable. Therefore, there was no impairment of this asset at March 31, 2016.

## 9. Trade Payables and Accrued Liabilities

	March 31, 2016	December 31, 2015
Trade payables – Note 10	\$ 70,115	\$ 28,180
Accrued liabilities	79,405	72,262
	<u>\$ 149,520</u>	<u>\$ 100,442</u>

## 10. Related Party Transactions

As at March 31, 2016, included in trade payables is \$8,531.16 (2015 - \$11,546), which is due to related parties.

During 2014 the Company purchased \$47,619 of equipment from a company controlled by a direct relative of the Chief Executive Officer. This transaction was in the normal course of operations and measured at the exchange amount, which was the amount of consideration established and agreed to by the related parties.

The compensation of key management personnel and related parties were as follows:

	March 31, 2016	March 31, 2015
Remuneration, fees and short-term benefits	\$ 15,000	\$ 57,543
Stock-based compensation	-	17,556
	<u>\$ 15,000</u>	<u>\$ 75,099</u>

## 11. Share Exchange Agreement

On April 4, 2014, in accordance with the share exchange agreement (Note 1), White Bear issued 12,000,000 common shares for all of the issued and outstanding 12,000,000 shares of Tinkerine. In addition, 40,000 common shares of the Company were issued as a sponsorship fee in connection with the transaction.

The transaction resulted in the shareholders of Tinkerine acquiring control of the Company. Therefore, the transaction has been accounted for as an acquisition of White Bear by Tinkerine. As White Bear does not meet the definition of a business as defined in IFRS 3, it has been accounted for as a share-based payment transaction in accordance with IFRS 2.

The transaction is recognized in substance as if Tinkerine had proceeded to the issuance of the Company's shares and options outstanding before the transaction in exchange for the net assets acquired, together with a concurrent private placement of the Company (Note 12).

The substance of the issuance of 12,040,000 common shares by the Company was to make Tinkerine a publicly listed company via an RTO. Although the consolidated statement of financial position and share capital are those of the Company as a legal entity, the assets, liabilities and dollar amounts allocated to share capital are those of Tinkerine. The Company's financial statements subsequent to April 4, 2014, provide the continuation of Tinkerine's activities.

The fair value of the consideration was calculated as follows:

The fair value of the 17,182,233 common shares of White Bear was determined to be \$0.05 per common share based on the fair value on April 4, 2014.

## 11 Share Exchange Agreement (Con'td)

The fair value of the 7,059,291 warrants of White Bear was estimated using the Black-Scholes Option Pricing Model using the following assumptions: risk free rate of 1.83%, expected life of 1.83 years, volatility of 84.5% and no expected dividends.

The fair value of the 42,500 stock options was estimated using the Black-Scholes Option Pricing Model using the following assumptions: risk free rate of 1.01%, expected life of 0.60 years, volatility of 84.5% and no expected dividends. The fair value of 42,500 stock options was determined to be trivial.

The fair value of the common shares acquired by the shareholders of Tinkerine and the common shares issued as a finders' fee exceeded the fair value of the net assets of White Bear. Because the Company could not specifically identify any goods or services that related to this excess, IFRS 2 requires that the differences is recognized in the determination of net loss as a transaction cost.

The following table provides details of the fair value of the consideration given and the fair value of the assets and liabilities acquired:

	Number	Amount
Consideration		
Outstanding common shares of White Bear	17,182,233	\$ 859,112
Outstanding warrants of White Bear	7,059,291	88,861
Outstanding stock options of White Bear	42,500	-
		<u>\$ 947,973</u>
Identifiable assets acquired		
Net cash (deficit) acquired		\$ (21,846)
Receivables		46,286
Trades payable and accrued liabilities		<u>(137,641)</u>
		(113,201)
Unidentified assets acquired		
Transaction costs		<u>1,061,174</u>
Total net identifiable assets and transaction costs		<u>\$ 947,973</u>

## 12. Share Capital

### ***Authorized share capital***

Unlimited number of common shares without par value.

### ***Changes in issued share capital***

During the first quarter of 2016, 6,300,000 common shares were issued in a private placement at 5 cents per share for a total of \$315,000.

During 2015, 603,000 common shares were issued from the exercise of warrants. Proceeds of the warrant exercise was \$60,300. Also during 2015, 50,000 common shares were issued to settle a debt at a deemed value of \$4,750.

During 2014, 390,116 common shares were issued from the exercise of warrants for gross proceeds of \$39,012. In addition, 22,000 common shares were issued from the exercise of stock options for gross proceeds of \$3,300.

During 2014, concurrent with the RTO and share exchange, the Company completed a private placement of 12,351,000 units at \$0.25 for gross proceeds of \$3,087,750. Each unit consisted of one common share and one-half of a share purchase warrant, with each whole warrant exercisable into an additional share at an exercise price of \$0.40 until October 4, 2015. In connection with the private placement the Company paid finder's fees of \$137,734 and issued 640,000 broker warrants. The broker's warrants were allocated a fair value of \$42,753. The fair value of the broker's warrants was calculated using the Black-Scholes Option Pricing Model using the following assumptions: risk free rate of 1.75%, expected life of 1.50 years, volatility of 84.5% and no expected dividends.

During the year ended December 31, 2104, the Company issued 175,000 warrants for services. Each warrant is exercisable into an additional share at an exercise price of \$0.40 until October 4, 2015. The warrants were allocated a fair value of \$19.627. The fair value of the warrants was calculated using the Black-Scholes Option Pricing Model using the following assumptions: risk free rate of 1.75%, expected life of 1.12 years, volatility of 87.5% and no expected dividends.

On February 12, 2014, the Company completed a stock split on a 60,000:1 basis. All references to the issuance, granting, exercising of common stock, stock options and warrants and loss per share amounts in the financial statements have been adjusted to reflect the retroactive effect of the stock split.

### **Warrants**

In conjunction with the aforementioned private placement of 6,300,000 common shares, one warrant was issued with each share purchased. At March 31, 2015, the Company had 6,300,000 warrants outstanding

A continuity schedule is as follows:

Exercise Price	Dec 31, 2015 Opening	Issued	Exercised	Expired or Cancelled	Mar 31, 2016 Closing
\$0.10	-	6,300,000			6,300,000
	-	6,300,000			6,300,000

Through 2015 603,000 warrants were exercised for proceeds of \$60,300. For warrants that expired during 2015, \$62,381 was reallocated from reserve to deficit.

### **Stock options**

During the first quarter of 2016 the Company amended the stock option agreements on January 7<sup>th</sup> using the Black-Scholes Option Pricing Model using the following assumptions: risk free rate of .050%, expected life of 3.8 years, volatility of 97.6% and no expected dividends. The fair value gets expensed to stock-based compensation over the one year vesting period using the grading recognition system. \$25,255 was recognized as stock-based compensation in Q1 2016 based on this recognition system.

During the first quarter ended March 31, 2016 the company granted 1,075,000 stock options. The fair value of the stock option issuances was calculated using the Black-Scholes Option Pricing Model using the following assumptions: risk free rate of .50%, expected life of 5 years, volatility of

97.6% and no expected dividends. The fair value gets expensed to stock-based compensation over the one year vesting period using the grading recognition system. \$54,084 was recognized as stock-based compensation in Q1 2016 based on this recognition system.

During the year ended December 31, 2015, the Company granted 411,000 stock options. The fair value of the stock option issuances was calculated using the Black-Scholes Option Pricing Model using the following assumptions: risk free rate of 1.75%, expected life of 5 years, volatility of 90% and no expected dividends. The fair value gets expensed to stock-based compensation over the one year vesting period using the grading recognition system. \$110,267 was recognized as stock-based compensation in 2015 based on this recognition system.

During the year ended December 31, 2014, the Company granted 3,470,000 stock options. The fair value of the stock options was calculated using the Black-Scholes Option Pricing Model using the following assumptions: risk free rate of 1.75%, expected life of 3-5 years, volatility of 85% and no expected dividends. During 2014, \$494,080 was recognized in stock-based compensation.

Through 2015, 2,184,000 stock options were cancelled and the Company reallocated \$281,585 from reserve to deficit.

As at March 31<sup>st</sup> 2016 the following stock options were outstanding:

Number of options	Exercise Price	Expiry date
180,000	0.075	Dec 20, 2016
1,890,000	0.075	Apr 5, 2019
25,000	0.075	Dec 2, 2019
79,000	0.075	Mar 5, 2020
141,000	0.075	May 23, 2020
110,000	0.075	June 24, 2020
1,075,000	0.075	Jan 27, 2021

As at March 31<sup>st</sup> 2016 the weighted average exercise price is \$0.075 with an average remaining term of 2.99 years.

### **Reserve**

Equity reserve records items recognized as stock based compensation expense and the fair value of warrants issued based on the residual method. At the time that the stock options or warrants are exercised, the corresponding amount is reallocated to share capital, or if they are cancelled the corresponding amount is reallocated to deficit.

### **13. Segmented Information**

The Company operates in one reportable operating segment, being the sale of 3D printers and provision of related services. The summarized financial information for the revenue derived by geographic segment is as follows:

	March 31, 2016	December 31, 2015
Total revenues:		
Canada	\$ 153,388	\$ 485,672
United States	18,301	696,173
Other	-	86,229

In the first quarter of 2016, there were no customer that constituted more than 10% of total revenue.

In 2015 there were two customers that made up in excess of 10% of total revenue.

#### 14. Commitment and Contingency

##### **Commitment**

In the first quarter of 2016 the lease payment plus management fees totalled \$29,543.98. The payment is the quarters commitment that was made on March 7, 2014, when the Company entered into a three-year lease agreement for its premises, commencing April 1, 2014. The annual basic lease payments was \$72,137 in the first year and \$79,118 in the second and third years. In addition, the Company pays operating costs and a management fees equal to 5% of the annual basic rent.

##### **Contingency**

The Company may be subject to a variety of claims and suits that arise from time to time in the ordinary course of business. These matters are subject to inherent uncertainties.

#### 15. Capital Management

The Company's policy is to maintain a sufficiently strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, net of cash.

There were no changes in the Company's approach to capital management during the year.

The Company is not subject to any externally imposed capital requirements.

#### 16. Financial Instruments and Financial Risk Management

The fair value of the Company's financial assets and liabilities approximates its carrying amount.

The Company's financial assets and liabilities are classified and measured as follows:

<i>Asset/Liability</i>	<i>Category</i>	<i>Measurement</i>
Cash	Fair value through profit or loss	Fair value
Trade receivables	Loans and receivables	Amortized cost
Trade payables	Other financial liability	Amortized cost

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

As at March 31<sup>st</sup>, 2016 and December 31, 2015, the Company measures its cash based on Level 1 inputs.

## **Financial instrument risk exposure and management**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

### ***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash from operations.

At March 31, 2016, all the Company's non-derivative financial liabilities mature within one year.

### ***Credit risk***

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company may from time to time extend unsecured credit to its customers and therefore, the collection of trade receivables may be affected by changes in economic or other conditions. The Company has not experienced any significant credit loss in the collection of trade receivable to date. The Company's other exposure to credit risk is on its cash held in bank accounts. The Company manages this risk by maintaining bank accounts with reputable financial institutions.

### ***Foreign exchange risk***

Foreign exchange risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company does not hedge its exposure to fluctuations in foreign exchange rates.

### ***Interest rate risk***

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk.

## **17. Comparative Reclassification**

Certain figures for the comparative period 2014 have been reclassified to conform to current presentation. [note – Training wages (G&A) to Production Training and Start-up(COGS)]

**REGISTERED OFFICE**

1500-1055 West Georgia Street  
Vancouver, British Columbia, Canada  
V6E 4N7

**HEAD OFFICE and OPERATIONS**

Tinkerine Studios Ltd.  
341 W 6<sup>th</sup> Avenue  
Vancouver, British Columbia, Canada  
V5Y 1L1

**OFFICERS & DIRECTORS**

Eugene Suyu  
*Director and CEO*

Justin Sy  
*Interim CFO*

Todd Blatt  
*Director and VP Market Direction*

Desmond Liew  
*Chairman of the Board*

**LISTINGS**

TSX Venture Exchange: TTD.V  
OTC Pink: TKSTF  
FSE: WB6B

**CAPITALIZATION**

(as at March 31st, 2016)

Shares Issued: 48,938,349

**TRANSFER AGENT**

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Vancouver, British Columbia  
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**AUDITOR**

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