



**TINKERINE STUDIOS LTD.**

**3<sup>rd</sup> Quarter Report 2016**

**For the nine months ended September 30, 2016**



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



## TABLE OF CONTENTS

President's Message	3
Financial Highlights	4
Management's Discussion and Analysis	5
Consolidated Statements of Financial Position (unaudited)	13
Consolidated Statements of Comprehensive Profit/ Loss (unaudited)	14
Consolidated Statements of Changes in Equity (unaudited)	15
Consolidated Statements of Cash Flows (unaudited)	16
Notes to Consolidated Financial Statements (unaudited)	17
Corporate Information	24

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

**President’s Message**

At Tinkerine Studios, we have our focus on utilizing technology to bring about new ideas, creations, and allow those with the ability to dream to achieve those milestones. 2016 has been a year of deepening our understanding of who our customers are and the issues they face. To really look at how we are able to bring value beyond just hardware technology, and to see how we are able to apply the technology in areas yet to be explored. For we believe that technology can only be as strong as users that use it.

Our efforts in building our platform technologies to provide STEAM based (Science, Technology, Engineering, Arts and Mathematics) education content with 3D printing and new products that embodies *creativity simplified* are key here. In the past, I mentioned that today, we are building literacy and pushing the forefront of applications that showcases not only the untapped capabilities of the technology, but also building the foundations of knowledge and skill sets for our customers. Tomorrow, we provide simple and powerful tools to accelerate the process of bringing new ideas forward. This continues to be how we are to bring true value to our customers.

*Who we are*

It is important to recognize and to reflect on our mission to simplify the tools, to expand the human mind, and to allow for new creations to emerge. This defines who we are at Tinkerine, the driving force, and the underlying metrics in which we measure ourselves to. The reliability and ease of use of our technology, our ability to transfer our knowledge and skillsets to our customers, and to enable them to create. By moving alongside our customers as a company, we deepen our relationship and understanding of our customers’ needs.

The team’s dedication to our mission is truly remarkable. Their efforts continue to propel the company into new areas. I would also like to thank our shareholders, those that believed and continue to support us as we execute our business strategy. Please look forward to future developments and regular updates on our expansion.

Financial results highlights for Q3 2016 are as follows:

## Financial Highlights

	Nine Months Ended Sept 30th 2016	Nine Months Ended Sept 30th 2015	Q3 Ended Sept 30 2016	Q3 Ended Sept 30 2015	Q2 Ended June 30 2016	Q2 Ended June 30 2015	Q1 Ended March 31 2016	Q1 Ended March 31 2015
<b>Revenue</b>	\$ 1,277,359	\$ 919,308	\$ 826,960	\$ 465,780	\$ 278,710	\$ 344,986	\$ 171,689	\$ 108,552
Cost of Goods Sold	589,391	390,566	314,659	207,554	168,155	174,105	107,117	85,191
<b>Gross Margin</b>	687,428	452,458	512,301	258,226	110,555	170,881	64,572	23,361
<b>EBITDA</b>	(97,178)	(828,210)	275,322	(120,996)	(158,019)	(299,062)	(214,480)	(405,966)
<b>Net Income (Loss)</b>	(257,573)	(1,007,289)	243,755	(138,589)	(190,103)	(340,076)	(311,224)	(525,037)
<b>Net Comprehensive Income (Loss)</b>	(257,572)	(952,281)	243,755	(138,589)	(190,103)	(338,665)	(311,223)	(475,027)
<b>Basic and Diluted income(loss) per share</b>	-0.01	-0.02	0.01	0.00	0.00	-0.01	-0.01	-0.01
Weighted average number of common shares								
<b>Basic and Diluted</b>	47,210,876	42,362,759	47,210,876	41,769,005	46,180,338	42,026,505	43,192,195	42,026,505

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

November 28, 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 nine months ended September 30, 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 and 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 Standards ("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.

## Q3 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

- Q3 2016 revenue of \$826,960 was 77.5% higher than the Q3 2015 revenue of \$465,780. The Q3 2016 revenue also exceeded the revenue of Q1 2016 and Q2 2016 combined, by \$376,561
- Revenue for the 9 months ended September 30 of \$1,277,359 is up 39% to a year ago from \$919,308. In analyzing the revenue there was significant growth is attributed to the addition of 2 new distributors in the distributor network in Canada.
- Tinkerine's strategy of seeking opportunities to expand its sales channels to grow sales revenue is supported by the 39% increase in the Q3 numbers over last year. The Company strategic focus is to build, expand and strengthen the dealer network for our 3D printers and filament sales.

- In the first 9 months of 2016 revenue of \$1,277,359, was derived by geographic segment as follows: Canada – \$1,058,667, United States – \$188,988 and Other - \$29,704 versus geographic segmented sales in the first 9 months in 2015 of Canada – \$400,102, United States – \$433,704 and Other – \$85,502. While the Canadian market increased year over year by 165%, both the US market and the Other market generated a combined lower revenue of \$218,692 versus \$519,206 in 2015, a reduction of 58%.
- The new Tinkerine U platform was launched in July and the company will utilize this platform for part of their sales, marketing and education initiatives

Q3 earnings before interest, taxes, depreciation, amortization, foreign exchange gains and losses and stock-based compensation (EBITDA) increased by \$396,318 to \$275,322 from a loss of \$120,996 in Q3 2015.

The Company's net profit for Q3 2016 increased to \$243,755 compared to the net loss of \$138,589 in Q3 2015, an improvement of \$382,344. This improvement is attributable to the increase in sales by the addition of a new distributor and the implemented cost measures to decrease our controllable expenses and our total cash expenses to approximately \$236,036 in Q3 2016 from \$367,586 in Q3 2015, a decrease of \$131,550.

#### **Q3 2016 Financial Highlights**

- **78% increase in sales revenue to a year ago.**
- **32% decrease in expenses.**
- **328% increase in EBITDA in Q3 2016 to \$275,322 from a loss of \$120,996 in Q3 2015.**
- **Working capital increased in Q3 2016 to \$952,779 from \$803,604 in Q3 2015**
- **An improvement of 66% in the quarterly cash deficit from operating activities of \$418,710 in Q3 2016 versus cash deficit of \$1,216,200 in Q3 2015.**

#### ***Detailed Discussion and Analysis of Operating Results for the Periods Ended September 30 2016 and September 30 2015***

##### **1. Revenue**

Revenue for Q3 2016 was \$826,960 for the three months ended September 30, 2016 versus \$465,780 for the comparative period Q3 2015, an increase in revenue of 78%. For the nine month' period ended September 30 2016, the revenue was \$1,277,359 versus \$919,308 in 2015, a year over year increase of 39%

For Q3 2016, revenue was represented by 89.5% hardware printer sales, 9.8% filament and 0.6% services/miscellaneous. In comparison for Q3 2015, revenue was represented by 79.5% hardware sales, 16% filament and 4.5% services/miscellaneous. We experienced a 5% advance in the proportion of sales attributable to filament due to initial stocking activities by some of our newer dealers.

The number of 3D printers sold in Q3 2016 was represented by the sale of 332 3D printers compared to 223 3D printers sold in the third quarter of 2015. For the first nine months of 2016 printer sales was 538 compared to 448 in nine months ending September 30, 2015.

Filament revenue for Q3 2016 was \$91,048 compared to \$82,061 in Q3 2015. Sales can be directly attributed to the volume increase in printer sales and the Company also increased sales by expanding the product line and increased the variety of filaments available for use with the 3D printer. For the first nine months ending September 30 2016 Filament sales were \$154,477 compared to \$140,907 in the nine months ended September 30, 2015

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

Gross profit increased for the three months ended September 30, 2016 to \$512,301 or 62% up from \$258,226 or 55% for the three' month ended September 30, 2015. Gross profit for the nine months ended September 30 2016 was \$687,428 or 54% versus \$528,742 or 58% in 2015. The comparative gross margin of 58% is non-GAAP due to being normalized for a one-time production and training cost which would reduce the comparative to a gross margin of \$452,458 or 49%.

### 3. Expenses

In Q3 2016 the Company incurred \$268,547 of total expenses compared to \$396,815 in Q3 2015, a reduction of \$128,268 in total expenses. For the nine months ended September 30, 2016 total expenses were \$945,002 versus \$1,459,747 for the nine months ended September 30, 2015, a reduction of \$514,745. The Company's RTO occurred in April 2014 and expenditures prior to that time were more limited. The Company has implemented measures to decrease its controllable expenses and the total cash expenses to approximately \$236,036 in Q3 2016 from \$367,586 in Q3 2015. For the nine months ended September 30, 2016 total cash expenses were \$782,810 versus \$1,320,751 for the nine months ended September 30, 2015. We will continue 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 lower at \$92,471 for Q3 2016 versus \$167,991 for Q3 2015. For the nine months ended September 30, 2016 remuneration and benefits also trended lower at \$326,754 versus \$556,074 for the nine months ended September 30, 2015. Staffing levels were adjusted in all functional areas, including the adjustment in business development and investor relations staff. Also, the Chief Financial Officer was internally replaced in January 2016 by one of the founders
- Stock based compensation was \$13,011 in Q3 2016 versus approximately \$9,416 in Q3 2015. For the nine months ended September 30, 2016 stock based compensation was \$105,118 versus \$106,321 for the nine months ended September 30, 2015. This is a non-cash expense and represents the fair value of stock options granted and outstanding using the 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 the 1st quarter, 2016, the directors passed a resolution to amend the exercise price on all 2,425,000 issued options to \$0.075. Also in Q1 key employees were issued with a total of 1,075,000 share options at the exercise price of \$0.075. In Q2 key personnel were issued with a total of 1,195,000 share options at the exercise price of \$0.075.
- Professional and consulting fees were \$61,570 for Q3 2016 versus \$46,676 in Q3 2015. For the nine months ended September 30, 2016 professional and consulting fees was \$144,846 versus \$207,246 for the nine months ended September 30, 2015. During the first nine months of 2016 we continued to review consulting costs particularly expenses related to consultant and investor relations.
- Product promotion, trade shows and travel was \$1,158 for Q3 2016 versus \$38,361 in Q3 2015. For the nine months ended September 30, 2016 product promotion, trade shows and travel was \$27,264 versus \$164,112 for the nine months ended September 30, 2015. We amended our trade show strategy and focused on selective trade shows where key metrics including 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

There was no other income and expenses for 2016. 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 September 30, 2016, the Company had net working capital of \$952,002 compared to \$718,159 at December 31, 2015. Our cash position was \$112,038 at the end of Q3 2016 compared to \$200,748 at December 31, 2015. We expect an improvement in the cash position once the accounts receivables become due and payable. There was an injection of funds of \$330,000 from the private placement in March 2016 and April 2016.

In Q3 2016 the Company's investment in inventory was \$288,297 with inventory Finished Goods being \$80,607 compared to Finished Goods of \$238,340 at December 31, 2015. This decrease in Finished inventory is the result of the sale of printers to the new distributor signed in Q3 and the fulfilment of their opening order in a timely manner. Prepaid and Deposits were \$32,013 at September 30, 2016 versus \$40,023 in December 31, 2015 and these payments are with respect to overseas supplier prepayment of 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 September 30, 2016, the Company's share capital was \$4,344,412 representing 49,238,349 issued and outstanding common shares without par value. In March and April 2016, 6,600,000 common shares were issued at \$0.05 in a private placement. Also, 6,600,000 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 \$471,698. The net increase of approximately in Reserves during the first nine months of 2016 is for the calculated charge for Stock-based Compensation of \$105,118.

As at September 30, 2016 the Company has 4,135,000 stock options outstanding with a weighted average exercise price of \$0.075 and an average remaining term of 3.5 years. Warrants outstanding include 6,600,000 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 November 18, 2016, the following common shares, options and share purchase warrants were outstanding:

<b>As November 18, 2016</b>	<b>Number of Issued and outstanding</b>
Common Shares	49,238,349
Stock Options	4,135,000
Warrants	6,600,000
	<u>59,973,349</u>

### **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 September 30, 2016 is \$11,773.91 (December 31, 2015 - \$11,546) due to officers. These amounts were for company expenses paid by the officers

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

During the nine months ended September 30, 2016, the officers of the Company were paid salaries or independent contractor fees as follows: Eugene Suyu, CEO, \$45,000 (2015 -\$45,000); Justin Sy, CFO, \$33,750 (2015 - \$29,250).



### **Officers and directors**

The following individuals were elected director at the June 24, 2016 AGM and continue to the date of this MD&A. The board changes include the appointment of Mr. Bob Longo as Director and the resignation of Martin Burian as Director and CFO effective February 19<sup>th</sup>, 2016.

- Desmond Liew -- Chairman and Director
- Eugene Suyu -- Chief Executive Officer, President and Director
- Justin Sy – Director and CFO
- Todd Blatt -- Director and Vice-President of Market Direction
- Bob Longo - Director

### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company does not have any off-balance sheet arrangements as at September 30, 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 November 28, 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.

## **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 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's existing financial resources have come from the issue of new equity and, may be viewed as limited. Further the Company has negative operating cash flow and a cash balance of \$112,038 as at September 30, 2016. 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 ability 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.**

**Condensed Consolidated Interim Financial Statements**

**September 30, 2016**

**(Expressed in Canadian dollars)**

**(Unaudited – Prepared by Management)**

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

	Notes	September 30, 2016	December 31, 2015
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	3	\$ 112,038	\$ 200,748
Receivables	4	778,222	20,715
Inventory	5	288,297	557,115
Prepays and deposits		32,013	40,023
<b>Total current assets</b>		<b>1,210,571</b>	<b>818,601</b>
<b>Property and equipment</b>	6	<b>39,271</b>	<b>59,745</b>
<b>Intangible asset</b>	7	<b>85,408</b>	<b>122,009</b>
<b>TOTAL ASSETS</b>		<b>\$ 1,335,250</b>	<b>\$ 1,000,355</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Trade payables and accrued liabilities	8, 10	\$ 257,792	\$ 100,442
Customer deposits and deferred revenue		-	-
		<b>257,792</b>	<b>100,442</b>
<b>EQUITY</b>			
Share capital	9	4,344,412	4,014,412
Reserve	9	471,698	366,580
Deficit		(3,738,651)	(3,481,079)
		<b>1,077,459</b>	<b>899,913</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 1,335,250</b>	<b>\$ 1,000,355</b>

**Nature and continuance of operations** (Note 1)

**Commitment** (Note 12)

Approved on behalf of the Directors:

*"Eugene Suyu"*

*"Justin Sy"*

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

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

	Notes	For the three months ended September 30,		For the nine months ended September 30,	
		2016	2015	2016	2015
<b>REVENUE</b>	11	\$ 826,960	\$ 465,780	\$ 1,277,359	\$ 919,308
<b>COST OF SALES</b>					
Cost of Goods Sold		314,659	207,554	589,931	390,566
		512,301	258,226	687,428	528,742
Production training and start-up		-	-	-	76,284
<b>GROSS PROFIT</b>		512,301	258,226	687,428	452,458
<b>EXPENSES</b>					
Amortization	6, 7	19,500	19,813	57,074	32,675
Bad debts		(2,606)	2,579	-	2,579
Bank and credit card charges		1,618	3,672	6,248	10,200
Foreign exchange (gain)		(1,134)	(11,636)	(2,179)	(14,925)
Insurance		7,373	8,910	23,064	26,348
Interest		190		381	
Office and general		3,501	10,596	12,389	22,184
Product promotion, trade shows and travel		1,158	38,361	27,264	164,112
Professional and consulting fees		61,570	46,676	144,846	207,246
Rent and utilities		27,937	28,929	88,045	87,131
Research and development		28,918	42,160	97,452	99,175
Remuneration and benefits	10	92,471	167,991	326,754	556,074
Stock-based compensation	9	13,011	9,416	105,118	106,321
Shareholder communications, filing & transfer agency		15,040	29,348	58,546	160,627
		268,547	396,815	945,002	1,459,747
<b>NET PROFIT (LOSS)</b>		243,755	(138,589)	\$ (257,573)	\$ (1,007,289)
<b>OTHER ITEMS</b>					
Interest income		-	-	1	5,008
Research grant		-	-	-	50,000
Transaction costs of RTO		-	-	-	-
<b>NET AND COMPREHENSIVE PROFIT (LOSS)</b>		\$ 243,755	\$ (138,589)	\$ (257,572)	\$ (952,281)
<b>NET PROFIT (LOSS) PER COMM SHARE- BASIC &amp; DILUTED</b>		\$ 0.01	\$ (0.00)	\$ (0.01)	\$ (0.02)
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED</b>		47,210,876	41,769,005	47,210,876	42,362,759

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

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

	Notes	Share capital			Equity Reserve	Deficit	Total
		Number of shares	Amount				
<b>Balance at December 31, 2014</b>		41,985,349	\$ 3,949,362	\$ 600,278	\$ (2,755,598)	\$ 1,794,042	
Transactions with owners, in their capacity as owners and other transfers:							
Stock-based compensation	9	-	-	106,321	-	106,321	
Shares issued for cash - exercise of warrants	9	563,000	56,300	-	-	56,300	
Cancellation of stock options	9	-	-	(136,827)	136,827	-	
Net and comprehensive loss	-	-	-	-	(952,281)	(952,281)	
<b>Balance at September 30, 2015</b>		42,548,349	4,005,662	569,772	(3,571,052)	1,004,382	
<b>Balance at December 31, 2015</b>		42,638,349	4,014,412	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	
Shares issued for cash - private placement	12	300,000	\$ 15,000	-	-	15,000	
Stock-based compensation	9	-	-	105,118	-	105,118	
Net and comprehensive loss	-	-	-	-	(257,572)	(257,572)	
<b>Balance at September 30, 2015</b>		49,238,349	\$ 4,344,412	\$ 471,698	\$ (3,738,651)	\$ 1,077,459	

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

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

	For the nine months ended	
	Sept 30, 2016	Sept 30 2015
<b>Cash Flow from Operating Activities</b>		
Net loss for the period	\$ (257,572)	\$ (952,281)
Items not involving cash		
Amortization	57,074	32,675
Stock-based compensation	105,118	106,321
Value of warrants issued for services	-	-
Transaction costs of RTO	-	-
Changes in non-cash working capital items		
Receivables	(757,507)	(48,251)
Inventory	268,818	(218,493)
Prepays and deposits	8,010	(102,877)
Trade payables and accrued liabilities	157,350	(24,181)
Customer deposits and deferred revenue	-	(9,113)
Net cash provided by (used in) operating activities	<u>(418,710)</u>	<u>(1,216,200)</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(36,601)	(9,434)
Intangible asset	36,601	(8,636)
Net cash acquired on reverse take-over	-	-
Net cash used in investing activities	<u>(0)</u>	<u>(18,070)</u>
<b>Cash Flow from Financing Activities</b>		
Net proceeds from share issuances	<u>330,000</u>	<u>56,300</u>
Net cash provided by financing activities	<u>330,000</u>	<u>56,300</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(88,710)</b>	<b>(1,177,970)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<u>200,748</u>	<u>1,471,072</u>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<u>\$ 112,038</u>	<u>\$ 293,102</u>

**Supplemental cash flow information:**

Net proceeds were from the private placement in Q1 and Q2

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



(Expressed in Canadian Dollars)

## **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.

In April 2014, White Bear Resources Inc. (“White Bear”) completed a share exchange with Tinkerine Studio Ltd. (“Tinkerine”), a private company incorporated on May 8, 2012 under the laws of British Columbia, Canada, 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. Also in April 2014, the Company commenced trading on the TSX-V under its current trading symbol TTD.

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. The company will be relocating to new offices in January 2017.

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 expects that it will require additional equity to have sufficient capital to fund operations for the next twelve months. Further discussion of liquidity risk has been disclosed in Note 14. 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**

The financial statements were authorized for issue on November 28, 2016 by the directors of the Company.

### **Statement of compliance**

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with International Accounting Standards (“IAS”) 34, “Interim Financial Reporting” using accounting policies consistent 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”).

These condensed consolidated interim financial statements do not include all of the information required of a full annual financial report and are intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2015.

***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.

***Principles of consolidation***

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

In conformity with principles of GAAP and IFRS, in the consolidated financial statements, inter-company transactions and balances are eliminated upon consolidation.

**3. Cash**

The components of cash and cash equivalents are as follows:

	<b>September 30, 2016</b>	<b>December 31, 2015</b>
Cash	\$ 112,038	\$ 200,748
Term deposit	-	-
	<b>\$ 112,038</b>	<b>\$ 200,748</b>

**4. Accounts Receivable**

	<b>September 30, 2016</b>	<b>December 31, 2015</b>
Trade receivables	\$ 778,222	\$ 10,441
GST and other receivables	-	10,274
	<b>\$ 778,222</b>	<b>\$ 20,715</b>

**5. Inventory**

	<b>September 30, 2016</b>	<b>December 31, 2015</b>
Raw materials	\$ 207,690	\$ 318,775
Finished goods	80,607	238,340
	<b>\$ 288,297</b>	<b>\$ 557,115</b>

**6. Property and Equipment**

Equipment is amortized on a straight line basis over five years, computer hardware and software on a straight line basis over 3 years and leasehold improvements on a straight line basis over three years.

	Equipment	Computers	Leasehold improvements	Total
<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
Additions	-	-	-	-
September 30, 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
Additions				
September 30, 2016	8,802	2,964	8,708	20,474
<b>Net book value:</b>				
December 31, 2015	\$ 39,423	\$ 4,941	\$ 15,381	\$ 59,745
September 30, 2016	\$ 30,621	\$ 1,977	\$ 6,673	\$ 39,271

## 7. Intangible Asset

Intangible asset represents a portal and related applications and content called Tinkerine U, the purpose of which is to develop and share 3D printer content. The asset was put into service in the third quarter of 2015 and commenced to be amortized in the quarter on a straight line basis over three years.

	Tinkerine U
<b>Cost:</b>	
December 31, 2014	\$ 137,773
Additions	22,655
Additions	22,655
Recoveries	(14,020)
December 31, 2015	146,408

<b>Amortization:</b>		
December 31, 2014	\$	-
Additions		24,400
December 31, 2015		<u>24,400</u>
Additions		36,600
September 30, 2016		<u>36,600</u>
<b>Net book value:</b>		
December 31, 2015	\$	122,008
September 30, 2016		<u>\$85,408</u>

## 8. Trade Payables and Accrued Liabilities

	September 30, 2016	December 31, 2015
Trade payables (note 10)	\$ 120,060	\$ 28,180
Accrued liabilities	35,225	72,262
	<u>\$ 155,285</u>	<u>\$ 100,442</u>

## 9. Share capital

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

Unlimited number of common shares without par value.

Issued and outstanding at September 30, 2016: 49,638,349 shares.

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

During the nine months ended September 30, 2016, 6,600,000 shares were issued with regards to the private placement in January 24, 2016 and April 15, 2016, which resulted in \$330,000 in new capital.

### ***Warrants***

A continuity schedule is as follows:

Exercise Price	Dec 31, 2015 Opening	Issued	Exercised	Expired or Cancelled	Sept 30, 2016 Closing	Expiry
\$0.10	-	6,600,000	-	-	6,600,000	*

Note \*: The \$0.10 warrants 6,600,000 expire in 2 years and were issued as part of the private placement in March 2016 and April 2016

### **Stock options**

During the first 9 months of 2016 the Company amended the stock option agreements on January 7<sup>th</sup>, 2016 by re-pricing the exercise price to \$0.075 per share. 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 0.05%, 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, and in the second quarter on June 23, 2016 granted 1,195,000 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 0.50%, 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 and in Q2 2016 an amount of \$12,768, and in Q3 \$13,011 based on this recognition system.

A continuity schedule of stock options is as follows:

Number of options	Exercise Price	Expiry date
180,000	0.075	Dec 20,2016
1,890,000	0.075	Apr 5, 2020
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 24, 2021
1,195,000	0.075	Jun 23 2021

### **Equity reserve**

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

## **10. Related party transactions**

As at September 30, 2016, included in trade payables is \$11,773.91 (December 31, 2015 - \$11,546), which is due to related parties. These amounts are unsecured, non-interest bearing and without specific terms of repayment.

The compensation of officers and directors for the nine month periods was as follows:

	September 30, 2016	September 30, 2015
Remuneration, fees and short-term benefits	\$ 78,750	\$ 165,275
Stock-based compensation		25,349
	\$ 78,750	\$ 190,624

## 11. 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:

	September 30 2016	September 30 2015
Total Revenue		
Canada	\$ 1,058,667	\$ 400,102
United States	188,988	433,704
Other	29,704	85,502
	\$ 1,277,359	\$ 919,308

During the nine months ended September 30, 2016 sales to two customers were each in excess of 10% of total revenue. During the previous nine month period ended September 30, 2015 there were two customers that each generated in excess of 10% of the total revenue.

## 12. Commitments

### *Lease agreement*

The Company has a lease agreement for its premises expiring March 31, 2017. The annual basic lease payments are \$79,118 per year. In addition, the Company pays operating costs and a management fees equal to 5% of the annual basic rent. The company will be moving to a new location in January 2017

## 13. Capital Management

The Company's policy is to maintain a 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.

## 14. 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
Due to shareholders	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 September 30, 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.

#### ***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 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.

**REGISTERED OFFICE**

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

**HEAD OFFICE and OPERATIONS**

**Tinkerine Studios Ltd.**  
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Vancouver, British Columbia, Canada  
V5Y 1L1

**OFFICERS & DIRECTORS**

Eugene Suyu  
*Director and CEO*

Justin Sy  
*Director and CFO*

Todd Blatt  
*Director and VP Market Direction*

Desmond Liew  
*Chairman of the Board*

*Bob Longo*  
*Director*

**LISTINGS**

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

**CAPITALIZATION**

(as at September 30th, 2016)

Shares Issued: 49,238,349

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