



**TINKERINE STUDIOS LTD.**

**MANAGEMENT DISCUSSION AND ANALYSIS**

**For the year ended December 31, 2020**



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

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

April 30, 2021

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 audited consolidated financial statements for the year ended December 31, 2020. The Management's Discussion and Analysis (MD&A) should be read in conjunction with the audited consolidated financial statements, and the accompanying notes.

## 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 learning through TinkerineU. It supports the growing demand for related online educational content, storage, software and resources for 3D programs in the design market.

Tinkerine designs, manufactures and distributes 3D printers in Canada, USA and to the Asia Pacific region. The Company's product offering is the Ditto Pro and Ditto Pro R which are well priced in each segment of the market, where it's developing a reputation for quality 3D printers and innovative and high quality, educational support for educators and design professionals and small to medium size enterprises ("SME"). As a result of the Covid-19 pandemic that impacted the world in 2020, the Company added personal protective equipment ("PPE") to its product offering. Also, Tinkerine recently announced the live release of its first module on the Skills Development Platform and Tinkerine cloud program to support all 3D users, from beginners to design professionals. Production of Things 2.0 ("Pot2.0") provides a singular platform to skill up businesses with 21<sup>st</sup> century tools needed to compete in a fast-paced world together with a powerful workflow system to optimize additive manufacturing.

The financial information in this MD&A is based on the Company's audited consolidated financial statements for the year ended December 31, 2020 that have been prepared in Canadian dollars, in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

## Non-IFRS Measures

The accompanying audited 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* - EBITDA and EBITDA margin means net earnings or losses before interest, taxes, depreciation, amortization, foreign exchange gains and losses and stock-based compensation. EBITDA and EBITDA margins are not recognized as measures under IFRS and do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures reported by other corporations. Management believes that this metric assists in determining the ability of the Corporation to generate cash from operations and is calculated on a consistent basis.

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.

## Overview and Highlights

The Company's principal business is the design, manufacture and distribution of 3D printers, software and related online educational content. During the year ended December 31, 2020, ("2020") the Company added PPEs that were designed and manufactured using its 3D printers. It is also the supplier of the filament that is used in the printer. Throughout 2020, the Company continued to reduce its expenses, add content and support courses through the Company's TinkerineU education platform and focused on its core business.

Specific highlights of the Company's activities for the year ended December 31, 2020 include:

- The Company's results in 2020 was impacted by the Covid 19 pandemic and as a result, the Company's sales to schools and other educational institutions were impacted.
- Canadian revenue in 2020 increased as it included sales of PPEs which the Company manufactured during the height of the pandemic.
- In 2019 Q4 the Company launched the Ditto Pro R 3D printer with greater functionality and flexibility to print different composite filaments.

## SELECTED ANNUAL INFORMATION

	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2018
Revenue	\$340,537	\$434,362	\$552,322
Net Loss	(\$671,802)	(\$383,660)	(\$394,023)
Net and Comprehensive Loss	(\$537,115)	(\$383,660)	(\$394,023)
Basic and Diluted Loss per common share	\$ (0.01)	\$ (0.01)	\$ (0.01)
Number of shares outstanding (weighted avg.)	49,501,534	49,238,349	49,238,349
Total Assets	\$290,232	\$304,075	\$364,348
Total long term liabilities	\$ 560,649	\$ 96,315	-

Earnings before interest, taxes, depreciation, amortization, foreign exchange gains and losses and stock-based compensation (EBITDA) increased to a loss in 2020 of \$330,997 from a loss of \$317,128 in 2019, an increase of \$13,869.

The Company's net loss for 2020 increased to \$671,802 compared to the net loss of \$383,660 in 2019, an increase in losses of \$288,142 for the year. This increase in losses is partly attributable to the increase in our expenses, in particular bank and credit card charges, stock-based compensation, professional and consulting fees, interest and accretion expenses, shareholders communications filing and transfer agency, and stock-based compensation. In 2019, rent and utilities were calculated in terms of IFRS 16, with amortization and interest due to the application of IFRS 16. Our total cash expenses (total expenses net of amortization and stock-based compensation) increased to approximately \$537,589 in 2020 from \$532,050 in 2019, an increase of \$5,539 in cash expenses.

## RESULTS OF OPERATION

### 1. Revenue

Revenue is \$340,537 for the year ended December 31, 2020 versus \$434,362 for the year ended December 31, 2019 a decrease of \$93,825. While there is an overall decrease in revenue that is attributed to the lower sales volume in the US market, Canadian revenue increased by \$49,276. The increase in Canadian sales is due to the sale of ("Personal Protective Equipment") PPEs. While technology and STEAM continues to be emphasized in school districts in both countries the implementation of these programs were disrupted by the Covid-19 pandemic, as uncertainty in school operations through 2020 impacted the focus on these programs.

For 2020, revenue was represented by 41% hardware printer sales (2019 – 86%), 13% filament (2019 – 8%) and 46% services/miscellaneous (2019 – 6%). Included in services/miscellaneous is revenue from PPEs. The change in the product mix in 2020 versus the product mix in 2019, is the result lower printer sales offset by an increase in PPE sales.

For 2020, revenue was represented by geographic segment as follows: Canada – \$293,379, United States – \$47,158 and Other - \$Nil versus geographic segmented sales in 2019 of Canada – \$244,103, United States – \$190,150 and

Other – \$109. While the Canadian market sales saw an increase year over year of \$49,276, the sales in our US market were lower by \$142,992, versus last year and the other market decreased by \$109.

The number of 3D printers sold in 2020 was represented by the sale of 59 3D printers compared to 199 3D printers sold in 2019, a 70% decrease year over year. Unit sales in US was down by 77% while the Canadian market saw a decrease of 61%.

## 2. Gross Profit Margin

Gross profit for 2020 is lower at \$188,478 versus \$202,865 for 2019, a decrease of \$14,387 year over year on lower sales revenue. However, the gross margin percentage improved year over year, due to the change in product mix that improved the gross margin percentage to 55% for 2020 versus 47% in 2019 an 8% improvement year over year, due to higher margin on PPEs. Also contributing to the stable gross margin percentage were adjustments to salaries for government grants received by the Company to support salaries, as well as efficiencies in purchasing and supply chain management that maintained the cost of goods at the lower revenue.

## 3. Expenses

In 2020 the Company incurred \$860,280 of total expenses compared to \$586,525 in 2019, an increase of \$273,755 in total expenses. This increase was primarily related to stock-based compensation and is a non-cash transaction. The Company has continued its measures to manage its controllable expenses and as a result the total cash expenses (total expenses net of amortization and stock-based compensation) is approximately \$537,589 in 2020 versus \$532,050 in 2019 a slight increase in total cash expenses of \$5,539. We have continued to review departmental budgets and corporate spending in all areas and these initiatives are further discussed below.

Highlighted quarterly expenses include the following:

- Remuneration and benefits are lower at \$199,176 for 2020 versus \$286,735 for 2019, a decrease of \$87,559. Included in this expense are the Government of Canada Emergency Wage and Industrial Research Assistance Program subsidies to cover a portion of employees' wages and assist small and medium-sized enterprises where Canadian companies experienced decreased revenue during the Covid-19 pandemic. While staff responsibilities in 2020 were also revised and redistributed to improve efficiencies in key functional areas, there were no changes in the number of staff at the Company
- In 2020, \$274,827 was recognized as stock-based compensation. 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. Also in 2020, \$21,242 was reversed from share options reserve and credited to share capital for share options that had been exercised at \$0.075. There were no stock based compensation expenses in 2019. In 2020 the Company granted 5,970,000 stock options with an exercise price of \$0.125. Also, in this period, there was a reversal of \$3,747 from share options reserves to deficit for 50,000 share options that had expired and were cancelled. During 2019, 1,175,000 stock options expired and were cancelled and the corresponding amount of \$217,836 was reallocated from reserves to deficit.
- Professional and consulting fees were \$193,436 in 2020 versus \$142,160 in 2019, an increase of \$51,276 in this expense. The Company regularly engages independent professional firms for corporate finance, audit and accounting services that includes services for audit, business consulting, bookkeeping, and business development and operations, research & development for services related to design and sourcing of new and existing raw materials, sales and marketing for services related to the development of programs and development of sales and marketing assets and investor relations for services related to the de-semination of the Company's information and the communication with shareholders. We also regularly engaged legal counsel for intellectual property matters, employment law and general commercial matters and expect the Company's 2021 professional and consulting expenses to be approximately at a similar level.
- Product promotion, trade shows and travel were \$11,692 in 2020 versus \$3,690 in 2019, an increase of \$8,002. Included in this expense are expenses related to digital marketing and advertising that was incurred to promote the sale of PPEs on various social media platforms. We also introduced digital marketing in 2020 targeting educators on social media. This expense also includes the cost training sessions held at the offices for educators interested to advancing their knowledge of 3D printing in their classrooms.
- Research & development was \$521 in 2020 versus \$8,876 in 2019. The expenses related to R&D in 2020 were limited to design testing and prototypes for the PPEs. The 2019 expenses are related to research and the cost of prototypes for ongoing development of the printers. Management all contribute to the R&D

initiatives to ensure better concept generation and faster development. All research and development are performed internally with expenses primarily being the prototype development and testing of new systems and new parts designed by management. In Q4 of 2019 the Company launched the Ditto Pro R that features greater printer flexibility with a newly designed hot end and additional functionalities.

- Rent and utilities expense was \$5,608 in 2020 versus \$3,936 in 2019. This presentation of the lease expense reflects the implementation and guidance of applying the modified retrospective method in terms of IFRS 16 to the office lease expense. IFRS 16 establishes the recognition, measurement, presentation and disclosure of all leases (Note 15). As a result, the right-of-use asset has been capitalized for the office lease and will be amortized over the term of the rental agreement. Lease liabilities were discounted at the discount rate of 5% as at January 1<sup>st</sup>, 2019. Amortization of \$47,864 and interest expense of \$5,871 are included in expenses, the office is leased from a director and is situated in an area designed for improved logistics and the layout of the premises is designed for greater work flow and productivity for both production of the 3D printers and the open design improves collaboration of products like TinkU platform and other educational initiatives.

#### 4. Other Income and Expenses

The Company received the Canada Emergency Business Account ("CEBA") interest-free loan of \$60,000. In terms of IAS 20, the loan was recorded at a fair value of \$43,916 using an effective rate of 12%, considering the grant, the interest-free loan and the forgivable portion. The residual value of \$17,925 is recorded as other income. As of December 31, 2020, accretion of \$1,841 has been recognized in the statement of comprehensive loss.

On December 5 2020, the Company entered into an agreement with employees to settle wages payable to them. Under the agreement, the Company may, subject to TSX Venture Exchange approval, settle the wages payable with shares similar to unsecured promissory note, with no interest or dividend, payable in cash or shares no earlier than February 16, 2022. The total amount of wages payable was \$599,087.

On the date of the agreement, the fair value of the liability was determined to be \$482,325, resulting in a gain on promissory note of \$116,762, using a 20% discount rate, and was recorded as other income. Accretion amounting to \$4,085 was recorded for the year ended December 31, 2020.

### SUMMARY OF QUARTERLY INFORMATION

	Quarter ended:			
	"Q4 2020"	"Q3 2020"	"Q2 2020"	"Q1 2020"
	December 31 2020	September 30 2020	June 30 2020	March 31 2020
Revenue	\$57,978	\$86,819	\$154,896	\$40,845
Net Income (Loss)	(\$225,423)	(\$142,462)	(\$174,787)	(\$129,130)
Net Comprehensive Income (Loss)	(\$177,229)	(\$116,422)	(\$114,334)	(\$129,130)
Basic and Diluted Loss per share	(\$0)	(\$0)	(\$0)	(\$0)
Number of shares outstanding (w. avg.)	49,501,534	49,410,164	49,320,048	49,238,349
	Quarter ended:			
	"Q4 2019"	"Q3 2019"	"Q2 2019"	"Q1 2019"
	December 31 2019	September 30 2019	June 30 2019	March 31 2019
Revenue	\$39,446	\$127,854	\$215,200	\$51,862
Net Income (Loss)	(\$157,126)	(\$88,024)	(\$21,188)	(\$117,322)
Net Comprehensive Income (Loss)	(\$157,126)	(\$88,024)	(\$21,188)	(\$117,322)
Basic and Diluted Loss per share	(\$0)	(\$0)	(\$0)	(\$0)
Number of shares outstanding (w. avg.)	49,238,349	49,238,349	49,238,349	49,238,349

## **Summary and discussion of Quarter to Quarter results.**

Due to the impact of the Covid-19 pandemic, the pattern of buying that we are accustomed to seeing from our customers was disrupted and the Company's strongest quarter was Q2 for 2020 that accounted for more than 45% of the 2020 total revenue. Historically, Q2 and Q3 have been stronger than Q1 and Q4 and coincide with the buying pattern of the educational sector. In Q2 2019 revenue was \$215,200 and the Q3 2019 revenue was \$127,854, being 78% of the total revenue of \$434,362.

The Company's net loss from Q1 2020 to Q3 2020 was higher at \$446,379 versus the net loss in 2019 of \$226,534, an increase in the net loss for the first three quarters of \$219,845. This increase in the net loss is the result of lower revenue during the first 3 quarters of 2020.

## **Summary and discussion of Fourth Quarter results.**

Revenue for Q4 2020 was \$57,978 for the three months ended December 31<sup>st</sup>, versus \$39,446 for the comparative period Q4 2019, an increase in revenue of \$18,532. This increase was due to stronger printer sales combined with the sales of PPEs in Q4 2020.

For Q4 2020, revenue was represented by geographic segment as follows: Canada – \$44,681 and United States – \$13,296 versus geographic segmented sales in Q4 2019 of Canada – \$38,663 and United States – \$782. Both Canadian and US markets saw an increase year over year of \$6,018 in Canada, and increase of \$12,514 in our US market respectively.

For Q4 2020, revenue was represented by 53% hardware printer sales, 15% filament and 32% services/miscellaneous. In comparison for Q4 2019, revenue was represented by 66% hardware sales, 22% filament and 13% services/miscellaneous, with the sale of PPE's being the reason for the change in sales mix

Gross profit increased for the three months ended December 31, 2020 to \$52,550 from \$8,830 for the three months ended December 31, 2019. This increase in gross profit is the result of year-end adjustments that have skewed the actual gross profit. The gross margin percentage therefore increased in Q4 2020 to 90% from a gross margin percentage of 22% in Q4 2019. The impact on the gross margin was the result of end of the year adjustments and change in sales product mix

In Q4 2020, the Company incurred \$277,960 of total expenses compared to \$165,956 in Q4 2019, an increase of \$112,004 in total expenses. The increase in Q4 2020 expenses were amortization and interest due to implementation of IFRS 16, professional and consulting fees, stock-based compensation, and shareholders communication, filing and transfer. An adjustment to remuneration and benefits in Q4 2020 to account for the government wage subsidy program resulted in a reduction in this expense in Q4.

## **LIQUIDITY**

As at December 31 2020, the Company had working capital deficit of \$360,185 compared to net working capital deficit of \$631,779 at December 31, 2019. The improvement in the working capital deficit was the result of an agreement with its employees to settle wages payable to them by issuing promissory note in the total amount of \$599,087 with no interest, or dividend, settled no earlier than February 16, 2022. The bank indebtedness position is \$52,471 at December 31, 2020 compared to the cash position of \$9,070 at December 31, 2019.

As at December 31, 2020 the Company's investment in inventory was \$113,128 with inventory finished goods being \$11,954 and raw materials of \$101,174 compared to investment in inventory of \$128,519 with finished goods of \$15,330 and raw materials of \$113,189 at December 31, 2019. Prepaid and Deposits were \$15,354 at December 31, 2020 versus \$12,015 at December 31, 2019. These payments are with regards to overseas supplier prepayment of raw material purchases.

At the time of release of this MD&A, the Company's cash position is \$55,392 and management believes the Company will require an injection of capital to ensure adequate operating working capital. On February 28, 2020 the Company arranged an interim short-term loan of \$90,000 at an interest rate of 12% pa through five individuals to continue a steady expansion of its business over the coming months. While we are funding the cash deficit position by managing our payments to suppliers, forecasted sales, and postponement of staff salaries, we believe in order to continue our existing operations, the Company will be required to raise additional funding. In addition, any unforeseen downturn in sales or, alternatively, pursuit of a more aggressive growth strategy would necessitate additional equity investment,

debt or promissory note. The Company therefore is seeking to raise \$2 million through a private placement of its common shares, in the coming months.

### **CAPITAL RESOURCES**

As at December 31, 2020, the Company's share capital was \$4,372,295 representing 49,600,849 issued and outstanding common shares without par value. During the year the Company issued 362,500 common shares to employees and consultants on the exercise of the stock options at \$0.075. As at December 31, 2019, the Company's share capital was \$4,329,369 representing 49,238,349 issued and outstanding common shares without par value. There were no common shares issued in 2019. Reserves represent the fair value of stock options outstanding and vested and warrants issued, and is recorded at \$348,126 as at December 31, 2020 versus \$98,288 in 2019. During fiscal 2020, the following transactions were recorded in reserves; 5,970,000 stock options were issued and stock-based compensation of \$274,827 was credited to reserves, 362,500 stock options were exercised and \$21,242 was reversed and credited to share capital, and 50,000 share options were cancelled/expired and \$3,747 was reversed and credited to deficit. In 2019, 1,175,000 share options expired and the Company reallocated \$217,836 from reserves to deficit upon the cancellation of the share options.

As at December 31, 2020 the Company had 7,917,500 stock options outstanding with a weighted average exercise price of \$0.113 and an average remaining term of 3.43 years. There are no warrants outstanding as at December 31, 2020 or 2019.

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

The Company does not have any off-balance sheet arrangements as at December 31, 2020 and to the date of this MD&A.

### **FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

On December 5 2020, the Company entered into an agreement with employees and directors to settle wages payable to them. Under the agreement, the Company may, subject to TSX Venture Exchange approval, settle the wages payable with shares similar to unsecured promissory note, with no interest or dividend, payable in cash or shares no earlier than February 16, 2022. The total amount of wages payable was \$599,087.

The Company does not have any other instruments as at December 31, 2020 and to the date of this MD&A.

Management believes current cash resources are likely insufficient to fund its business plan over the next twelve months and therefore intend to complete, a private placement of \$2M as further equity injection.

### **OUTSTANDING SHARE INFORMATION**

The Company's authorized capital is unlimited common shares without par value. As at April 30, 2021 the following common shares, options and share purchase warrants were outstanding:

<b>As as April 30, 2021</b>	<b>Number of issued and outstanding</b>
Common Shares	49,675,849
Stock Options	7,520,000
Warrants	-
<b>Total Shares - Fully diluted</b>	<b>57,195,849</b>

## **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 December 31, 2020 is \$33,856, (December 31, 2019 - \$18,653) due to officers. These amounts were for company expenses and/or fees due and payable to the officers. Included in Prepaids and Deposits is an amount of \$2,435 that has been paid to a director. The Company signed a three-year rental lease with a director, Eugene Suyu in December 2016 that has been renewed as of January 1, 2020.

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

During the year ended December 31, 2020, compensation of key management personnel as such as remuneration, fees and short-term benefits was \$105,000 (2019- \$148,038). In 2020, directors and officers received stock-based compensation of \$143,550 (2019 - \$Nil).

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

The following individuals were re-elected as directors at the November 26, 2020 AGM and continue to the date of this MD&A. Their officer positions are also set out below. There are no board changes in the current year.

- 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
- Daniel Cugnet – Director

## **CHANGES IN ACCOUNTING POLICIES**

The preparation of the annual financial statements and related MD&A have been prepared in conformity with IFRS and IAS, (see Note 2 and Note 8, 10, 15 and 17 of the Financial Statements).

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 plan 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, such as the proposed \$2 million private placement.

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.

**New Product Launch:** The Company has launched three generations of products since its inception in May 2012. In Q4 of 2019 the Company launched its latest printer the Ditto Pro R. Additionally, the Company is investing in software development and the development of online courses and curriculum for the education sector. The ability to manage such product launches in a timely and cost-effective manner, and achieve the desired results in terms of market penetration, comprises a substantial risk. In March 2020, the Company re-deployed its in-house 3D printers and began to manufacture face shields, designed in-house, for use by health care workers and other frontline staff during this pandemic. In April 2020 the Company received Health Canada manufacturing facility certificate for the manufacture of Class 1 medical devices. At the time of the release of these statements Tinkerine announced the live release of its first module on the Skills Development Platform and Tinkerine cloud program. Production of Things 2.0 ("Pot2.0") provides a singular platform to skill up businesses with 21<sup>st</sup> century tools needed to compete in a fast-paced world, together with a powerful workflow system to optimize additive manufacturing.

**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, loans and may be viewed as limited. Further the Company has negative operating cash flow and a deficit balance of \$52,471 as at December 31, 2020. 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 endeavors 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 utilize foreign exchange hedging contracts.

### **The COVID-19 pandemic and its effect on the Company's business**

In an effort to contain and mitigate the spread of COVID-19, many countries including, Canada, have imposed unprecedented restrictions on travel, and there have been business closures and a substantial reduction in economic activity in countries that have had significant outbreaks of COVID-19. The Company's business may be impacted by the COVID-19 outbreak, specifically, disruptions in the Company's supply chain, including disruptions from the Company's suppliers, as a result of industry closures relating to containment of COVID-19 may result in the declaration by the Company's suppliers of force majeure, which may result in the Company's inability to complete orders in accordance with the agreed order schedule. In addition, the Company's customers may determine to delay their decisions in connection with new orders as they assess the impact of COVID-19 on their businesses. It is currently not possible to predict how long the pandemic will last or the time that it will take for economic activity to return to prior levels. The COVID-19 pandemic has resulted in significant financial market volatility and uncertainty over the past months. A continuation or worsening of the levels of market disruption and volatility seen in the recent past could have an adverse effect on the Company's ability to access capital, business, results of operations and financial condition, and on the market price of the Common Shares. The extent of this potential disruption on the Company's business cannot be assessed as the full extent of the pandemic and its full impact on the global economy cannot be predicted.

### **The Company's markets are exposed to recessionary risk**

A Canadian or global recession may result in lost or delayed sales orders, as many of the Company's existing and targeted customers may cut back their proposed capital spending in the face of economic uncertainty. This would impact the ability of the Company to grow its business and, as a result, sales orders may be lower than expected. Any decrease in sales would negatively impact the Company's cash flows and other financial results.

<p><b>REGISTERED OFFICE</b>  1500-1055 West Georgia Street  Vancouver, British Columbia, Canada  V6E 4N7</p> <p><b>HEAD OFFICE and OPERATIONS</b></p> <p><b>Tinkerine Studios Ltd.</b>  213A - 8275 92 Street  Delta, British Columbia, Canada  V4G 0A4</p> <p><b>OFFICERS &amp; DIRECTORS</b></p> <p><b>Eugene Suyu</b>  <i>Director and CEO</i></p> <p><b>Justin Sy</b>  <i>Director and CFO</i></p> <p><b>Todd Blatt</b>  <i>Director</i></p> <p><b>Bob Longo</b>  <i>Director</i></p> <p><b>Dan Cugnet</b>  <i>Director</i></p>	<p><b>LISTINGS</b></p> <p>TSX Venture Exchange: TTD.V  OTC Pink: TKSTF  FSE: WB6B</p> <p><b>CAPITALIZATION</b>  (as at April 30 2021)  Shares Issued: 49,675,849</p> <p><b>TRANSFER AGENT</b>  Computershare  3<sup>rd</sup> Floor, 510 Burrard Street  Vancouver, British Columbia  V6C 3B9</p> <p><b>AUDITOR</b>  Dale Matheson Carr-Hilton LaBonte LLP  1500 – 1140 West Pender Street  Vancouver, British Columbia  V6E 4G1</p> <p><b>LEGAL COUNSEL</b>  McMillan LLP  Royal Centre  1500-1055 West Georgia Street  Vancouver, British Columbia  V6E 4N7</p>
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