



TINKERINE STUDIOS LTD.

1st Quarter 2019

Management Discussion & Analysis Report

For the three months ended March 31, 2019



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

At Tinkerine, we constantly reflect on what our mission is. We believe it is important to ask ourselves what it means for us to provide a foundational understanding about Applied Creativity. For us, at the center of it all, Applied Creativity enables the curious to convert ideas into the tangible and the unimaginable, a creation system driven by 3D printing technology.

To achieve that mission requires all the right building blocks, starting with an obsession over understanding the challenges faced by educators and working with their feedback to provide them with solutions. Our success will come from our ability to address the educator’s needs: a dedication to developing technology that will allow for worry-free execution inside the school for the educators. Ultimately, we will need to provide an infrastructure that allows us to transfer what we know about Applied Creativity in conjunction with 3D printing, so we can foster future generations that will be able to do and create what we cannot imagine today.

Wins for our educators

In 2018, we continue to develop our strategy and execution into the Edtech market in North America. Part of it is building relationships with districts and teachers, guiding and assisting them with successful implementation of Applied Creativity through 3D printing. Tinkerine’s educational products, services, and certifications can facilitate students’ understanding of the necessary skills needed for 21st century jobs. By moving alongside our educators as a company, we deepen our relationship and understanding of their needs.

As we execute on our strategy, I would like to thank all the shareowners for their continued support, and our educational customers for all the support and insight they have shared. But most importantly, the dedicated team at Tinkerine for the countless hours they put in to propel the company into new areas.

Financial Highlights

	Year Ended March 31 2019	Year Ended March 31 2018
Revenue	\$ 51,862	\$ 153,841
Cost of Goods Sold	40,993	94,995
Gross Margin	10,869	58,846
EBITDA	(110,719)	(101,321)
Net Comprehensive Income (Loss)	(117,322)	(114,857)
Basic and Diluted income(loss) per share	0.00	0.00
Weighted average number of common shares		
Basic and Diluted	49,238,349	49,238,349

Management’s Discussion and Analysis of the Financial Position and Results of Operations

May 29, 2019

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, 2019. 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, 2018 audited financial statements and the accompanying notes which are available at 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 Asia Pacific region. The Company's product offering is the Ditto Pro which are well priced in the segment of the market and is 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 the 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 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 2019 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 2019 revenue was \$51,862 versus Q1 2018 revenue of \$153,841 down 66% year over year.
- The Company expanded the sales efforts to schools in Eastern Canada thus reducing the reliance on the British Columbia market. A sales representative was appointed to service the Eastern Canadian schools
- In Q1 2019 revenue derived by geographic segment was Canada – \$48,617 and United States – \$3,245, versus geographic segmented sales in Q1 2018 of Canada – \$69,059, United States – \$84,679, Asia Pacific - \$103

Earnings/Loss before interest, taxes, depreciation, amortization, foreign exchange gains and losses and stock-based compensation (EBITDA) increased to a loss of \$110,719 in Q1 2019 from a loss \$101,321 in Q1 2018.

The Company's net loss for Q1 2019 increased to \$117,322 compared to the net loss of \$114,859 in Q1 2018. In Q1 2019 we saw the reduction in expenses to \$128,191 from \$173,705 in Q1 2018. This decrease in expenses is attributable to the implemented measures to control our expenses. As a result our controllable expenses and our total cash expenses decreased to approximately \$124,642 in Q1 2019 from \$154,215 in Q1 2018, a decrease in cash expenses of \$29,573.

Q1 2018 Financial Highlights

- **66% decrease in sales revenue.**

- Decrease in gross margin to 21% from 38%.
- 26% reduction in expenses to \$128,191 in Q1 2019 from \$173,705 in Q1 2018.
- Change in EBITDA in Q1 2019 to a loss of \$110,719 versus a loss of \$101,321 in Q1 2018.
- Working capital decreased in Q1 2019 to deficit of \$325,216 compared to \$211,444 in December 31 2018
- Change in the quarterly cash provided by operating activities of \$2,256 in Q1 2019 versus \$12,330 in Q1 2018.

Detailed Discussion and Analysis of Operating Results for the Period Ended March 31st 2019

SUMMARY OF QUARTERLY INFORMATION

	Quarter ended:			
	"Q1 2019"	"Q4 2018"	"Q3 2018"	"Q2 2018"
	March 31	December 31	September 30	June 30
	2019	2018	2018	2018
Revenue	\$51,862	\$151,170	\$88,991	\$158,320
Net Income (Loss)	(\$117,322)	(\$92,124)	(\$104,420)	(\$77,876)
Net Comprehensive Income (Loss)	(\$117,322)	(\$92,124)	(\$104,420)	(\$77,876)
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
	Quarter ended:			
	"Q1 2018"	"Q4 2017"	"Q3 2017"	"Q2 2017"
	March 31	December 31	September 30,	June 30
	2018	2017	2017	2017
Revenue	\$153,841	\$168,022	\$203,489	\$266,276
Net Income (Loss)	(\$114,857)	(\$176,677)	(\$31,159)	(\$35,137)
Net Comprehensive Income (Loss)	(\$114,857)	(\$176,677)	(\$31,159)	(\$35,137)
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

1. Revenue

Revenue was \$51,862 for the three months ended March 31, 2019 versus \$153,841 for the comparative period Q1 2018.

For Q1 2019, revenue was represented by 70% hardware sales, 20% filament and 10% services/miscellaneous. Comparatively revenue for Q1 2018 was represented by 83% hardware sales, 10% filament and 7% services/miscellaneous. The change in the product mix reflects the increased volume of filament sold versus the amount of printers and services sold during the first quarter.

The number of 3D printers sold in Q1 2019 was 18 compared to 73 3D printers sold in the first quarter of 2018.

Filament revenue for Q1 2019 was \$10,236 compared to \$15,433 in Q1 2018. The lower sales can be directly attributed to the timing of schools restocking their filament inventory.

2. Gross Profit Margins

Gross profit for the three months ended March 31, 2019 was \$10,869 or 21% versus \$58,846 or 38% for the three months ended March 31, 2018. Q1 2019 gross profit margin of 21% is lower due to the production wages allocated to the cost of goods in this period combined with the lower sales revenue.

3. Expenses

In Q1 2019 the Company incurred \$128,191 of total expenses compared to \$173,705 in Q1 2018, a year over year decrease of \$45,514. The Company continues to manage its expenses including our controllable expenses and the total cash expenses resulting in approximately \$124,642 in Q1 2019 from \$154,215 in Q1 2018, decrease in cash expenses of \$29,573. The Company continues to manage and review departmental budgets and corporate spending in all areas and these are discussed below.

Highlighted quarterly expenses include the following:

- Remuneration and benefits increased to \$72,075 for Q1 2019 versus \$70,108 for Q1 2018, an increase of \$2,075. The difference is the result of adjustments to the vacation expenses that were accrued at the end of the quarter.
- There was no stock based compensation was in Q1 2019 versus approximately \$3,741 in Q1 2018. 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. There were no share options issued in the first quarter of 2019 and 2018.
- Professional and consulting fees were \$16,540 for Q1 2019 versus \$55,966 in Q1 2018. The decrease in this expense was primarily related to certain sales and marketing consulting services of \$33,091 provided by a director of the Company in 2018.
- Rent and utilities were \$14,671 for 2019 versus \$14,003 in 2018. The Delta office is leased from a director and is situated in an area designed for better 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.

LIQUIDITY

As at March 31, 2019, the Company had net working capital deficit of \$325,216 compared to a deficit of \$211,444 at December 31, 2018. Our cash position was \$90,141 at the end of Q1 2019 compared to \$87,885 at December 31, 2018.

The Company's investment in inventory was \$161,770 with inventory finished goods total of \$18,261 and raw materials total of \$143,509 at March 31, 2019, versus inventory investment as at December 31, 2018 of \$174,383 with finished goods of \$23,675 and raw materials of \$150,708. Prepaid and Deposits were \$38,915 at March 31, 2019 versus \$7,042 in December 31, 2018. These payments are related to prepayment of overseas parts purchases and rental deposit.

At the time of release of this MD&A, the Company's cash position is \$_____ and management believes the Company while presently operating with adequate working capital, will require a further injection of capital and therefore have announced a private placement of \$250,000 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, 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 shares issued in Q1 of 2019 and Q1 of 2018. In Q1 2016, 6,600,000 common shares were issued at 0.05c in a private placement. Also 6,600,000 warrants were issued as part of the private placements. The warrants expired on March 24, 2018 and were not exercised. Reserves, representing the fair value of stock options outstanding and vested and warrants issued, is recorded at March 31, 2019 of \$316,122 versus \$316,124 as at December 31, 2018.

As at March 31, 2019 the Company has 3,535,000 stock options outstanding with a weighted average exercise price of \$0.075 and an average remaining term of 1.89 years.

The Company has no debt facilities and no off balance sheet arrangements as at March 31, 2019 and to the date of this MD&A.

The Company does not have any financial instruments and other instruments as at March 31, 2019 and to the date of this MD&A.

OUTSTANDING SHARE INFORMATION

The Company's authorized capital is unlimited common shares without par value. As at March 31 2019, the following common shares, options and share purchase warrants were outstanding:

As at March 31, 2019	Number issued and outstanding
Common Shares	49,238,349
Stock Options	3,535,000
Fully Diluted	52,773,349

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, 2019 is \$17,885 (December 31, 2018 - \$17,195) due to officers in the normal course of business.

Key management personnel compensation

During the three months ended March 31, 2019, for the officers of the Company, compensation of key management personnel as remuneration, fees and short term benefits was \$26,250 (December 31, 2018 – \$162,529). There was no stock-based compensation attributable to options held by directors and officers in the three months ended March 31, 2019 (December 31, 2018 - \$5,429).

Officers and directors

The following individuals were elected directors at the June 28, 2018 AGM and continue to the date of this MD&A. There are no board changes in the current year.

- Eugene Suyu -- Chief Executive Officer, President and Director
- Justin Sy – Director and Interim CFO
- Todd Blatt-- Director
- Bob Longo – Director
- Daniel Cugnet – Director

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 29, 2019

ADDITIONAL INFORMATION

Additional information relating to the Company is on SEDAR at 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 plans to grow sales and expand its distribution network;
- the Company’s future cash requirements;
- general business, industry 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 that 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, 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 \$90,141. 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.

REGISTERED OFFICE

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

HEAD OFFICE and OPERATIONS

Tinkerine Studios Ltd.
213A 8275 92 Street
Delta, British Columbia, Canada
V4G 0A4

OFFICERS & DIRECTORS

Eugene Suyu
Director and CEO

Justin Sy
Director and Interim CFO

Todd Blatt
Director

Bob Longo
Director

Dan Cugnet
Director

LISTINGS

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

CAPITALIZATION

(as at March 31st, 2019)

Shares Issued: 49,238,349

TRANSFER AGENT

Computershare
3rd Floor, 510 Burrard Street
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V6C 3B9

AUDITOR

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