



TINKERINE STUDIOS LTD.

Management Discussion and Analysis Report

For the nine months ended September 30, 2017

(prepared by management)



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

I often ask what it means for Tinkerine to be in the education space.

In a recent presentation engagement with educators, I found myself emphasizing and reminding that technology is not the focus. Technology is a levelizer, an enabler that allows us to achieve a goal, a dream, and a new reality. What we need with a new technology is a focus on skills and a new way of thinking.

As we continue to develop new hardware, software, and platform technology, we are looking to ensure that our technologies becomes invisible to people that use them so they can focus on what they set out to achieve. While we deliver new STEAM/STEM challenges and micro certification on skills development for teachers and professionals, we are here to make sure that our customers, the educators, are best equipped with the skill sets necessary to develop 21st-century skills to our workers of the future. Making sure that they are equipped with skill sets in areas of creative skills, design, critical thinking, and technology, that best accelerates the organizations they join or perhaps a business of their own.

I’ve written in all of my president’s message for a while now that our vision here at Tinkerine is to simplify the tools, to expand the human mind, and to allow for new creations to emerge. While that is our guide to how we navigate the paths and traps along the way, our customer obsession to better understand their issues and challenges continue to drive our successes. In essence, we are here to deliver a set of essential hardware coupled with software, content, and services baked in for our customers.

This quarter, we are really excited with the start of a new partnership. We engaged with Emily Carr University of Art and Design (ECUAD) on a research partnership to undertake research related to personal production machinery, software, and services for educational organizations and the creative individual. This is in support of academic research activities that are enabled by the Engage Grant for Colleges, College and Community Innovation Program of the Natural Sciences and Engineering Research Council (NSERC). This agreement will be in effect from September 2017, until March 2018, and will provide valuable information for implementation of 3D printing courses and products in the education space.

We are also looking forward to working closely with our newest director, Daniel Cugnet, on the various moving pieces at Tinkerine. With his ICD.D designation, governance, and business knowledge, Mr. Cugnet will be instrumental in the continued development of Tinkerine through the utilization of his background in negotiation, acquisition, risk assessment, and strategy.

A huge thank you to all our shareholders, and most importantly our customers in the education community for your continued support, and to all the Tinkerines, for all the hard work, dedication, quick thinking, and your passion.

Financial results high lights for Q3 2016 are as follows:

Quarter 3 - Financial Highlights

	Nine Months Ended		Q3 Ended	Q3 Ended	Q2 Ended	Q2 Ended	Q1 Ended	Q1 Ended
	Sept 30th 2017	Sept 30th 2016	Sept 30 2017	Sept 30 2016	June 30 2017	June 30 2016	March 31 2017	March 31 2016
Revenue	\$ 636,612	\$ 614,328	\$ 203,489	\$ 163,929	\$ 266,276	\$ 278,710	\$ 166,847	\$ 171,689
Cost of Goods Sold	383,723	370,452	128,431	95,180	148,285	168,155	107,007	107,117
Gross Margin	252,889	243,876	75,058	68,749	117,991	110,555	59,840	64,572
EBITDA	(198,380)	(510,612)	(78,946)	(140,717)	(28,803)	(157,826)	(90,786)	(214,480)
Net Income (Loss)	(183,009)	(671,006)	(31,159)	(172,284)	(35,137)	(189,913)	(116,712)	(311,224)
Net Comprehensive Income (Loss)	(183,009)	(671,005)	(31,159)	(172,283)	(35,137)	(189,913)	(116,712)	(311,223)
Basic and Diluted income(loss) per	0.00	-0.01	0.00	0.00	0.00	0.00	0.00	-0.01
Weighted average number of common shares								
Basic and Diluted	49,238,349	47,210,876	49,238,349	47,210,876	49,238,349	46,180,338	49,238,349	43,192,195

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

November 21, 2017

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, 2017. 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, 2016 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 demand for online educational course content and the design market.

Tinkerine designs, manufactures and distributes 3D printers in Canada, USA and to the APAC region. The Company's product offering is the Ditto and Ditto Pro which are well priced in each segment of the market, where its developing a reputation for quality 3D printers and innovative and high quality educational support for educators and professionals.

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 by management, 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 2017 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 2017 revenue of \$203,489 was 24.1% higher than the Q3 2016 revenue of \$163,929.
- Revenue for the 9 months ended September 30, 2017 of \$636,612 is up 3.6% % to a year ago from \$614,612. In analyzing the revenue, the growth is attributed to the additional focus on educational organizations in Canada.
- Tinkerine's sales strategy to grow the revenue, has been to focus on building partnerships with educational organizations that offer 3D printing as part of their curriculum and support these organizations through TinkerineU.
- In the first 9 months of 2017 revenue of \$636,612, was derived by geographic segment as follows: Canada – \$424,819, United States – \$181,418 and Other - \$30,375 versus geographic segmented sales in the first 9

months in 2016 of Canada – \$395,636, United States – \$188,988 and Other – \$29,704. While the Canadian market increased year over year by 7.4%, both the US market and the Other market generated a combined lower revenue of \$211,793 versus \$218,692 in 2016, a reduction of 3.2%. This difference is due to the year over year strengthening of the Canadian dollar against the US dollar

- The new Tinkerine U platform was launched in July 2016 and the company is utilizing this platform for part of the sales, marketing and education initiatives

Q3 earnings before interest, taxes, depreciation, amortization, foreign exchange gains and losses and stock-based compensation (EBITDA) improved to a loss of \$78,946 from a loss of \$140,717 in Q3 2016.

The Company's net loss for Q3 2017 was \$31,159 compared to the net loss of \$172,284 in Q3 2016, was an improvement of \$141,125. This improvement is attributable partly to the increase in sales, as well as the implemented cost measures to decrease our controllable expenses and our total cash expenses to approximately \$162,631 in Q3 2017 from \$208,523 in Q3 2016, a decrease of \$45,892.

Q3 2017 Financial Highlights

- **24% increase in sales revenue to a year ago.**
- **56% decrease in expenses.**
- **44% increase in EBITDA in Q3 2017 to loss of \$78,946 from a loss of \$140,717 in Q3 2016.**
- **Working capital decreased in Q3 2017 to \$194,854 from \$539,347 in Q3 2016**
- **An improvement of 142% in the quarterly net cash provided from operating activities of \$176,637 in Q3 2017 versus cash deficit of \$418,710 in Q3 2016.**

Detailed Discussion and Analysis of Operating Results for the Periods Ended September 30, 2017 and September 30, 2016

1. Revenue

Revenue for Q3 2017 was \$203,489 for the three months ended September 30, 2017 versus \$163,929 for the comparative period Q3 2016, an increase in revenue of 24%. For the nine month period ended September 30 2017, the revenue was \$636,612 versus \$614,328 in 2016, a year over year increase of 3.6%

For Q3 2017, revenue was represented by 86% hardware printer sales, 10% filament and 4% services/miscellaneous. In comparison for Q3 2016, revenue was represented by 87% hardware sales, 9% filament and 4% services/miscellaneous. There were no significant differences in the proportion of sales attributable to the different product categories.

The number of 3D printers sold in Q3 2017 was represented by the sale of 99 3D printers sold compared to 44 3D printers sold in the third quarter of 2016. For the first nine months of 2017 3D printers sold was 303 printers compared to 250 printers in nine months ending September 30, 2016, an increase of 21.2%.

Filament revenue for Q3 2017 was \$19,698 compared to \$14,754 in Q3 2016. Sales can be directly attributed to the volume increase in printer sales and the Company also increased sales by expansion of the filament product line with the increased in the variety of filaments available. For the first nine months ending September 30 2017 filament sales were \$56,240 compared to \$55,287 in the nine months ended September 30, 2016

2. Gross Profit Margins

Gross profit increased for the three months ended September 30, 2017 to \$75,057 up from \$68,749 for the three month ended September 30, 2016. Gross profit for the nine months ended September 30, 2017 was \$252,888 versus \$243,876 in 2016. The gross profit percentage for Q3 2017 is 37% versus 41.9% for Q3 2016. The gross profit percentage for the nine months ended September 30, 2017 is 40% versus 39.6% for the nine months in 2016.

3. Expenses

In Q3 2017 the Company incurred \$106,216 of total expenses compared to \$241,034 in Q3 2016, a reduction of \$134,818 or 55.9% in total expenses. For the nine months ended September 30, 2017 total expenses were \$435,897 versus \$914,883 for the nine months ended September 30, 2016, a reduction of \$478,986 or 53.4%. 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 \$162,631 in Q3 2016 from \$208,523 in Q3 2016. For the nine months ended September 30, 2017 total cash expenses were \$465,225 versus \$752,691 for the nine months ended September 30, 2016. We continue to review departmental budgets and corporate spending in all areas and these are further discussed below.

Highlighted quarterly expenses include the following:

- Remuneration and benefits was \$72,196 for Q3 2017 versus \$62,352 for Q3 2016, reflecting an increase for the third quarter in this expense of \$9,843. For the nine months ended September 30, 2017 remuneration and benefits trended lower at \$212,0272 versus \$296,635 for the nine months ended September 30, 2016, a reduction of \$84,363. Staffing levels were adjusted in all functional areas, including the adjustment in sales and research and development. In January 2016 the Chief Financial Officer was internally replaced by one of the founders.
- Stock based compensation was a credit of \$72,281 in Q3 2017 versus an expense of \$13,011 in Q3 2016. In the 3rd quarter, 725,000 stock options were issued to key personnel and consultants with an exercise price of \$0.075, \$10,903.92 was recognized as stock-based compensation in Q3. 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. During the third quarter of 2017, 920,000 stock options were cancelled and the corresponding amount of \$97,079.69 was reallocated from reserves to deficit. For the nine months ended September 30, 2017 stock based compensation was a credit of \$77,564 versus an expense of \$105,118 for the nine months ended September 30, 2016. 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 2016 key employees were issued with a total of 1,075,000 share options at the exercise price of \$0.075. In Q2 of 2016 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 \$42,060 for Q3 2017 versus \$61,570 in Q3 2016. For the nine months ended September 30, 2017 professional and consulting fees was \$98,974 versus \$144,846 for the nine months ended September 30, 2016. During the first nine months of 2017 we continued to review costs particularly expenses related to consultants and support staff.
- Product promotion, trade shows and travel were \$1,497 for Q3 2017 versus \$1,158 in Q3 2016. For the nine months ended September 30, 2017 product promotion, trade shows and travel were \$3,426 versus \$27,264 for the nine months ended September 30, 2016. We continue to review our sales and marketing strategy and focused on selective trade shows where we have identified key metrics that include education centric leads and attendance as opposed to only size of attendance and expense. 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 and activity.

4. Other Income and Expenses

There was no other income and expenses for 2017.

LIQUIDITY

As at September 30, 2017, the Company had net working capital of \$194,854 compared to \$539,347 at September 30, 2016 (December 31, 2016 – \$410,916). Our cash position was \$214,511 at the end of Q3 2017 compared to \$112,038 at September 30, 2016 (December 31, 2016 – \$41,601). In aggregate we consumed approximately \$88,000 of working capital in our operation over this quarter versus \$137,167 in the third quarter of 2016, There was an injection of funds of \$330,000 from the private placement in March 2016 and April 2016.

In Q3 2017 the Company's investment in inventory was \$313,409 compared to \$507,776 at September 30, 2016 (December 31, 2016 - \$443,927) with inventory of finished goods being \$123,569 at September 30, 2017 compared to finished goods of \$300,086 at September 30, 2016 (December 31, 2016 - \$268,485). The prepaid and deposits were \$23,369 at September 30, 2017 versus \$32,014 at September 30, 2016 (December 31, 2016 - \$57,159). These payments are pre-payments and deposits to overseas supplier for 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, 2017, the Company's share capital was \$4,329,369 representing 49,238,349 issued and outstanding common shares without par value. There are no issue of shares in Q3 2017 or the nine months ended September 30, 2017. 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 \$302,524. The net change \$77,564 in reserves during the first nine months of 2017 is for the calculated charge for Stock-based Compensation and the reallocation to deficit for share options that were cancelled during the quarter.

As at September 30, 2017 the Company has 3,760,000 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 21, 2017, the following common shares, options and share purchase warrants were outstanding:

As as September 30, 2017	Number of issued and outstanding
Common Shares	49,238,349
Stock Options	3,760,000
Warrants	6,600,000
Total Shares - Fully diluted	59,598,349

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 September 30, 2017 is \$10,048.58 (December 31, 2016 - \$2,435) due to officers. These amounts were for company expenses paid by the officers

Key management personnel compensation

During the nine months ended September 30, 2017, the officers of the Company were paid salaries or independent contractor fees as follows: Eugene Suyu, CEO, \$45,000 (2016 -\$45,000); Justin Sy, CFO, \$33,750 (2016 - \$33,750).

Officers and directors

The following individuals were elected directors at the June 29, 2017 AGM and continue to September 26, 2017. Changes to the board include the appointment of Mr. Daniel Cugnet as Director and the resignation of Desmond Liew as Director and Chairman effective September 26, 2017.

- 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 (appointed September 26, 2017)
- Desmond Liew – Director and Chairman (resigned September 26, 2017)

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements as at September 30, 2017 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 21, 2017

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'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.

REGISTERED OFFICE

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HEAD OFFICE and OPERATIONS

Tinkerine Studios Ltd.
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OFFICERS & DIRECTORS

Eugene Suyu
Director and CEO

Justin Sy
Director and CFO

Todd Blatt
Director and VP Market Direction

Bob Longo
Director

Daniel Cugnet
Director

LISTINGS

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

CAPITALIZATION

(as at September 30th, 2017)

Shares Issued: 49,238,349

TRANSFER AGENT

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