



TINKERINE

**TINKERINE STUDIOS LTD.**

**Condensed Consolidated Interim Financial Statements**

**June 30, 2019**

**(Expressed in Canadian dollars)**

**(Unaudited – Prepared by Management)**

**TINKERINE STUDIOS LTD.**

**NOTICE TO READER**

Under National Instrument 51-102, Part 4 subsection 4.3(3)(a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by management and approved by the Board of Directors of the Company.

The Company's independent auditors have not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of the condensed interim financial statements by an entity's auditors.

**TINKERINE STUDIOS LTD.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (unaudited)**  
**June 30, 2019**  
(Expressed in Canadian Dollars)

	Notes	June 30, 2019	December 31, 2018
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents		\$ 133,217	\$ 87,885
Receivables	4	25,773	88,426
Inventory	5	132,823	174,383
Prepays and deposits		40,125	7,042
<b>Total current assets</b>		<b>331,938</b>	<b>357,736</b>
<b>Property and equipment</b>	6	<b>1,868</b>	<b>6,612</b>
<b>Intangible asset</b>	7	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>		<b>\$ 333,807</b>	<b>\$ 364,348</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Trade payables and accrued liabilities	8	\$ 677,149	\$ 569,180
Customer deposits and deferred revenue		-	-
		<b>677,149</b>	<b>569,180</b>
<b>EQUITY</b>			
Share capital	10	4,329,369	4,329,369
Reserve	10	104,617	316,124
Deficit		(4,777,328)	(4,850,325)
		<b>(343,342)</b>	<b>(204,832)</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 333,807</b>	<b>\$ 364,348</b>

**Nature and continuance of operations** (Note 1)  
**Commitment and Contingency** (Note 13)

Approved on behalf of the Directors:

\_\_\_\_\_  
*"Justin Sy"*

\_\_\_\_\_  
*"Eugene Suyu"*

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

**TINKERINE STUDIOS LTD.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
**June 30, 2019**  
**(Expressed in Canadian Dollars)**

	Notes	For the three months ended June 30,		For the six months ended June 30,	
		2019	2018	2019	2018
<b>REVENUE</b>	11	\$ 215,200	\$ 158,320	\$ 267,062	\$ 312,161
<b>COST OF SALES</b>					
Cost of Goods Sold		88,215	78,089	129,208	173,084
		126,986	80,231	137,855	139,077
Production training and start-up		-	-	-	-
<b>GROSS PROFIT</b>		126,986	80,231	137,855	139,077
<b>EXPENSES</b>					
Amortization	6,7	1,195	15,757	4,744	31,506
Bank and credit card charges		1,826	2,080	3,152	4,558
Foreign exchange (gain)		1,091	(1,787)	4,145	(7,739)
Insurance		4,838	4,623	9,446	9,368
Interest		1,018	186	1,018	186
Office and general		2,717	1,643	4,571	4,024
Product promotion, trade shows and travel		111	632	803	993
Professional and consulting fees		32,005	33,649	48,545	89,615
Rent and utilities		13,583	12,777	28,254	26,780
Research and development		6,900	249	6,921	441
Remuneration and benefits	10	71,530	70,998	143,605	141,106
Stock-based compensation	10	-	2,149	-	5,890
Shareholder communications, filing & transfer agency		11,359	15,149	21,160	25,082
		148,174	158,105	276,365	331,810
<b>NET (LOSS)</b>		(21,188)	(77,874)	\$ (138,510)	\$ (192,733)
<b>OTHER ITEMS</b>					
Interest income		-	-	-	-
<b>NET AND COMPREHENSIVE (LOSS)</b>		\$ (21,188)	\$ (77,874)	\$ (138,510)	\$ (192,733)
<b>NET (LOSS) PER COMMON SHARE - BASIC AND DILUTED</b>		\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED</b>		49,238,349	49,238,349	49,238,349	49,238,349

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

**TINKERINE STUDIOS LTD.**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (unaudited)**  
**June 30, 2019**  
**(Expressed in Canadian Dollars)**

	Notes	Share capital		Reserve	Deficit	Total
		Number of shares	Amount			
<b>Balance at December 31, 2017</b>		49,238,349	\$ 4,329,369	\$ 322,454	\$ (4,469,475)	\$ 182,348
Transactions with owners, in their capacity as owners and other transfers:						
Stock-based compensation	10			5,890	-	5,890
Cancellation of Stock Options			-	(13,175)	13,175	-
Net and comprehensive loss					(192,732)	(192,732)
<b>Balance at June 30 2018</b>		<u>49,238,349</u>	<u>4,329,369</u>	<u>315,169</u>	<u>(4,649,032)</u>	<u>(4,494)</u>
<b>Balance at December 31, 2018</b>		49,238,349	4,329,369	316,122	(4,850,323)	(204,832)
Transactions with owners, in their capacity as owners and other transfers:						
Cancellation of Stock Options			-	(211,505)	211,505	-
Net and comprehensive loss			-		(138,510)	(138,510)
<b>Balance at June 30 2019</b>		<u>49,238,349</u>	<u>4,329,369</u>	<u>104,617</u>	<u>(4,777,328)</u>	<u>(343,342)</u>

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

**TINKERINE STUDIOS LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)**  
**June 30, 2019**  
**(Expressed in Canadian Dollars)**

	For the six months ended	
	June 30, 2019	June 30 2018
<b>Cash Flow from Operating Activities</b>		
Net loss for the period	\$ (138,510)	\$ (192,733)
Items not involving cash		
Amortization	4,744	31,506
Stock-based compensation	-	5,890
Changes in non-cash working capital items		
Receivables	62,653	(21,115)
Inventory	41,560	57,438
Prepays and deposits	(33,083)	(5,137)
Trade payables and accrued liabilities	107,969	68,508
Customer deposits and deferred revenue	-	-
Net cash provided by (used in) operating activities	<u>45,332</u>	<u>(55,643)</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	-	(3,052)
Intangible asset	-	-
Net cash acquired on reverse take-over	-	-
Net cash used in investing activities	<u>-</u>	<u>(3,052)</u>
<b>Cash Flow from Financing Activities</b>		
Net proceeds from share issuances	-	-
Net cash provided by financing activities	<u>-</u>	<u>-</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>45,332</b>	<b>(58,695)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<b><u>87,885</u></b>	<b><u>207,257</u></b>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<b><u>\$ 133,217</u></b>	<b><u>\$ 148,562</u></b>

**Supplemental cash flow information**

June 30, 2019

The Company reallocated \$211,505 from reserve to deficit upon cancellation of stock options (Note 10)

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

**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.

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 213A 8725 92<sup>nd</sup> Street, Delta British Columbia, Canada, V4G 0A4.

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 and Management, the Company may 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 unaudited consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue operations as a going concern.

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

The financial statements were authorized for issue on August 23, 2019 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 and methods of computation 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 include all necessary information and disclosures required for interim financial statements but do not include disclosures required for a full annual financial report. These statements 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, 2018.

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

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

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

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

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

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

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

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

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. The preparation of the financial statements also requires management to exercise judgment in the process of applying the accounting policies. On an on-going basis, management evaluates its estimates and assumptions in relation to assets, liabilities and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances, as the basis for its estimates and assumptions. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. Actual outcomes may differ from those estimates under different assumptions and conditions.

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

### ***Significant judgments***

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

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



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

### ***Revenue recognition***

The Company adopted IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") on a retroactive basis in accordance with the transitional provisions. IFRS 15 will replace IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and related interpretations on revenue. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The new standard requires companies to follow a five-step model to determine if revenue should be recognized:

1. Identify the contracts with the customer which is the invoice and the company does not transfer ownership to the customer until the goods are shipped
2. Identify the performance obligations in the contract – there are no separate performance obligations, other than the 1 year warranty, which is not distinct from the sale.
3. Determine the transaction price – the contract price is pre-determined and therefore amount of revenue can be measured definitively.
4. Allocate the transaction price to the performance obligations in the contract – the Company allocates the entire transaction price to the sales of the printer which is the primary performance obligation.
5. Recognize revenue when the entity satisfies a performance obligation – revenue is recognized when printers are shipped to customers and ownership is transferred thus completing the primary and only obligation

The Company has concluded that there are no significant differences between the point of risks and rewards transfer and the point of transfer of control under IFRS 15. As such, no adjustment has been recorded to the comparative figures

## 3. Accounting Standards Issued but Not Yet Effective

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 16 - Leases was issued in January 2016 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. This standard is effective for reporting periods beginning on or after January 1, 2019.

The Company plans to apply IFRS 16 effective January 1, 2019 using the modified retrospective method. Under this method, financial information will not be restated and will continue to be

reported under the accounting standards in effect for those periods. The Company will recognize a lease obligation related to its lease commitment for its office lease. It will be measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as at January 1, 2019. The associated right of use asset will be measured at the lease obligation amount, less prepaid lease payments, resulting in no adjustment to the opening balance of deficit. The Company intends to apply the following practical expedients permitted under the new standard: leases of low dollar value will continue to be expensed as incurred; and the Company will not apply any grandfathering practical expedients

As at January 1, 2019 the Company expects to recognize a right-of-use asset and corresponding liability for its office lease. At transition, lease liabilities of approximately \$210,000 will be recognized in the balance sheet. Furthermore, the Company expects a decrease in administrative expenses, an increase in depreciation expense (as the right-of-use asset is depreciated) and an increase in finance costs (due to accretion of the lease liability).

The adoption of the following standards and interpretations, which have been issued but are not yet effective, are not expected to have a material effect on the Company's future results and financial position:

In June 2017, the IFRS Interpretations Committee of the IASB issued IFRIC 23, Uncertainty over Income Tax Treatments (IFRIC 23). The interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The Interpretation requires: (a) an entity to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution; (b) an entity to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and (c) if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

On March 29, 2018 the IASB issued a revised version of its Conceptual Framework for Financial Reporting (the Framework), that underpins IFRS Standards. The IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards (the Amendments) to update references in IFRS Standards to previous versions of the Conceptual Framework. Both documents are effective from January 1, 2020 with earlier application permitted. Some Standards include references to the 1989 and 2010 versions of the Framework. The IASB has published a separate document which contains consequential amendments to affected Standards so that they refer to the new Framework, with the exception of IFRS 3 Business Combinations which continues to refer to both the 1989 and 2010 Frameworks. The Company does not intend to adopt the Amendments in its financial statements before the annual period beginning on January 1, 2020.

In October 2018, the IASB issued amendments to IAS 1, Presentation of Financial Statements and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors. The amendments are to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves. The amendments are effective January 1, 2020.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements. The Company is assessing the impact of the new or revised IFRS standards on its financial position and financial performance.

TINKERINE STUDIOS LTD.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

June 30, 2019

(Expressed in Canadian dollars)

**4. Receivables**

	June 30, 2019	December 31, 2018
Trade receivables	\$ 25,773	\$ 88,426
	\$ 25,773	\$ 88,426

**5. Inventory**

	June 30, 2019	December 31, 2018
Raw materials	\$ 122,380	\$ 150,708
Finished goods	10,443	23,675
	\$ 132,823	\$ 174,383

**6. Property and Equipment**

	Equipment		Computers		Leasehold improvements		Total
<b>Cost:</b>							
December 31, 2017	\$ 58,673	\$ 11,845	\$ 6,664	\$ 77,182			
Write off of fully Amortized equipment	-	(5,751)		-			-
December 31, 2018	58,673	6,094	6,664	71,431			
Additions/Disposals	-	-	-	-			-
June 30, 2019	58,673	6,094	6,664	71,431			
<b>Amortization:</b>							
December 31, 2017	\$ 42,722	\$ 11,428	\$ 2,224	\$ 56,374			
Additions	11,736	236	2,224	14,196			
Write off - fully amort.	-	(5,751)	-	(5,751)			
December 31, 2018	54,458	5,913	4,448	64,819			
Additions	3,514	118	1,112	4,744			
June 30, 2019	57,972	6,031	5,560	69,563			
<b>Net book value:</b>							
December 31, 2018	\$ 4,215	\$ 181	\$ 2,216	\$ 6,612			
June 30, 2019	\$ 701	\$ 63	\$ 1,104	\$ 1,868			

TINKERINE STUDIOS LTD.

Notes to the Condensed Consolidated Interim Financial Statements(unaudited)  
 June 30, 2019  
 (Expressed in Canadian dollars)

**7. Intangible Asset**

Intangible asset represents a development stage portal or application called Tinkerine U, the purpose of which is to develop and share 3D printer content. It has been fully depreciated.

	Total
<b>Cost:</b>	
December 31 2017 and 2018	\$ 146,409
Addition	-
June 30, 2018	<u>\$ 146,409</u>
<b>Amortization:</b>	
December 31 2017	\$ 122,001
Additions	\$ 24,408
December 31 2018	\$ 146,409
Additions	\$ -
June 30, 2019	<u>\$ 146,409</u>
<b>Net Book Value</b>	
December 31, 2018	\$ -
June 30, 2019	<u>\$ -</u>

**8. Trade Payables and Accrued Liabilities**

	June 30, 2019	December 31, 2018
Trade payables (note 9)	\$ 100,864	\$ 56,430
Accrued liabilities	576,285	512,750
	<u>\$ 677,149</u>	<u>\$ 569,180</u>

**9. Related Party Transactions**

As at June 30, 2019, included in prepaid and deposits is \$2,435 (2018 - \$2,435), which has been paid to a director of the Company.

As at June 30, 2019, included in trade payables is \$20,526 (2018 - \$17,195), which is due to the directors of the Company. These amounts are unsecured, non-interest bearing and without specific terms of repayment.

## 9 Related Party Transactions (cont'd)

The compensation of officers and directors for the six-month period was as follows:

	June 30, 2019	June 30, 2018
Rent and utilities	\$ 26,292	\$ 22,676
Remuneration, fees and short-term benefits	52,500	85,591
Stock-based compensation	-	4,671
	<u>\$ 78,792</u>	<u>\$ 112,938</u>

## 10 Share capital

### **Authorized share capital**

Unlimited number of common shares without par value.

Issued and outstanding at June 30, 2019: 49,238,349 shares.

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

There were no common share transactions in the first 6 months of 2019 and 2018.

### **Warrants**

For the period ended June 30, 2019 there are no warrants outstanding.

. A continuity schedule of warrants is as follows:

	Number of warrants
Balance, December 31, 2016 and 2017	6,600,000
Expired	<u>(6,600,000)</u>
Balance, December 31, 2018	<u>-</u>

### **Stock options**

There were no issue of stock options in the first six months of the 2019 and 2018.

In the second quarter ended June 30, 2019 1,100,000 stock options expired, unexercised on April 4, 2019 and were cancelled, and the corresponding amount of \$211,505 was reallocated from reserves to deficit.

During the year ended December 31, 2018, 225,000 (2017 – 920,000) stock options expired, unexercised, and were cancelled, and the corresponding amount of \$13,173 (2017 – \$83,277) was reallocated from reserves to deficit.

Using the Black-Scholes share option pricing model the fair value is expensed to stock-based compensation over the one year, vesting period using the grading recognition system. \$2,149 was recognized as stock-based compensation in Q2 2018 based on this recognition system.

TINKERINE STUDIOS LTD.

Notes to the Condensed Consolidated Interim Financial Statements(unaudited)  
 June 30, 2019  
 (Expressed in Canadian dollars)

**10 Share Capital (cont'd)**  
**Stock options (cont'd)**

Continuity Table as at June 30, 2019.

Number of options	Exercise Price	Expiry date
1,100,000	\$0.075	Apr 4, 2019 (expired)
2,000	\$0.075	Mar 5, 2020
48,000	\$0.075	May 23, 2020
110,000	\$0.075	June 24, 2020
655,000	\$0.075	Jan 27, 2021
895,000	\$0.075	Jun 24 2021
725,000	\$0.075	Sept 30, 2022

As at June 30, 2019 the following stock options were outstanding and exercisable:

	Number of stock options
Balance December 31 2017	3,760,000
Expired/cancelled	(225,000)
Balance December 31, 2018	3,535,000
Issued /Expired/cancelled	(1,175,000)
Balance June 30, 2019	2,360,000
Exercisable June 30, 2019	2,360,000

As at June 30, 2019 the weighted average exercise price is \$0.075 with an average remaining term of 2.09 years.

**Reserve**

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

**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

	June 30, 2019	June 30, 2018
Total revenues:		
Canada	\$ 183,751	\$ 168,183
United States	83,311	135,135
Other		8,843
	\$ 267,062	\$ 312,161

### **11 Segmented Information (Cont'd)**

During the six months ended June 30, 2019 sales to one customer was in excess of 10% of total revenue.

### **12 Commitments**

On December 1<sup>st</sup>, 2016, the Company entered into a three-year lease agreement with a director of the Company for its premises, commencing January 1st, 2017. The annual basic lease payments were \$52,735 in the first year and \$58,286 in the second and third years. In addition, the Company pays operating costs and a management fees equal to 5% of the annual basic rent.

#### ***Contingency***

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

### **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.

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 June 30, 2019 and December 31, 2018, the Company measures its cash based on Level 1 inputs.

#### **14 Financial instruments and financial risk management (cont'd)**

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

##### ***Liquidity risk***

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

At June 30, 2019, all the Company's non-derivative financial liabilities mature within one year.

##### ***Credit risk***

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

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

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

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

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