



TINKERINE STUDIOS LTD.

Management Discussion and Analysis Report

For the nine months ended September 30, 2019

(prepared by management)



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



TABLE OF CONTENTS

| | |
|--------------------------------------|----|
| President's Message | 3 |
| Financial Highlights | 4 |
| Management's Discussion and Analysis | 5 |
| Corporate Information | 12 |

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

President’s Message

Third Quarter 2019
Financial Highlights

| | Nine Months Ended Sept 30th 2019 | Nine Months Ended Sept 30th 2018 | Q3 Ended Sept 30 2019 | Q3 Ended Sept 30 2018 | Q2 Ended June 30 2019 | Q2 Ended June 30 2018 | Q1 Ended March 31 2019 | Q1 Ended March 31 2018 |
|---|---|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|------------------------------|------------------------------|
| Revenue | \$ 394,917 | \$ 401,152 | \$ 127,854 | \$ 88,991 | \$ 215,200 | \$ 158,320 | \$ 51,862 | \$ 153,841 |
| Cost of Goods Sold | 200,881 | 220,241 | 71,673 | 47,157 | 88,215 | 78,089 | 40,993 | 94,995 |
| Gross Margin | 194,036 | 180,911 | 56,182 | 41,834 | 126,985 | 80,231 | 10,869 | 58,846 |
| EBITDA | (215,641) | (260,225) | (87,039) | (97,335) | (17,884) | (61,571) | (110,719) | (101,319) |
| Net Income (Loss) | (226,533) | (297,154) | (88,024) | (104,421) | (21,188) | (77,876) | (117,322) | (114,857) |
| Net Comprehensive Income (Loss) | (226,533) | (297,154) | (88,024) | (104,421) | (21,188) | (77,576) | (117,322) | (114,857) |
| Basic and Diluted income(loss) per sh: | 0.00 | -0.01 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Weighted average number of common shares | | | | | | | | |
| Basic and Diluted | 49,238,349 | 49,238,349 | 49,238,349 | 49,238,349 | 49,238,349 | 48,238,349 | 49,238,349 | 49,238,349 |

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

November 22, 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 nine months ended September 30, 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 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 it's 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) and International Accounting Standard 34 – *Interim Financial Reporting*, 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.

Q3 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

- Q3 2019 revenue of \$127,854 44% higher than the Q3 2018 revenue of \$88,991
- Revenue for the 9 months ended September 30, 2019 of \$394,917 marginally down by 1.6% to a year ago from \$401,152.
- 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. While we will continue to focus on this segment of the market, we have broadened the scope of our plans and will roll out new initiatives to build this market.

- In the first 9 months of 2019 revenue of \$394,917, was derived by geographic segment as follows: Canada – \$205,440 United States – \$189,367 and Other - \$109 versus 2018 revenue of \$401,152, geographic segmented sales in the first 9 months in 2018 of Canada – \$207,267, United States – \$185,042 and Other – \$8,843. While the Canadian market decreased year over year by 1%. the US market increase by 2% over the same period.
- In the third quarter, we launched the new addition to our line, the Ditto R 3D printer with WIFI capability and a new upgraded hot end capable of printing numerous types of filament materials

Q3 2019 earnings before interest, taxes, depreciation, amortization, foreign exchange gains and losses and stock-based compensation (EBITDA) improved to a loss of \$87,039 from a loss of \$97,335 in Q3 2018. EBITDA is a metric used by management to assess the financial performance of an entity and is a non - IFRS measure, calculated by Tinkerine on a consistent basis, and may not be comparable to other companies.

The Company's net loss for Q3 2019 was \$88,024 compared to the net loss of \$104,421 in Q3 2018, a decrease in net losses of \$16,397 This decrease in loss is attributable partly to the improvement in the margin on our sales to schools, as well as the reduction in our parts costs. Our controllable expenses and our total cash expenses were \$143,221 in Q3 2019 from \$139,170 in Q3 2018, an increase of \$4,051. However, the difference being the reduction of the non-cash expenses like amortization stock compensation expenses as opposed to an increase in actual expenses

Summary of Quarterly Information

| | Quarter ended: | | | |
|--|----------------|------------|-------------|-------------|
| | "Q3 2019" | "Q2 2019" | "Q1 2019" | "Q4 2018" |
| | September 30 | June 30 | March 31 | December 31 |
| | 2019 | 2019 | 2019 | 2018 |
| Revenue | \$127,854 | \$215,200 | \$51,862 | \$151,170 |
| Net Income (Loss) | (\$88,024) | (\$21,188) | (\$117,322) | (\$92,124) |
| Net Comprehensive Income (Loss) | (\$88,024) | (\$21,188) | (\$117,322) | (\$92,124) |
| 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: | | | |
| | "Q3 2018" | "Q2 2018" | "Q1 2018" | "Q4 2017" |
| | September 30 | June 30 | March 31 | December 31 |
| | 2018 | 2018 | 2018 | 2017 |
| Revenue | \$88,991 | \$158,320 | \$153,841 | \$168,022 |
| Net Income (Loss) | (\$104,421) | (\$77,874) | (\$114,857) | (\$176,677) |
| Net Comprehensive Income (Loss) | (\$104,421) | (\$77,874) | (\$114,857) | (\$176,677) |
| 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 |

Q3 2019 Financial Highlights

- **44% increase in sales revenue to a year ago.**
- **1.4% decrease in expenses.**
- **11% improvement in EBITDA in Q3 2019 to loss of \$87,039 from a loss of \$97,336 in Q3 2018.**
- **Working capital deficit increased in Q3 2019 to deficit of \$432,250 from \$211,444 in December 31,2018**
- **An decrease of 21% in the quarterly net cash used in Operating Activities to \$113,763 in Q3 2019 versus net cash used in Operating Activities of \$144,261 in Q3 2018.**

Detailed Discussion and Analysis of Operating Results for the Periods Ended September 30, 2019 and September 30, 2018

1. Revenue

Revenue for Q3 was \$127,854 for the three months ended September 30, 2019 versus \$88,991 for the comparative period Q3 2018, an increase in revenue of 44%. For the nine month period ended September 30 2019, the revenue was \$394,917 versus \$401,152 in 2018, a year over year marginal decrease of 1.6%

For Q3 2019, revenue was represented by 89% hardware printer sales, 4% filament and 7% services/miscellaneous/parts. In comparison for Q3 2018, revenue was represented by 25% hardware sales, 5% filament and 71% services/miscellaneous. For Q3 2019, the trend for our revenue breakdown, normalized with 89% of the revenue generated by the sale of printers. Last year we saw the trend change to lower printer sales and significantly higher parts sales thus changing the revenue mix for that year

The number of 3D printers sold in Q3 2019 was represented by the sale of 64 3D printers sold compared to 13 3D printers sold in the third quarter of 2018. For the first nine months of 2019 3D printers sold was 190 printers compared to 128 printers in nine months ending September 30, 2018, an increase of 48%.

Filament revenue for Q3 2019 was \$4,945 compared to \$4,352 in Q3 2018. For the first nine months ending September 30 2019 filament sales were \$25,810 compared to \$80,842 in the nine months ended September 30, 2018, a decrease in filament sales of 68%. The higher filament sales in the previous year is primary the result distributors restocking their annual inventory in that period.

2. Gross Profit Margins

Gross profit improved by 34% for the three months ended September 30, 2019 to \$56,182 from \$41,834 for the three month ended September 30, 2018. Gross profit for the nine months ended September 30, 2019 improved by 7% to \$194,036 from \$180,911 in 2018. The gross profit percentage for Q3 2019 is 44% versus 47% for Q3 2018. The gross profit percentage for the nine months ended September 30, 2019 is 49% versus 45% for the nine months in 2018, an increase of 4% up to the end of the third quarter

3. Expenses

In Q3 2019 the Company incurred \$144,206 of total expenses compared to \$146,255 in Q3 2018, a decrease of \$2,049 or 1.4% in total expenses. For the nine months ended September 30, 2019 total expenses were \$420,570 versus \$478,065 for the nine months ended September 30, 2018, a decrease of \$57,495 or 12% in total expenses. The Company's controllable expenses and total cash expenses is \$143,221 in Q3 2019 versus \$139,170 in Q3 2018. For the nine months ended September 30, 2019 total cash expenses were \$409,678 versus \$451,425, a reduction of \$41,747 for the nine months ended September 30, 2018. 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 were \$77,454 for Q3 2019 versus \$71,060 for Q3 2018, reflecting an increase for the third quarter in this expense of \$6,394 For the nine months ended September 30, 2019 remuneration and benefits trended higher at \$221,059 versus \$212,166 for the nine months ended September 30, 2018, a difference of \$8,893. This difference is due to increase in staffing costs. Staffing levels continue to be reviewed in all functional areas, including the adjustment in sales, marketing and research and development and have remained the same as previous year.
- There was no stock based compensation in Q3 2019 versus \$955 in Q3 2018. 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. For the nine months ended September 30, 2019 there was no stock-based compensation expense, versus \$6,845 for the nine months ended September 30, 2018.
- Professional and consulting fees were \$32,057 for Q3 2019 versus \$30,454 in Q3 2018. For the nine months ended September 30, 2019 professional and consulting fees was lower at \$80,602 versus \$120,069 for the nine months ended September 30, 2018. The higher expense in the prior year is related to sales and marketing consulting services provided by a director of the company.

- Product promotion, trade shows and travel were \$245 for Q3 2019 versus \$476 in Q3 2018. For the nine months ended September 30, 2019 product promotion, trade shows and travel were \$1,048 versus \$1,469 for the nine months ended September 30, 2018. 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 the third quarter 2019.

LIQUIDITY

As at September 30, 2019, the Company had working capital deficit of \$432,250 compared to working capital deficit of \$118,122 at September 30, 2018 (December 31, 2018 – \$211,444). Our cash position was a deficit of \$25,878 at the end of Q3 2019 compared to \$62,995 at September 30, 2018 (December 31, 2018 – \$87,885). In aggregate we consumed approximately \$87,039 of working capital in our operation over this quarter versus \$88,000 in the third quarter of 2018

At the end of the third quarter of 2019 the Company's investment in inventory was \$126,046 compared to \$214,644 at September 30, 2018 (December 31, 2018 - \$174,383) with inventory of finished goods being \$13,031 and raw materials of \$113,015 at September 30, 2019 compared to finished goods of \$53,803 and raw materials of \$160,841 at September 30, 2018. The prepaid and deposits were \$28,687 at September 30, 2019 versus \$22,810 at September 30, 2018 (December 31, 2018 - \$7,042). 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 inadequate 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 for the next few months. 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, 2019, the Company's share capital was \$4,329,369 representing 49,238,349 issued and outstanding common shares without par value. There was no issue of shares in Q3 2019 or the nine months ended September 30, 2019. Reserves, representing the fair value of stock options outstanding and vested, is recorded at \$104,617 as at September 30, 2019. As at December 31, 2018 the balance of the Reserves was \$316,124 and the net change of \$211,505 in reserves during the first nine months of 2019 is due to the reallocation of \$211,505 from reserves to deficit for share options that were cancelled during the quarter.

As at September 30, 2019 the Company has 2,360,000 stock options outstanding with a weighted average exercise price of \$0.075 and an average remaining term of 2.082 years. Warrants, totaling 6,600,000 expired 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 September 30, 2019, the following common shares, options and share purchase warrants were outstanding:

| As as September 30, 2019 | Number of issued and outstanding |
|---------------------------------|---|
| Common Shares | 49,238,349 |
| Stock Options | 2,360,000 |
| Warrants | - |
| Total Shares - Fully diluted | 51,598,349 |

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, 2019 is \$18,066 (December 31, 2018 - \$17,195) due to officers and directors. These amounts were for company expenses and/or services provided by the directors and officers

Key management personnel compensation

During the nine months ended September 30, 2019, the officers of the Company were paid salaries/compensation as follows: Eugene Suyu, CEO, \$45,000 (2018 - \$45,000); Justin Sy, CFO, \$33,750 (2018 - \$33,750), Bob Longo, VP Sales and Marketing, \$29,811 (2018 - \$0.00)

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 were no board changes in the current year.

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

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements as at September 30, 2019 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 22, 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’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 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 equity and, may be viewed as limited. Further the Company has negative operating cash flow and a negative cash balance of \$25,878 as at September 30, 2019. 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

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

HEAD OFFICE and OPERATIONS

Tinkerine Studios Ltd.
213A-8725 92nd Street
Delta, British Columbia, Canada
V4G 0A4

OFFICERS & DIRECTORS

Eugene Suyu
Director and CEO

Justin Sy
Director and CFO

Todd Blatt
Director

Bob Longo
Director

Daniel Cugnet
Director

LISTINGS

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

CAPITALIZATION

(as at November 24th, 2019)

Shares Issued: 49,238,349

TRANSFER AGENT

Computershare
3rd Floor, 510 Burrard Street
Vancouver, British Columbia
V6C 3B9

AUDITOR

Dale Matheson Carr-Hilton LaBonte LLP
1500 – 1140 West Pender Street
Vancouver, British Columbia
V6E 4G1

LEGAL COUNSEL

McMillan LLP
Royal Centre
1500-1055 West Georgia Street
Vancouver, British Columbia
V6E 4N7

