



TINKERINE STUDIOS LTD.

Consolidated Financial Statements

December 31, 2019

(Expressed in Canadian dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Tinkerine Studios Ltd.

Opinion

We have audited the financial statements of Tinkerine Studios Ltd. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive loss, shareholders' deficit and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which describes events or conditions that indicate a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Rakesh Patel.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

April 28, 2020



An independent firm
associated with Moore
Global Network Limited

TINKERINE STUDIOS LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2019
(Expressed in Canadian Dollars)

	Notes	December 31, 2019	December 31, 2018
ASSETS			
Current			
Cash and cash equivalents		\$ 9,070	\$ 87,885
Receivables	4	14,869	88,426
Inventory	5	128,519	174,383
Prepays and deposits	9	12,015	7,042
Total current assets		164,473	357,736
Property and equipment	6	-	6,612
Right-of-use asset	14	139,602	-
TOTAL ASSETS		\$ 304,075	\$ 364,348
LIABILITIES			
Current			
Trade payables and accrued liabilities	8,9	\$ 749,540	\$ 569,180
Lease liabilities - current portion	14	46,712	-
		796,252	569,180
Non-Current			
Lease liabilities	14	96,315	-
TOTAL LIABILITIES		892,567	569,180
DEFICIT			
Share capital	10	4,329,369	4,329,369
Reserve	10	98,288	316,124
Deficit		(5,016,149)	(4,850,325)
		(588,492)	(204,832)
TOTAL LIABILITIES AND EQUITY (DEFICIT)		\$ 304,075	\$ 364,348

Nature and continuance of operations (Note 1)

Subsequent events (Note 17)

Approved on behalf of the Directors:

"Eugene Suyu"

"Justin Sy"

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

TINKERINE STUDIOS LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Notes	For the year ended December 31,	
		2019	2018
REVENUE	11	\$ 434,362	\$ 552,322
COST OF SALES			
Cost of goods sold		231,497	322,270
GROSS PROFIT		202,865	230,052
EXPENSES			
Amortization	6,7,14	54,475	38,604
Bank and credit card charges		6,257	9,067
Foreign exchange (gain) / loss		3,326	(10,061)
Insurance		19,123	18,616
Interest Expense		8,731	-
Office and general		8,460	7,993
Product promotion, trade shows and travel		3,690	2,311
Professional and consulting fees		142,160	164,826
Rent and utilities		3,936	54,248
Research and development		8,876	3,748
Remuneration and benefits	9	286,735	282,778
Stock-based compensation	9,10	-	6,843
Shareholder communications, filing & transfer agent		40,756	45,102
		586,525	624,075
NET AND COMPREHENSIVE LOSS		\$ (383,660)	\$ (394,023)
NET LOSS PER COMMON SHARE - BASIC AND DILUTED		\$ (0.01)	\$ (0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED		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' DEFICIT
December 31, 2019
(Expressed in Canadian Dollars)

	Notes	Share capital		Reserve	Deficit	Total
		Number of shares	Amount			
Balance at December 31, 2017		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	-	-	6,843	-	6,843
Cancellation of stock options	10	-	-	(13,173)	13,173	-
Net and comprehensive loss		-	-	-	(394,023)	(394,023)
Balance at December 31, 2018		49,238,349	4,329,369	316,124	(4,850,325)	(204,832)
Transactions with owners, in their capacity as owners and other transfers:						
Cancellation of stock options	10	-	-	(217,836)	217,836	-
Net and comprehensive loss		-	-	-	(383,660)	(383,660)
Balance at December 31, 2019		49,238,349	\$ 4,329,369	\$ 98,288	\$ (5,016,149)	\$ (588,492)

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

TINKERINE STUDIOS LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	For the year ended December 31,	
	2019	2018
Cash Flow from Operating Activities		
Net loss for the year	\$ (383,660)	\$ (394,023)
Items not involving cash		
Amortization	54,475	38,604
Stock-based compensation	-	6,843
	<u>(329,185)</u>	<u>(348,576)</u>
Changes in non-cash working capital items		
Receivables	73,557	(41,046)
Inventory	45,864	109,177
Prepays and deposits	(4,973)	8,125
Trade payables and accrued liabilities	180,360	152,948
	<u>294,808</u>	<u>229,204</u>
Net cash used in operating activities	<u>(34,377)</u>	<u>(119,372)</u>
Cash Flows from Financing Activities		
Repayment of lease liability	(44,438)	-
Net cash used in investing activity	<u>(44,438)</u>	<u>-</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(78,815)	(119,372)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>87,885</u>	<u>207,257</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 9,070</u>	<u>\$ 87,885</u>

Supplemental cash flow information:

December 31, 2019

The Company reallocated \$217,836 from reserve to deficit upon cancellation of stock options

December 31, 2018

The Company reallocated \$13,173 from reserve to deficit upon cancellation of stock options

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

TINKERINE STUDIOS LTD.

Notes to the Consolidated Financial Statements

December 31, 2019

(Expressed in Canadian dollars)

1. Nature and Continuance of Operations

Tinkerine Studios Ltd. (the "Company") was incorporated on May 25, 2006 under the laws of the province of British Columbia, Canada. The Company is listed on the TSX Venture Exchange ("TSX-V") under the trading symbol TTD. The Company's primary business is the design and manufacture, distribution of 3D printers, software and related online educational content.

The Company's registered and records office is at 1500-1055 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7 and its head office is located at 213A-8275 92nd 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.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. The impact on the Company is not currently determinable but management continues to monitor the situation.

Based on the Company's operating history, and its relationship with its stakeholders, Management expects that the Company will require additional equity to have sufficient capital to fund operations for the upcoming fiscal year. Further discussion of liquidity risk has been disclosed in Note 15. These 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 April 28, 2020 by the directors of the Company.

Statement of compliance with International Financial Reporting Standards

The consolidated financial statements of the Company, including comparatives, comply with International Accounting Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

TINKERINE STUDIOS LTD.

Notes to the Consolidated Financial Statements

December 31, 2019

(Expressed in Canadian dollars)

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 is also 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.

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 applying to 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.

TINKERINE STUDIOS LTD.

Notes to the Consolidated Financial Statements

December 31, 2019

(Expressed in Canadian dollars)

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

Foreign currency translation

The functional currency of each of the Company's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the functional currency of the Company and its subsidiary.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive loss in the statement of comprehensive loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive loss. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Trade and other receivables

Receivables are amounts due from customers for goods sold in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Inventory

The Company records inventory at the lower of cost and estimated net realizable value. Costs include raw materials, freight, duty, brokerage and non-recoverable taxes, and are assigned to inventories on a first-in first-out basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

TINKERINE STUDIOS LTD.

Notes to the Consolidated Financial Statements

December 31, 2019

(Expressed in Canadian dollars)

2. Basis of Presentation and Significant Accounting Policies (cont'd)***Property and equipment***

Property and equipment stated at historical cost less accumulated depreciation and accumulated impairment losses. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Depreciation and amortization are calculated on a straight-line method to write off the cost of the assets to their residual values over their estimated useful lives, as follows:

Asset	Basis
Equipment	Straight-line over 5 years
Computers	Straight-line over 3 years
Leasehold improvements	Straight-line over 3 years

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

During the year ended December 31, 2018, the Company fully amortized \$24,408 relating to intangible assets. At December 31, 2019, the Company does not have any intangible assets which met the criteria for recognition (Note 7).

TINKERINE STUDIOS LTD.

Notes to the Consolidated Financial Statements

December 31, 2019

(Expressed in Canadian dollars)

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

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Internally-generated intangible assets - Research and development expenditures

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Impairment of long-lived assets

The carrying amount of the Company's long-lived assets (which includes equipment and intangible assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

TINKERINE STUDIOS LTD.

Notes to the Consolidated Financial Statements

December 31, 2019

(Expressed in Canadian dollars)

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

Trade payables and accrued liabilities

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Revenue recognition

The Company adopted IFRS 15 Revenue from Contracts with Customers ("IFRS 15") on a retroactive basis in accordance with the transitional provisions on January 1, 2018. IFRS 15 replaces IAS 18 Revenue, IAS 11 Construction Contracts, and related interpretations on revenue. This 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. This standard requires companies to follow a five-step model to determine if revenue should be recognized:

1. Identify the contracts with customers
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when the entity satisfies a performance obligation

The Company derives revenues primarily from the sale of 3D printers and spare parts. The Company recognizes the sale when the goods are shipped from their office.

Government grants

The Company is entitled to government assistance in the form of grants. These are applied against related expenses of the cost of the asset acquired. Grants are subject to compliance with terms and conditions of the related agreements.

Financial instruments

The Company adopted all of the requirements of IFRS 9 Financial Instruments on January 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 utilizes a revised model for recognition and measurement of financial instruments in a single, forward-looking "expected loss" impairment model.

(i) Classification

The following is the Company's accounting policy for financial instruments under IFRS 9:

<u>Financial assets/liabilities</u>	<u>Classification IFRS 9</u>
Cash and cash equivalents	FVTPL
Receivables	Amortized cost
Trade payables	Amortized cost

TINKERINE STUDIOS LTD.

Notes to the Consolidated Financial Statements

December 31, 2019

(Expressed in Canadian dollars)

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

(ii) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of comprehensive loss in the period in which they arise.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

TINKERINE STUDIOS LTD.

Notes to the Consolidated Financial Statements

December 31, 2019

(Expressed in Canadian dollars)

2. Basis of Presentation and Significant Accounting Policies (cont'd)***Income taxes***Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive loss or equity is recognized in other comprehensive loss or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the asset and liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Stock-based compensation

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve. The fair value of options is determined using the Black–Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

TINKERINE STUDIOS LTD.

Notes to the Consolidated Financial Statements

December 31, 2019

(Expressed in Canadian dollars)

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

Leases

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. This standard is effective for reporting periods beginning on or after January 1, 2019.

The Company has applied 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, plus prepaid lease payments. The Company will 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.

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:

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 Consolidated Financial Statements

December 31, 2019

(Expressed in Canadian dollars)

4. Receivables

	December 31, 2019	December 31, 2018
Trade receivables	\$ 14,869	\$ 88,426

Trade receivables relate to completed sales.

At December 31, 2019 and 2018 no accounts receivable is due beyond one year. The fair value of accounts receivable approximates their carrying value as at December 31, 2019 and 2018 respectively.

5. Inventory

	December 31, 2019	December 31, 2018
Raw materials	\$ 113,189	\$ 150,708
Finished goods	15,330	23,675
	\$ 128,519	\$ 174,383

6. Property and Equipment

	Equipment	Computers	Leasehold improvements	Total
Cost:				
December 31, 2017	\$ 58,673	\$ 11,845	\$ 6,664	\$ 77,182
Write off of fully amortized equipment	-	(5,751)	-	(5,751)
December 31, 2018 and 2019	\$ 58,673	\$ 6,094	\$ 6,664	\$ 71,431
Amortization:				
December 31, 2017	\$ 42,722	\$ 11,428	\$ 2,224	\$ 56,374
Additions	11,736	236	2,224	14,196
Write off of fully amortized equipment	-	(5,751)	-	(5,751)
December 31, 2018	54,458	5,913	4,448	64,819
Additions	4,215	181	2,216	6,612
December 31, 2019	\$ 58,673	\$ 6,094	\$ 6,664	\$ 71,431
Net book value:				
December 31, 2018	\$ 4,215	\$ 181	\$ 2,216	\$ 6,612
December 31, 2019	\$ -	\$ -	\$ -	\$ -

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7. Intangible Asset

	Total
Cost:	
December 31, 2017, 2018 and 2019	\$ 146,409
Amortization:	
December 31, 2016	73,201
Additions	48,800
December 31, 2017	122,001
Additions	24,408
December 31, 2018 and 2019	146,409
Net book value:	
December 31, 2017	\$ 24,408
December 31, 2018 and 2019	\$ -

8. Trade Payables and Accrued Liabilities

	December 31, 2019	December 31, 2018
Trade payables – Note 9	\$ 76,112	\$ 56,430
Accrued liabilities – Note 9	673,428	512,750
	\$ 749,540	\$ 569,180

9. Related Party Transactions

As at December 31, 2019, included in prepaids and deposits is \$2,435 (2018 - \$2,435), which has been paid to a director of the Company.

As at December 31, 2019, included in trade payables is \$18,653 (2018 - \$17,195), which is due to a director of the Company. The amount is non-interest bearing with no repayment terms.

The compensation of key management personnel and related parties were as follows:

	December 31, 2019	December 31, 2018
Rent and utilities	\$ 52,583	\$ 50,496
Remuneration, fees and short-term benefits	148,038	162,529
Stock-based compensation	-	5,429
	\$ 200,621	\$ 218,454

As at December 31, 2019, included in accrued liabilities is \$274,148 (2018 - \$205,148), which is due to directors and officers of the Company for wages payable (Note 8).

The Company previously entered into a lease agreement with a director of the Company (Note 14), which remains effective as at December 31, 2019.

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10. Share Capital***Authorized share capital***

Unlimited number of common shares without par value.

Changes in issued share capital

There were no common share transactions during the years ended December 31, 2018 and 2019.

Stock options

There was no issuance of stock options for the year ended December 31, 2019.

There was no issuance of stock options for the year ended December 31, 2018. The Company recognized \$6,843 in stock-based compensation expense for previously issued stock options which vested during the year ended December 31, 2018.

During the year ended December 31, 2019, 1,175,000 (2018 – 225,000) stock options were cancelled, and the corresponding amount of \$217,836 (2018 – \$13,173) was reallocated from reserves to deficit.

A continuity schedule of stock options is as follows:

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

As at December 31, 2019, the following stock options were outstanding and exercisable:

Number of options	Exercise price	Expiry date
2,000	\$0.075	March 5, 2020
48,000	\$0.075	May 23, 2020
110,000	\$0.075	June 24, 2020
650,000	\$0.075	January 27, 2021
825,000	\$0.075	June 24, 2021
725,000	\$0.075	September 26, 2022

As at December 31, 2019, the weighted average exercise price of stock options is \$0.075 with an average remaining term of 1.69 years.

Subsequent to the year ended December 31, 2019, 355,000 options were exercised at \$0.075 per share (Note 17) and 2,000 options expired, unexercised.

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10. Share Capital (cont'd)**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

11. 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:

	December 31, 2019	December 31 2018
Total revenues:		
Canada	\$ 244,103	\$ 275,117
United States	190,150	268,371
Other	109	8,834
	\$ 434,362	\$ 552,322

During 2019, there were two customers that made up in excess of 10% of total revenue, comprised of 43% and 10% of total revenue, respectively. During 2018, one customer made up in excess of 10% of total revenue, comprising of 45% of total revenue.

12. Income Taxes

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	December 31, 2019	December 31, 2018
Net loss	\$ 383,660	\$ 394,023
Tax rate	27%	27%
Expected income tax recovery	103,588	106,386
Non-deductible items and other	(1,190)	1,631
Stock-based compensation	-	1,848
Effect of change in tax rate	-	(61,446)
Non-capital loss true up	(58,490)	-
Temporary differences not recorded	(43,908)	(48,419)
	\$ -	\$ -

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Notes to the Consolidated Financial Statements

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(Expressed in Canadian dollars)

12. Income Taxes (cont'd)

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

	December 31, 2019	December 31, 2018
Non-capital losses	\$ 1,703,000	\$ 1,622,000
Right of use asset	(38,000)	-
Equipment and other	33,000	31,000
Share issuance costs	1,000	2,000
	<u>\$ 1,699,000</u>	<u>\$ 1,655,000</u>

The tax pools relating to the significant deductible temporary differences expire as follows:

	Non-capital losses
2025	\$ 14,000
2026	10,000
2027	214,000
2028	171,000
2029	-
2030	383,000
2031	480,000
2032	615,000
2033	532,000
2034	1,116,000
2035	948,000
2036	759,000
2037	339,000
2038	405,172
2039	324,777
	<u>\$ 6,310,949</u>

As future taxable profits of the Company are uncertain, no deferred tax asset has been recognized. As at December 31, 2019, the Company has approximately \$6,310,949 in non-capital losses that can be offset against taxable income in future years, which begin expiring at various dates commencing in 2025. The potential deferred tax benefit of these losses has not been recorded as a deferred tax allowance has been provided due to the uncertainty regarding the realization of these losses.

13. Commitment and 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.

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14. Right-of-Use Assets and Lease Liabilities

As at January 1, 2019 the Company recognized a right-of-use asset and corresponding liability for its office lease. 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 interest costs (due to accretion of the lease liability).

	\$
Minimum lease payments at initial recognition	205,951
Effect of discounting at the incremental borrowing rate	(18,485)
Lease liabilities recognized as at January 1, 2019	187,466
Right-of-use asset recognized as at January 1, 2019	187,466

The lease liabilities were discounted at a discount rate of 5% as at January 1, 2019.

The following table presents the continuity of right-of-use assets and lease liabilities under IFRS 16 adoption effective January 1, 2019.

	Year Ended December 31, 2019
Right-of-use assets	\$
Cost	
As at January 1, 2019, on adoption of IFRS 16	187,466
Depreciation	
Charge for the year	(47,864)
Net Book Value	
As at December 31, 2019	139,602
Lease liabilities	Year Ended December 31, 2019
	\$
As at January 1, 2019, on adoption of IFRS 16	187,466
Lease payments made	(52,584)
Interest expenses on lease liabilities	8,145
As at December 31, 2019	143,027
Less: Lease liabilities – Current	(46,712)
Lease liabilities – Non-current	96,315

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14. Right-of-Use Assets and Lease Liabilities (cont'd)

The Right-of-Use Assets and Lease Liabilities relates to the Company's operating lease ("Lease") for its office premise in Delta, British Columbia, Canada which it leases from a Director of the Company. The Lease effective date was December 1, 2016 and was for a 3-year term, ending on December 1, 2019. As at December 31, 2019, the Company extended the term of the lease for a further three years.

The following table presents the projected amounts due under the agreement in future years.

	December 31, 2019	December 31, 2018
	\$	\$
Not later than 1 year	52,583	52,583
1 year to 3 years	100,785	153,368
Total	153,368	205,951

15. Capital Management

The Company's policy is to maintain a sufficiently 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.

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

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. Liquidity risk is assessed as high.

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 significant 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. Credit risk is assessed as low.

Foreign exchange risk

Foreign exchange risk is the risk that the fair values of 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 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.

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17. Subsequent Events

On February 28, 2020, the Company received unsecured loans amounting to \$90,000 from five of its employees repayable by April 30, 2020 at an interest rate of 12% per annum.

On April 7, 2020, the Company issued 300,000 common shares at \$0.075 per share pursuant to the exercise of stock options.

On April 21, 2020, the Company issued 55,000 shares common shares at \$0.075 per share pursuant the exercise of stock options.