



**TINKERINE STUDIOS LTD.**

**Unaudited Interim Consolidated Financial Statements**

**March 31, 2018**

**(Expressed in Canadian dollars)**

**(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)**  
**March 31, 2018**  
(Expressed in Canadian Dollars)

	Notes	March 31, 2018	December 31, 2017
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	2	\$ 219,587	\$ 207,257
Receivables	4	9,152	47,380
Inventory	5	248,388	283,560
Prepays and deposits		31,611	15,167
<b>Total current assets</b>		<b>508,738</b>	<b>553,364</b>
<b>Property and equipment</b>	6	<b>17,259</b>	<b>20,808</b>
<b>Intangible asset</b>	7	<b>12,208</b>	<b>24,408</b>
<b>TOTAL ASSETS</b>		<b>\$ 538,205</b>	<b>\$ 598,580</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Trade payables and accrued liabilities	8	\$ 466,973	\$ 416,232
		466,973	416,232
<b>EQUITY</b>			
Share capital	10	4,329,369	4,329,369
Reserve	10	326,195	322,454
Deficit		(4,584,332)	(4,469,475)
		71,232	182,348
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 538,205</b>	<b>\$ 598,580</b>

**Nature and continuance of operations** (Note 1)

**Commitment** (Note 12)

Approved on behalf of the Directors:

"E.Suyu"

"J.Sy"

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

**TINKERINE STUDIOS LTD.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (unaudited)**  
**March 31, 2018**  
**(Expressed in Canadian Dollars)**

	Notes	Three Months Ended March 31 2018	Three Months Ended March 31 2017
<b>REVENUE</b>	11	\$ 153,841	\$ 166,847
<b>COST OF SALES</b>			
Cost of goods sold		94,995	107,007
		94,995	107,007
<b>GROSS PROFIT</b>		58,846	59,840
<b>EXPENSES</b>			
Amortization	6, 7	15,749	16,681
Bank and credit card charges		2,478	2,041
Foreign exchange (gain) / loss		(5,952)	2,507
Insurance		4,745	7,373
Office and general		2,381	3,697
Product promotion, trade shows and travel		361	365
Professional and consulting fees		55,966	27,263
Rent and utilities		14,003	27,515
Research and development		192	8,152
Remuneration and benefits	9, 10	70,108	62,922
Stock-based compensation	9, 10	3,741	6,737
Shareholder communications, filing & transfer agency		9,933	11,300
		173,703	176,553
<b>NET LOSS</b>		(114,857)	(116,712)
<b>OTHER ITEMS</b>		-	-
<b>NET AND COMPREHENSIVE LOSS</b>		\$ (114,857)	\$ (116,712)
<b>NET LOSS PER COMMON SHARE - BASIC AND DILUTED</b>		\$ (0.00)	\$ (0.00)
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED</b>		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)  
March 31, 2018  
(Expressed in Canadian Dollars)

	Notes	Share capital		Reserve	Deficit	Total
		Number of shares	Amount			
<b>Balance at December 31, 2016</b>		49,238,349	\$ 4,329,369	\$ 380,088	\$ (4,193,066)	\$ 516,391
Transactions with owners, in their capacity as owners and other transfers:						
Stock-based compensation	10	-	-	25,643	-	25,643
Cancellation of Stock Options			-	(83,277)	83,277	-
Net and comprehensive loss		-	-	-	(359,686)	(359,686)
<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				3,741		3,741
Net and comprehensive loss					(114,857)	(114,857)
<b>Balance at March 31, 2018</b>		49,238,349	4,329,369	326,195	(4,584,332)	71,232

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

**TINKERINE STUDIOS LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)**  
**March 31, 2018**  
**(Expressed in Canadian Dollars)**

	<b>Three Months March 31 2018</b>	<b>Three Months March 31 2017</b>
<b>Cash Flow from Operating Activities</b>		
Net loss for the year	\$ (114,857)	\$ (116,713)
Items not involving cash		
Amortization	15,749	16,681
Stock-based compensation	3,741	6,737
Changes in non-cash working capital items		
Receivables	38,228	70,649
Inventory	35,172	22,958
Prepays and deposits	(16,444)	12,422
Trade payables and accrued liabilities	50,741	33,948
Customer deposits and deferred revenue	-	(4,430)
Net cash provided by operating activities	<u>12,330</u>	<u>42,251</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	-	(3,050)
Net cash used in investing activities	<u>-</u>	<u>(3,050)</u>
<b>Cash Flow from Financing Activities</b>		
Net proceeds from share issuances	-	-
Net cash provided by financing activities	<u>-</u>	<u>-</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>12,330</b>	<b>39,201</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<b><u>207,257</u></b>	<b><u>41,601</u></b>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<b><u>\$ 219,587</u></b>	<b><u>\$ 80,802</u></b>

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

## **TINKERINE STUDIOS LTD.**

Notes to the Consolidated Financial Statements

March 31, 2018

(Expressed in Canadian dollars)

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### **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 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, the Company may 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 May 29, 2018 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

March 31, 2018

(Expressed in Canadian dollars)

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### **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.

#### ***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.

**TINKERINE STUDIOS LTD.**

Notes to the Consolidated Financial Statements

March 31, 2018

(Expressed in Canadian dollars)

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**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

March 31, 2018

(Expressed in Canadian dollars)

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## 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

### *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;

## **TINKERINE STUDIOS LTD.**

Notes to the Consolidated Financial Statements

March 31, 2018

(Expressed in Canadian dollars)

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

#### ***Intangible assets (cont'd)***

- 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.

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.

At March 31, 2018, the Company has recorded intangible assets relating to certain expenditures on development which met the criteria for recognition.

#### ***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

March 31, 2018

(Expressed in Canadian dollars)

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**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***

Revenue is recognized, net of discounts and customer rebates, when title and risk are transferred, and payments are received or rights to receive consideration are obtained, and collection of consideration is reasonably assured. Revenue received in advance of these criteria is deferred until future periods.

***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 classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

## **TINKERINE STUDIOS LTD.**

Notes to the Consolidated Financial Statements

March 31, 2018

(Expressed in Canadian dollars)

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

#### ***Financial instruments (cont'd)***

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive loss, except for impairment losses and foreign exchange gains and losses.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost. Derivative financial liabilities are classified at fair value through profit and loss and are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

#### ***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.

**TINKERINE STUDIOS LTD.**

Notes to the Consolidated Financial Statements

March 31, 2018

(Expressed in Canadian dollars)

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

***Income taxes (cont'd)***

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.

**3. Accounting Standards Issued but Not Yet Effective**

***IFRS 9 “Financial Instruments”***

This new standard is a partial replacement of IAS 39 “Financial Instruments: Recognition and Measurement”. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The proposed effective date of IFRS 9 is for annual periods beginning on or after January 31, 2018.

**TINKERINE STUDIOS LTD.**

Notes to the Consolidated Financial Statements

March 31, 2018

(Expressed in Canadian dollars)

**3. Accounting Standards Issued but Not Yet Effective (cont'd)*****IFRS 15 "Revenue from Contracts with Customers"***

This new standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

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.

**4. Receivables**

	<b>March 31, 2018</b>	<b>December 31, 2017</b>
Trade receivables	\$ 9,152	\$ 47,380
	\$ 9,152	\$ 47,380

**5. Inventory**

	<b>March 31, 2018</b>	<b>December 31, 2017</b>
Raw materials	\$ 157,975	\$ 180,346
Finished goods	90,413	103,214
	\$ 248,388	\$ 283,560

**TINKERINE STUDIOS LTD.**

Notes to the Consolidated Financial Statements

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(Expressed in Canadian dollars)

**6. Property and Equipment**

	Equipment	Computers	Leasehold improvements	Total
<b>Cost:</b>				
December 31, 2016	\$ 58,673	\$ 12,573	\$ 2,938	\$ 74,184
Additions	-	-	3,726	3,726
Disposals	-	(728)	-	(728)
December 31, 2017	58,673	11,845	6,664	77,182
Additions	-	-	-	-
Disposal	-	-	-	-
March 31, 2018	58,673	11,845	6,664	77,233
<b>Amortization:</b>				
December 31, 2016	\$ 30,986	\$ 10,931	\$ -	41,917
Additions	11,736	1,225	2,224	15,185
Disposals	-	(728)	-	(728)
December 31, 2017	42,722	11,428	2,224	56,374
Additions	2,934	59	556	4481
March 31, 2018	45,656	11,487	2,780	46,397
<b>Net book value:</b>				
December 31, 2017	\$ 15,951	\$ 418	\$ 4,439	\$ 20,808
March 31, 2018	\$ 13,017	\$ 358	\$ 3,884	\$ 17,259

**7. Intangible Asset**

	Total
<b>Cost:</b>	
December 31 2016 and 2017	146,409
<b>Amortization:</b>	
December 31, 2016 and 2017	122,001
Additions	12,200
March 31, 2018	134,201
<b>Net book value:</b>	
December 31, 2017	\$ 24,408
March 31, 2018	\$ 12,208

**TINKERINE STUDIOS LTD.**

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**7. Intangible Asset (cont'd)**

During 2015, the intangible asset was put into use and therefore commenced to be amortized on a straight line basis over its estimated useful life of three years.

**8. Trade Payables and Accrued Liabilities**

	<b>March 31, 2018</b>	<b>December 31, 2017</b>
Trade payables – Note 9	\$ 50,054	\$ 54,892
Accrued liabilities	416,919	361,340
	<b>\$ 466,973</b>	<b>\$ 416,232</b>

**9. Related Party Transactions**

As at March 31, 2018, included in trade payables is \$2,085 (2017 - \$2,224), which is due to a director of the Company.

As at March 31, 2018, included in prepaids and deposits is \$2,435 (2017 - \$2,435), which has been paid to a director of the Company.

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

	<b>March 31, 2018</b>	<b>December 31, 2017</b>
Rent and utilities	\$ 11,338	\$ 45,382
Remuneration, fees and short-term benefits	59,341	139,095
Stock-based compensation	2,967	15,139
	<b>\$ 73,646</b>	<b>\$ 199,616</b>

During the year ended December 31, 2016 the Company entered into a lease agreement with a director of the Company (Note 12).

## **TINKERINE STUDIOS LTD.**

Notes to the Consolidated Financial Statements

March 31, 2018

(Expressed in Canadian dollars)

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### **10. Share Capital**

#### ***Authorized share capital***

Unlimited number of common shares without par value.

#### ***Escrow***

At March 31, 2018, there were nil (December 31, 2017 – nil) common shares held in escrow.

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

For the first quarter ended March 31, 2018 there were no changes in paid up share capital

On March 24, 2016, the company completed a private placement of 6,600,000 units at \$0.05 per unit for proceeds of \$330,000. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable into an additional common share at an exercise price of \$0.10 until March 24, 2018. In connection with the private placement, the Company paid share issuance costs of \$15,043.

#### ***Warrants***

For the first quarter ended March 31, 2018 there were no warrants outstanding

The 6,600,000 warrants issued in the private placement on March 24, 2016 expired on March 24, 2018 without being exercised.

#### ***Stock options***

For the first quarter ended March 31, 2018, there were no share options granted.

On September 25<sup>th</sup>2017 the Company granted 725,000 stock options with an exercise price of \$0.075. The fair value of the stock option issuances was calculated using the Black-Scholes Option Pricing Model using the following assumptions: risk free rate of 1.73%, expected life of 5 years, volatility of 110% and no expected dividends. The fair value is expensed to stock-based compensation over the one year vesting period using the grading recognition system. For the first quarter ended March 31, 2018 \$3,741 was recognized as stock-based compensation based on this recognition system.

During the year ended December 31, 2017, 920,000 (2016 – 725,000) stock options were cancelled, and the corresponding amount of \$83,277 (2016 - \$121,146) was reallocated from reserves to deficit.

**TINKERINE STUDIOS LTD.**

Notes to the Consolidated Financial Statements

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(Expressed in Canadian dollars)

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

The Company also recognized a further \$8,611 in stock-based compensation expense for previously issued stock options which vested during the year ended December 31, 2017

During the year ended December 31, 2016, the Company repriced 411,000 previously granted stock options. Accordingly, the Company recognized an incremental \$48,007 in stock-based compensation expense. The Company also granted 2,225,000 stock options. The fair value of the stock option issuances of \$83,170, which was recognized as stock-based compensation expense, was calculated using the Black-Scholes Option Pricing Model using the following assumptions: risk free rate of 0.50%, expected life of 5 years, volatility of 94% and no expected dividends. The Company also recognized a further \$3,477 in stock-based compensation expense for previously issued stock options which vested during the year ended December 31, 2016.

A continuity schedule of stock options is as follows:

	Number of stock options
Balance December 31 2016	3,955,000
Issued	725,000
Expired/cancelled	(920,000)
Balance December 31, 2017	3,760,000
Balance March 31, 2018	3,760,000
Exercisable March 31, 2018	3,470,000

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Notes to the Consolidated Financial Statements

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

As at March 31, 2018, the following stock options were outstanding and exercisable

Number of options	Exercise Price	Expiry date
1,100,000	\$0.075	Apr 4, 2019
4,000	\$0.075	Mar 5, 2020
66,000	\$0.075	May 23, 2020
110,000	\$0.075	June 24, 2020
860,000	\$0.075	Jan 27, 2021
895,000	\$0.075	Jun 24 2021
435,000	\$0.075	Sept 30, 2022

As at March 31, 2018, the weighted average exercise price of stock options is \$0.075 with an average remaining term of 2.59 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.

**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:

	March 31, 2018	December 31 2017
Total revenues:		
Canada	\$ 69,059	\$ 510,409
United States	84,679	263,582
Other	103	30,643
	\$ 153,841	\$ 804,634

## TINKERINE STUDIOS LTD.

Notes to the Consolidated Financial Statements

March 31, 2018

(Expressed in Canadian dollars)

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### 11. Segmented Information (cont'd)

During the first quarter of 2018, there were 2 customers that each made up more than 10% of total revenue, comprised of 48.5% and 10.5% respectively. During year end December 31, 2017, 2 customers each made up in excess of 10% of total revenue, comprised of 28.9% and 10.2% each, respectively.

### 12. Commitment and Contingency

#### *Commitment*

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 was \$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 fee 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 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.

### 14. Financial Instruments and Financial Risk Management

The fair value of the Company's financial assets and liabilities approximates its carrying amount.

The Company's financial assets and liabilities are classified and measured as follows:

<i>Asset/Liability</i>	<i>Category</i>	<i>Measurement</i>
Cash	Fair value through profit or loss	Fair value
Trade receivables	Loans and receivables	Amortized cost
Trade payables	Other financial liability	Amortized cost

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:

**TINKERINE STUDIOS LTD.**

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March 31, 2018

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**14. Financial Instruments and Financial Risk Management (cont'd)**

- 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 March 31, 2018 and at December 31, 2017, the Company measures its cash based on Level 1 inputs.

**Financial instrument risk exposure and management**

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.

**15. Financial Instruments and Financial Risk Management*****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.

***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.

