



**TINKERINE STUDIOS LTD.**

**Condensed Consolidated Interim Financial Statements**

**September 30, 2018**

**(Expressed in Canadian dollars)**

**(Unaudited – Prepared by Management)**

**TINKERINE STUDIOS LTD.**

**NOTICE TO READER**

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

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

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

**TINKERINE STUDIOS LTD.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian Dollars)

	Notes	September 30, 2018	December 31, 2017
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	3	\$ 62,995	\$ 207,257
Receivables	4	81,511	47,380
Inventory	5	214,644	283,560
Prepays and deposits		22,810	15,167
<b>Total current assets</b>		<b>381,960</b>	<b>553,364</b>
<b>Property and equipment</b>	6	<b>10,161</b>	<b>20,808</b>
<b>Intangible asset</b>	7	<b>-</b>	<b>24,408</b>
<b>TOTAL ASSETS</b>		<b>\$ 392,121</b>	<b>\$ 598,580</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Trade payables and accrued liabilities	8,9	\$ 500,082	\$ 416,232
		500,082	416,232
<b>EQUITY</b>			
Share capital	10	4,329,369	4,329,369
Reserve	10	316,124	322,454
Deficit		(4,753,453)	(4,469,475)
		(107,961)	182,348
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 392,121</b>	<b>\$ 598,580</b>

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

**Commitment** (Note 12)

Approved on behalf of the Directors:

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

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

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

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

	Notes	For the three months ended September 30,		For the nine months ended September 30,	
		2018	2017	2018	2017
<b>REVENUE</b>	11	\$ 88,991	\$ 203,489	\$ 401,152	\$ 636,612
<b>COST OF SALES</b>					
Cost of Goods Sold		47,157	128,431	220,241	383,723
		41,834	75,058	180,911	252,889
Production training and start-up		-	-	-	-
<b>GROSS PROFIT</b>		41,834	75,058	180,911	252,889
<b>EXPENSES</b>					
Amortization	6, 7	3,549	15,866	35,055	48,236
Bank and credit card charges		1,760	2,167	6,318	6,479
Foreign exchange (gain)		2,395	8,442	(5,344)	13,428
Insurance		4,624	4,745	13,992	16,862
Interest		186	187	372	529
Office and general		2,266	1,516	6,290	8,391
Product promotion, trade shows and travel		476	1,498	1,469	3,426
Professional and consulting fees		30,454	42,061	120,069	98,974
Rent and utilities		13,848	13,840	40,628	53,171
Research and development		2,146	1,850	2,587	12,329
Remuneration and benefits	10	71,060	72,196	212,166	212,272
Stock-based compensation	9	955	(72,281)	6,845	(77,564)
Shareholder communications, filing & transfer agency		12,536	14,132	37,618	39,365
		146,255	106,217	478,065	435,898
<b>NET PROFIT (LOSS)</b>		(104,420)	(31,159)	\$ (297,153)	\$ (183,009)
<b>OTHER ITEMS</b>					
<b>NET AND COMPREHENSIVE PROFIT (LOSS)</b>		\$ (104,420)	\$ (31,159)	\$ (297,153)	\$ (183,009)
<b>NET PROFIT (LOSS) PER COMM SHARE- BASIC &amp; DILUTED</b>		\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.00)
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED</b>		49,238,349	49,238,349	49,238,349	49,238,349

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

**TINKERINE STUDIOS LTD.**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(Expressed in Canadian Dollars)

	Notes	Share capital		Equity 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	-	-	19,516	-	19,516
Cancellation of stock options	10	-	-	(97,080)	-	(97,080)
Net and comprehensive loss		-	-	-	(183,009)	(183,009)
<b>Balance at September 30, 2017</b>		<b>49,238,349</b>	<b>4,329,369</b>	<b>302,524</b>	<b>(4,376,075)</b>	<b>255,818</b>
<b>Balance at December 31, 2017</b>		49,238,349	4,329,369	322,454	(4,469,475)	182,348
Transactions with owners, in their capacity as owners and other transfers:						
Stock-based compensation	10	-	-	6,845	-	6,845
Cancellation of stock options		-	-	(13,175)	13,175	-
Net and comprehensive loss		-	-	-	(297,153)	(297,153)
<b>Balance at September 30, 2018</b>		<b>49,238,349</b>	<b>\$ 4,329,369</b>	<b>\$ 316,124</b>	<b>\$ (4,753,453)</b>	<b>\$ (107,961)</b>

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 nine months ended	
	Sept 30, 2018	Sept 30 2017
<b>Cash Flow from Operating Activities</b>		
Net loss for the period	\$ (297,153)	\$ (183,009)
Items not involving cash		
Amortization	35,055	48,236
Stock-based compensation	6,845	(77,564)
Changes in non-cash working capital items		
Receivables	(34,132)	92,904
Inventory	68,917	130,518
Prepays and deposits	(7,643)	33,791
Trade payables and accrued liabilities	83,850	131,760
Customer deposits and deferred revenue	-	-
Net cash provided by (used in) operating activities	<u>(144,262)</u>	<u>176,636</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	-	(3,727)
Intangible asset	-	-
Net cash used in investing activities	<u>-</u>	<u>(3,727)</u>
<b>Cash Flow from Financing Activities</b>		
Net proceeds from share issuances	-	-
Net cash provided by financing activities	<u>-</u>	<u>-</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(144,262)</b>	<b>172,909</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<u>207,257</u>	<u>41,601</u>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<u>\$ 62,995</u>	<u>\$ 214,510</u>

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

## **1. Nature and continuance of operations**

Tinkerine Studios Ltd. (formerly White Bear Resources Inc.) (the “Company”) was incorporated on May 25, 2006 under the laws of the province of British Columbia, Canada. The Company was previously listed on the TSX Venture Exchange (“TSX-V”) under the trading symbol WBR. The Company’s main activity was the acquisition, exploration and evaluation of resource properties.

In April 2014, White Bear Resources Inc. (“White Bear”) completed a share exchange with Tinkerine Studio Ltd. (“Tinkerine”), a private company incorporated on May 8, 2012 under the laws of British Columbia, Canada, resulting in a reverse take-over (“RTO”). Immediately following the RTO, White Bear changed its name to Tinkerine Studios Ltd. and Tinkerine changed its name Tinkerine 3D Print Systems Ltd. For purposes of these consolidated financial statements, the “Company” is defined as the consolidated entity. Also in April 2014, the Company commenced trading on the TSX-V under its current trading symbol TTD.

The Company’s primary business is the design and distribution of 3D printers, software and related online educational content.

The Company’s registered and records office at 1500-1055 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7 and its head office is located at 213A-8725 92<sup>nd</sup> Street, Delta British Columbia, Canada, V4G 0A4.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The continuing operations of the Company are dependent upon its ability to generate profitable operations in the future, and to continue to secure additional financing. There can be no assurance that the Company will be successful in its efforts to raise additional financing or if financing is available, that it will be on terms that are acceptable to the Company. These events cast significant doubt about the Company’s ability to continue as a going concern.

Based on the Company’s operating history and its relationship with its stakeholders, Management expects that it will require additional equity to have sufficient capital to fund operations for the next twelve months. Further discussion of liquidity risk has been disclosed in Note 14. These 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**

The financial statements were authorized for issue on November 28, 2018 by the directors of the Company.

### **Statement of compliance**

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with International Accounting Standards (“IAS”) 34, “Interim Financial Reporting” using accounting policies and methods of computation consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

## 2. Basis of Presentation (Cont'd)

These condensed consolidated interim financial statements include all necessary information and disclosures required for interim financial statements but do not include disclosures required for a full annual financial report. These statements are intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2017.

### ***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.

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

The consolidated financial statements include the accounts of the Company and its 100% controlled entity, Tinkerine 3D Print Systems Ltd. In conformity with the principles of GAAP and IFRS, in the consolidated financial statements, inter-company transactions and balances are eliminated upon consolidation.

	Jurisdiction of incorporation	Percentage owned		
		Sept. 30 2018	December 31 2017	Sept 30 2017
Tinkerine 3D Print Systems Ltd.	Canada	100%	100%	100%

## 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.

### ***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



**2 Accounting Standards Issued but Not Yet Effective (Cont'd)**

***IFRS 15 "Revenue from Contracts with Customers"***

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.

**3. Cash**

The components of cash and cash equivalents are as follows:

	<b>September 30, 2018</b>	<b>December 31, 2017</b>
Cash	\$ 62,995	\$ 207,257
	<b>\$ 62,995</b>	<b>\$ 207,257</b>

**4. Receivables**

	<b>September 30, 2018</b>	<b>December 31, 2017</b>
Trade receivables	\$ 81,511	\$ 47,380
	<b>\$ 81,511</b>	<b>\$ 47,380</b>

**5. Inventory**

	<b>September 30, 2018</b>	<b>December 31, 2017</b>
Raw materials	\$ 160,841	\$ 180,346
Finished goods	53,803	103,214
	<b>\$ 214,644</b>	<b>\$ 283,560</b>

**6. Property and Equipment**

Equipment is amortized on a straight-line basis over five years, computer hardware and software on a straight-line basis over 3 years and leasehold improvements on a straight-line basis over three years.

TINKERINE STUDIOS LTD.  
Notes to the Financial Statements  
September 30, 2018  
(Expressed in Canadian dollars)

**6 Property and Equipment (Cont'd)**

	Equipment	Computers	Leasehold improvements	Total
<b>Cost:</b>				
December 31, 2015	\$ 58,673	\$ 12,573	\$ 2,936	\$ 74,183
Additions	-	-	3,726	3,726
Disposal		(728)	-	(728)
December 31, 2017	58,673	11,845	6,663	77,181
Additions	-	-	-	-
September 30, 2018	58,673	11,845	6,663	77,181
<b>Amortization:</b>				
December 31, 2016	\$ 30,986	\$ 10,931	\$ -	\$ 41,917
Additions	11,736	1,225	2,224	15,185
Disposal		(728)	-	(728)
December 31, 2017	42,722	11,428	2,224	56,374
Additions	8,802	177	1,668	10,647
September 30, 2018	51,524	11,605	3,892	67,021
<b>Net book value:</b>				
December 31, 2017	\$ 15,951	\$ 417	\$ 4,439	\$ 20,807
September 30, 2018	\$ 7,149	\$ 240	\$ 2,771	\$ 10,161

**7 Intangible Asset**

Intangible asset represents a portal and related applications and content called Tinkerine U, the purpose of which is to develop and share 3D printer content. The asset was put into service in the third quarter of 2015 and commenced to be amortized in the quarter on a straight-line basis over three years.

	Total
<b>Cost:</b>	
December 31, 2016 and 2017	\$ 146,409
Addition	-
	<u>\$ 146,409</u>
<b>Amortization:</b>	
December 31, 2016	73,201
Additions	48,800
December 31, 2017	122,001
Additions	24,408
September 30, 2018	<u>146,409</u>
<b>Net Book Value:</b>	
December 31, 2017	\$ 24,408
September 30, 2018	<u>\$ -</u>

## 8. Trade Payables and Accrued Liabilities

	September 30, 2018	December 31, 2017
Trade payables (note 10)	\$ 61,500	\$ 54,892
Accrued liabilities	438,582	361,340
	<u>\$ 500,082</u>	<u>\$ 416,232</u>

## 9. Related party transactions

As at September 30, 2018, included in prepaid and deposits is \$2,435 (December 31 2017 - \$2,435), which has been paid to a director of the Company

As at September 30, 2018, included in trade payables is \$18,178 (December 31, 2017 - \$4,842), which is due to related parties. These amounts are unsecured, non-interest bearing and without specific terms of repayment.

The compensation of officers and directors for the nine months period was as follows:

	September 30, 2018	September 30, 2017
Remuneration, fees and short-term benefits	\$ 136,279	\$ 78,750
Stock-based compensation	5,429	8,648
Rent and Utilities	34,015	33,125
	<u>\$ 175,723</u>	<u>\$ 120,523</u>

## 10. Share Capital

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

Unlimited number of common shares without par value.

Issued and outstanding at September 30, 2018: 49,238,349 shares.

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

There are no changes to share capital in the first nine months of the 2018 fiscal year.

During the nine months ended September 30, 2017, there were no changes in share capital.

### ***Warrants***

There are no outstanding warrants at September 30, 2018:

### ***Stock options***

There are no issue of stock options in the first 9 months of fiscal 2018. Using the Black-Scholes Option Pricing Model, the fair value of the stock option issuances was calculated 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. In the third quarter, \$955 was recognized as stock-based compensation based on this recognition system. For the first 9 months of 2018 \$6,845 was recognized as stock-based compensation.

## 10 Share Capital (Cont'd)

### Stock Options

In the second quarter of 2018, 225,000 stock options were cancelled, and the corresponding amount of \$13,175 was reallocated from reserves to deficit.

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. In the third quarter of 2017, \$10,903.92 was recognized as stock-based compensation based on this recognition system.

A continuity schedule of stock options is as follows:

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

As at September 30, 2018, the following stock options were outstanding and exercisable

	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
Expired/cancelled	(225,000)
Balance September 30, 2018	3,535,000
Exercisable September 30, 2018	3,535,000

As at September 30, 2018 the weighted average exercise price is \$0.075 with an average remaining term of 2.082

## 10 Share Capital (Cont'd)

### *Equity reserve*

Equity reserve records items recognized as stock based compensation expense and the fair value of warrants issued. In the second quarter of 2018, 225,000 stock options were cancelled and the corresponding \$13,175 was reallocated from reserves to deficit.

In the third quarter of 2017 920,000 stock options were cancelled, and the corresponding amount of \$97,079.69 was reallocated from reserves to deficit. At the time that the stock options or warrants are exercised, the corresponding amount is reallocated to share capital.

## 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:

	Sept 30 2018	Sept 30 2017
Total Revenue		
Canada	\$ 207,267	\$ 424,819
United States	185,042	181,418
Other	8,843	30,375
	\$ 401,152	\$ 636,612

During the nine months ended September 30, 2018 sales to two customers were each in excess of 10% of total revenue. During the previous nine months period ended September 30, 2017 there were two customers that each generated in excess of 10% of the total revenue.

## 12. Commitments

### *Lease agreement*

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 fees equal to 5% of the annual basic rent.

## 13. Capital Management

The Company's policy is to maintain a strong capital base 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
Due to shareholders	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:

- 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 September 30, 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, to ensure that it meets its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash from operations.

##### **Credit risk**

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