



TINKERINE STUDIOS LTD.

(Formerly White Bear Resources Inc.)

MANAGEMENT DISCUSSION AND ANALYSIS

For the nine months ended September 30, 2015



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

Form 51-102F1
MANAGEMENT DISCUSSION AND ANALYSIS
FOR
Tinkerine Studios Ltd. (“the Company”)
(Formerly White Bear Resources Inc.)

This management discussion and analysis of financial position and results of operations (“MD&A”), prepared as of October 28, 2015, provides an analysis of the operations and financial results of Tinkerine Studios Ltd. (“the Company”) for the nine months ended September 30, 2015, and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the nine months ended September 30, 2015. Readers may want to refer to the December 31, 2014 audited financial statements and the accompanying notes which are available on www.sedar.com.

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

The financial information in this MD&A is derived from the Company’s unaudited condensed consolidated interim financial statements which have been prepared in Canadian dollars, in accordance with International Financial Reporting Standard (“IFRS”).

This discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered to be reasonable by the Company’s management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements and forward-looking information (collectively, “forward-looking statements”) within the meaning of applicable Canadian and US securities legislation. These statements relate to future events or the future activities or performance of the Company. All statements, other than statements of historical fact are forward-looking statements. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or which by their nature refer to future events. These forward looking statements include, but are not limited to, statements concerning:

- the Company’s strategies and objectives, both generally and in respect of its existing business and planned business operations;
- the Company’s plans to grow sales and expand its distribution network;
- the Company’s future cash requirements;
- general business and economic conditions;
- the Company’s ability to meet its financial obligations as they come due, and to be able to raise the necessary funds to continue operations; and,
- the timing, pricing, completion, regulatory approval of proposed financings if applicable.

Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Inherent in forward looking statements are risks and uncertainties beyond the Company's ability to predict or control, including, but not limited to, risks related to the Company's ability to raise the necessary capital or to be fully able to implement its business strategies, and other risks identified herein under "Risk Factors".

The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results are likely to differ, and may differ materially, from those expressed or implied by forward looking statements contained in this MD&A. Such statements are based on a number of assumptions, which may prove incorrect, including, but not limited to, assumptions about:

- general business and economic conditions;
- conditions in the financial markets generally, and with respect to the prospects for small capitalization commercial/technology companies specifically;
- the Company's ability to roll out its business plan which includes new product launches and associated planning in production, sales, distribution and marketing;
- the Company's ability to secure and retain employees and contractors to carry out its business plans;

These forward-looking statements are made as of the date hereof and the Company does not intend and does not assume any obligation, to update these forward-looking statements, except as required by applicable law. For the reasons set forth above, investors should not attribute undue certainty to or place undue reliance on forward-looking statements.

Historical results of operations and trends that may be inferred from the following discussion and analysis may not necessarily indicate future results from operations. In particular, up to April 4, 2014 the Company was operating as a private company with constrained resources and such period forms approximately one third of the comparative nine month period to September 30, 2014. Accordingly, drawing trends from the Company's limited operating history is difficult.

OVERALL PERFORMANCE

The Company's principal business is the design and distribution of 3D printers, software and related online educational content. The Company is still in the phase of rolling out and ramping up its operations.

Highlights of the Company's activities for the six month period ended June 30, 2015:

- Q3 2015 revenue of \$465,000 was 35% above Q2 2015 revenue and 4.6 times Q3 2014;
- Continued to expand and strengthen the dealer network for our Ditto™ Pro 3D printers particularly in the United States;
- Ended the quarter with working capital of \$803,604 at September 30, 2015.

SUMMARY OF QUARTERLY INFORMATION

	Quarter ended:			
	"Q3 2015" September 30, 2015	"Q2 2015" June 30, 2015	"Q1 2015" March 31, 2015	"Q4 2014" December 31, 2014
Revenue	\$465,780	\$344,986	\$108,552	\$103,682
Net Income (Loss)	(138,589)	(340,076)	(528,624)	(\$512,791)
Net Comprehensive Income (Loss)	(138,589)	(338,665)	(475,027)	(\$507,727)
Basic and Diluted Loss per share	(0.01)	(0.01)	(0.01)	(0.01)
Number of shares outstanding (w. avg.)	42,548,349	42,507,690	42,026,505	41,966,751
	"Q3 2014" September 30, 2014	"Q2 2014" June 30, 2014	"Q1 2014" March 31, 2014	
Revenue	\$98,896	\$54,603	\$85,655	
Net Income (Loss)	(\$536,382)	(\$609,564)	8,224	
Net Comprehensive Income (Loss)	(\$531,210)	(\$1,669,539)	\$8,224	
Basic and Diluted Loss per share	(0.01)	(\$0.04)	\$0.00	
Number of shares outstanding (w. avg.)	41,769,005	41,660,733	12,000,000	

Note: The Company has not presented quarterly information for its past eight quarters as it has not prepared quarterly financial statements for such quarters as a private company in 2013.

RESULTS OF OPERATIONS

Summary and Discussion of Quarter to Quarter results

Revenue was \$465,780 in Q3 2015 showing a 35% increase over the previous quarter and continued upward trend. In Q3 2014 a very small percentage of sales were made through dealers and over the past 12 months we have completed our transition to substantially a dealer model where over 80% of our sales went through such distribution channels in Q3 2015.

In Q2 2014 and earlier, essentially all our sales were conducted through our on line store and were predominantly composed of our wooden framed models, the Ditto+ and Litto. Between Q3 2014 and Q1 2015 we transitioned to focus on our Ditto Pro model. Q2 and Q3 2015 showed the positive effects of this transition.

The Company's net loss for Q2 2015 dropped to \$138,589 having been considerably higher in each of the earlier five quarters. This is attributable primarily to our sales growth through Q2 and Q3 2015. A secondary factor was that near the end of Q2 2015 we implemented measures to decrease our controllable expenses and our total cash expenses decreased from approximately \$470,000 in Q2 2015 to \$368,000 in Q3 2015.

Analysis of Operating Results

Note: Information is presented for the three and nine months ended September 30, 2015 and the corresponding comparative periods in 2014 where the information provides comparative insight. Up to April 4, 2014 the Company was operating as a private company with constrained resources and such period forms approximately a third of the comparative nine month period to September 30, 2014. Accordingly, drawing trends from comparison of current period operating results to comparative period is difficult.

1. Revenue

Revenue was \$919,308 for the nine months ended September 30, 2015 versus \$239,157 for the comparative period 2014. Q3 2015 revenue of \$465,780 was approximately 4.7 times higher than Q3 2014 of \$98,896. During Q3 2015 we brought more dealers on stream, particularly in the USA.

For Q3 2015, revenue was represented by 79.5% hardware sales, 16% filament and 4.5% services/miscellaneous. We experienced a 5% advance in the proportion of sales attributable to filament due to initial stocking activities by some of our newer dealers.

Hardware revenue for Q3 2015 was represented by the sale of 223 3D printers (Q3 2014 – 50 3D printers) and 452 3D printers in the first nine months of 2015 (comparative period in 2014 – 127 3D printers).

2. Gross Profit Margins

Gross profit for the three months ended September 30, 2015 was \$258,226 or 55.4% versus \$34,423 or 65% for the three month ended September 30, 2014. For the nine months ended September 30, 2015 gross profit was \$452,458 or 49.2% versus \$144,751 or 60.5% for the nine month ended September 30 2014. Up to April 2014 limited wages were paid to the founders including those in production roles so comparative margins are skewed higher in the nine months ended September 30, 2014. Q3 2015 gross profit margin of 55.4% benefited by the strength of the US dollar relative to the Canadian dollar and the fact we expanded our sales substantially in the USA in the quarter.

During Q2 2015 we substantially complete the training of our initial production staff and therefore we had no such costs to present on a separate line item in Q3 2015. We did this in earlier quarters to endeavor to provide readers with an accurate picture of our sustainable margins, which we project to be between 50% and 55% as we move forward with our dealer driven distribution model.

3. Expenses

In Q3 2015 the Company incurred \$396,815 of total expenses compared to \$570,804 in Q3 2014. For the nine months ended September 30, 2015 total expenses were \$1,459,747 compared to \$1,282,472 in the comparative period in 2014. The Company's RTO occurred in April 2014 and expenditures prior to that time were more limited. In aggregate our business expansion and rate of expanding expenses has leveled off in Q1 and Q2 2015 and in fact declined in certain areas in Q3 2015. Near the end of Q2 2015 we began to tighten budgets in certain areas further discussed below.

Highlighted quarterly expenses include the following:

- Remuneration and benefits of \$167,991 for Q3 2015 versus \$179,155 for Q3 2014 and versus \$183,166 for Q2 2015. In most functional areas we completed our hiring by Q2 2015. In Q3 2015 we reduced business development and investor relations staff.
- Stock based compensation was \$9,416 in Q3 2015 versus approximately \$147,000 in Q3 2014. This is a non-cash expense and represents the fair value of stock options granted and outstanding using a Black Scholes calculation. Under IFRS, the expense is recognized as the options vest each quarter with a larger proportion of the expense recognized in earlier quarters. The majority of stock options to employees, directors and consultants were granted in Q2 2014, therefore the expense recognition of this initial issuance declines over the ensuing four quarters.
- Professional and consulting fees were \$46,676 for Q3 2015 versus \$109,397 in Q3 2014. For the six months ended September 30, 2015 they were \$207,246 versus \$245,506 in the comparative nine month period in

2014. In Q2 2014 professional fees were high due to completion of the RTO. In Q3 2015 we trimmed consulting cost particularly related to business development and investor relations.

- Product promotion, trade shows and travel was \$38,361 for Q3 2015 versus \$49,623 in Q3 2014 and also down from \$58,352 in Q2 2015 as we became more selective in repeat attendance at trade shows. These costs predominantly relate to marketing, branding, advertising and attending trade shows and we strive to maintain meaningful marketing activities each quarter but such costs not incurred completed evenly from period to period.

4. Other Income and Expenses

During Q1 2015 the Company completed a research and development project that was partially funded by the National Research Council of Canada for which we recognized grant income of \$50,000.

In Q2 2014 the Company completed its RTO and the calculated transaction costs, a non-cash item, was \$1,061,174.

LIQUIDITY

As at September 30, 2015, the Company had working capital of \$803,604 compared to \$903,502 at June 30, 2015 (December 31, 2014 – \$1.58 million). Our cash position was \$293,102 compared to \$460,262 at June 30, 2015 (Dec. 31, 2014 – \$1,471,072). In aggregate we consumed approximately \$100,000 of working capital in our operation over the quarter, a result that is on track with our business plan.

During the first nine months of 2015 the Company increased its investment in inventory by approximately \$218,000 to \$454,492 and notably within inventory Finished Goods stood at \$190,064 at September 30, 2015 (December 31, 2014 - \$30,890) which enhances our ability to fulfill our dealers' orders in a timely manner. Prepaids and Deposits were \$139,734 at September 30, 2015 due substantially to deposits on overseas parts purchases.

Management believes the Company is presently operating with adequate working capital to continue a steady expansion of its business over the coming months. While our cash position is somewhat tight we believe we can manage our existing operations with our existing working capital. However, any unforeseen downturn in sales or, alternatively, pursuit of a more aggressive growth strategy would necessitate further equity capital to be required.

CAPITAL RESOURCES

As at September 30, 2015, the Company's share capital was \$4,005,662 representing 42,548,349 issued and outstanding common shares without par value. During the first nine months of 2015 563,000 warrants were exercised into common shares for proceeds of \$56,300. Share capital and warrants remain unchanged from June 30 to September 30, 2015. Reserves, representing the fair value of stock options outstanding and vested and warrants issued, is recorded at \$569,772. The net decrease of approximately \$30,000 in Reserves during the first nine months of 2015 is for the calculated charge for Stock-based Compensation of \$106,321 less transfers to Deficit of \$136,827 to account for stock options cancelled.

As at September 30, 2015 the Company has 3,705,000 stock options outstanding with a weighted average exercise price of \$0.23 and an average remaining term of 3.1 years. Warrants outstanding include 6,106,175 at \$0.10 which expire through November and December 2015. The 6,990,500 warrants exercisable at \$0.40 expired on October 5, 2015.

The Company has no debt facilities and no off balance sheet arrangements.

RISK FACTORS

Each of the following factors could have a material adverse effect on the Company's financial condition and results of operations.

3D Printing Industry: The Company operates within desktop segment (sometimes referred to as the consumer segment) of the 3D printing industry. The desktop segment has really only existed since 2008. Although fast growing, the whole segment can be viewed as being an early adopter stage market. The ability for the Company to successfully negotiate this market setting comprises a substantial risk.

New Product Launch: The Company has launched three generations of products since its inception in May 2012. It is currently putting considerable resources into its third generation product, the Ditto Pro. Additionally, the Company is investing in software development and the development of online courses and curriculum for the education sector. The ability to manage such product launches in a timely and cost effective manner, and achieve the desired results in terms of market penetration, comprises a substantial risk.

Young Company and its stage of development: The Company has only operated since May 2012 and most of the time since then has been in the start-up and product development phase. Management's ability to manage a fast growth enterprise and put sufficient operating procedures and controls in place comprises a substantial risk.

Dependence upon key personnel: The success of the Company's operations will also depend upon its ability to attract and retain talented and qualified personnel. The Company currently has a small management team, several of which can be considered key to expanding the Company's business operation, the loss of which would likely be detrimental to the Company.

Competition: The desktop segment of the 3D printing industry is already competitive with several direct competitors having much greater financial resources than the Company and also greater length of operating experience. Furthermore, the desktop segment is going through a period of rapid innovation with many participants striving to drive down the price at which they can offer products. These factors combine to make the competitive environment a substantial risk.

Financing risks: The Company existing financial resources have come from the issue of new equity and, in an international setting, can be viewed as limited. Further the Company has negative operating cash flow and a cash balance of \$293,102. Therefore, without growth in operating cash flow the Company will require further equity capital injection(s) to sustain itself. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable.

Dilution to the Company's existing shareholders: Any future equity issues may be dilutive to present and prospective holders of common shares.

Regulatory requirements: The activities of the Company are subject to regulations governing various matters, including but not limited to standards and certifications for electronic devices, employment standards for employees engaged in manufacturing and assembly, export and import regulations and duties, and sales and goods and service tax compliance. While the Company endeavours to remain compliant in all such aspect, the inability to do so could have an adverse effect on its permissions to continue to operate.

Foreign currency risk: The Company's functional and reporting currency is the Canadian dollar. The Company incurs foreign currency risk on purchases that are denominated in a currency other than the functional currency of the Company, which will have an impact on the profitability of the Company and may also affect the value of the Company's assets, liabilities and the amount of equity. The Company's main risks are associated with fluctuations in the US dollar as a substantial portion of its parts and materials purchases are denominated in US dollars and a portion of its sales are denominated in US dollars. The Company does not enter into any foreign exchange hedging contracts.

OUTSTANDING SHARE DATA

The Company's authorized capital is unlimited common shares without par value. As at October 28, 2015 the following common shares, options and share purchase warrants were outstanding:

As at October 28, 2015	Number issued and outstanding
Common Shares	42,548,349
Stock Options	3,193,000
Warrants	6,106,175
Fully Diluted	<u>51,847,524</u>

TRANSACTIONS WITH RELATED PARTIES

Balances due to related parties are unsecured, non-interest bearing and have no fixed terms of repayment. Included in trade payables at September 30, 2015 is \$22,032 (December 31, 2014 - \$23,045) due to officers in the normal course of business.

Key management personnel compensation

During the nine months ended June 30, 2015, the officers of the Company were paid salaries or independent contractor fees as follows: Eugene Suyu, CEO, \$45,000 (nine months ended September 30, 2014 - \$22,260); Martin Burian, CFO, \$76,500 (comparative period 2014 - \$54,000) and Todd Blatt, VP Market Direction, \$28,775 (comparative period 2014 - \$21,470). John Veltheer was paid independent contractor fees of \$15,000 up to the date of his resignation in August 18, 2015 (nine months to September 30, 2014 - \$17,187). In aggregate Stock-based compensation of \$25,349 was attributable to options held by directors and officers in the nine months ended September 30, 2015 (comparative period 2014 - \$229,195).

Officers and directors

The following individuals were re-elected director at the June 15, 2015 AGM and continue to the date of this MD&A:

- Desmond Liew -- Chairman and Director
- Eugene Suyu -- Chief Executive Officer, President and Director
- Martin Burian -- Chief Financial Officer, Secretary and Director
- Todd Blatt -- Director and Vice-President of Market Direction

John Veltheer resigned as a director effective August 18, 2015

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements as at September 30, 2015 and to the date of this MD&A.

CHANGES IN ACCOUNTING POLICIES

The preparation of the condensed interim financial statements and related MD&A have been prepared in conformity with IFRS requires estimates and assumptions that affect the amounts reported in these financial statements. Accounting policies for these condensed financial have been prepared consistent with those applied and disclosed in the Company's annual audited financial statements.

APPROVAL

The Board of Directors of the Company has approved the disclosure contained in this MD&A on October 28, 2015.

ADDITIONAL INFORMATION

Additional information relating to the Company is on SEDAR at www.sedar.com.

REGISTERED OFFICE

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HEAD OFFICE and OPERATIONS**Tinkerine Studios Ltd.**

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OFFICERS & DIRECTORS

Eugene Suyu
Director and CEO

Martin Burian, CA, CBV
Director, Secretary and CFO

Todd Blatt
Director and VP Market Direction

Desmond Liew
Chairman of the Board

LISTINGS

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

CAPITALIZATION

(as at October __ 2015)

Shares Issued: 42,548,349

TRANSFER AGENT

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