



TINKERINE STUDIOS LTD.

Condensed Consolidated Interim Financial Statements

June 30, 2016

(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	June 30, 2016	December 31, 2015
ASSETS			
Current			
Cash and cash equivalents	3	\$ 228,152	\$ 200,748
Receivables	4	75,365	20,715
Inventory	5	528,841	557,115
Prepays and deposits		45,720	40,023
Total current assets		878,078	818,601
Property and equipment	6	46,571	59,745
Intangible asset	7	97,608	122,009
TOTAL ASSETS		\$ 1,022,258	\$ 1,000,355
LIABILITIES			
Current			
Trade payables and accrued liabilities	8	\$ 201,564	\$ 100,442
Customer deposits and deferred revenue		-	-
		201,564	100,442
EQUITY			
Share capital	9	4,344,412	4,014,412
Reserve	9	458,687	366,580
Deficit		(3,982,405)	(3,481,079)
		820,693	899,913
TOTAL LIABILITIES AND EQUITY		\$ 1,022,258	\$ 1,000,355

Nature and continuance of operations (Note 1)

Commitment and Contingency (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 June 30,		For the six months ended June 30,	
		2016	2015	2016	2015
REVENUE	11	\$ 278,710	\$ 344,986	\$ 450,399	\$ 453,528
COST OF SALES					
Cost of Goods Sold		168,155	135,497	275,272	183,012
		110,555	209,489	175,127	270,516
Production training and start-up		-	38,608	-	76,284
GROSS PROFIT		110,555	170,881	175,127	194,232
EXPENSES					
Amortization	6	18,787	6,431	37,574	12,862
Bad Debts		2,606	-	2,606	-
Bank and credit card charges		2,334	3,846	4,630	6,528
Foreign exchange (gain)		339	58	(1,045)	(3,289)
Insurance		7,041	8,910	15,691	17,438
Interest		191	-	191	-
Office and general		3,229	5,864	8,888	11,588
Product promotion, trade shows and travel		15,238	58,352	26,106	125,751
Professional and consulting fees		50,419	73,571	83,276	160,570
Rent and utilities		30,564	31,414	60,108	58,202
Research and development		33,192	24,769	68,534	57,015
Remuneration and benefits	10	102,521	183,166	234,283	388,083
Stock-based compensation	9	12,768	34,525	92,107	96,905
Shareholder communications, filing & transfer agency		21,429	80,051	43,506	131,279
		300,658	510,957	676,454	1,062,932
NET (LOSS)		(190,103)	(340,076)	\$ (501,327)	\$ (868,700)
OTHER ITEMS					
Interest income		-	1,411	1	5,008
Research grant		-	-	-	50,000
Transaction costs of RTO		-	-	-	-
NET AND COMPREHENSIVE (LOSS)		\$ (190,103)	\$ (338,665)	\$ (501,326)	\$ (813,692)
NET (LOSS) PER COMMON SHARE - BASIC AND DILUTED		\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.02)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED		43,192,195	42,507,690	46,180,338	42,268,426

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			Reserve	Deficit	Total
		Number of shares	Amount	#			
Balance at December 31, 2015		42,638,349	4,014,412	366,580	(3,481,079)	899,913	
Transactions with owners, in their capacity as owners and other transfers:							
Shares issued for cash - private placement	12	6,300,000	\$ 315,000			315,000	
Shares issued for cash - private placement	12	300,000	\$ 15,000			15,000	
Stock-based compensation	12	-	-	92,107	-	92,107	
Issue of Warrants - Equity Fair Value		-	-	-	-	-	
Net and comprehensive loss			-		(501,326)	(501,326)	
Balance at June 30 2016		49,238,349	4,344,412	458,687	(3,982,405)	820,693	

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 six months ended	
	June 30, 2016	June 30 2015
Cash Flow from Operating Activities		
Net loss for the period	\$ (501,326)	\$ (813,692)
Items not involving cash		
Amortization	37,574	12,862
Stock-based compensation	92,107	96,905
Transaction costs of RTO	-	-
Changes in non-cash working capital items		
Receivables	(54,650)	(136,004)
Inventory	28,274	(80,884)
Prepays and deposits	(5,697)	(139,405)
Trade payables and accrued liabilities	101,122	29,753
Due to shareholders	-	-
Customer deposits and deferred revenue	-	(9,113)
Net cash provided by (used in) operating activities	<u>(302,597)</u>	<u>(1,039,578)</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	(24,400)	(9,434)
Intangible asset	24,401	(18,098)
Net cash acquired on reverse take-over	-	-
Net cash used in investing activities	<u>1</u>	<u>(27,532)</u>
Cash Flow from Financing Activities		
Net proceeds from share issuances	<u>330,000</u>	<u>56,300</u>
Net cash provided by financing activities	<u>330,000</u>	<u>56,300</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	27,404	(1,010,810)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>200,748</u>	<u>1,471,072</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 228,152</u>	<u>\$ 460,262</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 341 W. 6th Avenue, Vancouver, British Columbia, Canada, V5Y 1L1.

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 August 26, 2016 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 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”).

These condensed consolidated interim financial statements do not include all of the information required of a full annual financial report and 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, 2015

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 controlled entity, as follows:

	Jurisdiction of incorporation	Percentage owned		
		June 30, 2016	December 31, 2015	June 30, 2015
Tinkerine 3D Print Systems Ltd.	British Columbia	100%	100%	100%

The consolidated financial statements include the accounts of White Bear from April 4, 2014, the date of the share exchange. The financial statements prior to this date include only the accounts of Tinkerine. Inter-company transactions and balances are eliminated upon consolidation.

TINKERINE STUDIOS LTD.
Notes to the Consolidated Financial Statements
June 30, 2016
(Expressed in Canadian dollars)

3. Cash

The components of cash and cash equivalents are as follows:

	June 30,	December 31,
	2016	2015
Cash	\$ 228,152	\$ 200,748
Term deposit	-	
	\$ 228,152	\$ 200,748

4. Accounts Receivable

	June 30,	December 31,
	2016	2015
Trade receivables	\$ 73,458	\$ 10,441
GST and other receivables	1,907	10,274
	\$ 75,365	\$ 20,715

5. Inventory

	June 30,	December 31,
	2016	2015
Raw materials	\$ 256,906	\$ 318,775
Finished goods	271,935	238,340
	\$ 528,841	\$ 557,115

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.

	Equipment	Computers	Leasehold improvements	Total
Cost:				
December 31, 2014	\$ 52,089	\$ 11,861	\$ 31,969	\$ 95,919
Additions	6,584		2,850	9,434
December 31, 2015	58,673	11,861	34,819	105,353
Additions	-	-		
June 30, 2016	58,673	11,861	34,819	105,353
Amortization:				
December 31, 2014	\$ 7,514	\$ 2,968	\$ 7,827	\$ 18,309
Additions	11,736	3,952	11,611	27,299
December 31, 2015	19,250	6,920	19,438	45,608
Additions	5,868	1,976	5,330	13,174
June 30, 2016	25,118	8,896	24,768	58,782
Net book value:				
December 31, 2015	\$ 39,423	\$ 4,941	\$ 24,142	\$ 59,745
June 30, 2016	\$ 33,555	2,965	\$10,051	\$ 46,571

7. Intangible Asset

	June 30, 2016	December 31, 2015
Net Book Value	\$ 97,608	\$ 122,008

Intangible asset represents a development stage portal or application called Tinkerine U, the purpose of which is to develop and share 3D printer content.

At June 15, 2016, management has assessed the intangible asset for recoverability and no events or circumstances indicated that the carrying value may not be recoverable. Therefore, there was no impairment of this asset at June 30, 2016.

8. Trade Payables and Accrued Liabilities

	June 30, 2016	December 31, 2015
Trade payables (note 10)	\$ 53,913	\$ 28,180
Accrued liabilities	147,651	72,262
	\$ 201,564	\$ 100,442

9. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Issued and outstanding at June 30, 2015: 49,238,349 shares.

Changes in issued share capital

During the six months ended June 30, 2016, 6,300,000 shares were issued with regards to the private placement in January 24, 2016 and April 15, 2016, which resulted in \$330,000 in new capital.

Warrants

A continuity schedule is as follows:

Exercise Price	Dec 31, 2015 Opening	Issued	Exercised	Expired or Cancelled	June 30, 2016 Closing	Expiry
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TINKERINE STUDIOS LTD.
Notes to the Consolidated Financial Statements
June 30, 2016
(Expressed in Canadian dollars)

\$0.10	-	6,300,000	-	-	6,300,000	Jan 24, 2018
\$0.10		300,000			300,000	Apr 15, 2018

The weighted average exercise price is \$0.10 and the expiry date of warrants is 24 months from the date of issue

Stock options

During the first 6 months of 2016 the Company amended the stock option agreements on January 7th, 2016 using the Black-Scholes Option Pricing Model based on the following assumptions: risk free rate of 0.05%, expected life of 3.8 years, volatility of 97.6% and no expected dividends. The fair value gets expensed to stock-based compensation over the one year vesting period using the grading recognition system. \$25,255 was recognized as stock-based compensation in Q1 2016 based on this recognition system.

During the first quarter ended March 31, 2016 the company granted 1,075,000 stock options, and in the second quarter on June 23, 2016 granted 1,195,000 stock options. The fair value of the stock option issuances was calculated using the Black-Scholes Option Pricing Model based on the following assumptions: risk free rate of 0.50%, expected life of 5 years, volatility of 97.6% and no expected dividends. The fair value gets expensed to stock-based compensation over the one year vesting period using the grading recognition system. \$54,084 was recognized as stock-based compensation in Q1 2016 and in Q2 2016 an amount of \$12,768 based on this recognition system.

As at June 30th 2016 the following stock options were outstanding:

Number of options	Exercise Price	Expiry date
180,000	0.075	Dec 20, 2016
1,890,000	0.075	Apr 5, 2019
25,000	0.075	Dec 2, 2019
79,000	0.075	Mar 5, 2020
141,000	0.075	May 23, 2020
110,000	0.075	June 24, 2020
1,075,000		
1,195,000	0.075	June 23, 2021

As at June 30th 2016 the weighted average exercise price is \$0.075 with an average remaining term of 2.99 years.

Equity reserve

Equity reserve records items recognized as stock based compensation expense and the fair value of warrants issued. At the time that the stock options or warrants are exercised, the corresponding amount is reallocated to share capital.

10. Related party transactions

As at June 30, 2016, included in trade payables is \$10,070.84 (December 31, 2015 - \$11,546), 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 three month periods was as follows:

	June 30, 2016	June 30, 2015
Remuneration, fees and short-term benefits	\$52,500	\$ 114,773
Stock-based compensation	-	25,349
	\$52,500	\$ 140,122

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:

	June 30, 2016	June 30, 2015
Total revenues:		
Canada	\$ 312,293	\$ 288,426
United States	123,209	103,332
Other	14,897	61,770
	\$ 450,399	\$ 453,528

During the six months ended June 30, 2016 sales in excess of 10% of total revenue were recorded by 2 customers, one US based and the other Canadian.

12. Commitments

Lease agreement

The Company has a lease agreement for its premises expiring March 31, 2017. The annual basic lease payments are \$79,118 per year. 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 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
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 June 30, 2016 and December 31, 2015, 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.

At June 30, 2016, all the Company's non-derivative financial liabilities mature within one year.

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.