



**TINKERINE STUDIOS LTD.**

**Consolidated Financial Statements**

**December 31, 2022**

**(Expressed in Canadian dollars)**



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

# Independent Auditor's Report

To the Shareholders of Tinkerine Studios Ltd.

## Opinion

We have audited the consolidated financial statements of Tinkerine Studios Ltd. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of comprehensive loss, shareholders' deficit and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

## Basis for Opinion

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

## Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that the Company has incurred net loss since inception and as at December 31, 2022 had a deficit of \$5,979,155 and as of that date, the Company's current liabilities exceeded its current assets by \$1,299,671. These events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Key Audit Matters

Key audit matters are those matters, that in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Vancouver

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320 - 730 View St.  
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Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our report.

## **Other Information**

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

A handwritten signature in black ink, appearing to read "DMCL.", with a stylized, large 'D' that loops around the letters.

**DALE MATHESON CARR-HILTON LABONTE LLP**  
**CHARTERED PROFESSIONAL ACCOUNTANTS**

Vancouver, BC

June 9, 2023

**TINKERINE STUDIOS LTD.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2022**  
**(Expressed in Canadian Dollars)**

	Notes	December 31, 2022	December 31, 2021
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$ 31,180	\$ 14,469
Receivables	4	98,641	25,757
Inventory	5	52,774	72,217
Prepays and deposits	8	9,740	10,898
<b>Total current assets</b>		<b>192,335</b>	<b>123,341</b>
<b>Property and equipment</b>	7	<b>1,404</b>	<b>2,040</b>
<b>Right-of-use asset</b>	15	<b>-</b>	<b>43,874</b>
<b>TOTAL ASSETS</b>		<b>\$ 193,739</b>	<b>\$ 169,255</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Trade payables and accrued liabilities	6,8,9	\$ 760,953	\$ 639,348
Short term loans	9	175,000	85,000
CEBA loan	10	48,467	46,518
Customer deposits		2,000	-
Convertible debentures	17	505,586	583,902
Lease liabilities	15	-	49,603
<b>Total Current Liabilities</b>		<b>1,492,006</b>	<b>1,404,371</b>
<b>TOTAL LIABILITIES</b>		<b>1,492,006</b>	<b>1,404,371</b>
<b>DEFICIT</b>			
Share capital	11	4,382,373	4,382,373
Reserve	11	298,515	364,664
Deficit		(5,979,155)	(5,982,153)
		<b>(1,298,267)</b>	<b>(1,235,116)</b>
<b>TOTAL LIABILITIES AND DEFICIT</b>		<b>\$ 193,739</b>	<b>\$ 169,255</b>

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

**Commitment and Contingencies** (Note 14 and 15)

**Proposed reverse takeover transaction** (Note 20)

Approved on behalf of the Directors:

*"Eugene Suyu"*

*"Chris Lee"*

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

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

		For the year ended December 31,	
	Notes	2022	2021
<b>REVENUE</b>			
Sales	12	\$ 167,027	\$ 469,962
Consulting income	12	428,015	-
		<u>595,042</u>	<u>469,962</u>
<b>COST OF SALES</b>			
Cost of sale		<u>100,207</u>	<u>185,052</u>
<b>GROSS PROFIT</b>		<u>494,835</u>	<u>284,910</u>
<b>EXPENSES</b>			
Amortization	7,15	26,222	48,076
Bank and credit card charges		6,132	7,236
Foreign exchange loss		911	1,998
Insurance		22,880	25,580
Interest and accretion expense	9,10,15,17	98,605	117,727
Office and general		10,302	16,263
Product promotion, trade shows and travel		-	1,342
Professional and consulting fees	8	182,063	138,601
Rent and utilities		15,106	5,610
Research and development		2,833	3,131
Remuneration and benefits	8	264,416	282,649
Stock based compensation	8,11	14,687	109,383
Shareholder communications, filing and transfer agent		44,105	48,343
		<u>688,262</u>	<u>805,939</u>
<b>NET OPERATING LOSS</b>		(193,427)	(521,029)
<b>OTHER INCOME/EXPENSE</b>			
Gain on lease modification	15	5,506	-
Gain on extinguishment of convertible debentures	17	110,083	-
<b>NET AND COMPREHENSIVE LOSS</b>		<u>\$ (77,838)</u>	<u>\$ (521,029)</u>
<b>LOSS PER SHARE - BASIC AND DILUTED</b>		\$ 0.00	\$ 0.01
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED</b>		49,675,849	49,670,301

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

TINKERINE STUDIOS LTD.  
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' DEFICIT  
Year Ended December 31, 2022  
(Expressed in Canadian Dollars)

	Notes	Share capital		Reserve	Deficit	Total
		Number of shares	Amount			
<b>Balance at December 31, 2020</b>		49,600,849	\$ 4,372,295	\$ 348,126	\$ (5,549,516)	\$ (829,095)
Transactions with owners, in their capacity as owners and other transfers:						
Stock-based compensation	11	-	-	109,383	-	109,383
Share options exercised during the year	11	75,000	10,078	(4,453)	-	5,625
Cancellation of stock options	11	-	-	(88,392)	88,392	-
Net and comprehensive loss		-	-	-	(521,029)	(521,029)
<b>Balance at December 31, 2021</b>		49,675,849	4,382,373	364,664	(5,982,153)	(1,235,116)
Transactions with owners, in their capacity as owners and other transfers:						
Stock-based compensation	11	-	-	14,687	-	14,687
Cancellation of stock options	11	-	-	(80,836)	80,836	-
Net and comprehensive loss		-	-	-	(77,838)	(77,838)
<b>Balance at December 31, 2022</b>		49,675,849	4,382,373	298,515	(5,979,155)	(1,298,267)

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

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

	For the year ended December 31,	
	2022	2021
<b>Cash Flow from Operating Activities</b>		
Net loss for the year	\$ (77,838)	\$ (521,029)
Items not involving cash		
Gain on extinguishment of convertible debentures	(110,083)	-
Gain on lease modification	(5,506)	
Accretion and interest	98,605	116,044
Share based payment	14,687	109,383
Amortization	26,222	48,076
	<u>(53,913)</u>	<u>(247,526)</u>
Changes in non-cash working capital items		
Receivables	(129,485)	44,255
Inventory	19,443	40,911
Prepaid	1,158	4,456
Trade payables and accrued liabilities	113,843	280,952
Customer deposits	2,000	(1,898)
	<u>6,959</u>	<u>368,676</u>
<b>Net cash (used in) provided by operating activities</b>	<u>(46,954)</u>	<u>121,150</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	-	(2,252)
<b>Net cash used in investing activities</b>	<u>-</u>	<u>(2,252)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from bridge loan	-	5,625
Short-term loans	100,000	-
Repayment of short-term loans	(10,000)	(5,000)
Payment of lease liabilities	(26,335)	(52,583)
<b>Net cash provided (used in) by financing activities</b>	<u>63,665</u>	<u>(51,958)</u>
<b>CHANGE IN CASH</b>	16,711	66,940
<b>CASH (BANK INDEBTEDNESS) - BEGINNING</b>	<u>14,469</u>	<u>(52,471)</u>
<b>CASH - ENDING</b>	<u>\$ 31,180</u>	<u>\$ 14,469</u>

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



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

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**Supplemental cash flow information:**

December 31, 2022

The Company reallocated \$80,836 from reserve to deficit upon forfeited of stock options (Note 11)

December 31, 2021

The Company reallocated \$4,453 from reserve to share capital upon exercise of stock options (Note 11)

The Company reallocated \$88,392 from reserve to deficit upon forfeited of stock options (Note 11)

## **TINKERINE STUDIOS LTD.**

Notes to the Consolidated Financial Statements

December 31, 2022

(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 is at 1500-1055 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7 and its head office is located at 113A-8275 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. The Company has incurred losses since inception and has an accumulated deficit of \$5,979,155 at December 31, 2022 and as of date, the Company's current liabilities exceeded its current assets by \$1,299,671. 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. Additionally, convertible debentures with a carrying value of \$505,586 at December 31, 2022 were in default as at the report date. 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 the Company will require additional equity to have sufficient capital to fund operations for the upcoming fiscal year. Further discussion of liquidity risk has been disclosed in Note 19. 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. Such adjustments could be material.

### **2. Basis of Presentation and Significant Accounting Policies**

The consolidated financial statements were authorized and approved on June 9, 2023 by the Board of Directors of the Company.

#### ***Statement of compliance with International Financial Reporting Standards***

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

**TINKERINE STUDIOS LTD.**

Notes to the Consolidated Financial Statements

December 31, 2022

(Expressed in Canadian dollars)

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

The consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars 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.

***Significant estimates and assumptions***

The preparation of consolidated 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 fair value measurements for financial instruments and stock-based transactions and the recoverability and measurement of deferred tax assets.

***Significant judgments***

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applying to the Company's financial statements include:

- The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- Allowance for doubtful accounts;
- The classification of financial instruments; and
- The determination of the functional currency of the Company and its subsidiary.

**TINKERINE STUDIOS LTD.**

Notes to the Consolidated Financial Statements

December 31, 2022

(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.

***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.

**TINKERINE STUDIOS LTD.**

Notes to the Consolidated Financial Statements

December 31, 2022

(Expressed in Canadian dollars)

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

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

***Impairment of long-lived assets***

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

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

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

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

**TINKERINE STUDIOS LTD.**

Notes to the Consolidated Financial Statements

December 31, 2022

(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***

The Company follows IFRS 15 on Revenue Recognition. This standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. This standard requires companies to follow a five-step model to determine if revenue should be recognized:

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

The Company derives revenues primarily from the sale of 3D printers and spare parts and products developed from 3D printers. The Company recognizes the sale when the goods are shipped from their office. Consulting income is recognized after the services is fully provided and collection is reasonably assured.

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

**(i) Classification**

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

**TINKERINE STUDIOS LTD.**

Notes to the Consolidated Financial Statements

December 31, 2022

(Expressed in Canadian dollars)

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

The Company has classified its financial instruments as follows:

Financial assets/liabilities	Classification IFRS 9
Cash	FVTPL
Receivables	Amortized cost
Trade payables	Amortized cost
Short terms loans	Amortized cost
CEBA loan	Amortized cost
Convertible debentures	Amortized cost

**(ii) Measurement****Financial assets and liabilities at amortized cost**

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

**Financial assets and liabilities at FVTPL**

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

**(iii) Impairment of financial assets at amortized cost**

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

**(iv) Derecognition****Financial assets**

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

**TINKERINE STUDIOS LTD.**

Notes to the Consolidated Financial Statements

December 31, 2022

(Expressed in Canadian dollars)

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

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

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

***Income taxes***Current income tax

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

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

Deferred income tax

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

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

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



**TINKERINE STUDIOS LTD.**

Notes to the Consolidated Financial Statements

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

***Leases***

Lease liabilities include the present value of future fixed payments, less any lease incentives receivable, and the exercise price of a purchase option if it is reasonably certain to be exercised. Future fixed lease payments are discounted using the Company's incremental borrowing rate if the rate implicit in the lease is not readily determinable. The term of each lease includes its non-cancellable period. The term can also include periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option. After the commencement date, the Company continually measures its lease liabilities to reflect changes in lease payments, discount rates or the leases' remaining term with an offsetting adjustment to right-of-use assets.

Each lease payment is comprised of both a financing and principal component. Financing costs are charged to the consolidated statements of comprehensive loss over each lease's term. Lease payments are applied against lease liabilities using the effective interest method.

Short-term leases with an initial lease term of less than 12 months are evaluated by class of the underlying asset whereas lease payments for low-value assets are evaluated on a lease-by-lease basis. Short-term and low-value leases are expensed.

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

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.

**TINKERINE STUDIOS LTD.**

## Notes to the Consolidated Financial Statements

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**4. Receivables**

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Trade receivables (Note 12)	\$ 97,522	\$ 23,977
GST recoverable	1,119	1,780
	<b>\$ 98,641</b>	<b>\$ 25,757</b>

Trade receivables relate to completed sales.

At December 31, 2022 and 2021 there are no accounts receivable due beyond one year. The fair value of accounts receivable approximates their carrying value as at December 31, 2022 and 2021 respectively.

**5. Inventory**

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Raw materials	\$ 48,767	\$ 58,410
Finished goods	4,007	13,807
	<b>\$ 52,774</b>	<b>\$ 72,217</b>

**6. Trade Payables and Accrued Liabilities**

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Trade payables – Note 8	\$ 253,062	\$ 278,490
Accrued liabilities – Notes 8 and 9	507,891	360,858
	<b>\$ 760,953</b>	<b>\$ 639,348</b>

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**7. Property and Equipment**

	Equipment	Computers	Total
<b>Costs</b>			
December 31, 2020	\$ 58,673	\$ 6,094	\$ 64,767
Additions	856	1,396	2,252
December 31, 2021 and 2022	\$ 59,529	\$ 7,490	\$ 67,019
<b>Amortization</b>			
December 31, 2020	\$ 58,673	\$ 6,094	\$ 64,767
Additions	57	155	212
December 31, 2021	58,730	6,249	64,979
Additions	172	464	636
December 31, 2022	\$ 58,902	\$ 6,713	\$ 65,615
<b>Net Book value:</b>			
December 31, 2021	\$ 799	\$ 1,241	\$ 2,040
December 31, 2022	\$ 627	\$ 777	\$ 1,404

**8. Related Party Transactions**

As at December 31, 2022, included in prepaids and deposits is \$2,435 (2021 - \$2,435), which has been paid to a director of the Company.

As at December 31, 2022, included in trade payables is \$68,963 (2021 - \$15,467), which is due to directors of the Company. The amount is non-interest bearing with no repayment terms.

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

	December 31, 2022	December 31, 2021
Remuneration, fees and benefits	\$ 108,250	\$ 150,000
Stock based compensation	7,148	48,185
	\$ 115,398	\$ 198,185

Included in professional and consulting fees during the year ended December 31, 2022 is \$120,000 (2021 - \$ 64,750) which is paid or accrued to officers or directors of the Company. As at December 31, 2022, included in accrued liabilities is \$138,183 (2021 - \$21,565), which is due to directors and officers of the Company. These amounts are non-interest bearing and have no repayment terms.

As at December 31, 2022, convertible debenture with a carrying value \$302,234 (2021: 302,234) are due to directors and officers (Note 17).

The Company previously entered into a lease agreement with a director of the Company (Note 15), which remains effective as at December 31, 2022.

**TINKERINE STUDIOS LTD.**

Notes to the Consolidated Financial Statements

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(Expressed in Canadian dollars)

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**9. Short Term Loans**

During the year ended December 31, 2020, the Company received \$90,000 short term loan from five individuals at an annual interest rate of 12% repayable as at April 28, 2021. The repayment date was subsequently extended and \$75,000 remains outstanding as at December 31, 2022. The total interest expense recognized during the year ended December 31, 2022 was \$7,758 (2021 - \$10,800) which are included in the accrued liabilities (Note 6).

During the year ended December 31, 2022, Electrum Charging Solutions Inc. ("ECS"), as part of the proposed reverse take over transaction ("RTO") (Note 20), advanced \$100,000 loan (the "Bridge Loan") to the Company. The Bridge Loan does not bear interest for 180 days, and thereafter interest at 5% per annum, mature 180 days from the date of the Bridge Loan and is unsecured. ECS has the right and option by written notice to the Company to convert the principal amount, and interest into common shares of the Company in the first 180 days after termination of the RTO agreement.

**10. CEBA Loan**

The Company received the Canada Emergency Business Account ("CEBA") interest-free loan of \$60,000 of which \$10,000 is forgivable if repaid by December 31, 2022 and \$20,000 is payable on demand. The loan was recorded at a fair value of \$43,916 using an effective rate of 12%, considering the grant, the interest-free loan and the forgivable portion. The residual value of \$17,925 was recorded as other income in 2020. As of December 31, 2022, accretion of \$1,948 has been recognized in the statement of comprehensive loss and a balance of \$48,467 (2021: \$46,518) is recorded as balance of the CEBA Loan which matures on December 31, 2023.

**11. Share Capital*****Authorized share capital***

Unlimited number of common shares without par value.

There were 49,675,849 common shares issued and outstanding as at December 31, 2022 and 2021.

***Changes in issued share capital***

There are no changes in issued share capital for the year ended December 31, 2022

For the year ended December 31, 2021, the Company issued 75,000 shares to an employee on the exercise of their stock options at \$0.075 per share. The gross proceeds on the issuance of these common shares were \$5,625 and \$4,454 was reallocated from reserves to share capital. The average price of the common shares at the exercise date of the stock options was \$0.09.

***Stock options***

For the period ended December 31, 2022, there were no issuance of share options

**TINKERINE STUDIOS LTD.**

Notes to the Consolidated Financial Statements

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**11. Share Capital (cont'd)**  
**Stock Options (cont'd)**

During the year ended December 31, 2021 stock options transactions were as follows:

On October 24, 2021, the Company granted 1,130,000 stock options with an exercise price of \$0.07. 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 0.38%, expected life of 3 years, volatility of 249% and no expected dividends. The options are vesting on quarterly basis during 5 quarters from the issuance date

For the period ended December 31, 2022, \$14,685 (2021 - \$109,383) was recognized as stock-based compensation based on the vested options

As at December 31, 2022, the following stock options were outstanding.

Number of options	Exercise price	Expire date
4,845,000	\$ 0.125	April 25, 2025
730,000	\$ 0.070	October 19, 2026

As at December 31, 2022, a continuity schedule of stock options outstanding and exercisable is as follows:

	Number of stock options
Balance, December 31, 2020	7,917,500
Granted	1,130,000
Exercised	(75,000)
Expired / forfeited	(1,947,500)
Balance, December 31, 2021	7,025,000
Expired / forfeited	(1,450,000)
Balance, December 31, 2022	5,575,000
Exercisable, December 31, 2022	5,575,000

As at December 31, 2022, the weighted average exercise price of stock options is \$0.12 with an average remaining term of 2.51 years.

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**11. Share Capital (cont'd)****Reserve**

The reserve records items recognized as stock-based compensation expense and the fair value of warrants issued based on the residual method. At the time that the stock options or warrants are exercised, the corresponding amount is reallocated to share capital, or if they are cancelled or expired the corresponding amount is reallocated to deficit

For the year ended December 31, 2022, 1,450,000 (2021 – 1,947,500) stock options were cancelled, and the corresponding amount of \$80,836 (2021 – \$88,392) was reallocated from reserves to deficit.

**12. Segmented Information**

The Company operates in two reportable operating segments, being the sale of 3D printers and provision of related services and consulting services. The summarized financial information for the revenue derived by geographic segment from the sale of 3D printers is as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Canada	\$ 97,447	\$ 131,819
United States	69,580	338,143
	<b>\$ 167,027</b>	<b>\$ 469,962</b>

During 2022, two customers made up in excess of 10% of total revenue, comprising of 11%, and 72% respectively of total revenue. During 2021, there was one customer made up in excess of 10% of total revenue, comprised of 59% of total revenue.

During the year end December 31, 2022, the Company provided consulting services to ECS for the amount of \$428,015 (2021: \$Nil) related to business analysis, program development, personnel training, documentation writing and general business consultation (Note 20). Included in receivable at December 31, 2022 is \$97,243 (2021: \$Nil) due from ECS.

**13. Income Taxes**

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Net loss	\$ 77,838	\$ 521,029
Tax rate	27%	27%
Expected income tax recovery	21,016	140,678
Non-deductible items and other	494	(43,433)
Temporary differences not recorded	(21,510)	(97,425)
	<b>\$ -</b>	<b>\$ -</b>

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Notes to the Consolidated Financial Statements

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**13. Income Taxes (Cont'd)**

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

	December 31, 2022	December 31, 2021
Non-capital losses	\$ 1,962,540	\$ 1,952,578
Right of use asset	-	(11,846)
Share issuance costs	594	892
	\$ 1,963,134	\$ 1,941,624

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

	Non-capital losses
2025	\$ 14,000
2026	3,000
2027	214,000
2028	171,000
2029	-
2030	386,000
2031	497,000
2032	605,000
2033	617,000
2034	1,314,000
2035	811,000
2036	781,000
2037	297,000
2038	394,000
2039	382,000
2040	383,000
2041	361,000
2042	37,000
	\$ 7,267,000

As future taxable profits of the Company are uncertain, no deferred tax asset has been recognized. As at December 31, 2022, the Company has approximately \$7,267,000 in non-capital losses that can be offset against taxable income in future years, which begin expiring at various dates commencing in 2025. The potential deferred tax benefit of these losses has not been recorded as a deferred tax allowance has been provided due to the uncertainty regarding the realization of these losses.

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**14. Commitment and Contingencies**

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.

**15. Right-of-Use Assets and Lease Liabilities**

The Company recognized a right-of-use asset and corresponding liability for its office lease. Furthermore, the Company expects a decrease in administrative expenses, an increase in depreciation expense (as the right-of-use asset is depreciated) and an increase in finance interest costs (due to accretion of the lease liability).

The following table presents the continuity of right-of-use assets and lease liabilities under IFRS 16 adoption effective December 1, 2019 and modified on January 1, 2022

<b>Lease liabilities</b>		
As at December 31, 2020	\$	96,315
Lease payments		(52,583)
Interest expenses on lease liability		5,871
As at December 31, 2021		49,603
Lease payments		(26,335)
Interest expenses on lease liability		526
Lease modification		(23,794)
As at December 31, 2022	\$	-

The lease liabilities were recorded at the incremental borrowing rate of 5%. The lease agreement was modified on January 1, 2022 reducing the leased space and also the basic monthly rent payment was reduced from \$3,045 to \$1,946. The change in scope of the lease was accounting as a lease modification. The carrying values of the lease liability and right of use asset were reduced based on the new terms of the lease and the resulting net adjustment of \$5,506 was recognized in the consolidated statements of comprehensive loss as gain on lease modification.

The following table presents the continuity of right-of-use assets:

<b>Costs</b>		
As at December 31, 2020 and 2021	\$	187,466
Lease modification		(164,640)
As at December 31, 2022	\$	22,826
<b>Depreciation accumulated</b>		
As at December 31, 2020	\$	95,975
Additions		47,864
As at December 31, 2021		143,592
Additions		25,586
Lease modification		(146,352)
As at December 31, 2022	\$	22,826
<b>Net Book Value</b>		
As at December 31, 2021	\$	43,874
As at December 31, 2021	\$	-



## **TINKERINE STUDIOS LTD.**

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### **16. Salaries and Benefits**

On April 17, 2020, the Government of Canada announced \$250 million in funding for the IAP program to assist Canadian small and medium-sized enterprises. As a result of qualifying for the subsidy, during the year ended December 31, 2021 the Company recognized \$37,934 as a reduction of salaries and benefits.

Due to the COVID-19 pandemic, the Government of Canada enacted the Canada Emergency Wage Subsidy to cover a portion of employee wages for Canadian companies that experienced a decline in revenue during the pandemic as a result during the year ended December 31, 2021 the Company received \$40,641 of this subsidy as a reduction of salaries and benefits.

### **17. Convertible debentures**

On December 5, 2020, the Company entered into an agreement with its employees to settle wages payable to them. The agreement resulted in the Company issuing unsecured promissory notes, with no interest or dividend, maturing no earlier than February 16, 2022. On February 17, 2022 the maturity date for the notes, with the exception of one note issued to a former employee for the amount of \$56,602, were extended to May 17, 2023. The total amount of promissory notes issued was \$599,087. The promissory notes can be converted into common shares at 15% discounted rate of the market price on the date of the conversion. Any issuance of shares as a result of conversion is subject to TSX-V approval. Management determined that this conversion feature was not a derivative liability.

On issuance date of the promissory notes, the fair value of the liability was determined to be \$482,325, resulting in a gain of \$116,762, using a 20% discount rate. The extension of the maturity date to May 17, 2022 was determined to be an extinguishment of debt and the previous carrying value of the convertible debenture was rerecognized at the modification date of February 17, 2022 and the new carrying value of the debt calculated based on the new terms was recognized and the adjusting effect of \$110,083 was recognized in the consolidated statement of comprehensive loss for the year ended December 31, 2022.

The convertible debentures have not been repaid as at the audit report date and are in default.

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**17. Convertible debentures (cont'd)**

The continuity of the convertible debenture is set out below

Balance at December 31, 2020	\$	487,130
Accretion		96,772
Balance at December 31, 2021		583,902
Accretion		88,369
Reclass of loan due on demand to accrued liabilities (note 6)		(56,602)
Gain on modification		(110,083)
Balance at December 31, 2022	\$	505,586

**18. 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 requirement

**19. Financial Instruments and Financial Risk Management**

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

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

As at December 31, 2022 and 2021, the Company measures its cash based on Level 1 inputs.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

**TINKERINE STUDIOS LTD.**

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**19 Financial Instruments and Financial Risk Management (cont'd)*****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 trying to maintain sufficient cash from operations when it can. The Company has a working capital deficit of \$1,299,671 at December 31, 2022 and at the report date is in default of its convertible debentures repayment (Note 17). Liquidity risk is assessed as high.

***Credit risk***

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

***Foreign exchange risk***

Foreign exchange risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company does not hedge its exposure to fluctuations in foreign exchange rates.

***Interest rate risk***

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as rates are fixed.

**20 Proposed reverse takeover transaction ("RTO")**

The Company has announced that it has entered into a Definitive Agreement ("DA") dated March 15, 2022 with respect to a potential business combination (the "Transaction") with ECS, which would result in a reverse-takeover ("RTO") of the Company by shareholders of ECS.

The RTO is expected to be completed by way of triangular amalgamation, result in ECS becoming a wholly-owned subsidiary of Company (the "Resulting Issuer"). The Resulting Issuer will carry on the business previously executed by ECS upon completion of the RTO.

The RTO is subject to regulatory approval.