# TINKERINE STUDIOS LTD.

**Condensed Consolidated Interim Financial Statements**

**June 30, 2022**

**(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 (unaudited)**
**June 30, 2022**
**(Expressed in Canadian Dollars)**

| | Notes | | June 30, 2022 | | December 31, 2021 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Current** | | | | | |
| Cash and cash equivalents | 2 | $ | - | $ | 14,469 |
| Receivables | 4 | | 48,056 | | 25,757 |
| Inventory | 5 | | 56,530 | | 72,217 |
| Prepaids and deposits | | | 10,927 | | 10,898 |
| **Total current assets** | | | 115,513 | | 123,341 |
| **Property and equipment** | 7 | | 1,722 | | 2,040 |
| **Right-of-use asset** | 14 | | 51,610 | | 43,874 |
| **TOTAL ASSETS** | | $ | 168,845 | $ | 169,255 |
| **LIABILITIES** | | | | | |
| **Current** | | | | | |
| Bank Indebtedness | | | 17,410 | | - |
| Trade payables and accrued liabilities | 6 | $ | 715,931 | $ | 639,348 |
| Short-term loan | 9 | | 175,000 | | 85,000 |
| CEBA loan - short-term | 10 | | 20,000 | | 46,518 |
| Promissory Notes | | | | | 583,902 |
| Lease liabilities - current portion | 14 | | 46,712 | | 49,603 |
| | | | 975,053 | | 1,404,371 |
| **Non-Current and Long Term Liabilities** | | | | | |
| CEBA loan - long term | 10 | | 27,813 | | - |
| Lease liabilities | 14 | | 5,318 | | - |
| Promissory notes | 16 | | 496,280 | | - |
| **TOTAL LIABILITIES** | | | 1,504,464 | | 1,404,371 |
| **EQUITY (DEFICIT)** | | | | | |
| Share capital | 11 | | 4,382,373 | | 4,382,373 |
| Reserve | 11 | | 298,704 | | 364,664 |
| Deficit | | | (6,016,696) | | (5,982,153) |
| | | | (1,335,619) | | (1,235,116) |
| **TOTAL LIABILITIES AND EQUITY** | | $ | 168,845 | $ | 169,255 |

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

Approved on behalf of the Directors:

*"Chris Lee"*

*"Eugene Suyu"*

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

**TINKERINE STUDIOS LTD.**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**
**June 30, 2022**
**(Expressed in Canadian Dollars)**

| | Notes | For the three months ended June 30, 2022 | For the three months ended June 30, 2021 | For the six months ended June 30, 2022 | For the six months ended June 30, 2021 |
|---|---|---|---|---|---|
| **REVENUE** | 12 | $ 150,947 | $ 59,381 | $ 198,785 | $ 133,904 |
| **COST OF SALES** | | | | | |
| Cost of Goods Sold | | 16,536 | 19,873 | 44,151 | 50,201 |
| | | 134,411 | 39,508 | 154,633 | 83,703 |
| Production training and start-up | | - | - | - | - |
| **GROSS PROFIT** | | 134,411 | 39,508 | 154,633 | 83,703 |
| **EXPENSES** | | | | | |
| Amortization | 7,14 | 8,761 | 11,966 | 17,522 | 23,932 |
| Bank and credit card charges | | 1,473 | 1,772 | 2,901 | 3,170 |
| Foreign exchange (gain) | | (203) | 382 | 366 | 1,625 |
| Insurance | | 3,703 | 6,140 | 11,078 | 12,065 |
| Interest expense and accretion expense | 9,14,16 | 26,511 | 24,526 | 42,070 | 51,251 |
| Office and general | | 1,753 | 5,499 | 4,250 | 8,430 |
| Product promotion, trade shows and travel | | - | 512 | - | 1,001 |
| Professional and consulting fees | | 42,315 | 25,634 | 81,582 | 43,864 |
| Rent and utilities | 14 | 783 | 1,228 | 2,547 | 2,848 |
| Research and development | | - | 950 | 425 | 2,215 |
| Stock-based compensation | 11 | 3,495 | (0) | 9,300 | 84,321 |
| Remuneration and benefits | 8,11,15 | 68,079 | 63,032 | 138,321 | 120,101 |
| Shareholder communications, filing & transfer agency | | 13,612 | 10,810 | 24,823 | 23,237 |
| | | 170,280 | 152,451 | 335,185 | 378,060 |
| **NET (LOSS)** | | $ (35,869) | $ (112,943) | $ (180,552) | $ (294,357) |
| **OTHER INCOME/EXPENSE** | | | | | |
| Loss on modification of lease | | $ - | | (5,729) | - |
| Gain on convertible debentures | 16 | - | - | 65,020 | - |
| **NET AND COMPREHENSIVE (LOSS)** | | $ (35,869) | $ (112,943) | $ (109,803) | $ (294,357) |
| **NET (LOSS) PER COMMON SHARE - BASIC AND DILUTED** | | $ (0.00) | $ (0.00) | $ (0.00) | $ (0.01) |
| **WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED** | | 49,675,849 | 49,634,069 | 49,675,849 | 49,634,069 |

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

**TINKERINE STUDIOS LTD.**
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (unaudited)**
**June 30, 2022**
**(Expressed in Canadian Dollars)**

| | | Share capital | | | | |
|---|---|---|---|---|---|---|
| | Notes | Number of shares | Amount | Reserve | Deficit | Total |
| **Balance at December 31, 2020** | | 49,600,849 | $ 4,372,295 | $ 348,126 | $ (5,549,517) | $ (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) |
| **Balance at December 31, 2021** | | 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 | | - | 9,300 | - | 9,300 |
| Share options exercised during the year | | - | - | - | | - |
| Cancellation of stock options | 11 | | | (75,260) | 75,260 | - |
| Net and comprehensive loss | | | | | (109,803) | (109,803) |
| **Balance at June 30, 2022** | | 49,675,849 - | 4,382,373 | 298,704 | (6,016,696) | (1,335,619) |

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

**TINKERINE STUDIOS LTD.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)**
**June 30, 2022**
**(Expressed in Canadian Dollars)**

| | For the six months ended June 30, 2022 | June 30 2021 |
|---|---|---|
| **Cash Flow from Operating Activities** | | |
| Net loss for the period | $ (109,803) | $ (294,357) |
| Items not involving cash | | |
| Amortization | 17,522 | 23,932 |
| Gain on convertible debentures | (65,020) | |
| Loss on modification of lease | 5,729 | |
| Accretion | 35,296 | 45,622 |
| Stock-based compensation | 9,300 | 84,321 |
| | 2,827 | 153,875 |
| Changes in non-cash working capital items | | |
| Receivables | (22,299) | 28,629 |
| Inventory | 15,687 | 24,877 |
| Prepaids and deposits | (29) | (14,917) |
| Trade payables and accrued liabilities | 76,583 | 87,786 |
| | 69,942 | 126,375 |
| **Net cash used in operating activities** | (37,034) | (14,107) |
| **Cash Flows from Investing Activities** | | |
| Right of use of asset capitalized | (24,940) | - |
| Net cash used in investing activities | (24,940) | - |
| **Cash Flow from Financing Activities** | | |
| Proceeds of bridge loan | 100,000 | - |
| Repayment of lease liability | (16,784) | (23,356) |
| Modification to fair value of long term loan | (43,119) | |
| Repayment of short term loan | (10,000) | - |
| Net proceeds from share issuances | - | 5,626 |
| Net cash provided by financing activities | 30,097 | (17,730) |
| **INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | (31,877) | (31,837) |
| **CASH AND CASH EQUIVALENTS - BEGINNING** | 14,469 | (52,471) |
| **CASH AND CASH EQUIVALENTS - ENDING** | $ (17,408) | $ (84,308) |

**Supplemental cash flow information:**
June 30, 2022
The Company reallocated $75,260 from reserve to deficit upon cancellation of stock options (Note 11)
The Company reduced its leased space and extended its lease term resulting in a loss on modification of the lease of $5,729
The Company reclassified $542,491 accrued salaries to convertible debt of which $65,020 was recognized as gain on convertible debt (Note 17)
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 cancellation of stock options (Note 11)

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.

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 113A 8725 92nd Street, Delta British Columbia, Canada, V4G 0A4.

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

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

Based on the Company's operating history and its relationship with its stakeholders and Management, the Company may 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 unaudited consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue operations as a going concern.

## 2. Basis of Presentation and Significant Accounting Policies

The financial statements were approved and authorized for issue on August 26, 2022 by the directors of the Company.

### Statement of compliance

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

These condensed consolidated interim financial statements include all necessary information and disclosures required for interim financial statements but do not include disclosures required for a full annual financial report. These statements are intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting

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

### Statement of compliance (cont'd)

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, 2021.

### *Basis of preparation*

The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted, which is the Company's functional currency.

Certain figures for the prior year have been reclassified to conform to the current presentation.

### *Principles of consolidation*

The consolidated financial statements include the accounts of the Company and its 100% controlled entity, Tinkerine 3D Print Systems Ltd.

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.

### *Significant estimates and assumptions*

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. The preparation of the financial statements also requires management to exercise judgment in the process of applying the accounting policies. On an on-going basis, management evaluates its estimates and assumptions in relation to assets, liabilities and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances, as the basis for its estimates and assumptions. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. Actual outcomes may differ from those estimates under different assumptions and conditions.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the impairment and useful lives of equipment and leasehold improvements and intangible assets, fair value measurements for financial instruments and stock-based transactions and the recoverability and measurement of deferred tax assets.

### *Significant judgments*

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

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

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

• The determination of the functional currency of the Company and its subsidiary

***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.

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

### Property and Equipment

The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Depreciation and amortization are calculated on a straight-line method to write off the cost of the assets to their residual values over their estimated useful lives, as follows:

| Asset | Basis |
|---|---|
| Equipment | Straight-line over 5 years |
| Computers | Straight-line over 3 years |
| Leasehold improvements | Straight-line over 3 years |

During the year ended December 31, 2019, the Company fully amortized $6,612 relating to property and equipment. At December 31, 2020, the Company does not have any property and equipment.

### *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.

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

***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

***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 operations and 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.

(Expressed in Canadian dollars)

## 4 Receivables

| | June 30, 2022 | December 31, 2021 |
|---|---|---|
| Trade receivables | $ 48,056 | $ 25,757 |
| | $ 48,056 | $ 25,757 |

Trade receivables relate to completed sales.

At June 30, 2022 and December 31, 2021 no accounts receivable is due beyond one year. The fair value of accounts receivable approximates their carrying value as at June 30 2022 and December 31, 2021 respectively.

## 5 Inventory

| | June 30, 2022 | December 31, 2021 |
|---|---|---|
| Raw materials | $ 55,237 | $ 58,410 |
| Finished goods | 1,293 | 13,807 |
| | $ 56,530 | $ 72,217 |

## 6 Trade Payables and Accrued Liabilities

| | June 30, 2022 | December 31, 2021 |
|---|---|---|
| Trade payables (note 9) | $ 267,703 | $ 278,490 |
| Accrued liabilities | 448,228 | 360,858 |
| | $ 715,931 | $ 639,348 |

## 7 Property and Equipment

| | Equipment | Computers | Total |
|---|---|---|---|
| **Cost:** | | | |
| December 31, 2019 and 2020 | $ 58,673 | $ 6,094 | $ 64,767 |
| Addition | 856 | 1,396 | 2,252 |
| December 31,2021 and Jun 30 2022 | 59,529 | 7,490 | 67,019 |
| **Amortization:** | | | |
| December 31, 2020 | 58,673 | 6,094 | 64,767 |
| Additions | 57 | 155 | 212 |
| December 31 2021 | 58,730 | 6,249 | 64,979 |
| Additions | 86 | 232 | 318 |
| June 30 2022 | 58,816 | 6,481 | 65,297 |
| | | | |
| **Net book value:** | | | |
| December 31, 2021 | $ 799 | $ 1,241 | $ 2,040 |
| June 30, 2022 | $ 713 | $ 1,009 | $ 1,722 |

(Expressed in Canadian dollars)

## 8 Related Party Transactions

As at June 30, 2022, included in prepaid and deposits is $2,435 (2021 - $2,435), which has been paid to a director of the Company.

As at June 30, 2022, included in trade payables is $52,638 (2021 - $15,467), which is due to the officers and directors of the Company. These amounts are unsecured, non-interest bearing and without specific terms of repayment.

As at June 30, 2022, included in accrued liabilities is $5,565 (2021 - $19,933), which is due to directors and officers of the Company. In February 2022, promissory notes amounting to $302,234 (2021 - $ NIL) were issued to directors and officers (Note 16)

The Company has renewed the lease agreement with a director of the Company (Note 14) for another 3-year term, which remains effective as at June 30, 2022

The compensation of officers and directors for the six-month period was as follows:

| | June 30, 2022 | December 31, 2021 |
|---|---|---|
| Remuneration, fees and short-term benefits | $ 112,500 | $ 150,000 |
| Stock-based compensation | 5,846 | 48,185 |
| | $ 118,346 | $ 198,185 |

## 9 Short Term Loans

During the year ended December 31, 2020, the Company received $90,000 short term loans from five individuals of which $75,000 remains outstanding at June 30, 2022 at an annual interest rate of 12% previously repayable as at April 28, 2021. This loan has subsequently been extended. The total interest expense recognized for the period ended June 30, 2022 is $4,737.

On execution of the definitive agreement on March 15 2022, it was agreed that Electrum Charging Solutions will make available to the Company an unsecured bridge loan of cumulative advances of up to $100,000 to pay expenses of Tinkerine Studios Ltd, due and payable in the ordinary course of keeping the Company compliant with the requirements of the regulators and convertible into Tinkerine common shares subject to TSX-V approval. As at June 30, 2022 $100,000 has been received by the Company.

## 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 $45,211 using an effective rate of 12%, considering the grant, the interest- free loan and the forgivable portion. As of June 30, 2022, accretion of $1,285 has been recognized in the statement of comprehensive loss and a balance of $27,813 is recorded as the long-term loan portion of CEBA Loan which matures on December 31, 2022

(Expressed in Canadian dollars)

## 11 Share capital

***Authorized share capital***

Unlimited number of common shares without par value.

Issued and outstanding at June 30, 2022: 49,675,849 shares.

***Changes in issued share capital***

There are no changes in issued share capital for the period ended June 30 2022.

For the six month period ended June 30, 2021, the Company issued 75,000 shares on January 26th 2021 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 $5,627 was reallocated from reserves to share capital.

***Stock options***

For the six month period ended June 30, 2022, there were no issuance of share options

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 fair value is expensed to stock-based compensation over the vesting period using the grading recognition system.

For the six month ended June 30, 2022, $9,300 (2021 - $84,321) was recognized as stock-based compensation based on this recognition system.

For the period ended June 30, 2021, 1,147,500 (2020 – 2000) stock options expired, unexercised and were cancelled, and the corresponding amount of $47,889 (2019 – $ 887) was reallocated from reserves to deficit.

For the period ended June 30, 2022, 1,125,000 (2021 – 322,500) stock options were cancelled, and the corresponding amount of $75,260 (2021 – $24,187) was reallocated from reserves to deficit.

Continuity Table as at June 30, 2022

| Number of options | Exercise Price | Expiry date |
|---|---|---|
| 325,000 | $0.075 | Sept 30, 2022 |
| 4,845,000 | $0.125 | Apr 24, 2025 |
| 730,000 | $0.070 | Oct 19, 2026 |

(Expressed in Canadian dollars)

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

***Stock options (cont'd)***

As at June 30, 2022 the following stock options were outstanding and exercisable:

| | Number of stock options |
|---|---|
| Balance December 31 2020 | 7,917,500 |
| Granted | 1,130,000 |
| Exercised | (75,000) |
| Expired/cancelled | (1,947,500) |
| Balance December 31, 2021 | 7,025,000 |
| Cancelled | (1,125,000) |
| Balance June 30, 2022 | 5,900,000 |
| Exercisable June 30, 2022 | 5,608,000 |

As at June 30, 2022 the weighted average exercise price is $0.115 with an average remaining term of 2.75 years.

***Reserve***

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

**12 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 2022 | June 30 2021 |
|---|---|---|
| Total Revenue | | |
| Canada | $ 188,348 | $ 83,604 |
| United States | 10,437 | 50,300 |
| Other | - | - |
| | $ 198,785 | $ 133,904 |

During the six months ended June 30, 2022 sales to one customer was in excess of 10%, being at 77% of total revenue.

(Expressed in Canadian dollars)

## 13 Commitments

On January 1st, 2020, the Company entered into a three-year lease agreement with a director of the Company for its premises, commencing January 1st, 2020. The annual basic lease payments was $58,286 for the 3 year term. In addition, the Company pays operating costs and a management fees equal to 5% of the annual basic rent.

***Contingency***

The Company may be subject to a variety of claims and suits that arise from time to time in the ordinary course of business. These matters are subject to inherent uncertainties

## 14 Right-of-Use Assets and Lease Liabilities

As at January 1, 2019 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 lease liabilities were discounted at a discount rate of 5% as at January 1, 2019.

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

| **Lease liabilities** | | |
|---|---|---|
| As at December 31, 2020 | $ | 96,315 |
| Lease payments made | | (52,583) |
| Interest expense on lease liabilities | | 5,871 |
| As at December 31, 2021 | | 49,603 |
| Add lease liability as at January 1, 2022 | | 19,211 |
| Lease payments made | | (18,504) |
| Interest expenses on lease liabilities | | 1,720 |
| As at June 30, 2022 | | 52,030 |
| Less: Lease liabilities – Current | | 46,712 |
| Lease liabilities – Non-current | $ | 5,318 |

(Expressed in Canadian dollars)

## 14 Right-of-Use Assets and Lease Liabilities (Cont'd)

| **Right-of-use assets** | | |
|---|---|---|
| **Cost** | | |
| As at December 31 2019,2020,2021 | $ | 187,466 |
| Additions | | 24,940 |
| March 31, 2022 | | 212,406 |
| | | |
| **Depreciation** | | |
| December 31, 2019,2020 | | 95,728 |
| December 31, 2021 | | 47,864 |
| Addition | | 17,204 |
| June 30,2022 | | 160,796 |
| | | |
| **Net Book Value** | | |
| As at December 31, 2021 | $ | 43,874 |
| As at June 30, 2022 | $ | 51,610 |

The Right-of-Use Assets and Lease Liabilities relates to the Company's operating lease ("Lease") for its office premise in Delta, British Columbia, Canada which it leases from a Director of the Company. The Lease effective date was December 1, 2016 and was for a 3-year term, ending on December 1, 2019. As at December 31, 2021 the Company was reasonably certain to exercise the option to extend the term of the lease for a further year. As at January 1, 2022 the Company modified its lease space and lease term and therefore adjusted the right-of-use asset and the corresponding liability for its office lease

## 15 Salaries and Benefits

For the period ended June 30, 2022, no funding was received under this program due to the termination of the program. 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, the Company recognized $117,213 as a reduction of salaries and benefits, of which $56,760 was received in the period ended March 31, 2021.

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. This program ended at the end of October 2021. As a result the Company received Nil (2021 - $37,934) subsidy during the period ended June 30, 2022.

## 16 Promissory Notes

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. The total amount of promissory notes issued was $599,087. On February 17, 2022 a total of $542,491 promissory notes was extended to May 17, 2023 on the same terms and conditions as the original agreement. 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 prior TSX-V approval. The management determined that this conversion feature was not a derivative liability.

(Expressed in Canadian dollars)

**16 Promissory Notes (cont'd)**

On issuance date of the promissory notes that were re-issued, the fair value of the liability was determined to be $482,325, resulting in a gain of $65,020, using a 20% discount rate. The continuity of the promissory notes is set out below.

| | | |
|---|---|---|
| Balance December 31, 2021 | $ | 583,902 |
| less | | |
| Promissory note not extended | | (56,602) |
| Gain on promissory note | | (65,020) |
| Fair value of promissory notes | | 462,280 |
| Accretion | | - |
| As at January 1, 2022 | | 462,280 |
| Accretion - 2022 | | 34,000 |
| As at June 30, 2022 | $ | 496,280 |

**17 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.

**18 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 June 30, 2022 and December 31, 2022, 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:

## 18. 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 maintaining sufficient cash from operations.

***Credit risk***

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

**Foreign exchange risk**

Foreign exchange risk is the risk that the fair values of the 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 the 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.

**19 *Subsequent Event***

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 Electrum Charging Solutions Inc., an arm's length third party ("Target", "Electrum" or "ECS"), which would result in a reverse-takeover ("RTO") of the Company by shareholders of Electrum.

The Company and Target have entered into a Definitive Agreement dated March 15, 2022. The

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

The DA is subject to the receipt of all necessary third-party approvals and the standard terms and conditions concerning the due diligence review of Target, including financial statements, potential liabilities and material contracts. The DA further contemplates that all of the common shares in the capital of Target will be exchanged for common shares of Company at a ratio resulting in the shareholders of Target, owning approximately 95% of the Resulting Issuer and the shareholders of Company owning approximately 5% of the Resulting Issuer on an undiluted basis, not including any shares to be issued pursuant to the private placement financing discussed below. The RTO does not constitute a non-arm's length transaction.