

Unaudited Interim Condensed Consolidated
Financial Statements

D-BOX Technologies Inc.

June 30, 2013

Notice

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

D-BOX Technologies Inc.
UNAUDITED INTERIM CONSOLIDATED BALANCE SHEETS
(in thousands of Canadian dollars)
As at

	Notes	June 30 2013 \$	March 31 2013 \$
ASSETS			
Current assets			
Cash and cash equivalents		4,577	5,708
Accounts receivable		3,736	3,411
Inventories	4	4,597	4,578
Prepaid expenses and deposits		434	402
		13,344	14,099
Non-current assets			
Property, plant and equipment		9,311	9,481
Intangible assets		686	708
Other assets		227	249
		23,568	24,537
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		1,715	2,434
Warranty provision		14	14
Deferred revenues		221	83
		1,950	2,531
Equity			
Share capital	5.1	57,714	57,714
Share-based payment reserve		4,155	3,988
Accumulated exchange difference		(48)	(12)
Deficit		(40,203)	(39,684)
		21,618	22,006
		23,568	24,537

See accompanying notes of Unaudited Interim Condensed Consolidated Financial Statements.

On behalf of the Board,

Director

Director

D-BOX Technologies Inc.**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

(in thousands of Canadian dollars, except share and per-share amounts)

Quarters ended June 30

	Notes	2013 \$	2012 \$
Revenues			
Motion systems for :			
Industrial market		1,403	1,165
Entertainment market			
Commercial theatres:			
System sales		625	1,312
Utilization rights, rental and maintenance		1,260	663
		1,885	1,975
Home entertainment system sales		211	428
		2,096	2,403
		3,499	3,568
Cost of goods sold excluding amortization	6.1	1,299	1,602
Amortization related to cost of goods sold		513	426
		1,812	2,028
Gross profit		1,687	1,540
Other expenses			
Selling and marketing	6.2	1,361	1,120
Administrative	6.3	855	746
Research and development	6.4	322	388
Foreign exchange gain		(344)	(118)
		2,194	2,136
Loss before financial expenses and income taxes		(507)	(596)
Financial expenses (income)			
Financial expenses		20	13
Interest income		(14)	(23)
		6	(10)
Loss before income taxes		(513)	(586)
Current income taxes		6	4
Net loss		(519)	(590)
Foreign currency translation adjustment		36	6
Comprehensive loss		(555)	(596)
Basic and diluted net loss per share		(0,0032)	(0,0036)
Weighted average number of common shares outstanding		163,781,129	163,781,129

See accompanying notes of Unaudited Interim Condensed Consolidated Financial Statements.

D-BOX Technologies Inc.**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES
IN EQUITY**

(in thousands of Canadian dollars)

Quarter ended June 30

	Notes	Share Capital \$	Share-based Payment Reserve \$	Accumulated Exchange Difference \$	Deficit \$	Total \$
Balance as at March 31, 2013		57,714	3,988	(12)	(39,684)	22,006
Net loss		—	—	—	(519)	(519)
Foreign currency translation adjustment		—	—	(36)	—	(36)
Share-based payment expense	5.2	—	167	—	—	167
Balance as at June 30, 2013		57,714	4,155	(48)	(40,203)	21,618
Balance as at March 31, 2012		57,714	3,105	3	(37,109)	23,713
Net loss		—	—	—	(590)	(590)
Foreign currency translation adjustment		—	—	(6)	—	(6)
Share-based payment expense	5.2	—	261	—	—	261
Balance as at June 30, 2012		57,714	3,366	(3)	(37,699)	23,378

See accompanying notes of Unaudited Interim Condensed Consolidated Financial Statements.

D-BOX Technologies Inc.
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF
CASH FLOWS

(in thousands of Canadian dollars)
Quarters ended June 30

	Notes	2013 \$	2012 \$
OPERATING ACTIVITIES			
Net loss		(519)	(590)
Items not affecting cash			
Amortization of property, plant and equipment		588	486
Amortization of intangible assets		70	62
Amortization of other assets		23	22
Write-off of property, plant and equipment		16	—
Share-based payment expense	5.2	167	261
Unrealized foreign exchange loss		401	313
Cash flows from operations before changes in working capital items		746	554
Net changes in working capital items:			
Accounts receivable		(665)	(245)
Inventories		(9)	461
Prepaid expenses and deposits		(32)	(34)
Goods held for lease		(118)	(801)
Other assets		(1)	—
Accounts payable and accrued liabilities		(1,059)	255
Deferred revenues		138	(251)
		(1,746)	(615)
Cash flows relating to operating activities		(1,000)	(61)
INVESTING ACTIVITIES			
Additions to property, plant and equipment		(71)	(127)
Additions to intangible assets		(48)	(79)
Cash flows relating to investing activities		(119)	(206)
Effect of exchange rate fluctuations on cash and cash equivalents		(12)	(89)
Net change in cash and cash equivalents		(1 131)	(356)
Cash and cash equivalents, beginning of period		5 708	9,320
Cash and cash equivalents, end of period		4 577	8,964
Cash and cash equivalents consist of:			
Cash		1 490	2,237
Cash equivalents		3 087	6,727
Interest and income taxes included in operating activities:			
Income taxes paid (net of recoveries)		6	4

See accompanying notes of Unaudited Interim Condensed Consolidated Financial Statements.

D-BOX Technologies Inc.

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2013

(Amounts are in thousands of Canadian dollars, except share, option, per-share and per-option amounts)

1. DESCRIPTION OF BUSINESS

D-BOX Technologies Inc. ["D-BOX" or the "Corporation"], incorporated under the *Canada Business Corporations Act*, is domiciled at 2172 de la Province Street, Longueuil, Québec, Canada.

D-BOX designs and manufactures leading edge high-technology motion systems mainly suited to the needs of the entertainment industry and for industrial simulations. With its unique, patented technology, D-BOX uses motion effects specifically programmed for each visual content, which are sent to a motion generating system integrated within either a platform, seat or various types of equipment. The resulting motion is perfectly synchronized with all onscreen action, creating an unmatched realistic immersive experience.

Based on the nature of the Corporation's clients, two significant markets have been identified: the industrial market and the entertainment market. The industrial market consists of products for industrial simulators and other applications. The entertainment market comprises motion systems installed in commercial theatres and consumer products for the home entertainment submarket, particularly video games and home theatres.

These unaudited interim condensed consolidated financial statements were approved by the Corporation's Board of Directors on August 14, 2013.

2. BASIS OF PRESENTATION

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS 34"), *Interim Financial Reporting* and, accordingly, they are interim condensed financial statements because they do not include all disclosures required under International Financial Reporting Standards ("IFRS") for annual consolidated financial statements. Thus, the interim condensed consolidated financial statements should be read in conjunction with the 2013 annual consolidated financial statements which include the same accounting policies used in the preparation of these financial statements.

Certain prior period comparative figures have been reclassified to conform to current period presentation.

D-BOX Technologies Inc.

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2013

(Amounts are in thousands of Canadian dollars, except share, option, per-share and per-option amounts)

3. NEW ACCOUNTING PRONOUNCEMENTS

These new standards were adopted by the corporation on April 1st, 2013 and did not have an impact on the Interim Condensed Consolidated Financial Statements.

- **IFRS 10, *Consolidated Financial Statements***

In May 2011, the IASB issued IFRS 10, *Consolidated Financial Statements*, which replaces SIC-12, *Consolidation: Special Purpose Entities*, and parts of IAS 27, *Consolidated and Separate Financial Statements*. IFRS 10 provides additional guidance on the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company.

- **IFRS 12, *Disclosure of Interests in Other Entities***

In May 2011, the IASB issued IFRS 12, *Disclosure of Interests in Other Entities*. IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose and other unrecognized entities.

- **IFRS 13, *Fair Value Measurement***

In May 2011, the IASB issued IFRS 13, *Fair Value Measurement*. IFRS 13 will provide a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS.

- **IAS 1, *Presentation of Financial Statements***

In June 2011, the IASB issued IFRS 1, *Presentation of Financial Statements*. This amendment to IAS 1 aims to improve the presentation of other comprehensive income (loss) items.

4. INVENTORIES

Inventories as at June 30, 2013 and March 31, 2013 are detailed in the following table:

	June 30 2013	March 31 2013
	\$	\$
Parts and components	3,064	3,064
Finished goods	1,533	1,514
	4,597	4,578

D-BOX Technologies Inc.

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2013

(Amounts are in thousands of Canadian dollars, except share, option, per-share and per-option amounts)

5. EQUITY

5.1 Share Capital

Class A common shares of the Corporation for the periods ended June 30, 2013 and 2012 are shown in the following table:

	2013		2012	
	Number	\$	Number	\$
Balance as at March 31 and June 30	163,781,129	57,714	163,781,129	57,714

There were no changes on the Class A common shares of the Corporation during the period ended June 30, 2013 and 2012.

5.2 Stock Option Plan

Changes in the Corporation's stock options for quarters ended June 30 are summarized in the following table:

	2013		2012	
	Number #	Weighted average exercise price \$	Number #	Weighted average exercise price \$
Balance as at March 31	12,381,811	0,44	11,125,811	0,47
Options granted	2,425,000	0,19	1,453,000	0,28
Options cancelled	(6,000)	0,33	(124,000)	0,55
Options expired	(825,500)	0,45	—	—
Balance as at June 30	13,975,311	0,39	12,454,811	0,45
Options exercisable, end of periods	8,766,004	0,43	6,890,573	0,42

D-BOX Technologies Inc.

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2013

(Amounts are in thousands of Canadian dollars, except share, option, per-share and per-option amounts)

5. EQUITY (Cont'd)

5.2 Stock Option Plan (Cont'd)

The fair value for options granted during the periods ended June 30, 2013 and 2012 was estimated at the date of grant using the Black-Scholes option pricing model based on the following assumptions: 1.31% weighted average risk-free interest rate [1.62% in 2012]; no dividends in 2013 and 2012; 95% weighted average volatility factor of the expected market price of the Corporation's shares [98% in 2012]; 3.83% weighted average cancellation rate [4.15% in 2012]; \$0.18 weighted average share price [\$0.28 in 2012]; and an expected weighted average option life of 5.6 years [5.4 years in 2012]. The expected life of stock options is based on historical data and is not necessarily indicative of exercise patterns that might occur. The expected volatility reflects the assumption that historical volatility over a term similar to the option term is indicative of future trends, which might not be the case.

The weighted average of the estimated fair values at the grant date of the options awarded during the quarter is \$0.14 per option [\$0.21 per option in 2012], amortized through income over the vesting periods of the options.

For the quarter ended June 30, 2013, the share-based compensation expense charged to income amounted to \$167 [\$261 in 2012] with a corresponding amount recognized under share-based payment reserve.

6. CONSOLIDATED STATEMENT OF OPERATIONS

6.1 Cost of goods sold excluding amortization

The key components of costs of goods sold excluding amortization of property, plant and equipment for the quarters ended June 30 are detailed as follows:

	2013	2012
	\$	\$
Inventory cost charges	1,046	1,466
Employee costs	185	81
Freight charges and import duties	26	25
Production supplies	20	14
Other	22	16
	<u>1,299</u>	<u>1,602</u>

D-BOX Technologies Inc.

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2013

(Amounts are in thousands of Canadian dollars, except share, option, per-share and per-option amounts)

**6. CONSOLIDATED STATEMENT OF OPERATIONS
(Cont'd)**

6.2 *Selling and marketing*

The key components of selling and marketing expenses for the quarters ended June 30 are detailed as follows:

	2013	2012
	\$	\$
Employee costs	789	597
Professional fees	114	168
Markering costs, publicity and promotional material expenses	25	14
Share-based payment expense	57	93
Trade show expenses	161	89
Travel and entertainment expenses	62	51
Amortization of property, plant and equipment	70	57
Freight charges and import duties	15	10
Other	68	41
	1,361	1,120

6.3 *Administrative expenses*

The key components of administrative expenses for the quarters ended June 30 are detailed as follows:

	2013	2012
	\$	\$
Employee costs	456	377
Share-based payment expense	93	145
Professional fees	85	62
Public company costs	47	37
Insurance	58	47
Amortization of property, plant and equipment and of intangible assets	52	45
Director fees	34	32
Other	30	1
	855	746

D-BOX Technologies Inc.

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2013

(Amounts are in thousands of Canadian dollars, except share, option, per-share and per-option amounts)

**6. CONSOLIDATED STATEMENT OF OPERATIONS
(Cont'd)**

6.4 Research and Development

The key components of research and development expenses for the quarters ended June 30 are detailed as follows:

	2013	2012
	\$	\$
Employee costs	262	339
Amortization of property, plant and equipment and of intangible assets	46	42
Share-based payment expense	16	21
Investment tax credits	(43)	(59)
Materials and certification	16	13
Other	25	32
	322	388