

Unaudited Interim Condensed Consolidated
Financial Statements

D-BOX Technologies Inc.

September 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	September 30 2013 \$	March 31 2013 \$
ASSETS			
Current assets			
Cash and cash equivalents		6,402	5,708
Accounts receivable		3,806	3,411
Inventories	4	3,925	4,578
Prepaid expenses and deposits		400	402
		14,533	14,099
Non-current assets			
Property, plant and equipment		8,609	9,481
Intangible assets		744	708
Other assets		220	249
		24,106	24,537
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		2,613	2,434
Warranty provision		14	14
Deferred revenues		395	83
		3,022	2,531
Equity			
Share capital	5.1	57,714	57,714
Share-based payment reserve		4,279	3,988
Accumulated exchange difference		(31)	(12)
Deficit		(40,878)	(39,684)
		21,084	22,006
		24,106	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)

For quarters and six-month periods ended September 30

	Notes	Second Quarter		Six Months	
		2013	2012	2013	2012
		\$	\$	\$	\$
Revenues					
Motion systems for :					
Industrial market		1,964	1,919	3,367	3,084
Entertainment market					
Commercial theatres:					
System sales		1,889	682	2,514	1,994
Utilization rights, rental and maintenance		498	856	1,758	1,519
		2,387	1,538	4,272	3,513
Home entertainment system sales		144	251	355	679
		2,531	1,789	4,627	4,192
		4,495	3,708	7,994	7,276
Cost of goods sold excluding amortization	6.1	2,288	1,701	3,587	3,303
Amortization related to cost of goods sold		368	351	881	777
		2,656	2,052	4,468	4,080
Gross profit		1,839	1,656	3,526	3,196
Other expenses					
Selling and marketing	6.2	1,289	1,265	2,650	2,385
Administrative	6.3	686	746	1,541	1,492
Research and development	6.4	310	246	632	634
Foreign exchange gain		218	609	(126)	491
		2,503	2,866	4,697	5,002
Loss before financial expenses and income taxes		(664)	(1,210)	(1,171)	(1,806)
Financial expenses (income)					
Financial expenses		21	11	41	24
Interest income		(10)	(17)	(24)	(40)
		11	(6)	17	(16)
Loss before income taxes		(675)	(1,204)	(1,188)	(1,790)
Current income taxes		—	—	6	4
Net loss		(675)	(1,204)	(1,194)	(1,794)
Foreign currency translation adjustment		(17)	(10)	19	(4)
Comprehensive loss		(658)	(1,194)	(1,213)	(1,790)
Basic and diluted net loss per share		(0,0041)	(0,0074)	(0,0073)	(0,0110)
Weighted average number of common shares outstanding		163,781,129	163,781,129	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)

For the six-month period ended September 30, 2013 and 2012

	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		—	—	—	(1,194)	(1,194)
Foreign currency translation adjustment		—	—	(19)	—	(19)
Share-based payment expense	5.2	—	291	—	—	291
Balance as at September 30, 2013		57,714	4,279	(31)	(40,878)	21,084
Balance as at March 31, 2012		57,714	3,105	3	(37,109)	23,713
Net loss		—	—	—	(1,794)	(1,794)
Foreign currency translation adjustment		—	—	4	—	4
Share-based payment expense	5.2	—	492	—	—	492
Balance as at September 30, 2012		57,714	3,597	7	(38,903)	22,415

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)

Six-month periods ended September 30

	Notes	2013 \$	2012 \$
OPERATING ACTIVITIES			
Net loss		(1,194)	(1,794)
Items not affecting cash			
Amortization of property, plant and equipment		1,037	914
Amortization of intangible assets		144	127
Amortization of other assets		30	29
Write-off of property, plant and equipment		37	
Share-based payment expense	5.2	291	492
Unrealized foreign exchange loss		149	191
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Cash flows from operations before changes in working capital items		494	(41)
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Net changes in working capital items:			
Accounts receivable		(527)	(647)
Inventories		830	510
Prepaid expenses and deposits		3	(88)
Goods held for lease		(116)	(1,425)
Other assets		(1)	(26)
Accounts payable and accrued liabilities		44	815
Deferred revenues		312	(40)
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Cash flows relating to operating activities		1,039	(942)
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INVESTING ACTIVITIES			
Additions to property, plant and equipment		(157)	(238)
Additions to intangible assets		(180)	(126)
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Cash flows relating to investing activities		(337)	(364)
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Effects of exchange rate fluctuations on cash and cash equivalents		(8)	(88)
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Net change in cash and cash equivalents		694	(1,394)
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Cash and cash equivalents, beginning of period		5,708	9,320
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Cash and cash equivalents, end of period		6,402	7,926
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Cash and cash equivalents consist of:			
Cash		3,655	1,544
Cash equivalents		2,747	6,382
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Interest and income taxes included in operating activities:			
Income taxes paid (net of recoveries)		6	2
Interest paid			1

See accompanying notes of Unaudited Interim Condensed Consolidated Financial Statements.

D-BOX Technologies Inc.

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

September 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 November 13, 2013.

D-BOX Technologies Inc.

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

September 30, 2013

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

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.

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.

D-BOX Technologies Inc.

**NOTES TO UNAUDITED INTERIM CONDENSED
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September 30, 2013

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

3. NEW ACCOUNTING PRONOUNCEMENTS (*Cont'd*)

- 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 September 30, 2013 and March 31, 2013 are detailed as follows :

	September 30, 2013 \$	March 31, 2013 \$
Parts and components	2,973	3,064
Finished goods	952	1,514
	3,925	4,578

5. EQUITY

5.1 Share Capital

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

	2013		2012	
	Number	\$	Number	\$
Balance as at March 31 and September 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 six-month periods ended September 30, 2013 and 2012 .

D-BOX Technologies Inc.

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

September 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

Changes in the Corporation's stock options for the quarters ended September 30, 2013 and 2012 are summarized in the following table:

	2013		2012	
	#	Weighted average exercise price \$	#	Weighted average exercise price \$
Balance as at March 31	12,381,811	0.44	11,125,811	0.47
Options granted	2,705,000	0.19	1,908,000	0.29
Options cancelled/expired	(129,333)	0.33	—	—
Options exercised	(945,500)	0.43	(184,000)	0.56
Balance as at September 30	14,011,978	0.39	12,849,811	0.44
Options exercisable, end of period	8,942,974	0.43	7,249,208	0.41

The fair value for options granted during the six-month period ended September 30, 2013 was estimated at the date of grant using the Black-Scholes option pricing model based on the following assumptions: 1.38% weighted average risk-free interest rate (1.58% in 2012); no dividend in 2013 and 2012; 95% weighted average volatility factor of the expected market price of the Corporation's shares (98% in 2012); 3.86% weighted average cancellation rate (3.37% in 2012), \$0.19 weighted average share price (\$0.29 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.

D-BOX Technologies Inc.

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

September 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 weighted average of the estimated fair values at the grant date of the options awarded during the six-month period ended September 30, 2013 is \$0.14 per option [\$0.22 per option in 2012], amortized through income over the vesting periods of the options.

For the six-month period and the quarter ended September 30, 2013, the share-based compensation expense charged to income amounted to \$124 and \$291 respectively [\$231 and \$492 for the six-month period and the quarter ended September 30, 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 are detailed as follows for the quarters and the periods ended September 30:

	Second Quarter		Six Months	
	2013	2012	2013	2012
	\$	\$	\$	\$
Inventory cost charges	1,988	1,546	3,034	3,012
Employee costs	142	59	327	140
Freight charges and import duties	19	61	45	86
Production supplies	19	12	39	26
Parts and components write-offs	80	—	80	—
Other	40	23	62	39
	2,288	1,701	3,587	3,303

D-BOX Technologies Inc.

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

September 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 are detailed as follows for the quarters and the periods ended September 30:

	Second Quarter		Six Months	
	2013	2012	2013	2012
	\$	\$	\$	\$
Employee costs	770	727	1,559	1,324
Professional fees	158	187	272	355
Marketing advertising and promotional material expenses	22	38	47	52
Share-based payment expense	46	78	103	171
Trade show expenses	48	8	209	97
Travel and entertainment expenses	38	34	100	85
Amortization of property, plant and equipment	61	60	131	117
Freight charges and import duties	43	70	58	80
Other	103	63	171	104
	1,289	1,265	2,650	2,385

6.3 Administrative Expenses

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

	Second Quarter		Six Months	
	2013	2012	2013	2012
	\$	\$	\$	\$
Employee costs	280	367	736	744
Share-based payment expense	61	129	154	274
Professional fees	65	70	150	132
Public company costs	54	62	115	88
Insurance	62	54	120	101
Amortization of property, plant and equipment and of intangible assets	56	46	108	91
Director fees	35	11	55	54
Other	73	7	103	8
	686	746	1,541	1,492

D-BOX Technologies Inc.

**NOTES TO UNAUDITED INTERIM CONDENSED
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September 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 are detailed as follows for the quarters and the periods ended September 30:

	Second Quarter		Six Months	
	2013	2012	2013	2012
	\$	\$	\$	\$
Employee costs	176	208	438	547
Amortization of assets and patents	44	42	90	84
Share-based payment expense	14	21	30	42
Investment tax credits	(40)	(82)	(83)	(141)
Materials and certification	58	28	74	41
Other	58	29	83	61
	310	246	632	634