

Unaudited Interim Condensed Consolidated
Financial Statements

D-BOX Technologies Inc.

December 31, 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	December 31 2013 \$	March 31 2013 \$
ASSETS			
Current assets			
Cash and cash equivalents		7,626	5,708
Accounts receivable		2,929	3,411
Inventories	4	3,222	4,578
Prepaid expenses and deposits		398	402
		14,175	14,099
Non-current assets			
Property, plant and equipment		8,491	9,481
Intangible assets		877	708
Other assets		259	249
		23,802	24,537
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		2,753	2,434
Warranty provision		14	14
Deferred revenues		192	83
		2,959	2,531
Equity			
Share capital	5.1	57,714	57,714
Share-based payment reserve		4,422	3,988
Accumulated exchange difference		(63)	(12)
Deficit		(41,230)	(39,684)
		20,843	22,006
		23,802	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 nine-month periods ended December 31

	Notes	Third Quarter		Nine Months	
		2013	2012	2013	2012
		\$	\$	\$	\$
Revenues					
Motion systems for :					
Industrial market		1,857	1,322	5,224	4,406
Entertainment market					
Commercial theatres:					
System sales		1,499	1,115	4,013	3,109
Utilization rights, rental and maintenance		1,081	484	2,839	2,003
		2,580	1,599	6,852	5,112
Home entertainment system sales		182	471	537	1,150
		2,762	2,070	7,389	6,262
		4,619	3,392	12,613	10,668
Cost of goods sold excluding amortization	6.1	2,045	1,326	5,632	4,629
Amortization related to cost of goods sold		442	505	1,323	1,282
Cost of goods sold		2,487	1,831	6,955	5,911
Gross profit		2,132	1,561	5,658	4,757
Other expenses					
Selling and marketing	6.2	1,479	1,224	4,192	3,609
Administrative	6.3	810	770	2,288	2,262
Research and development	6.4	340	246	972	880
Foreign exchange loss (gain)		(150)	(409)	(276)	82
		2,479	1,831	7,176	6,833
Loss before financial expenses and income taxes		(347)	(270)	(1,518)	(2,076)
Financial expenses (income)					
Financial expenses		19	14	60	38
Interest income		(18)	(11)	(42)	(51)
		1	3	18	(13)
Loss before income taxes		(348)	(273)	(1,536)	(2,063)
Current income taxes		4	—	10	4
Net loss		(352)	(273)	(1,546)	(2,067)
Foreign currency translation adjustment		32	(10)	51	6
Comprehensive loss		(384)	(283)	(1,597)	(2,073)
Basic and diluted net loss per share		(0.0019)	(0.0016)	(0.0092)	(0.0126)
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 nine-month period ended December 31, 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		—	—	—	(1,546)	(1,546)
Foreign currency translation adjustment		—	—	(51)	—	(51)
Share-based payment expense	5.2	—	434	—	—	434
Balance as at December 31, 2013		57,714	4,422	(63)	(41,230)	20,843
Balance as at March 31, 2012		57,714	3,105	3	(37,109)	23,713
Net loss		—	—	—	(2,067)	(2,067)
Foreign currency translation adjustment		—	—	(6)	—	(6)
Share-based payment expense	5.2	—	660	—	—	660
Balance as at December 31, 2012		57,714	3,765	(3)	(39,176)	22,300

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)

Nine-month periods ended December 31

	Notes	2013 \$	2012 \$
OPERATING ACTIVITIES			
Net loss		(1,546)	(2,067)
Items not affecting cash			
Amortization of property, plant and equipment		1,529	1,498
Amortization of intangible assets		215	191
Amortization of other assets		68	41
Write-off of property, plant and equipment		123	5
Share-based payment expense	5.2	434	660
Unrealized foreign exchange loss (gain)		(406)	3
Cash flows from operations before changes in working capital items		417	331
Net changes in working capital items:			
Accounts receivable		1,139	(339)
Inventories		1,767	475
Prepaid expenses and deposits		4	41
Goods held for lease		(497)	(2,404)
Other assets		(78)	(97)
Accounts payable and accrued liabilities		(341)	459
Deferred revenues		109	(167)
Cash flows relating to operating activities		2,103	(2,032)
		2,520	(1,701)
INVESTING ACTIVITIES			
Additions to property, plant and equipment		(250)	(369)
Additions to intangible assets		(384)	(278)
Cash flows relating to investing activities		(634)	(647)
Effects of exchange rate fluctuations on cash and cash equivalents		32	—
Net change in cash and cash equivalents		1,918	(2,348)
Cash and cash equivalents, beginning of period		5,708	9,320
Cash and cash equivalents, end of period		7,626	6,972
Cash and cash equivalents consist of:			
Cash		1,267	1,608
Cash equivalents		6,359	5,364

See accompanying notes of Unaudited Interim Condensed Consolidated Financial Statements.

D-BOX Technologies Inc.

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

December 31, 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 Technologies Inc. designs, manufactures and commercializes cutting-edge motion systems mainly intended for the industrial and the entertainment markets. This unique and patented technology uses motion effects specifically programmed for each visual content which are sent to a motion system integrated into either a platform, a seat or any other product. The resulting motion is perfectly synchronized with the on-screen action, thus creating an unparalleled realistic immersive experience.

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

These unaudited interim condensed consolidated financial statements were approved by the Corporation’s Board of Directors on February 12, 2014.

D-BOX Technologies Inc.

**NOTES TO UNAUDITED INTERIM CONDENSED
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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.

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(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 December 31, 2013 and March 31, 2013 are detailed as follows :

	December 31, 2013 \$	March 31, 2013 \$
Parts and components	2,321	3,064
Finished goods	901	1,514
	3,222	4,578

5. EQUITY

5.1 Share Capital

Class A common shares of the Corporation for the periods ended December 31, 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 periods ended December 31, 2013 and 2012.

D-BOX Technologies Inc.

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(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 December 31, 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	5,252,534	0.20	1,908,000	0.29
Options cancelled/expired	(2,051,000)	0.27	(436,666)	0.53
Options exercised	(1,145,500)	0.41	—	—
Balance as at December 30	14,437,845	0.38	12,597,145	0.44
Options exercisable, end of period	6,869,640	0.48	7,279,209	0.42

The fair value for options granted during the nine-month period ended December 31, 2013 was estimated at the date of grant using the Black-Scholes option pricing model based on the following assumptions: 1.65% weighted average risk-free interest rate (1.58% in 2012); no dividend in 2013 and 2012; 92% weighted average volatility factor of the expected market price of the Corporation's shares (98% in 2012); 3.89% weighted average cancellation rate (3.37% in 2012), \$0.20 weighted average share price (\$0.29 in 2012) and an expected weighted average option life of 5.7 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.

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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 nine-month period ended December 31, 2013 is \$0.13 per option [\$0.22 per option in 2012], amortized through income over the vesting periods of the options.

For the nine-month period and the quarter ended December 31, 2013, the share-based compensation expense charged to income amounted to \$143 and \$434 respectively [\$168 and \$660 for the nine-month period and the quarter ended December 31, 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:

	Third Quarter		Nine Months	
	2013	2012	2013	2012
	\$	\$	\$	\$
Allocated inventory cost	1,808	1,211	4,842	4,223
Employee costs	159	63	486	203
Freight and import duties	54	23	99	109
Production supplies	26	18	65	44
Write-off of parts and components	—	—	80	—
Others	(2)	11	60	50
	2,045	1,326	5,632	4,629

D-BOX Technologies Inc.**NOTES TO UNAUDITED INTERIM CONDENSED
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(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 December 31:

	Third Quarter		Nine Months	
	2013	2012	2013	2012
	\$	\$	\$	\$
Employee costs	735	651	2,294	1,975
Professional fees	173	157	445	512
Advertising and promotional material	84	10	131	62
Share-based payment expense	48	15	151	186
Trade shows	152	164	361	261
Travel and entertainment	38	38	138	123
Amortization of property, plant and equipment	61	64	192	182
Freight and import duties	50	41	108	121
Write-off of property, plant and equipment	61	—	124	—
Others	77	84	248	187
	1,289	1,224	4,192	3,609

6.3 Administrative Expenses

The key components of administrative expenses are detailed as follows for the quarters and the periods ended December 31:

	Third Quarter		Nine Months	
	2013	2012	2013	2012
	\$	\$	\$	\$
Employee costs	409	395	1,145	1,139
Share-based payment expense	81	131	235	405
Professional fees	90	60	240	192
Public company costs	23	24	138	112
Insurances	62	54	182	155
Amortization of property, plant and equipment and intangible assets	58	51	166	142
Directors' fees	21	23	76	77
Others	66	32	106	40
	810	770	2,288	2,262

D-BOX Technologies Inc.

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(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 December 31:

	Third Quarter		Nine Months	
	2013	2012	2013	2012
	\$	\$	\$	\$
Employee costs	240	256	678	803
Amortization of property, plant and equipment and intangible assets	41	40	131	124
Share-based payment expense	5	19	35	61
Investment tax credits	(81)	(136)	(164)	(277)
Materials and certification	99	29	173	70
Others	36	38	119	99
	340	246	972	880