

Unaudited Interim Condensed Consolidated
Financial Statements

D-BOX Technologies Inc.

September 30, 2014

Notice

The Corporation's independent auditors have not reviewed these consolidated financial statements in accordance with standards established by CPA Canada 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, 2014 \$	March 31, 2014 \$
ASSETS			
Current assets			
Cash and cash equivalents		5,038	6,717
Accounts receivable		2,803	3,347
Inventories	3	5,195	4,389
Prepaid expenses and deposits		518	313
		13,554	14,766
Non-current assets			
Property, plant and equipment		7,463	8,146
Intangible assets		1,564	1,128
Other assets		128	164
		22,709	24,204
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		2,359	3,071
Derivative financial instruments		8	42
Warranty provision		14	14
Deferred revenues		205	137
		2,586	3,264
Equity			
Share capital	4.1	57,715	57,714
Share-based payment reserve		4,825	4,605
Accumulated exchange difference		(131)	(106)
Deficit		(42,286)	(41,273)
		20,123	20,940
		22,709	24,204

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 NET
INCOME (LOSS) AND OTHER COMPREHENSIVE INCOME (LOSS)
(in thousands of Canadian dollars, except share and per-share amounts)
Quarters and six-month periods ended September 30

	Notes	Second Quarter		Six Months	
		2014 \$	2013 \$	2014 \$	2013 \$
Revenues					
Motion systems for:					
Industrial market		998	1,964	2,314	3,367
Entertainment market:					
Commercial theatres:					
System sales		1,880	1,889	3,758	2,514
Rights for use, rental and maintenance		1,238	498	2,381	1,758
		3,118	2,387	6,139	4,272
Home entertainment system sales		238	144	461	355
		3,356	2,531	6,600	4,627
		4,354	4,495	8,914	7,994
Cost of goods sold excluding amortization	5.1	1,984	2,288	3,978	3,587
Amortization related to cost of goods sold		413	368	869	881
Cost of goods sold		2,397	2,656	4,847	4,468
Gross profit		1,957	1,839	4,067	3,526
Other expenses					
Selling and marketing	5.2	1,211	1,289	2,756	2,650
Administration	5.3	698	686	1,613	1,541
Research and development	5.4	412	310	788	632
Foreign exchange loss (gain)		(564)	218	(93)	(126)
		1,757	2,503	5,064	4,697
Income (Loss) before financial expenses and income taxes		200	(664)	(997)	(1,171)
Financial expenses (income)					
Financial expenses		15	21	33	41
Interest income		(7)	(10)	(22)	(24)
		8	11	11	17
Income (Loss) before income taxes		192	(675)	(1,008)	(1,188)
Income taxes		—	—	5	6
Net Income (Loss)		192	(675)	(1,013)	(1,194)
<i>Items that will be reclassified to net income (loss) in subsequent periods:</i>					
Foreign currency translation adjustment		74	(17)	25	19
Comprehensive income (loss)		118	(658)	(1,038)	(1,213)
Basic and diluted net income (loss) per share		0,0012	(0,0041)	(0,0062)	(0,0073)
Weighted average number of common shares outstanding		163,783,665	163,781,129	163,782,404	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)

Six-month period ended September 30, 2014 and 2013

	Notes	Share capital \$	Share-based payment reserve \$	Accumulate d exchange difference \$	Deficit \$	Total \$
Balance as at March 31, 2014		57,714	4,605	(106)	(41,273)	20,940
Net loss		—	—	—	(1,013)	(1,013)
Foreign currency translation adjustment		—	—	(25)	—	(25)
Comprehensive loss		—	—	(25)	(1,013)	(1,038)
Shares issued	4.1	1	—	—	—	1
Share-based payment expense	4.2	—	220	—	—	220
Balance as at September 30, 2014		57,715	4,825	(131)	(42,286)	20,123
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)
Comprehensive loss		—	—	(19)	(1,194)	(1,213)
Share-based payment expense	4.2	—	291	—	—	291
Balance as at September 30, 2013		57,714	4,279	(31)	(40,878)	21,084

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	2014 \$	2013 \$
OPERATING ACTIVITIES			
Net loss		(1,013)	(1,194)
Items not affecting cash			
Amortization of property, plant and equipment		992	1,037
Amortization of intangible assets		197	144
Amortization of other assets		36	30
Write-off of property, plant and equipment		72	37
Gain on disposal of property, plant and equipment		(36)	—
Share-based payment expense	4.2	220	291
Unrealized foreign exchange (gain) loss		(154)	149
Cash flows from operations before changes in working capital items		314	494
Changes in working capital items:			
Accounts receivable		887	(527)
Inventories		(714)	830
Prepaid expenses and deposits		(204)	3
Goods held for lease		(117)	(116)
Other assets		—	(1)
Accounts payable and accrued liabilities		(1,005)	44
Foreign exchange contract		(34)	—
Deferred revenues		68	312
		(1,119)	545
Cash flows relating to operating activities		(805)	1,039
INVESTING ACTIVITIES			
Additions to property, plant and equipment		(300)	(157)
Disposal of property, plant and equipment		39	—
Additions to intangible assets		(633)	(180)
Cash flows relating to investing activities		(894)	(337)
FINANCING ACTIVITIES			
Shares issued	4.1	1	—
Cash flows relating to financing activities		1	—
Effect of exchange rate fluctuations on cash and cash equivalents		19	(8)
Net change in cash and cash equivalents		(1,679)	694
Cash and cash equivalents, beginning of period		6,717	5,708
Cash and cash equivalents, end of period		5,038	6,402
Cash and cash equivalents consist of:			
Cash		2,294	3,655
Cash equivalents		2,744	2,747

See accompanying notes of Unaudited Interim Condensed Consolidated Financial Statements.

D-BOX Technologies Inc.
NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
September 30, 2014

(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, manufactures and markets leading-edge technology motion systems for the entertainment and industrial markets. With its unique, patented technology, D-BOX uses motion effects specifically programmed for visual content, which are sent to a motion generating system integrated within a platform, seat or other product. The resulting motion is perfectly synchronized with all onscreen action, creating an unparalleled realistic and immersive experience.

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

The unaudited interim condensed consolidated financial statements were approved by the Corporation’s Board of Directors on November 10, 2014.

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 consolidated financial statements because they do not include all disclosures required under International Financial Reporting Standards (“IFRS”) for annual consolidated financial statements. Thus, these interim condensed consolidated financial statements should be read in conjunction with the 2014 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
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3. INVENTORIES

Inventories as at September 30, 2014 and March 31, 2014 are detailed as follows:

	September 30, 2014 \$	March 31, 2014 \$
Parts and components	3,526	2,659
Finished goods	1,669	1,730
	5,195	4,389

4. EQUITY

4.1 *Share Capital*

Class A common shares of the Corporation for the six-month periods ended September 30, 2014 and 2013 are summarized in the following table:

	2014		2013	
	#	\$	#	\$
Balance as at March 31	163,781,129	57,714	163,781,129	57,714
Shares issued on exercise of options	3,333	1	—	—
Balance as at September 30	163,784,462	57,715	163,781,129	57,714

During the six-month period ended September 30, 2014, the Corporation issued 3,333 Class A common shares for a total of \$1 in cash on exercise of stock options. An amount of \$0.4, representing the initial fair value of the stock options, was credited to share capital and deducted from the share-based payment reserve.

D-BOX Technologies Inc.
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(Amounts are in thousands of Canadian dollars, except share, option, per-share and per-option amounts)

4. EQUITY [Cont'd]

4.2 Stock Option Plan

Changes in the Corporation's stock options for the six-month periods ended September 30, 2014 and 2013 are summarized in the following table:

	2014		2013	
	#	Weighted average exercise price \$	#	Weighted average exercise price \$
Balance as at March 31	14,453,345	0.38	12,381,811	0.44
Options granted	785,000	0.27	2,705,000	0.19
Options exercised	(3,333)	0.19		
Options cancelled	(175,001)	0.44	(129,333)	0.33
Options expired	(150,000)	0.39	(945,500)	0.43
Balance as at September 30	14,910,011	0.37	14,011,978	0.39
Options exercisable at end of period	9,158,145	0.47	8,942,974	0.43

The fair value for options granted during the six-month period ended September 30, 2014 was estimated at the grant date using the Black-Scholes option pricing model based on the following assumptions: 1.69% weighted average risk-free interest rate (1.38% in 2013); no dividend issued in 2014 and 2013; 86% weighted average volatility factor of the expected market price for the Corporation's shares (95% in 2013); 3.7% weighted average cancellation rate (3.86% in 2013); \$0.27 weighted average share price (\$0.19 in 2013) and an expected weighted average option life of 5.9 years (5.6 years in 2013). 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 six-month period ended September 30, 2014 is \$0.19 per option [\$0.14 per option in 2013], amortized through income over the vesting periods of the options.

For the six-month period and the quarter ended September 30, 2014, the share-based compensation expense charged to income amounted to \$105 and \$220 [\$124 and \$291 for the six-month period and the quarter ended September 30, 2013] with a corresponding amount recognized under share-based payment reserve.

D-BOX Technologies Inc.
NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED
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(Amounts are in thousands of Canadian dollars, except share, option, per-share and per-option amounts)

5. SUPPLEMENTARY INFORMATION ON THE UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF NET INCOME (LOSS) AND OTHER COMPREHENSIVE INCOME (LOSS)

5.1 *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	
	2014	2013	2014	2013
	\$	\$	\$	\$
Cost of parts and components	1,567	1,988	3,227	3,034
Employee costs	172	142	405	327
Freight charges and import duties	27	19	99	45
Production supplies	17	19	34	39
Parts and components write-offs	113	80	113	80
Other	88	40	100	62
	1,984	2,288	3,978	3,587

5.2 *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	
	2014	2014	2014	2013
	\$	\$	\$	\$
Employee costs	736	770	1,696	1,559
Professional fees	104	158	211	272
Publicity and material	8	22	57	47
Share-based payment expense	21	46	53	103
Trade show expenses	145	48	216	209
Travel and entertainment expenses	17	38	99	100
Amortization of property, plant and equipment	48	61	97	131
Freight charges and import duties	23	43	98	58
Write-off of property, plant and equipment	18	37	60	37
Other	91	66	169	134
	1,211	1,289	2,756	2,650

D-BOX Technologies Inc.
NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED
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5. SUPPLEMENTARY INFORMATION FOR THE UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF NET INCOME (LOSS) AND OTHER COMPREHENSIVE INCOME (LOSS) [Cont'd]

5.3 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	
	2014	2013	2014	2013
	\$	\$	\$	\$
Employee costs	407	280	918	736
Share-based payment expense	70	61	144	154
Professional fees	69	65	149	150
Public company costs	17	68	82	115
Insurance	40	62	85	120
Amortization of property, plant and equipment and of intangible assets	65	56	129	108
Director fees	14	21	42	55
Other	16	73	64	103
	698	686	1,613	1,541

5.4 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	
	2014	2013	2014	2013
	\$	\$	\$	\$
Employee costs	299	176	612	438
Amortization of property, plant, equipment and intangible assets	88	44	131	90
Share-based payment expense	10	14	13	30
Investment tax credits	(47)	(40)	(92)	(83)
Materials and certification	28	58	57	74
Other	34	58	67	83
	412	310	788	632