

Unaudited Interim Condensed Consolidated
Financial Statements

D-BOX Technologies Inc.

June 30, 2015

Notice

The Corporation's independent auditors have not reviewed these interim condensed 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	June 30, 2015 \$	March 31, 2015 \$
ASSETS			
Current assets			
Cash and cash equivalents		6,240	6,710
Accounts receivable		4,022	4,302
Inventories	3	4,457	3,903
Prepaid expenses and deposits		609	568
		15,328	15,483
Non-current assets			
Property and equipment		7,355	7,452
Intangible assets		1,844	1,771
Other assets		69	132
		24,596	24,838
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		3,470	3,786
Derivative financial instruments		22	120
Warranty provision		14	14
Deferred revenues		389	325
		3,895	4,245
Equity			
Share capital	4.1	57,715	57,715
Share-based payment reserve		5,071	5,014
Foreign currency translation reserve		(364)	(385)
Deficit		(41,721)	(41,751)
		20,701	20,593
		24,596	24,838

See accompanying notes.

On behalf of the Board,

Director

Director

D-BOX Technologies Inc.
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF NET
INCOME (LOSS) AND OTHER COMPREHENSIVE NET INCOME (LOSS)
(in thousands of Canadian dollars, except share and per-share amounts)
First quarters ended June 30

	Notes	2015 \$	2014 \$
Revenues			
Motion systems for:			
Industrial market		2,016	1,316
Entertainment market:			
Commercial theatres:			
System sales		2,564	1,878
Rights for use, rental and maintenance		2,276	1,143
		4,840	3,021
Home entertainment system sales		332	223
		5,172	3,244
		7,188	4,560
Cost of goods sold excluding amortization	5.1	2,718	1,994
Amortization related to cost of goods sold		625	456
Cost of goods sold		3,343	2,450
Gross profit		3,845	2,110
Other expenses			
Selling and marketing	5.2	1,667	1,545
Administration	5.3	991	915
Research and development	5.4	975	376
Foreign exchange loss		159	471
		3,792	3,307
Income (loss) before financial expenses (income) and income taxes		53	(1,197)
Financial expenses (income)			
Financial expenses		21	18
Interest income		(9)	(15)
		12	3
Income (loss) before income taxes		41	(1,200)
Income taxes		11	5
Net income (loss)		30	(1,205)
<i>Items that will be reclassified to net income (loss) in subsequent periods:</i>			
Foreign currency translation adjustment		(21)	(49)
Comprehensive income (loss)		51	(1,156)
Basic net income (loss) per share		0.0002	(0.0074)
Diluted net income (loss) per share		0.0002	(0.0074)
Weighted average number of common shares outstanding		163,784,462	163,781,129
Diluted weighted average number of common shares		171,180,329	163,781,129

See accompanying notes.

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

(in thousands of Canadian dollars)

First quarters ended June 30

	Notes	Share capital \$	Share-based payment reserve \$	Foreign currency translation reserve \$	Deficit \$	Total \$
Balance as at March 31, 2015		57,715	5,014	(385)	(41,751)	20,593
Net income		—	—	—	30	30
Foreign currency translation adjustment		—	—	21	—	21
Comprehensive income		—	—	21	30	51
Share-based payment expense	4.2	—	57	—	—	57
Balance as at June 30, 2015		57,715	5,071	(364)	(41,721)	20,701
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Balance as at March 31, 2014		57,714	4,605	(106)	(41,273)	20,940
Net loss		—	—	—	(1,205)	(1,205)
Foreign currency translation adjustment		—	—	49	—	49
Comprehensive loss		—	—	49	(1,205)	(1,156)
Share-based payment expense	4.2	—	115	—	—	115
Balance as at June 30, 2014		57,714	4,720	(57)	(42,478)	19,899

See accompanying notes.

D-BOX Technologies Inc.
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of Canadian dollars)
First quarters ended June 30

	Notes	2015 \$	2014 \$
OPERATING ACTIVITIES			
Net income (loss)		30	(1,205)
Items not affecting cash			
Amortization of property and equipment		599	515
Amortization of intangible assets		130	76
Amortization of other assets		63	21
Write-off of property and equipment		90	54
Gain on disposal of property and equipment		—	(36)
Share-based payment expense	4.2	57	115
Unrealized foreign exchange loss		130	359
Cash flows from operations before changes in working capital items		1,099	(101)
Changes in working capital items:			
Accounts receivable		112	(1,104)
Inventories		(494)	(372)
Prepaid expenses and deposits		(41)	(182)
Goods held for lease		(362)	(111)
Accounts payable and accrued liabilities		(169)	(503)
Derivative financial instruments		(98)	74
Deferred revenues		64	88
		(988)	(2,110)
Cash flows relating to operating activities		111	(2,211)
INVESTING ACTIVITIES			
Additions to property and equipment		(367)	(101)
Disposal of property and equipment		—	39
Additions to intangible assets		(203)	(351)
Cash flows relating to investing activities		(570)	(413)
Effect of exchange rate fluctuations on cash and cash equivalents		(11)	(36)
Net change in cash and cash equivalents		(470)	(2,660)
Cash and cash equivalents, beginning of period		6,710	6,717
Cash and cash equivalents, end of period		6,240	4,057
Cash and cash equivalents consist of:			
Cash		3,677	2,569
Cash equivalents		2,563	1,488

See accompanying notes.

D-BOX Technologies Inc.
NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
June 30, 2015

(Amounts are in thousands of Canadian dollars, except share, option, warrant, 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 commercializes cutting-edge motion systems intended for the entertainment and industrial 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 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 August 12, 2015.

2. BASIS OF PRESENTATION

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standards 34 (“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 2015 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, 2015

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

3. INVENTORIES

Inventories as at June 30, 2015 and March 31, 2015 are detailed as follows:

	June 30, 2015	March 31, 2015
	\$	\$
Parts and components	2,807	2,446
Finished goods	1,650	1,457
	4,457	3,903

4. EQUITY

4.1 *Share Capital*

Class A common shares of the Corporation as at June 30, 2015 and March 31, 2015 are summarized in the following table:

	June 30, 2015		March 31, 2015	
	Number	\$	Number	\$
Balance	163,784,462	57,715	163,784,462	57,715

There were no changes to the Class A common shares of the Corporation during the period ended June 30, 2015.

D-BOX Technologies Inc.
NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED
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June 30, 2015

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

4. EQUITY [Cont'd]

4.2 Stock Option Plan

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

	2015		2014	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Balance as at March 31	14,879,345	0.37	14,453,345	0.38
Options granted	40,000	0.28	425,000	0.26
Options cancelled	(66,667)	0.21	(150,000)	0.44
Options expired			(150,000)	0.39
Balance as at June 30	14,852,678	0.37	14,578,345	0.37
Options exercisable at end of period	11,402,657	0.42	8,986,478	0.47

The fair value for options granted during the three-month period ended June 30 2015 and 2014 was estimated at the grant date using the Black-Scholes option pricing model based on the following assumptions: 1.2% weighted average risk-free interest rate (1.78% in 2014); no dividend issued in 2015 and 2014; 81% weighted average volatility factor of the expected market price for the Corporation's shares (87% in 2014); 3.46% weighted average cancellation rate (3.73% in 2014); \$0.28 weighted average share price (\$0.26 in 2014) and an expected weighted average option life of 6 years (5.8 years in 2014). 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 period is \$0.20 per option [\$0.20 per option in 2014], amortized through income over the vesting periods of the options.

For the period ended June 30, 2015, the share-based compensation expense charged to income amounted to \$57 [\$115 for the period ended June 30, 2014] 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, warrant, 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 and equipment are detailed as follows for the quarters ended June 30:

	2015	2014
Cost of parts and components	2,340	1,660
Employee costs	179	218
Freight charges and import duties	68	69
Production supplies	30	17
Maintenance of goods held for lease	8	—
Parts and components write-off	4	12
Share-based payment expense	2	6
Other	87	12
	2,718	1,994

5.2 *Selling and Marketing*

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

	2015	2014
Employee costs	1,027	960
Professional fees	182	107
Trade show expenses	145	71
Travel and entertainment expenses	60	82
Advertising and promotional material	40	49
Amortization of property and equipment	46	49
Office rental	34	14
Freight charges and import duties	18	75
Write-off of property and equipment	18	42
Share-based payment expense	9	32
Other	88	64
	1,667	1,545

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

5. SUPPLEMENTARY INFORMATION ON THE UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF NET INCOME (LOSS) AND OTHER COMPREHENSIVE INCOME (LOSS) [Cont'd]

5.3 Administration

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

	2015	2014
Employee costs	562	511
Amortization of property and equipment, and intangible assets	73	64
Professional fees	66	80
Costs related to publicly traded company	53	65
Share-based payment expense	43	74
Insurance	40	45
Director fees	32	28
Other	122	48
	991	915

5.4 Research and Development

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

	2015	2014
Employee costs	458	313
Investment tax credits reversal (tax credits)	337	(45)
Amortization of property and equipment, and intangible assets	48	43
Professional fees	45	—
Materials and certification	28	29
Share-based payment expense	3	3
Other	56	33
	975	376

D-BOX Technologies Inc.
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June 30, 2015

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

6. SUBSEQUENT EVENT

On August 5, 2015, the Corporation issued a loan and 4,500,000 warrants for gross proceeds of \$5,000. Each warrant entitles its holder to purchase one Class A common share at \$0.50 per share for a 48-month period ending August 5, 2019. The loan bears interest under specific conditions at a rate of either 7% or 10% and matures in full on February 5, 2020 and can be reimbursed at any time by the Corporation. The loan is secured and contains certain restrictions, including limitations on the Corporation's ability to incur additional indebtedness, pay dividends and make other distributions. The loan is guaranteed by a general pledge and security agreement against the assets (except for the intellectual property) of the Corporation and its subsidiary.