

Unaudited Interim Condensed Consolidated financial
Statements

D-BOX Technologies Inc.

June 30, 2012

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, 2012 \$	March 31, 2012 \$
ASSETS			
Current assets			
Cash and cash equivalents		8,964	9,320
Accounts receivables		2,454	2,555
Inventories	3	4,206	4,667
Prepaid expenses and deposits		472	438
		16,096	16,980
Non-current assets			
Property, plant and equipment		8,568	7,993
Intangible assets		665	648
Other assets		180	202
		25,509	25,823
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		1,942	1,670
Warranty provision		15	15
Deferred revenue		174	425
		2,131	2,110
Equity			
Share capital	4.1	57,714	57,714
Share-based payment reserve		3,366	3,105
Accumulated exchange difference		(3)	3
Deficit		(37,699)	(37,109)
		23,378	23,713
		25,509	25,823

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 ended June 30

	Notes	2012 \$	2011 \$
Revenues			
Motion generation systems for:			
Original equipment manufacturers		1,593	1,565
Commercial theatres:			
System sales		1,312	370
Utilization rights, rental and maintenance		663	474
		1,975	844
		3,568	2,409
Cost of goods sold excluding amortization	5.1	1,602	1,044
Amortization related to cost of goods sold		426	218
		2,028	1,262
Gross profit		1,540	1,147
Other expenses			
Selling and marketing	5.2	1,120	1,619
Administrative	5.3	746	993
Research and development	5.4	388	359
Foreign exchange loss (gain)		(118)	19
		2,136	2,990
		(596)	(1,843)
Financial expense (income)			
Financial expenses		13	9
Interest income		(23)	(59)
		(10)	(50)
Loss before income taxes		(586)	(1,793)
Income taxes		4	—
Net loss		(590)	(1,793)
Foreign currency translation adjustment		6	—
Comprehensive loss		(596)	(1,793)
Basic and diluted net loss per share		(0,0036)	(0,0110)
Weighted average number of common shares outstanding		163,781,129	163,722,525

See accompanying notes.

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

(in thousands of Canadian dollars)

For quarters ended June 30, 2012 and 2011

	Notes	Share capital \$	Share-based payment reserve \$	Accumulated exchange difference \$	Deficit \$	Total \$
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	4.2	—	261	—	—	261
Balance as at June 30, 2012		57,714	3,366	(3)	(37,699)	23,378
Balance as at March 31, 2011		57,538	1,732	(3)	(30,547)	28,720
Net loss		—	—	—	(1,793)	(1,793)
Shares issued on exercise of options	4.1	160	(59)	—	—	101
Share-based payment expense	4.2	—	314	—	—	314
Balance as at June 30, 2011		57,698	1,987	(3)	(32,340)	27,342

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)

For quarters ended June 30

	Notes	2012 \$	2011 \$
OPERATING ACTIVITIES			
Net loss		(590)	(1,793)
Items not affecting cash			
Amortization of property, plant and equipment		486	276
Amortization of intangible assets		62	46
Amortization of other assets		22	18
Share-based payment expense	4.2	261	314
Unrealized foreign exchange loss (gain)		(192)	14
Cash flows from operations before changes in working capital items		49	(1,125)
Change in working capital items:			
Accounts receivable		134	(400)
Inventories		461	(336)
Prepaid expenses and deposits		(34)	(182)
Goods held for lease		(801)	(1,841)
Other assets		—	32
Accounts payable and accrued liabilities		255	(75)
Deferred revenue		(251)	11
		(236)	(2,791)
Cash flows relating to operating activities		(187)	(3,916)
INVESTING ACTIVITIES			
Additions to property, plant and equipment		(127)	(470)
Additions to intangible assets		(79)	(61)
Cash flows relating to investing activities		(206)	(531)
FINANCING ACTIVITIES			
Shares issued	4.1	—	102
Cash flows relating to financing activities		—	102
Effects of exchange rate fluctuations on cash and cash equivalents		37	(4)
Net change in cash and cash equivalents		(356)	(4,349)
Cash and cash equivalents, beginning of period		9,320	20,940
Cash and cash equivalents, end of period		8,964	16,591
Cash and cash equivalents consist of:			
Cash		2,237	562
Cash equivalents		6,727	16,029
Interest and income taxes included in operating activities:			
Income taxes paid (net of recoveries)		4	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**

June 30, 2012

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

1. DESCRIPTION OF BUSINESS

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

D-BOX Technologies 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 Technologies uses motion effects specifically programmed for each visual content, which are sent to a motion generating system integrated within either a platform, seat or simulation 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 operating segments have been identified: original equipment manufacturers [“OEMs”] and commercial theatres. The OEM segment consists of consumer products for the home entertainment market, specifically video gaming and home theatre, as well as industrial simulators and other applications. The commercial theatre segment consists primarily of motion generation systems installed in commercial theatres. The chief operating officer analyzes the performance of these operating segments based on their revenues.

The D-BOX experience in movie theatres should therefore, continue to experience pronounced growth through the deployment of its technology. This vision is strengthened by the fact that the Corporation has continuously encoded content from major studios in addition to starting encoding local content. Furthermore, D-BOX has proven its technical and commercial merits in addition to receiving several awards over the last few years. So far, the Corporation’s experience demonstrates however that certain seasonal factors may impact the deployment of new D-BOX MFX systems in commercial theatres. As a matter of fact, the vast majority of box office hits, including many titles, often amongst the most appropriate for the D-BOX technology, are typically introduced at the beginning of the summer or shortly before the Christmas holiday season.

These unaudited interim condensed consolidated financial statements were approved by the Corporation’s Board of Directors on August 14, 2012.

D-BOX Technologies Inc.

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

June 30, 2012

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

2. BASIS OF PRESENTATION

The unaudited 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 March 31, 2012 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. INVENTORIES

Inventories as at June 30, 2012 and March 31, 2012 are detailed in the following table:

	June 30 2012	March 31 2012
	\$	\$
Parts and components	3,116	3,673
Finished goods	1,090	994
	4,206	4,667

4. EQUITY

4.1 Share Capital

Changes in Class A common shares of the Corporation are shown in the following table:

	2012		2011	
	#	\$	#	\$
Balance as at March 31	163,781,129	57,714	163,346,129	57,538
Shares issued on exercise of options	—	—	410,000	160
Balance as at June 30	163,781,129	57,714	163,756,129	57,698

D-BOX Technologies Inc.

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

June 30, 2012

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

4. EQUITY (Cont'd)

4.1 Share Capital (Cont'd)

Period ended June 30, 2011

During the quarter ended June 30, 2011, the Corporation issued 410,000 Class A common shares for a total of \$101 in cash on exercise of stock options. An amount of \$59, representing the initial fair value of the stock options, was credited to share capital and deducted from share-based payment reserve.

4.2 Stock Option Plan

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

	2012		2011	
	#	Weighted average exercise price \$	#	Weighted average exercise price \$
Balance as at March 31	11,125,811	0.47	7,922,811	0.38
Options granted	1,453,000	0.28	3,869,000	0.64
Options cancelled/expired	(124,000)	0.55	(3,000)	0.36
Options exercised	—	—	(410,000)	0.25
Balance as at June 30	12,454,811	0.45	11,379,811	0.47
Options exercisable, end of period	6,890,573	0.42	4,186,463	0.36

D-BOX Technologies Inc.

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CONSOLIDATED FINANCIAL STATEMENTS**

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4. EQUITY (Cont'd)

4.2 Stock Option Plan (Cont'd)

The fair value for options granted during the period was estimated at the date of grant using the Black-Scholes option pricing model based on the following assumptions: 1.62 % weighted average risk-free interest rate [2.53 % in 2011]; no dividend; 98 % weighted average volatility factor of the expected market price of the Corporation's shares [101% in 2011]; 4.15% weighted average cancellation rate [4.18% in 2011]; and an expected weighted average option life of 5.4 years [5 years in 2011].

The weighted average of the estimated fair values at the grant date of the options awarded during the three-month period is \$0.21 per option [\$0.49 per option in 2011], amortized through income over the vesting periods of the options.

For the quarter ended June 30, 2012, the share-based compensation expense charged to income amounted to \$261 [\$314 for the quarter ended June 30, 2011].

5. CONSOLIDATED STATEMENT OF OPERATIONS

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 quarters ended June 30:

	2012	2011
	\$	\$
Inventory cost charges	1,466	982
Employee costs	81	20
Freight charges and import duties	25	13
Production supplies	14	14
Other	16	15
	1,602	1,044

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

5.2 *Selling and marketing*

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

	2012	2011
	\$	\$
Employee costs	597	488
Professional fees	168	387
Share-based payment expense	93	84
Trade show expenses	89	73
Travel and entertainment expenses	51	95
Amortization of property, plant and equipment	57	53
Marketing, advertising and promotional material expenses	14	320
Freight charges and import duties	10	59
Other	41	60
	1,120	1,619

5.3 *Administrative expenses*

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

	2012	2011
	\$	\$
Employee costs	377	368
Share-based payment expense	145	205
Professional fees	62	75
Public company costs	26	208
Insurance	47	46
Amortization of property, plant and equipment and intangible assets	45	35
Directors' fees	43	34
Others	1	22
	746	993

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

5.4 *Research and development*

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

	2012	2011
	\$	\$
Employee costs	339	298
Amortization of assets and patents	42	34
Share-based payment expense	21	23
Investment tax credits	(59)	(50)
Other	45	54
	388	359