

Unaudited Interim Condensed Consolidated Financial
Statements

D-BOX Technologies Inc.

September 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	Sept. 30, 2012 \$	March 31, 2012 \$
ASSETS			
Current assets			
Cash and cash equivalents		7,926	9,320
Accounts receivables		3,058	2,555
Inventories	3	4,157	4,667
Prepaid expenses and deposits		525	438
		15,666	16,980
Non-current assets			
Property, plant and equipment		8,664	7,993
Intangible assets		649	648
Other assets		198	202
		25,177	25,823
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		2,362	1,670
Warranty provision		15	15
Deferred revenue		385	425
		2,762	2,110
Equity			
Share capital	4.1	57,714	57,714
Share-based payment reserve		3,597	3,105
Accumulated exchange difference		7	3
Deficit		(38,903)	(37,109)
		22,415	23,713
		25,177	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 and six-month periods ended September 30

	Notes	Second Quarter		Six Months	
		2012	2011	2012	2011
		\$	\$	\$	\$
Revenues					
Motion generation systems for:					
Original equipment manufacturers		2,170	1,556	3,763	3,121
Commercial theatres:					
System sales		682	105	1,994	475
Utilization rights, rental and maintenance		856	369	1,519	843
		1,538	474	3,513	1,318
		3,708	2,030	7,276	4,439
Cost of goods sold excluding amortization	5.1	1,701	902	3,303	1,946
Amortization related to cost of goods sold		351	291	777	509
		2,052	1,193	4,080	2,455
Gross Profit		1,656	837	3,196	1,984
Other expenses					
Selling and marketing	5.2	1,265	1,367	2,385	2,986
Administrative	5.3	746	777	1,492	1,770
Research and development	5.4	246	305	634	664
Foreign exchange loss (gain)		609	(600)	491	(581)
		2,866	1,849	5,002	4,839
		(1,210)	(1,012)	(1,806)	(2,855)
Financial expense (income)					
Financial expenses		11	7	24	16
Interest income		(17)	(40)	(40)	(99)
		(6)	(33)	(16)	(83)
Loss before income taxes		(1,204)	(979)	(1,790)	(2,772)
Income taxes		—	2	4	2
Net loss		(1,204)	(981)	(1,794)	(2,774)
Foreign currency translation adjustment		(10)	15	(4)	15
Comprehensive loss		(1,194)	(996)	(1,790)	(2,789)
Basic and diluted net loss per share		(0,0074)	(0,0060)	(0,0110)	(0,0169)
Weighted average number of common shares outstanding		163,781,129	163,764,825	163,781,129	163,743,790

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 six-month periods September 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		—	—	—	(1,794)	(1,794)
Foreign currency translation adjustment		—	—	4	—	4
Share-based payment expense	4.2	—	492	—	—	492
Balance as at September 30, 2012		57,714	3,597	7	(38,903)	22,415
Balance as at March 31, 2011		57,538	1,732	(3)	(30,547)	28,720
Net loss		—	—	—	(2,774)	(2,774)
Foreign currency translation adjustment		—	—	(15)	—	(15)
Shares issued on exercise of options	4.1	176	(65)	—	—	111
Share-based payment expense	4.2	—	691	—	—	691
Balance as at September 30, 2011		57,714	2,358	(18)	(33,321)	26,733

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 six-month periods ended September 30

	Notes	2012 \$	2011 \$
OPERATING ACTIVITIES			
Net loss		(1,794)	(2,774)
Items not affecting cash			
Amortization of property, plant and equipment		914	634
Amortization of intangible assets		127	95
Amortization of other assets		29	33
Share-based payment expense	4.2	492	691
Unrealized foreign exchange loss (gain)		191	(590)
Cash flows from operations before changes in working capital items		(41)	(1,911)
Change in working capital items:			
Accounts receivable		(647)	(1,420)
Inventories		510	(2,189)
Prepaid expenses and deposits		(88)	(136)
Goods held for lease		(1,425)	(2,552)
Other assets		(26)	—
Accounts payable and accrued liabilities		815	1,028
Deferred revenue		(40)	38
		(901)	(5,231)
Cash flows relating to operating activities		(942)	(7,142)
INVESTING ACTIVITIES			
Additions to property, plant and equipment		(238)	(418)
Additions to intangible assets		(126)	(107)
Cash flows relating to investing activities		(364)	(525)
FINANCING ACTIVITIES			
Shares issued	4.1	—	111
Cash flows relating to financing activities		—	111
Effects of exchange rate fluctuations on cash and cash equivalents		(88)	128
Net change in cash and cash equivalents		(1,394)	(7,428)
Cash and cash equivalents, beginning of period		(9,320)	20,940
Cash and cash equivalents, end of period		(7,926)	13,512
Cash and cash equivalents consist of:			
Cash		1,544	966
Cash equivalents		6,382	12,546
Interest and income taxes included in operating activities:			
Income taxes paid (net of recoveries)		2	2
Interest paid		1	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, 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 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 November 13, 2012.

D-BOX Technologies Inc.

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

September 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 September 30, 2012 and March 31, 2012 are detailed in the following table:

	Sept. 30 2012 \$	March 31 2012 \$
Parts and components	2,290	3,673
Finished goods	1,867	994
	4,157	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	—	—	435,000	176
Balance as at September 30	163,781,129	57,714	163,781,129	57,714

D-BOX Technologies Inc.

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

September 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)

Six-month period ended September 30, 2011

During the six-month period ended September 30, 2011, the Corporation issued 435,000 Class A common shares for a total of \$111 in cash on exercise of stock options. An amount of \$65, 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 September 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	1,908,000	0.29	3,869,000	0.64
Options cancelled/expired	(184,000)	0.56	(103,000)	0.39
Options exercised	—	—	(435,000)	0.26
Balance as at September 30	12,849,811	0.44	11,253,811	0.47
Options exercisable, end of period	7,249,208	0.41	4,530,103	0.37

D-BOX Technologies Inc.

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

September 30, 2012

(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 (Cont'd)

The fair value for options granted during the six-month period ended September 30, 2012 was estimated at the date of grant using the Black-Scholes option pricing model based on the following assumptions: 1.58 % weighted average risk-free interest rate [2.53 % in 2011]; no dividend in 2012 and 2011; 98 % weighted average volatility factor of the expected market price of the Corporation's shares [101% in 2011]; 3.37% 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 six-month period ended September 30, 2012 is \$0.22 per option [\$0.49 per option in 2011], amortized through income over the vesting periods of the options.

For the quarter ended September 30, 2012, the share-based compensation expense charged to income amounted to \$231 [\$377 for the quarter ended September 30, 2011] and \$492 for the six-month period ended September 30, 2012 [\$691 for the six-month period ended September 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 the quarters and the periods ended September 30:

	Second Quarter		Six-Month	
	2012	2011	2012	2011
	\$	\$	\$	\$
Inventory cost charges	1,546	696	3,012	1,678
Employee compensation costs	59	59	140	79
Freight charges and import duties	61	66	86	79
Production supplies	12	51	26	65
Other	23	30	39	45
	1,701	902	3,303	1,946

D-BOX Technologies Inc.**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

September 30, 2012

(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 and the periods ended September 30:

	Second Quarter		Six Months	
	2012	2011	2012	2011
	\$	\$	\$	\$
Employee compensation costs	727	511	1,324	999
Professional fees	187	238	355	625
Advertising	19	71	23	237
Point of sale equipment	19	54	29	208
Share-based payment expense	78	117	171	201
Trade show expenses	8	73	97	146
Travel and entertainment expenses	34	60	85	155
Amortization of property, plant and equipment	60	58	117	111
Freight charges and import duties	70	32	80	91
Other	63	153	104	213
	1,265	1,367	2,385	2,986

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	
	2012	2011	2012	2011
	\$	\$	\$	\$
Employee compensation costs	367	272	744	640
Share-based payment expense	129	229	274	434
Professional fees	70	87	132	162
Public company costs	62	(95)	88	113
Transfer to the Toronto Stock Exchange related fees	—	150	—	150
Insurance	54	43	101	89
Amortization of property, plant and equipment	46	38	91	73
Directors' fees	11	21	54	55
Others	7	32	8	54
	746	777	1,492	1,770

D-BOX Technologies Inc.

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

September 30, 2012

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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 and the periods ended September 30:

	Second Quarter		Six Months	
	2012	2011	2012	2011
	\$	\$	\$	\$
Employee compensation costs	208	247	547	545
Amortization of assets and patents	42	34	84	68
Share-based payment expense	21	29	42	52
Investment tax credits	(82)	(68)	(141)	(118)
Other	57	63	102	117
	246	305	634	664