

Unaudited Interim Condensed Consolidated
Financial Statements

D-BOX Technologies Inc.

December 31, 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	December 31 2011 \$	March 31 2011 \$
ASSETS			
Current assets			
Cash and cash equivalents		6,972	9,320
Accounts receivables		2,872	2,555
Inventories	3	4,192	4,667
Prepaid expenses and deposits		397	438
		14,433	16,980
Non-current assets			
Property, plant and equipment		9,254	7,993
Intangible assets		735	648
Other assets		258	202
		24,680	25,823
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		2,107	1,670
Warranty provision		15	15
Deferred revenue		258	425
		2,380	2,110
Equity			
Share capital	4.1	57,714	57,714
Share-based payment reserve		3,765	3,105
Accumulated exchange difference		(3)	3
Deficit		(39,176)	(37,109)
		22,300	23,713
		24,680	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)

Third quarter and nine-month period ended December 31

	Notes	Third Quarter		Nine Months	
		2012	2011	2012	2011
		\$	\$	\$	\$
Revenues					
Motion generation systems for:					
Original equipment manufacturers		1,793	1,398	5,556	4,519
Commercial theatres:					
System sales		1,115	50	3,109	525
Utilization rights, rental and maintenance		484	362	2,003	1,205
		<u>1,599</u>	<u>412</u>	<u>5,112</u>	<u>1,730</u>
		3,392	1,810	10,668	6,249
Cost of goods sold excluding amortization	5.1	1,326	834	4,629	2,780
Amortization related to cost of goods sold		505	301	1,282	810
		<u>1,831</u>	<u>1,135</u>	<u>5,911</u>	<u>3,590</u>
Gross profit		1,561	675	4,757	2,659
Other expenses					
Selling and marketing	5.2	1,224	1,268	3,609	4,254
Administrative	5.3	770	850	2,262	2,620
Research and development	5.4	246	363	880	1,027
Foreign exchange loss (gain)		(409)	176	82	(405)
		<u>1,831</u>	<u>2,657</u>	<u>6,833</u>	<u>7,496</u>
		(270)	(1,982)	(2,076)	(4,837)
Financial expenses (income)					
Financial expenses		14	14	38	30
Interest income		(11)	(35)	(51)	(134)
		<u>3</u>	<u>(21)</u>	<u>(13)</u>	<u>(104)</u>
Loss before income taxes		(273)	(1,961)	(2,063)	(4,733)
Income taxes		—	(3)	4	(1)
Net Loss		(273)	(1,958)	(2,067)	(4,732)
Foreign currency translation adjustment		10	(6)	6	9
Comprehensive loss		(283)	(1,952)	(2,073)	(4,741)
Basic and diluted net loss per share		(0,0016)	(0,0120)	(0,0126)	(0,0289)
Weighted average number of common shares outstanding		163,781,129	163,781,129	163,781,129	163,756,282

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)

Nine-month periods ended December 31, 2012 and 2011

	Notes	Share Capital \$	Share-based Payment Reserve \$	Accumulate d Exchange Difference \$	Deficit \$	Total \$
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	4.2	—	660	—	—	660
Balance as at December 31, 2012		57,714	3,765	(3)	(39,176)	22,300
Balance as at March 31, 2011		57,538	1,732	(3)	(30,547)	28,720
Net loss		—	—	—	(4,732)	(4,732)
Foreign currency translation adjustment		—	—	(9)	—	(9)
Shares issued on exercise of options	4.1	176	(65)	—	—	111
Share-based payment expense	4.2	—	1,053	—	—	1,053
Balance as at December 31, 2011		57,714	2,720	(12)	(35,279)	25,143

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	2012 \$	2011 \$
OPERATING ACTIVITIES			
Net loss		(2,067)	(4,732)
Items not affecting cash			
Amortization of property, plant and equipment		1,498	988
Amortization of intangible assets		191	147
Amortization of other assets		41	69
Write-off of property, plant and equipment		5	
Share-based payment expense	4.2	660	1,053
Unrealized foreign exchange (gain) loss		3	(304)
Cash flows from operations before changes in working capital items		331	(2,779)
Net changes in non-cash operating assets and liabilities:			
Accounts receivable		(339)	81
Inventories		475	(2,548)
Prepaid expenses and deposits		41	(140)
Goods held for lease		(2,404)	(3,243)
Other assets		(97)	(143)
Accounts payable and accrued liabilities		459	(545)
Deferred revenue		(167)	34
		(2,032)	(6,504)
Cash flows relating to operating activities		(1,701)	(9,283)
INVESTING ACTIVITIES			
Additions to property, plant and equipment		(369)	(551)
Additions to intangible assets		(278)	(247)
Cash flows relating to investing activities		(647)	(798)
FINANCING ACTIVITIES			
Shares issued	4.1	—	111
Cash flows relating to financing activities		—	111
Effect of exchange rate fluctuations on cash and cash equivalents		—	58
Net change in cash and cash equivalents		(2,348)	(9,912)
Cash and cash equivalents, beginning of period		9,320	20,940
Cash and cash equivalents, end of period		6,972	11,028
Cash and cash equivalents consist of:			
Cash		1,608	946
Cash equivalents		5,364	10,082
Interest and income taxes disclosed in operating activities:			
Income taxes paid (net of reimbursements)		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**

December 31, 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 February 13, 2013.

D-BOX Technologies Inc.

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

December 31, 2012

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

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

	December 31 2012 \$	March 31 2012 \$
Parts and components	2,380	3,673
Finished goods	1,812	994
	4,192	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 December 31	163,781,129	57,714	163,781,129	57,714

D-BOX Technologies Inc.

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

December 31, 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)

Nine-month period ended December 31, 2011

During the nine-month period ended December 31, 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 the share-based payment reserve.

4.2 Stock Option Plan

Changes in the Corporation's stock options for the nine-month periods ended December 31 are summarized in the following table:

	2012		2011	
	Number	Weighted average exercise price \$	Number	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	(436,666)	0.53	(203,000)	0.46
Options exercised	—	—	(435,000)	0.26
Balance as at December 31	12,597,145	0.44	11,153,811	0.47
Options exercisable, end of period	7,279,209	0.42	4,630,103	0.37

D-BOX Technologies Inc.

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

December 31, 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 nine-month period ended December 31, 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 [2.41 % in 2011]; no dividend in 2012 and 2011; 98 % weighted average volatility factor of the expected market price of the Corporation's shares [102% in 2011]; 3.37% weighted average cancellation rate [4.15% in 2011]; weighted average share price of \$0.29 per share (\$0.65 in 2011) and an expected weighted average option life of 5.4 years [5 years in 2011]. The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

The weighted average of the estimated fair values at the grant date of the options awarded during the nine-month period ended December 31, 2012 is \$0.22 per option [\$0.47 per option in 2011], amortized through income over the vesting periods of the options.

For the quarter ended December 31, 2012, the share-based compensation expense charged to income amounted to \$168 [\$362 for the quarter ended December 31, 2011] and \$660 for the nine-month period ended December 31, 2012 [\$1,053 for the nine-month period ended December 31, 2011].

D-BOX Technologies Inc.

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

December 31, 2012

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

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 for the quarters and the periods ended December 31 are detailed as follows:

	Third Quarter		Nine Months	
	2012	2011	2012	2011
	\$	\$	\$	\$
Inventory cost charges	1,211	626	4,223	2,304
Employee compensation costs	63	108	203	187
Freight charges and import duties	23	14	109	93
Production supplies	18	26	44	91
Others	11	60	50	105
	1,326	834	4,629	2,780

5.2 Selling and marketing

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

	Third Quarter		Nine Months	
	2012	2011	2012	2011
	\$	\$	\$	\$
Employee compensation costs	651	551	1,975	1,550
Professional fees	157	183	512	808
Trade show expense	164	110	261	256
Share-based payment expense	15	110	186	311
Amortization of property, plant and equipment	64	59	182	170
Travel and entertainment expenses	38	74	123	229
Freight charges and import duties	41	31	121	122
Point of sale equipment	7	67	36	275
Advertising	3	2	26	239
Others	84	81	187	294
	1,224	1,268	3,609	4,254

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

December 31, 2012

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

5. CONSOLIDATED STATEMENT OF OPERATIONS (Cont'd)**5.3 Administrative expenses**

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

	Third Quarter		Nine Months	
	2012	2011	2012	2011
	\$	\$	\$	\$
Employee compensation costs	395	332	1,139	972
Share-based payment expense	131	221	405	655
Professional fees	60	87	192	249
Insurance	54	44	155	133
Amortization of property, plant and equipment	51	46	142	119
Public company costs	24	34	112	147
Directors' fees	23	37	77	92
Costs related to graduation to the Toronto Stock Exchange	—	—	—	150
Others	32	49	40	103
	770	850	2,262	2,620

5.4 Research and Development

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

	Third Quarter		Nine Months	
	2012	2011	2012	2011
	\$	\$	\$	\$
Employee compensation costs	256	268	803	813
Amortization of property, plant and equipment	40	38	124	106
Material and certification	29	22	70	95
Share-based payment expense	19	28	61	80
Investment tax credits	(136)	(20)	(277)	(138)
Others	38	27	99	71
	246	363	880	1 027