

Unaudited Interim Condensed Consolidated
Financial Statements

D-BOX Technologies Inc.

September 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	September 30, 2015 \$	March 31, 2015 \$
ASSETS			
Current assets			
Cash and cash equivalents		11,535	6,710
Accounts receivable		2,753	4,302
Inventories	3	4,747	3,903
Prepaid expenses and deposits		945	568
		19,980	15,483
Non-current assets			
Property and equipment		7,538	7,452
Intangible assets		1,958	1,771
Other assets		50	132
		29,526	24,838
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		3,680	3,786
Derivative financial instruments		148	120
Warranty provision		14	14
Deferred revenues		358	325
		4,200	4,245
Non-current liabilities			
Long-term debt	4	4,361	—
		8,561	4,245
Equity			
Share capital	5.1	57,726	57,715
Share-based payments reserve		5,129	5,014
Warrants reserve	4, 5.3	527	—
Foreign currency translation reserve		(488)	(385)
Deficit		(41,929)	(41,751)
		20,965	20,593
		29,526	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 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	
		2015 \$	2014 \$	2015 \$	2014 \$
Revenues					
Motion systems for:					
Entertainment market:					
Commercial theatres:					
System sales		2,208	1,880	4,772	3,758
Rights for use, rental and maintenance		1,193	1,238	3,469	2,381
		3,401	3,118	8,241	6,139
Home entertainment system sales		233	238	565	461
		3,634	3,356	8,806	6,600
Industrial market		1,387	998	3,403	2,314
		5,021	4,354	12,209	8,914
Cost of goods sold excluding amortization	6.1	2,204	1,984	4,922	3,978
Amortization related to cost of goods sold		435	458	1,060	914
Cost of goods sold		2,639	2,442	5,982	4,892
Gross profit		2,382	1,912	6,227	4,022
Other expenses					
Selling and marketing	6.2	1,428	1,211	3,095	2,756
Administration	6.3	1,035	698	2,026	1,613
Research and development	6.4	517	367	1,492	743
Foreign exchange gain		(493)	(564)	(334)	(93)
		2,487	1,712	6,279	5,019
Income (loss) before financial expenses (income) and income taxes		(105)	200	(52)	(997)
Financial expenses (income)					
Financial expenses		116	15	137	33
Interest income		(13)	(7)	(22)	(22)
		103	8	115	11
Income (loss) before income taxes		(208)	192	(167)	(1,008)
Income taxes		—	—	11	5
Net income (loss)		(208)	192	(178)	(1,013)
<i>Items that will be reclassified to net income (loss) in subsequent periods:</i>					
Foreign currency translation loss		(124)	(74)	(103)	(25)
Comprehensive income (loss)		(332)	118	(281)	(1,038)
Basic and diluted net income (loss) per share		(0.0013)	0.0012	(0.0011)	(0.0062)
Weighted average number of common shares outstanding		163,791,129	163,783,665	163,788,184	163,782,404

See accompanying notes.

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

(in thousands of Canadian dollars)

Six-month periods ended September 30, 2015 and 2014

	Notes	Share capital \$	Share- based payments reserve \$	Warrants reserve \$	Foreign currency translation reserve \$	Deficit \$	Total \$
Balance as at March 31, 2015		57,715	5,014	—	(385)	(41,751)	20,593
Net loss		—	—	—	—	(178)	(178)
Foreign currency translation loss		—	—	—	(103)	—	(103)
Comprehensive loss		—	—	—	(103)	(178)	(281)
Issue of share capital	5.1	11	(4)	—	—	—	7
Share-based payments	5.2	—	119	—	—	—	119
Issue of warrants	5.3	—	—	527	—	—	527
Balance as at September 30, 2015		57,726	5,129	527	(488)	(41,929)	20,965
Balance as at March 31, 2014		57,714	4,605	—	(106)	(41,273)	20,940
Net loss		—	—	—	—	(1,013)	(1,013)
Foreign currency translation loss		—	—	—	(25)	—	(25)
Comprehensive loss		—	—	—	(25)	(1,013)	(1,038)
Issue of share capital	5.1	1	—	—	—	—	1
Share-based payments	5.2	—	220	—	—	—	220
Balance as at September 30, 2014		57,715	4,825	—	(131)	(42,286)	20,123

See accompanying notes.

D-BOX Technologies Inc.
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of Canadian dollars)
Six-month periods ended September 30

	Notes	2015 \$	2014 \$
OPERATING ACTIVITIES			
Net loss		(178)	(1,013)
Items not affecting cash			
Amortization of property and equipment		1,067	992
Amortization of intangible assets		267	197
Amortization of other assets		82	36
Write-off of property and equipment		134	72
Gain on disposal of property and equipment		—	(36)
Share-based payments	5.2	119	220
Unrealized foreign exchange gain		(657)	(154)
Accretion of interest expense	4	19	—
Cash flows from operations before changes in working capital items		853	314
Changes in working capital items:			
Accounts receivable		2,354	887
Inventories		(629)	(714)
Prepaid expenses and deposits		(377)	(204)
Goods held for lease		(644)	(117)
Accounts payable and accrued liabilities		(675)	(1,005)
Derivative financial instruments		28	(34)
Deferred revenues		33	68
		90	(1,119)
Cash flows relating to operating activities		943	(805)
INVESTING ACTIVITIES			
Additions to property and equipment		(626)	(300)
Disposal of property and equipment		—	39
Additions to intangible assets		(454)	(633)
Cash flows relating to investing activities		(1,080)	(894)
FINANCING ACTIVITIES			
Proceeds from long-term debt, net of financing fees	4	4,869	—
Issue of share capital	5.1	7	1
Cash flows relating to financing activities		4,876	1
Effect of exchange rate fluctuations on cash and cash equivalents		86	19
Net change in cash and cash equivalents		4,825	(1,679)
Cash and cash equivalents, beginning of period		6,710	6,717
Cash and cash equivalents, end of period		11,535	5,038
Cash and cash equivalents consist of:			
Cash		3,663	2,294
Cash equivalents		7,872	2,744
Interest and income taxes included in operating activities:			
Interest paid		54	—
Income taxes paid (net of recoveries)		—	5

See accompanying notes.

D-BOX Technologies Inc.
NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
September 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 November 9, 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
September 30, 2015

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

3. INVENTORIES

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

	September 30, 2015	March 31, 2015
	\$	\$
Parts and components	3,036	2,446
Finished goods	1,711	1,457
	4,747	3,903

4. LONG-TERM DEBT

Long-term debt as at September 30, 2015 and March 31, 2015 are detailed as follows:

	September 30, 2015	March 31, 2015
	\$	\$
Balance	4,361	—

On August 5, 2015, the Corporation issued a loan and 4,500,000 warrants for net proceeds of \$4,870, net of financing fees of \$130. 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 on February 5, 2020. Interests are payable quarterly and the principal can be reimbursed at any time by the Corporation and is payable in full on the maturity date. 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.

Long-term debt is classified as other financial liabilities and is initially measured at fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method. The residual amount of gross proceeds of \$527 was allocated to the warrants. Financing fees related to long-term debt are capitalized in reduction of long-term debt and amortized using the effective interest rate method. Financing fees related to warrants are capitalized in reduction of equity.

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

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

4. LONG-TERM DEBT [Cont'd]

On September 30, 2015, the effective interest rate of long-term debt was 10.7% and the Corporation was in compliance with all debt covenants.

During the quarter and the six-month period ended September 30, 2015, the interest expense on long-term debt charged to income amounted to \$73, including an amount of \$19 related to the accretion of interest.

5. EQUITY

5.1 *Share Capital*

Class A common shares of the Corporation for the six-month periods ended September 30, 2015 and 2014 are summarized in the following table:

	2015		2014	
	#	\$	#	\$
Balance as at March 31	163,784,462	57,715	163,781,129	57,714
Shares issued on exercise of options	33,333	11	3,333	1
Balance as at September 30	163,817,795	57,726	163,784,462	57,715

During the six-month period ended September 30, 2015, the Corporation issued 33,333 (3,333 in 2014) Class A common shares for a total cash consideration of \$7 (\$1 in 2014) on exercise of stock options. An amount of \$4 (\$0.4 in 2014), representing the initial fair value of the stock options, was credited to share capital and deducted from the share-based payments reserve.

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

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

5. EQUITY [Cont'd]

5.2 Stock Option Plan

Changes in the Corporation's stock options for the six-month ended September 30, 2015 and 2014 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	390,000	0.34	785,000	0.27
Options exercised	(33,333)	0.21	(3,333)	0.19
Options cancelled	(66,667)	0.21	(175,001)	0.44
Options expired	—	—	(150,000)	0.39
Balance as at September 30	15,169,345	0.37	14,910,011	0.37
Options exercisable at end of period	11,667,657	0.41	9,158,145	0.47

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

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

5. EQUITY [Cont'd]

5.2 Stock Option Plan [Cont'd]

The fair value for options granted during the six-month period ended September 30, 2015 was estimated at the grant date using the Black-Scholes option pricing model based on the following assumptions: 1.02% weighted average risk-free interest rate (1.69% in 2014); no dividend issued in 2015 and 2014; 80% weighted average volatility factor of the expected market price for the Corporation's shares (86% in 2014); 3.6% weighted average cancellation rate (3.7% in 2014); \$0.33 weighted average share price (\$0.27 in 2014) and an expected weighted average option life of 6.1 years (5.9 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 \$0.23 per option [\$0.19 per option in 2014], amortized through income over the vesting periods of the options.

For the quarter and the six-month period ended September 30, 2015, the share-based compensation expense charged to income amounted to \$62 and \$119 [\$105 and \$220 for the quarter and the six-month period ended September 30, 2014] with a corresponding amount recognized under share-based payment reserve.

5.3 Warrants

Warrants for the six-month periods ended September 30, 2015 and 2014 are summarized in the following table:

	2015		2014	
	Number	Exercise Price \$	Number	Exercise Price \$
Balance as at March 31	—	—	—	—
Warrants issued	4,500,000	0.50	—	—
Balance as at September 30	4,500,000	0.50	—	—

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

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

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

6.1 *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 and six-month periods ended September 30:

	Second Quarter		Six Months	
	2015	2014	2015	2014
	\$	\$	\$	\$
Cost of parts and components	1,849	1,567	4,189	3,227
Employee costs	202	177	381	405
Freight charges and import duties	39	30	107	99
Production supplies	26	17	56	34
Maintenance of goods held for lease	24	24	32	32
Parts and components write-offs	15	101	19	113
Share-based payments	1	4	3	10
Other	48	88	134	100
	2,204	1,984	4,922	3,978

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

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

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

6.2 Selling and Marketing

The key components of selling and marketing expenses are detailed as follows for the quarters and the six-month periods ended September 30:

	Second Quarter		Six Months	
	2015	2014	2015	2014
	\$	\$	\$	\$
Employee costs	881	736	1,908	1,696
Professional fees	201	104	383	211
Advertising and promotional material	71	8	111	57
Amortization of property and equipment	45	48	91	97
Travel and entertainment expenses	42	17	102	99
Office rental	40	13	74	27
Trade show expenses	37	145	182	216
Freight charges and import duties	12	23	30	98
Write-off of property and equipment	11	18	29	60
Share-based payments	12	21	21	53
Other	76	78	164	142
	1,428	1,211	3,095	2,756

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

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

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

6.3 Administration

The key components of administrative expenses are detailed as follows for the quarters and the six-month periods ended September 30:

	Second Quarter		Six Months	
	2015	2014	2015	2014
	\$	\$	\$	\$
Employee costs	525	407	1,087	918
Professional fees	103	69	169	149
Share-based payments	96	65	169	129
Costs related to publicly traded company	70	17	123	82
Director fees	53	14	85	42
Amortization of property and equipment and intangible assets	47	70	90	144
Insurance	39	40	79	85
Other	102	16	224	64
	1,035	698	2,026	1,613

6.4 Research and Development

The key components of research and development expenses are detailed as follows for the quarters and the six-month periods ended September 30:

	Second Quarter		Six Months	
	2015	2014	2015	2014
	\$	\$	\$	\$
Employee costs	349	299	794	612
Amortization of property and equipment and intangible assets	48	42	96	85
Investment tax credits reversal (tax credits)	39	(47)	389	(92)
Materials and certification	29	28	57	57
Professional fees	14	3	59	3
Share-based payments	2	10	5	13
Other	36	32	92	65
	517	367	1,492	743