Unaudited Interim Condensed Consolidated
Financial Statements

D-BOX Technologies Inc.

June 30, 2017

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

As at
[in thousands of Canadian dollars]

	Notes	June 30, 2017 $	March 31, 2017 $
ASSETS			
Current assets			
Cash and cash equivalents		**7,838**	8,867
Accounts receivable		**5,113**	5,517
Derivative financial instruments		**68**	—
Inventories	3	**8,015**	8,334
Prepaid expenses and deposits		**820**	612
		21,854	23,330
Non-current assets			
Property and equipment		**8,250**	8,443
Intangible assets		**3,369**	3,249
Other assets		**8**	9
		33,481	35,031
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**4,515**	5,006
Derivative financial instruments		**—**	30
Warranty provision		**124**	124
Deferred revenues		**1,182**	1,463
		5,821	6,623
Non-current liabilities			
Share-based compensation liability	4	**57**	51
Employee benefit		**301**	203
Long-term debt	5	**4,584**	4,549
		10,763	11,426
Equity			
Share capital	6.1	**62,762**	62,762
Share-based payments reserve		**5,207**	5,151
Warrants reserve	6.3	**528**	959
Foreign currency translation reserve		**(396)**	(437)
Deficit		**(45,383)**	(44,830)
		22,718	23,605
		33,481	35,031

See accompanying notes.

D-BOX Technologies Inc.
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF NET LOSS AND OTHER COMPREHENSIVE LOSS

First quarters ended June 30
[in thousands of Canadian dollars, except share and per-share amounts]

	Notes	2017 $	2016 $
Revenues			
Motion systems for:			
Entertainment market:			
Commercial theatres:			
System sales		**3,115**	3,216
Rights for use, rental and maintenance		**2,150**	1,640
		5,265	4,856
Home entertainment system sales		**751**	410
Themed entertainment system sales		**442**	1,120
		6,458	6,386
Simulation and training market		**1,683**	1,276
		8,141	7,662
Cost of goods sold excluding amortization	7.1	**3,211**	3,148
Amortization related to cost of goods sold		**482**	513
Cost of goods sold		**3,693**	3,661
Gross profit		**4,448**	4,001
Other expenses			
Selling and marketing	7.2	**2,515**	2,242
Administration	7.3	**1,717**	1,325
Research and development	7.4	**908**	768
Foreign exchange loss (gain)		**155**	(14)
		5,295	4,321
Loss before financial expenses (income) and income taxes		**(847)**	(320)
Financial expenses (income)			
Financial expenses		**145**	150
Interest income		**(9)**	(44)
		136	106
Loss before income taxes		**(983)**	(426)
Income taxes		**1**	—
Net loss		**(984)**	(426)
Items that will be reclassified to net income (loss) in subsequent periods:			
Foreign currency translation gain		**41**	2
Comprehensive loss		**(943)**	(424)
Basic and diluted net loss per share		**(0.006)**	(0.002)
Weighted average number of common shares outstanding		**175,950,573**	174,976,708
Diluted weighted average number of common shares		**175,950,573**	174,976,708

See accompanying notes.

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

First quarters ended June 30
[in thousands of Canadian dollars]

	Notes	Share capital $	Share-based payments reserve $	Warrants reserve $	Foreign currency translation reserve $	Deficit $	Total $
Balance as at March 31, 2017		**62,762**	**5,151**	**959**	**(437)**	**(44,830)**	**23,605**
Net loss		**—**	**—**	**—**	**—**	**(984)**	**(984)**
Foreign currency translation gain		**—**	**—**	**—**	**41**	**—**	**41**
Comprehensive loss		**—**	**—**	**—**	**41**	**(984)**	**(943)**
Share-based payments	6.2	**—**	**56**	**—**	**—**	**—**	**56**
Expiration of warrants	6.3	**—**	**—**	**(431)**	**—**	**431**	**—**
Balance as at June 30, 2017		**62,762**	**5,207**	**528**	**(396)**	**(45,383)**	**22,718**
Balance as at March 31, 2016		62,254	5,234	959	(406)	(41,938)	26,103
Net loss		—	—	—	—	(426)	(426)
Foreign currency translation gain		—	—	—	2	—	2
Comprehensive loss		—	—	—	2	(426)	(424)
Issue of share capital	6.1	40	(16)	—	—	—	24
Share-based payments	6.2	—	41	—	—	—	41
Balance as at June 30, 2016		62,294	5,259	959	(404)	(42,364)	25,744

See accompanying notes.

D-BOX Technologies Inc.
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

First quarters ended June 30
[in thousands of Canadian dollars]

	Notes	2017 $	2016 $
OPERATING ACTIVITIES			
Net loss		**(984)**	(426)
Items not affecting cash			
Amortization of property and equipment		**594**	579
Amortization of intangible assets		**161**	151
Amortization of other assets		**1**	2
Share-based payments	6.2	**56**	41
Unrealized foreign exchange (gain) loss		**(157)**	54
Share-based compensation liability		**6**	—
Employee benefit liability		**98**	—
Accretion of interest expense		**35**	31
Cash flows from operations before changes in working capital items		**(190)**	432
Changes in working capital items:			
Accounts receivable		**546**	922
Derivative financial instruments		**(98)**	(11)
Inventories		**319**	(533)
Prepaid expenses and deposits		**(208)**	(362)
Goods held for lease		**(94)**	(1,654)
Accounts payable and accrued liabilities		**(473)**	(1,362)
Deferred revenues		**(281)**	(326)
		(289)	(3,326)
Cash flows relating to operating activities		**(479)**	(2,894)
INVESTING ACTIVITIES			
Additions to property and equipment		**(274)**	(194)
Additions to intangible assets		**(253)**	(269)
Cash flows relating to investing activities		**(527)**	(463)
FINANCING ACTIVITIES			
Shares issued on exercise of options	6.1	—	24
Cash flows relating to financing activities		—	24
Effect of exchange rate fluctuations on cash and cash equivalents		**(23)**	(10)
Net change in cash and cash equivalents		**(1,029)**	(3,343)
Cash and cash equivalents, beginning of period		**8,867**	16,454
Cash and cash equivalents, end of period		**7,838**	13,111
Cash and cash equivalents consist of:			
Cash		**2,596**	2,358
Cash equivalents		**5,242**	10,753
Interest and income taxes included in operating activities:			
Interest paid		**92**	87
Income taxes paid		**1**	5

See accompanying notes.

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 simulation and training 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.

The Corporation evaluates its operating results and allocates resources on the basis of its one operating segment which is the design, manufacture and sale of cutting-edge motion systems. Based on the nature of the Corporation's clients, two significant markets have been identified: the entertainment and the simulation and training markets. The entertainment market comprises motion systems installed in commercial theatres, home entertainment consumer products, particularly video games and home theatres, and themed entertainment motion systems. The simulation and training 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 9, 2017.

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 March 31, 2017 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.

2.1 New Accounting Pronouncements

Standards issued but not yet effective

- IFRS 9, *Financial Instruments*, is required to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted. IFRS 9 simplifies the measurement and classification of financial assets by reducing the number of measurement categories in IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard also provides for a fair value option in the designation of a non-derivative financial liability and its related classification and measurement, as well as for a new hedge accounting model more closely aligned with risk management activities undertaken by entities. The Corporation is currently assessing the impact of the adoption of this pronouncement on its consolidated financial statements.

- IFRS 15, *Revenue from Contracts with Customers*, is required to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted. IFRS 15 specifies how and when an entity will recognize revenue as well as requiring such entities to provide users of financial statements with more informative disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.

  For the Corporation, the standard comes into effect on April 1, 2018, and as a result, IFRS 15 will be adopted in the first quarter of fiscal year 2019. The majority of the revenues of the Corporation are generated from the sales of motion systems to clients of entertainment market and simulation and training market. The Corporation anticipates that the allocation of the transaction price to future performance obligations in certain contracts will change. This change will result in the recognition of different amounts of revenue for each performance obligation and will affect the timing of such revenue recognition. The Corporation is also assessing whether there is a significant financing component on contracts where timing of cash receipts and revenue recognition differ substantially. The Corporation will provide further updates during the course of fiscal year 2018 as it advances in its assessment.

- IFRS 16, *Leases*, is required to be applied retrospectively for annual periods beginning on or after January 1, 2019, with early adoption permitted provided that the IFRS 15 has been applied or is applied at the same time as IFRS 16. IFRS 16 sets out the new principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The standard provides lessees with a single accounting model for all leases, with certain exemptions. In particular, lessees will be required to report most leases on their balance sheets by recognizing right-of-use assets and related financial liabilities. The Corporation is currently assessing the impact of the adoption of this pronouncement on its consolidated financial statements.

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

3. INVENTORIES

	June 30, 2017 $	March 31, 2017 $
Parts and components	**6,248**	6,050
Finished goods	**1,767**	2,284
	8,015	8,334

4. SHARE-BASED COMPENSATION LIABILITY

In June 2016, a restricted share unit plan ["RSU"] and a deferred share unit plan ["DSU"] were adopted by the Board of Directors. The liability resulting from these share unit plans will be measured at fair value of the underlying share price for each unit at the grant date and measured again at the end of each reporting period and at settlement date. Any change in fair value will be recognized in the consolidated statements of net loss and other comprehensive loss.

	2017		**2016**	
	RSU Share Unit	**DSU Share Unit**	**RSU Share Unit**	**DSU Share Unit**
Balance as at March 31	**530,000**	**560,000**	—	—
Issued	—	—	—	—
Redeemed for cash	—	—	—	—
Balance as at June 30	**530,000**	**560,000**	—	—
Units exercisable at end of period	—	**420,000**	—	—

The RSU share units will vest three years after grant date and will be redeemed for cash or shares at vesting date or under certain conditions. The unvested DSU share units will vest 12 months after grant date. These DSU share units will be redeemed for cash or shares upon cessation of participant service for all vested units.

For the quarter ended June 30, 2017, the share-based compensation expense charged to income amounted to $16. An amount of $10 was accounted for in accounts payable and accrued liabilities for the current portion and $6 was accounted for the non-current portion under share-based compensation liability. An expense of $16 is included under employee costs.

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

5. LONG-TERM DEBT

	June 30, 2017	**March 31, 2017**
	$	$
Loan	**4,584**	4,549

On June 30, 2017, the effective interest rate of long-term debt was 10.7% [10.7% in 2016] and the Corporation was in compliance with all debt covenants.

During the quarter ended June 30, 2017, the interest expense on long-term debt charged to income amounted to $121 [$118 in 2016], including an amount of $35 [$31 in 2016] related to the accretion of interest.

6. EQUITY

6.1 Share Capital

Class A common shares of the Corporation for the three-month periods ended June 30, 2017 and 2016 are summarized in the following table:

	2017		**2016**	
	#	$	#	$
Balance as at March 31	**175,950,573**	**62,762**	174,928,906	62,254
Shares issued on exercise of options	—	—	75,000	40
Balance as at June 30	**175,950,573**	**62,762**	175,003,906	62,294

Period ended June 30, 2016
The Corporation issued 75,000 Class A common shares for a total cash consideration of $24 on exercise of stock options. An amount of $16, representing the initial fair value of the stock options, was credited to share capital and deducted from the share-based payments reserve.

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

6.2 Share-based Payment

Changes in the Corporation's stock options for the three-month periods ended June 30, 2017 and 2016 are summarized in the following table:

	2017		**2016**	
	Number	**Weighted average exercise price**	**Number**	**Weighted average exercise price**
	#	**$**	**#**	**$**
Balance as at March 31	**13,895,845**	**0.37**	15,126,845	0.37
Options granted	**900,755**	**0.35**	200,000	0.61
Options exercised	**—**	**—**	(75,000)	0.32
Balance as at June 30	**14,796,600**	**0.37**	15,251,845	0.37
Options exercisable at end of period	**12,819,180**	**0.37**	13,364,331	0.39

The fair value for options granted during the three-month periods ended June 30, 2017 and 2016 was estimated at the grant date using the Black-Scholes option pricing model based on the following assumptions: 1.24% weighted average risk-free interest rate [0.9% in 2016]; no dividend; 70% weighted average volatility factor of the expected market price for the Corporation's shares [74% in 2016]; 4.32% weighted average forfeiture rate [3.53% in 2016]; $0.35 weighted average share price [$0.63 in 2016] and an expected weighted average option life of 6.4 years [6.3 years in 2016]. 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 $0.22 per option [$0.42 per option in 2016], amortized through income (loss) over the vesting periods of the options.

For the period ended June 30, 2017, the share-based compensation expense charged to income (loss) amounted to $56 [$41 for the period ended June 30, 2016] with a corresponding amount recognized under share-based payments reserve.

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

6.3 Warrants

Warrants for the three-month periods ended June 30, 2017 and 2016 are summarized in the following table:

	2017		2016	
	Number **#**	Exercise Price **$**	Number **#**	Exercise Price **$**
Expiring on June 18, 2017 (a)	—	—	8,333,333	0.60
Expiring on August 5, 2019	**4,500,000**	**0.50**	4,500,000	0.50
Expiring on December 22, 2022	**2,000,000**	**(b)**	2,000,000	(b)
Balance	**6,500,000**		14,833,333	

(a) On June 18, 2017, 8,333,333 warrants expired. An amount of $431, representing the initial fair value of the warrants was credited to deficit and deducted from the warrants reserve.

(b) Exercise price corresponds to the volume weighted average price of the Class A common shares on the Toronto Stock Exchange for the five trading days prior to the exercise date of the warrants. No warrants were vested as at June 30, 2017.

7. SUPPLEMENTARY INFORMATION ON THE UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF NET LOSS AND OTHER COMPREHENSIVE LOSS

7.1 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 three-month periods ended June 30:

	2017 $	2016 $
Cost of parts and components	**2,777**	2,768
Employee costs	**249**	156
Freight charges and import duties	**40**	60
Outsourcing fees	**40**	75
Production supplies	**24**	24
Impairment of parts and components	**23**	31
Warranty fees	**12**	15
Maintenance of goods held for lease	**1**	—
Other	**45**	19
	3,211	3,148

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

7.2 Selling and Marketing

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

	2017 $	2016 $
Employee costs	**1,535**	1,334
Professional fees	**276**	262
Trade show expenses	**149**	186
Travel and entertainment expenses	**139**	132
Advertising and promotional material	**93**	97
Amortization of property and equipment	**55**	44
Office rental	**35**	31
Freight charges and import duties	**22**	(23)
Share-based payments	**36**	14
Other	**175**	165
	2,515	2,242

7.3 Administration

The key components of administration expenses are detailed as follows for the three-month periods ended June 30:

	2017 $	2016 $
Employee costs	**839**	760
Professional fees	**348**	201
Amortization of property and equipment and intangible assets	**178**	129
Costs related to publicly traded company	**64**	54
Insurance	**62**	53
Director compensation	**51**	48
Non deductible commodity taxes	**24**	14
Share-based payments	**20**	27
Other	**131**	39
	1,717	1,325

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

7.4 Research and Development

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

	2017 **$**	**2016** **$**
Employee costs	**683**	461
Materials and certification	**69**	155
Amortization of property and equipment and intangible assets	**41**	46
Professional fees	**18**	44
Investment tax credits	—	(11)
Other	**97**	73
	908	768