

Unaudited Interim Condensed Consolidated
Financial Statements

D-BOX Technologies Inc.

December 31, 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	December 31, 2015 \$	March 31, 2015 \$
ASSETS			
Current assets			
Cash and cash equivalents		15,961	6,710
Accounts receivable		4,571	4,302
Inventories	3	5,129	3,903
Prepaid expenses and deposits		489	568
		26,150	15,483
Non-current assets			
Property and equipment		7,423	7,452
Intangible assets		2,078	1,771
Other assets		28	132
		35,679	24,838
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		4,362	3,786
Derivative financial instruments		254	120
Warranty provision		14	14
Deferred revenues		376	325
		5,006	4,245
Non-current liabilities			
Long-term debt	4	4,390	—
		9,396	4,245
Equity			
Share capital	5.1	62,254	57,715
Share-based payments reserve		5,188	5,014
Warrants reserve	4, 5.3	959	—
Foreign currency translation reserve		(586)	(385)
Deficit		(41,532)	(41,751)
		26,283	20,593
		35,679	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 nine-month periods ended December 31

	Notes	Third Quarter		Nine Months	
		2015	2014	2015	2014
		\$	\$	\$	\$
Revenues					
Motion systems for:					
Entertainment market:					
Commercial theatres:					
System sales		3,586	2,150	8,358	5,908
Rights for use, rental and maintenance		1,628	991	5,097	3,372
		5,214	3,141	13,455	9,280
Home entertainment system sales		472	309	1,037	770
		5,686	3,450	14,492	10,050
Industrial market		2,535	1,544	5,938	3,858
		8,221	4,994	20,430	13,908
Cost of goods sold excluding amortization	6.1	3,247	2,371	8,169	6,349
Amortization related to cost of goods sold		680	526	1,740	1,440
Cost of goods sold		3,927	2,897	9,909	7,789
Gross profit		4,294	2,097	10,521	6,119
Other expenses					
Selling and marketing	6.2	2,180	1,475	5,275	4,231
Administration	6.3	1,085	789	3,111	2,402
Research and development	6.4	633	433	2,125	1,176
Foreign exchange gain		(118)	(295)	(452)	(388)
		3,780	2,402	10,059	7,421
Income (loss) before financial expenses					
(income) and income taxes (recovery)		514	(305)	462	(1,302)
Financial expenses (income)					
Financial expenses		145	20	282	53
Interest income		(16)	(6)	(38)	(28)
		129	14	244	25
Income (loss) before income taxes (recovery)		385	(319)	218	(1,327)
Income taxes (recovery)		(12)	(4)	(1)	1
Net income (loss)		397	(315)	219	(1,328)
<i>Items that will be reclassified to net income (loss)</i>					
<i>in subsequent periods:</i>					
Foreign currency translation loss		98	68	201	93
Comprehensive income (loss)		299	(383)	18	(1,421)
Basic net income (loss) per share		0.0024	(0.0019)	0.0013	(0.0081)
Diluted net income (loss) per share		0.0023	(0.0019)	0.0013	(0.0081)
Weighted average number of common shares outstanding		165,508,616	163,784,462	164,364,058	163,783,092
Diluted weighted average number of common shares		173,551,150	163,784,462	172,406,592	163,783,092

See accompanying notes.

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

(in thousands of Canadian dollars)

Nine-month periods ended December 31, 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 income		—	—	—	—	219	219
Foreign currency translation loss		—	—	—	(201)	—	(201)
Comprehensive income (loss)		—	—	—	(201)	219	18
Issue of share capital	5.1	4,576	(4)	435	—	—	5,007
Share issue costs	5.1	(37)	—	(3)	—	—	(40)
Share-based payments	5.2	—	178	—	—	—	178
Issue of warrants	5.3	—	—	527	—	—	527
Balance as at December 31, 2015		62,254	5,188	959	(586)	(41,532)	26,283
Balance as at March 31, 2014		57,714	4,605	—	(106)	(41,273)	20,940
Net loss		—	—	—	—	(1,328)	(1,328)
Foreign currency translation loss		—	—	—	(93)	—	(93)
Comprehensive loss		—	—	—	(93)	(1,328)	(1,421)
Issue of share capital	5.1	1	—	—	—	—	1
Share-based payments	5.2	—	325	—	—	—	325
Balance as at December 31, 2014		57,715	4,930	—	(199)	(42,601)	19,845

See accompanying notes.

D-BOX Technologies Inc.
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of Canadian dollars)
Nine-month periods ended December 31

	Notes	2015 \$	2014 \$
OPERATING ACTIVITIES			
Net income (loss)		219	(1,328)
Items not affecting cash			
Amortization of property and equipment		1,805	1,533
Amortization of intangible assets		399	318
Amortization of other assets		104	59
Write-off of property and equipment		158	82
Gain on disposal of property and equipment			(36)
Share-based payments	5.2	178	325
Unrealized foreign exchange gain		(982)	(493)
Accretion of interest expense	4	48	
Cash flows from operations before changes in working capital items		1,929	460
Changes in working capital items:			
Accounts receivable		987	289
Inventories		(955)	137
Prepaid expenses and deposits		84	(65)
Goods held for lease		(1,008)	(405)
Other assets			(40)
Accounts payable and accrued liabilities		(409)	(1,356)
Derivative financial instruments		134	2
Deferred revenues		51	(82)
		(1,116)	(1,520)
Cash flows relating to operating activities		813	(1,060)
INVESTING ACTIVITIES			
Additions to property and equipment		(808)	(379)
Disposal of property and equipment			39
Additions to intangible assets		(706)	(827)
Cash flows relating to investing activities		(1,514)	(1,167)
FINANCING ACTIVITIES			
Proceeds from long-term debt, net of financing fees	4	4,869	
Issue of share capital	5.1	5,007	1
Share issue costs	5.1	(40)	
Cash flows relating to financing activities		9,836	1
Effect of exchange rate fluctuations on cash and cash equivalents		116	21
Net change in cash and cash equivalents		9,251	(2,205)
Cash and cash equivalents, beginning of period		6,710	6,717
Cash and cash equivalents, end of period		15,961	4,512
Cash and cash equivalents consist of:			
Cash		2,624	3,112
Cash equivalents		13,337	1,400
Interest and income taxes included in operating activities:			
Interest paid		144	
Income taxes paid (net of recoveries)			5

See accompanying notes.

D-BOX Technologies Inc.
NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
December 31, 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 February 11, 2016.

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. The results of operation and cash flows for the interim period are not necessary indicative of the results of operation and cash flows for the full year.

Certain prior period comparative figures have been reclassified to conform to current period presentation.

D-BOX Technologies Inc.
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3. INVENTORIES

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

	December 31, 2015	March 31, 2015
	\$	\$
Parts and components	3,890	2,446
Finished goods	1,239	1,457
	5,129	3,903

4. LONG-TERM DEBT

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

	December 31, 2015	March 31, 2015
	\$	\$
Balance	4,390	—

On August 5, 2015, the Corporation issued a loan and 4,500,000 warrants for net proceeds of \$4,869, net of financing fees of \$131. 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.

On December 31, 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 nine-month period ended December 31, 2015, the interest expense on long-term debt charged to income amounted to \$117 and \$190, including an amount of \$29 and \$48 related to the accretion of interest.

D-BOX Technologies Inc.
NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED
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December 31, 2015

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

5. EQUITY

5.1 Share Capital

Class A common shares of the Corporation for the nine-month periods ended December 31, 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	11,111,111	4,528		
Shares issued on exercise of options	33,333	11	3,333	1
Balance as at December 31	174,928,906	62,254	163,784,462	57,715

Period ended December 31, 2015

On December 18, 2015, the Corporation issued 11,111,111 Class A common shares and 8,333,333 warrants for gross proceeds of \$5,000. Each warrant entitles the holder to purchase one Class A common share at \$0.60 for an 18-month period ending June 18, 2017. The gross proceeds were allocated to the shares and warrants proportionately to their respective estimated fair values. As a result, \$435 was allocated to warrants and \$4,565 was added to share capital. The issue costs of \$40 were allocated to shares and warrants proportionately to their respective estimated fair values. Accordingly, \$37 was deducted from share capital and \$3 was deducted from warrants. The fair value of the warrants was estimated using the Black-Scholes option pricing model based on the following assumptions: 0.50% average risk-free interest rate; no dividend; 69.7% average volatility factor for the expected market price of the Corporation's shares; and an expected average warrant term of 18 months.

During this period, the Corporation also issued 33,333 Class A common shares for a total cash consideration of \$7 on exercise of stock options. An amount of \$4, representing the initial fair value of the stock options, was credited to share capital and deducted from the share-based payments reserve.

Period ended December 31, 2014

The Corporation issued 3,333 Class A common shares for a total cash consideration of \$1 on exercise of stock options. An amount of \$0.4, representing the initial fair value of the stock options, was credited to share capital and deducted from the share-based payment reserve.

D-BOX Technologies Inc.
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(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 nine-month periods ended December 31, 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	(81,667)	0.26	(245,667)	0.40
Options expired			(150,000)	0.39
Balance as at December 31	15,154,345	0.37	14,839,345	0.37
Options exercisable at end of period	12,501,833	0.40	9,977,658	0.44

The fair value for options granted during the nine-month period ended December 31, 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; 79.9% 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 \$0.34 per option (\$0.27 per option in 2014), amortized through income over the vesting periods of the options.

For the quarter and the nine-month period ended December 31, 2015, the share-based compensation expense charged to income amounted to \$55 and \$178 (\$105 and \$325 for the quarter and the nine-month period ended December 31, 2014) with a corresponding amount recognized under share-based payment reserve.

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NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED
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(Amounts are in thousands of Canadian dollars, except share, option, warrant, per-share and per-option amounts)

5. EQUITY [Cont'd]

5.3 Warrants

Warrants for the nine-month periods ended December 31, 2015 and 2014 are summarized in the following table:

	2015		2014	
	Number	Exercise Price \$	Number	Exercise Price \$
Balance as at March 31				
Expiring on June 18, 2017	8,333,333	0.60	—	—
Expiring on August 5, 2019	4,500,000	0.50	—	—
Expiring on December 22, 2022	2,000,000	(a)	—	—
Balance as at December 31	14,833,333			

(a) 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 December 31, 2015.

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 nine-month periods ended December 31:

	Third Quarter		Nine-Months	
	2015 \$	2014 \$	2015 \$	2014 \$
Cost of parts and components	2,793	2,010	6,982	5,237
Employee costs	219	274	600	668
Freight charges and import duties	81	23	188	122
Outsourcing fees	48	10	163	45
Production supplies	40	17	96	51
Parts and components write-offs	33	—	52	104
Maintenance of goods held for lease	9	—	41	—
Share-based payments	1	3	4	13
Other	23	34	43	109
	3,247	2,371	8,169	6,349

D-BOX Technologies Inc.
NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED
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(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 nine-month periods ended December 31:

	Third Quarter		Nine Months	
	2015	2014	2015	2014
	\$	\$	\$	\$
Employee costs	1,053	893	2,961	2,589
Advertising and promotions	508	32	619	89
Professional fees	169	137	552	348
Trade show expenses	140	140	322	356
Travel and entertainment expenses	77	39	179	138
Amortization of property and equipment	56	49	147	146
Office rental	31	15	105	42
Write-off of property and equipment	13	9	42	69
Share-based payments	11	26	32	79
Freight charges and import duties	(13)	47	17	145
Other	135	88	299	230
	2,180	1,475	5,275	4,231

6.3 Administration

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

	Third Quarter		Nine Months	
	2015	2014	2015	2014
	\$	\$	\$	\$
Employee costs	673	405	1,760	1,323
Amortization of property and equipment and intangible assets	113	69	282	198
Professional fees	81	92	250	241
Costs related to publicly traded company	27	26	150	108
Share-based payments	45	70	135	214
Insurance	48	38	127	123
Director fees	40	30	125	72
Other	58	59	282	123
	1,085	789	3,111	2,402

D-BOX Technologies Inc.
NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED
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(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]

6.4 Research and Development

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

	Third Quarter		Nine Months	
	2015	2014	2015	2014
	\$	\$	\$	\$
Employee costs	432	290	1,226	902
Amortization of property and equipment and intangible assets	43	41	139	126
Materials and certification	41	57	98	114
Professional fees	33	13	92	16
Share-based payments	2	6	7	19
Investment tax credits reversal (tax credits)	(10)	(9)	379	(101)
Other	92	35	184	100
	633	433	2,125	1,176