

Unaudited Interim Condensed Consolidated
Financial Statements

D-BOX Technologies Inc.

For the three months ended June 30, 2023

Notice

The Corporation's independent auditor has 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 CONDENSED CONSOLIDATED BALANCE SHEETS

As at
[in thousands of Canadian dollars]

	Notes	June 30, 2023 \$	March 31, 2023 \$
ASSETS			
Current assets			
Cash and cash equivalents		3,881	3,116
Short-term deposits		204	—
Accounts receivable		7,786	8,039
Derivative financial instruments		34	—
Inventories	3	9,267	9,966
Prepaid expenses and deposits		582	502
Current portion of finance leases receivable		126	128
		21,880	21,751
Non-current assets			
Property and equipment		2,668	2,771
Intangible assets		1,762	1,826
Finance leases receivable		326	351
Other assets		22	22
		26,658	26,721
LIABILITIES AND EQUITY			
Current liabilities			
Credit facility	4	3,120	1,160
Accounts payable and accrued liabilities		4,891	7,266
Derivative financial instruments		—	162
Warranty provision		108	119
Deferred revenues		2,907	2,741
Current portion of lease liabilities		248	243
Current portion of long-term debt	5	1,588	1,643
		12,862	13,334
Non-current liabilities			
Lease liabilities		176	240
Long-term debt	5	2,103	2,253
		15,141	15,827
Equity			
Share capital	6.1	66,227	66,227
Share-based payments reserve	6.2	788	842
Foreign currency translation reserve		(179)	(290)
Deficit		(55,319)	(55,885)
		11,517	10,894
		26,658	26,721

See accompanying notes.

D-BOX Technologies Inc.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF
PROFIT AND COMPREHENSIVE INCOME (LOSS)

Three-month periods ended June 30
[in thousands of Canadian dollars, except share and per-share amounts]

	Notes	2023 \$	2022 \$
Revenues			
System sales		7,480	4,321
Rights for use, rental and maintenance		3,011	2,792
		10,491	7,113
Cost of goods sold excluding amortization			
Amortization related to cost of goods sold		4,871	2,822
Cost of goods sold		299	328
		5,170	3,150
Gross profit		5,321	3,963
Other expenses			
Selling and marketing		1,763	1,546
Administration		1,603	1,554
Research and development		1,160	859
Foreign exchange loss (gain)		132	(138)
		4,658	3,821
Profit before financial expenses (income) and income taxes		663	142
Financial expenses (income)			
Financial expenses	7.1	168	106
Interest income		(1)	—
		167	106
Profit before income taxes		496	36
Income taxes		—	7
Profit		496	29
<i>Items that will be reclassified to profit or loss:</i>			
Foreign currency translation gain (loss)		111	(37)
Comprehensive income (loss)		607	(8)
Basic and diluted profit per share		0.002	0.000
Weighted average number of common shares outstanding	6.1	220,226,573	220,225,573

See accompanying notes.

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

Three-month periods 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, 2022		66,227	1,220	1,355	(137)	(56,831)	11,834
Profit		—	—	—	—	29	29
Foreign currency translation loss		—	—	—	(37)	—	(37)
Comprehensive loss		—	—	—	(37)	29	(8)
Share-based payments	6.2	—	45	—	—	—	45
Cancellation and expiration of stock options	6.2	—	(2)	—	—	2	—
Balance as at June 30, 2022		66,227	1,263	1,355	(174)	(56,800)	11,871
Balance as at March 31, 2023		66,227	842	—	(290)	(55,885)	10,894
Profit		—	—	—	—	496	496
Foreign currency translation gain		—	—	—	111	—	111
Comprehensive income		—	—	—	111	496	607
Share-based payments	6.2	—	16	—	—	—	16
Cancellation and expiration of stock options	6.2	—	(70)	—	—	70	—
Balance as at June 30, 2023		66,227	788	—	(179)	(55,319)	11,517

See accompanying notes.

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

Three-month periods ended June 30
[in thousands of Canadian dollars]

Notes	2023 \$	2022 \$
OPERATING ACTIVITIES		
Profit	496	29
Items not affecting cash:		
Amortization of property and equipment	255	248
Amortization of intangible assets	191	230
Amortization of financing costs	13	12
Share-based payments	16	123
Change in fair value of derivative financial instruments	(196)	110
Unrealized foreign exchange (gain) loss	(84)	(114)
Interest income on lease receivable	(22)	—
Interest expense on lease liabilities	7	—
Accretion of interest expense on long-term debt	7	7
Cash flows provided by operations before changes in working capital items	683	645
Changes in working capital items:		
Short-term deposits	(204)	—
Accounts receivable	181	439
Inventories	699	(951)
Prepaid expenses and deposits	(80)	(13)
Other assets	—	(1)
Accounts payable and accrued liabilities	(2,293)	(489)
Warranty provision	(11)	10
Deferred revenues	166	693
	(1,338)	(312)
Cash flows (used in) provided by operating activities	(655)	333
INVESTING ACTIVITIES		
Finance lease receivables payments	38	22
Additions to property and equipment	(152)	(40)
Additions to intangible assets	(127)	(312)
Cash flows used in investing activities	(241)	(330)
FINANCING ACTIVITIES		
Proceeds from credit facility	1,960	20
Repayment of long-term debt	(225)	(100)
Payment of lease liabilities	(66)	(54)
Cash flows provided by (used in) financing activities	1,669	(134)
Effect of exchange rate fluctuations on cash and cash equivalents	(8)	20
Net change in cash and cash equivalents	765	(111)
Cash and cash equivalents, beginning of period	3,116	3,937
Cash and cash equivalents, end of period	3,881	3,826
Cash and cash equivalents consist of:		
Cash	3,881	3,826
Cash equivalents	—	—
Interest and income taxes included in operating activities:		
Interest paid	132	65

See accompanying notes.

D-BOX Technologies Inc.
NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
June 30, 2023

[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 haptic 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 unaudited interim condensed consolidated financial statements were approved by the Corporation’s Board of Directors on August 10, 2023.

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*. 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. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the March 31, 2023 annual consolidated financial statements which include the same accounting policies and methods of computation used in the preparation of these financial statements.

3. INVENTORIES

	June 30,	March 31,
	2023	2023
	\$	\$
Parts and components ⁽¹⁾	7,493	8,934
Finished goods	1,774	1,032
	9,267	9,966

⁽¹⁾ As at June 30, 2023, parts and components include \$799 [\$1,297 as of March 31, 2023] of deposits related to the purchase of parts and components which cannot be redeemed for cash.

D-BOX Technologies Inc.
NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
June 30, 2023

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

4. CREDIT FACILITY

On June 28, 2023, the Corporation signed an amended agreement with the National Bank of Canada ["NBC"] related to the availability of a line of credit amounting to \$4,000 for the ongoing operations and working capital of the Corporation. The balance outstanding as of June 30, 2023 was \$3,120. This line of credit is renewable annually and bears interest at prime rate [6.95% as of June 30, 2023, and 6.70% as of March 31, 2023] plus 3.25%. The line of credit is secured by first-ranking hypothec and security interests on all assets of the Corporation and its U.S. subsidiary. As at June 30, 2023, the Corporation was in compliance with the financial ratios required under the facility.

5. LONG-TERM DEBT

	June 30, 2023	March 31, 2023
	\$	\$
Loan with the Business Development Bank of Canada ["BDC"] amounting to \$2,000, bearing interest at the bank's prime rate [9.05% as of June 30, 2023, 8.80% as of March 31, 2023] plus 1.75% and repayable in monthly capital installments of \$33 plus a final installment of \$34 in June 2026. The loan is secured by second ranking hypothec and security interests on all assets of the Corporation and its U.S. subsidiary.	1,200	1,300
Loan with the National Bank of Canada ["NBC"] amounting to \$1,000 for ongoing operations and working capital of the Corporation, bearing interest at the fixed rate of 4% payable monthly, and principal repayable in monthly installments of \$9 and the balance at maturity in September 2024. The loan is secured by a first-ranking hypothec and security interests on all assets of the Corporation and its U.S. subsidiary and is guaranteed by BDC.	917	944
Loan with the NBC amounting to \$1,000 for ongoing operations and working capital of the Corporation, bearing interest at the bank's prime rate [6.95% as of June 30, 2023, and 6.70% as of March 31, 2023] plus 1.75% and repayable in monthly principal installments of \$19 and the balance at maturity in February 2024. The loan is secured by second-ranking hypothec and security interests on all assets of the Corporation and its U.S. subsidiary and is guaranteed by Export Development Canada ["EDC"].	907	963

D-BOX Technologies Inc.
NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
June 30, 2023

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

	June 30,	March 31,
	2023	2023
	\$	\$
Loan with Canada Economic Development amounting to \$846 for ongoing operations and working capital of the Corporation, repayable in monthly capital installments of \$14, maturing in December 2027. The loan does not bear interest [effective interest rate of 4%] and is not secured. The discounting is recognized as government assistance and recorded as a reduction of administration expenses.	696	731
	3,720	3,938
Less: Financing costs	29	42
Less: Current portion of long-term debt	1,588	1,643
	2,103	2,253

Debt payments for the next years are as follows:

	\$
2024	1,588
2025	1,384
2026	569
2027	169
2028	85
	3,785
Less: discounting	75
	3,720

For the three-month period ended June 30, 2023, the interest expense on long-term debt charged to profit (loss) amounted to \$70 [\$41 for the period ended June 30, 2022].

D-BOX Technologies Inc.
NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
June 30, 2023

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

6. EQUITY

6.1 Share-capital

6.1.1 Authorized

Unlimited number of Class A common shares without par value, voting and participating.

Class B preferred shares, issuable in series, ranking senior to Class A common shares. The directors are entitled to determine the number of shares per series and their characteristics [rights, privileges and restrictions].

6.1.2 Issued

	June 30, 2023		March 31, 2023	
	#	\$	#	\$
Balance at end of period	220,226,573	66,227	220,226,573	66,227

6.2 Share-based payments

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

	2023		2022	
	Number	Weighted average exercise price	Number	Weighted average exercise price
	#	\$	#	\$
Balance as at March 31	8,620,000	0.13	12,691,034	0.15
Options cancelled and expired	(517,500)	0.19	(489,333)	0.23
Balance as at June 30	8,102,500	0.13	12,201,701	0.15
Options exercisable at end of period	5,993,334	0.14	7,037,370	0.18

D-BOX Technologies Inc.
NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
June 30, 2023

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

For the three-month period ended June 30, 2023, the share-based payment expense charged to profit (loss) amounted to \$16 [\$45 for the period ended June 30, 2022] with a corresponding amount recognized under share-based payments reserve. For the three-month period ended June 30, 2023, the cancellation and expiry of options resulted in reclassification of \$70 [\$2 for the period ended June 30, 2022] from the share-based payments reserve to the deficit.

7. SUPPLEMENTARY INFORMATION ON THE UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT AND COMPREHENSIVE INCOME (LOSS)

7.1 Financial expenses

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

	2023	2022
	\$	\$
Interest expense on long-term debt	70	41
Interest expense on credit facility	62	24
Interest expense on lease liabilities	7	10
Amortization of financing costs	13	12
Other interest and bank charges	16	19
	168	106

7.2 Government assistance

For the periods ended June 30, the Corporation recognized government assistance from various governmental entities. Government assistance received on capital expenditures and deducted from the carrying amount of the internally generated intangible asset, D-BOX motion technology, amounted to \$nil for the period ended June 30, 2023 [\$nil for the period ended June 30, 2022]. The remaining funding has been recorded as a reduction of the related expenses as follows for the three-month periods ended June 30:

	2023	2022
	\$	\$
Selling and marketing	—	125
Research and development	41	34
	41	159