

Unaudited Interim Condensed Consolidated
Financial Statements

D-BOX Technologies Inc.

For the three and six months ended September 30, 2024

Notice

The Company'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	September 30, 2024	March 31, 2024
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		5,169	2,916
Short-term deposits		213	209
Accounts receivable		6,970	5,736
Inventories	3	7,370	7,188
Prepaid expenses and deposits		517	650
Current portion of finance leases receivable		112	108
		20,351	16,807
Non-current assets			
Property and equipment		2,044	2,320
Intangible assets		1,438	1,564
Finance leases receivable		244	245
		24,077	20,936
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		5,439	5,323
Derivative financial instruments		9	45
Provisions	5	452	210
Deferred revenues		1,861	502
Current portion of lease liabilities		117	246
Current portion of long-term debt	6	538	494
		8,416	6,820
Non-current liabilities			
Lease liabilities		19	22
Long-term debt	6	1,715	1,964
		10,150	8,806
Equity			
Share capital	7.1	66,227	66,227
Share-based payments reserve	7.2	732	783
Foreign currency translation reserve		(260)	(210)
Deficit		(52,772)	(54,670)
		13,927	12,130
		24,077	20,936

Subsequent event [Note 9]

See accompanying notes.

D-BOX Technologies Inc.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET PROFIT AND COMPREHENSIVE INCOME

For the three and six month periods ended September 30

[in thousands of Canadian dollars, except share and per-share amounts]

	Notes	Three months		Six months	
		2024	2023	2024	2023
		\$	\$	\$	\$
Revenues					
System sales		8,929	8,708	15,255	16,188
Rights for use, rental and maintenance		3,188	2,144	5,624	5,155
		12,117	10,852	20,879	21,343
Cost of goods sold					
Cost of goods sold excluding amortization		5,438	5,684	9,393	10,555
Amortization related to cost of goods sold		251	300	507	599
Cost of goods sold		5,689	5,984	9,900	11,154
Gross profit		6,428	4,868	10,979	10,189
Other expenses					
Selling and marketing		1,713	1,686	3,543	3,449
Administration		1,653	1,813	3,420	3,416
Research and development		979	795	2,090	1,955
Foreign exchange (gain) loss		(133)	(10)	(61)	122
		4,212	4,283	8,992	8,941
Net profit before financial expenses (income) and income taxes		2,216	585	1,987	1,248
Financial expenses (income)					
Financial expenses	8.1	105	175	184	343
Interest income		(14)	(1)	(16)	(2)
		91	174	168	341
Net profit before income taxes		2,125	411	1,819	907
Income taxes		–	9	10	9
Net profit		2,125	402	1,809	898
<i>Items that will be reclassified to profit or loss:</i>					
Foreign currency translation (loss) gain		(30)	(25)	(50)	86
Comprehensive income		2,095	377	1,759	984
Basic and diluted net profit per share		0.010	0.002	0.008	0.004

See accompanying notes.

D-BOX Technologies Inc.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Six month periods ended September 30

[in thousands of Canadian dollars]

	Notes	Share capital \$	Share- based payments reserve \$	Foreign currency translation reserve \$	Deficit \$	Total \$
Balance as at March 31, 2023		66,227	842	(290)	(55,885)	10,894
Net profit		–	–	–	898	898
Foreign currency translation gain		–	–	86	–	86
Comprehensive income		–	–	86	898	984
Share-based payments	7.2	–	33	–	–	33
Cancellation and expiration of stock options	7.2	–	(71)	–	71	–
Balance as at September 30, 2023		66,227	804	(204)	(54,916)	11,911
Balance as at March 31, 2024		66,227	783	(210)	(54,670)	12,130
Net profit		–	–	–	1,809	1,809
Foreign currency translation loss		–	–	(50)	–	(50)
Comprehensive income		–	–	(50)	1,809	1,759
Share-based payments	7.2	–	38	–	–	38
Cancellation and expiration of stock options	7.2	–	(89)	–	89	–
Balance as at September 30, 2024		66,227	732	(260)	(52,772)	13,927

See accompanying notes.

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

Six month periods ended September 30
[in thousands of Canadian dollars]

	Notes	2024 \$	2023 \$
OPERATING ACTIVITIES			
Net profit		1,809	898
Items not affecting cash:			
Amortization of property and equipment		517	562
Amortization of intangible assets		282	384
Amortization of financing costs	8.1	10	19
Gain on disposal of assets		—	(1)
Share-based payments	7.2	38	33
Change in fair value of derivative financial instruments		(36)	(94)
Unrealized foreign exchange gain (loss)		(83)	112
Interest income on lease receivable		(35)	(44)
Interest expense on lease liabilities	8.1	7	45
Accretion of interest expense on long-term debt		10	19
Cash flows provided by operations before changes in working capital items		2,519	1,933
Changes in working capital items:			
Short-term deposits		(4)	(206)
Accounts receivable		(1,169)	827
Inventories		(182)	1,766
Prepaid expenses and deposits		133	65
Accounts payable and accrued liabilities		103	(1,785)
Provisions		242	34
Deferred revenues		1,359	(1,778)
		482	(1,077)
Cash flows provided by operating activities		3,001	856
INVESTING ACTIVITIES			
Finance lease receivables payments		41	38
Additions to property and equipment		(241)	(308)
Additions to intangible assets		(156)	(285)
Cash flows used in investing activities		(356)	(555)
FINANCING ACTIVITIES			
Repayment of long-term debt		(225)	(404)
Payment of lease liabilities		(138)	(134)
Cash flows used in financing activities		(363)	(538)
Effect of exchange rate fluctuations on cash and cash equivalents		(29)	(2)
Net change in cash and cash equivalents		2,253	(239)
Cash and cash equivalents, beginning of period		2,916	3,116
Cash and cash equivalents, end of period		5,169	2,877
Cash and cash equivalents consist of:			
Cash		5,169	2,877
Interest and income taxes included in operating activities:			
Interest		94	261
Income taxes		10	9

See accompanying notes.

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

September 30, 2024

[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 "Company"], incorporated under the *Canada Business Corporations Act*, is domiciled at 2172 de la Province Street, Longueuil, Québec, Canada.

D-BOX designs, manufactures and commercializes haptic motion systems intended for the entertainment and simulation and training markets. This 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 synchronized with the on-screen action, thus creating a realistic immersive experience.

The Company evaluates its operating results and allocates resources based on its single operating segment which is the design, manufacture, and sale of motion systems.

The unaudited interim condensed consolidated financial statements were approved by the Company's Board of Directors on November 12, 2024.

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, 2024 annual consolidated financial statements which include the same accounting policies and methods of computation used in the preparation of these financial statements.

3. INVENTORIES

	September 30, 2024	March 31, 2024
	\$	\$
Parts and components	5,853	5,851
Finished goods	1,517	1,337
	7,370	7,188

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]

4. CREDIT FACILITY

On July 31, 2024, the Company signed an amended agreement with the National Bank of Canada ["NBC"] related to the availability of a line of credit amounting to \$8,000 [\$5,500 as of March 31, 2024] for the ongoing operations and working capital of the Company. The balance outstanding as of September 30, 2024 was \$nil [\$nil as of March 31, 2024]. This line of credit is renewable annually and bears interest at prime rate [6.45% as of September 30, 2024, and 7.20% as of March 31, 2024] plus 2.50%. The line of credit is secured by first-ranking hypothec and security interests on all assets of the Company and its U.S. subsidiary. As at September 30, 2024, the Company was in compliance with the financial ratios required under the facility.

5. PROVISIONS

	Warranty claims	Restructuring	Total
	\$	\$	\$
At April 1, 2024	210	–	210
Charged to profit or loss	30	405	435
Utilised in period	(60)	(133)	(193)
Due within one year or less at September 30, 2024	180	272	452

Restructuring

The company recorded a restructuring provision during the period related to the reduction of its workforce by approximately 8%. The restructuring is expected to be completed by year end. For the six month period ended September 30, 2024, restructuring expense resulted in the following:

	\$
Cost of goods sold excluding amortization	28
Selling and marketing	324
Administration	23
Research and development	30
	405

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6. LONG-TERM DEBT

	September 30, 2024	March 31, 2024
	\$	\$
Loan with the Business Development Bank of Canada ["BDC"] amounting to \$2,000, bearing interest at the bank's prime rate [8.55% as of September 30, 2024, 9.30% as of March 31, 2024] plus 1.75% and repayable in monthly capital installments of \$20, maturing in June 2028. The loan is secured by second ranking hypothec and security interests on all assets of the Company and its U.S. subsidiary.	890	1,009
Loan with the NBC amounting to \$1,000 for ongoing operations and working capital of the Company, 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 2027. The loan is secured by a first-ranking hypothec and security interests on all assets of the Company and its U.S. subsidiary and is guaranteed by BDC.	778	833
Loan with Canada Economic Development amounting to \$846 for ongoing operations and working capital of the Company, repayable in monthly capital installments of \$9 until October 2024, and then monthly capital installments of \$16 until maturity in December 2027. The loan does not bear interest [effective interest rate of 4%] and is not secured. At inception of this loan, the discounting was recognized as government assistance and recorded as a reduction of administration expense.	585	626
	2,253	2,468
Less: Financing costs	–	10
Less: Current portion of long-term debt	538	494
	1,715	1,964

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

Debt payments for the next years are as follows:

	\$
2025	538
2026	538
2027	983
2028	225
	2,284
Less: discounting	31
	2,253

On July 31, 2024, the Company signed the eighth amending agreement with the NBC relating to its loan facilities. The amendment extended the maturity of the \$1,000 loan with NBC, guaranteed by BDC, from September 2025 to September 2027.

7. EQUITY

7.1 Share-capital

7.1.1 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].

7.1.2 Issued

	September 30, 2024		March 31, 2024	
	#	\$	#	\$
Balance at end of period	220,226,573	66,227	220,226,573	66,227

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7.2 Share-based payments

Changes in the Company's stock options for the six month periods ended September 30 are summarized in the following table:

	2024		2023	
	Number #	Weighted average exercise price \$	Number #	Weighted average exercise price \$
Balance as at March 31	9,067,500	0.12	8,620,000	0.13
Granted	600,000	0.10	–	–
Options cancelled and expired	(1,340,000)	0.09	(600,833)	0.19
Balance as at September 30	8,327,500	0.12	8,019,167	0.13
Options exercisable at end of period	5,977,500	0.13	5,993,334	0.14

For the three and six month periods ended September 30, 2024, the share-based payment expense charged to net income (loss) amounted to \$19 and \$38, respectively [\$17 and \$33 for the three and six month periods ended September 30, 2023, respectively] with a corresponding amount recognized under share-based payments reserve. For the three and six month periods ended September 30, 2024, the cancellation and expiry of options resulted in reclassification of \$35 and \$89, respectively [\$1 and \$71 for the three and six month periods ended September 30, 2023, respectively] from the share-based payments reserve to the deficit.

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8. SUPPLEMENTARY INFORMATION ON THE UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET PROFIT AND COMPREHENSIVE INCOME

8.1 Financial expenses

The key components of financial expenses are detailed as follows for the three and six month periods ended September 30, 2024:

	Three Months		Six Months	
	2024	2023	2024	2023
	\$	\$	\$	\$
Interest expense on long-term debt	38	70	79	140
Interest expense on credit facility	8	59	15	121
Interest expense on lease liabilities	3	9	7	16
Amortization of financing costs	4	6	10	19
Other interest and bank charges	52	31	73	47
	105	175	184	343

8.2 Government assistance

For the three and six month periods ended September 30, 2024, the Company recognized government assistance from various governmental entities. Government assistance received has been recorded as a reduction of the related expenses as follows for the three and six month periods ended September 30, 2024:

	Three Months		Six Months	
	2024	2023	2024	2023
	\$	\$	\$	\$
Research and development	207	166	306	207

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9. SUBSEQUENT EVENTS

On October 1, 2024, the Company made a prepayment of \$130 of the outstanding principal on the loan with the BDC. This prepayment was made without penalty and was made as part of a prepayment privilege clause in the loan Agreement.