

Unaudited Interim Condensed Consolidated  
Financial Statements

**D-BOX Technologies Inc.**

For the three and nine months ended December 31, 2022

**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]

		December 31, 2022	March 31, 2022
	Notes	\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		3,341	3,937
Accounts receivable		8,450	6,441
Derivative financial instruments		—	32
Inventories	3	7,830	5,163
Prepaid expenses and deposits		730	691
Current portion of finance leases receivable		149	97
		<b>20,500</b>	<b>16,361</b>
<b>Non-current assets</b>			
Property and equipment		2,890	3,051
Intangible assets		1,982	2,162
Finance leases receivable		389	379
Other assets		22	397
		<b>25,783</b>	<b>22,350</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Credit facility	4	520	1,060
Accounts payable and accrued liabilities		7,563	4,135
Derivative financial instruments		252	—
Warranty provision		122	70
Deferred revenues		2,212	1,094
Current portion of lease liabilities		237	223
Current portion of long-term debt	5	884	601
		<b>11,790</b>	<b>7,183</b>
<b>Non-current liabilities</b>			
Lease liabilities		303	483
Long-term debt	5	2,699	2,850
		<b>14,792</b>	<b>10,516</b>
<b>Equity</b>			
Share capital	6.1	66,227	66,227
Share-based payments reserve	6.2	987	1,220
Warrants reserve		1,355	1,355
Foreign currency translation reserve		(287)	(137)
Deficit		(57,291)	(56,831)
		<b>10,991</b>	<b>11,834</b>
		<b>25,783</b>	<b>22,350</b>

*See accompanying notes.*

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

For the three- and nine-month periods ended December 31  
[in thousands of Canadian dollars, except share and per-share amounts]

	Notes	Three Months		Nine Months	
		2022	2021	2022	2021
		\$	\$	\$	\$
<b>Revenues</b>					
System sales		8,446	3,480	17,138	10,347
Rights for use, rental and maintenance		2,009	2,098	6,572	3,994
		<b>10,455</b>	<b>5,578</b>	<b>23,710</b>	<b>14,341</b>
<b>Cost of goods sold excluding amortization</b>					
Amortization related to cost of goods sold		390	341	1,078	977
Cost of goods sold		5,863	2,341	12,220	7,033
<b>Gross profit</b>		<b>4,592</b>	<b>3,237</b>	<b>11,490</b>	<b>7,308</b>
<b>Other expenses</b>					
Selling and marketing		1,863	1,365	4,721	3,726
Administration		1,711	1,484	4,753	3,586
Research and development		1,145	538	2,716	1,676
Impairment (reversal)		—	179	(223)	179
Gain on disposal of assets		—	—	(5)	—
Foreign exchange gain		(165)	(48)	(70)	(50)
		<b>4,554</b>	<b>3,518</b>	<b>11,892</b>	<b>9,117</b>
<b>Income (loss) before financial expenses (income) and income taxes</b>		<b>38</b>	<b>(281)</b>	<b>(402)</b>	<b>(1,809)</b>
<b>Financial expenses (income)</b>					
Financial expenses	7.1	147	59	403	305
Interest income		—	—	(1)	(9)
		<b>147</b>	<b>59</b>	<b>402</b>	<b>296</b>
<b>Loss before income taxes</b>		<b>(109)</b>	<b>(340)</b>	<b>(804)</b>	<b>(2,105)</b>
Income taxes		1	—	19	—
<b>Net loss</b>		<b>(110)</b>	<b>(340)</b>	<b>(823)</b>	<b>(2,105)</b>
<i>Items that will be reclassified to profit or loss:</i>					
Foreign currency translation loss		(9)	(20)	(150)	(57)
<b>Comprehensive loss</b>		<b>(119)</b>	<b>(360)</b>	<b>(973)</b>	<b>(2,162)</b>
<b>Basic and diluted net loss per share</b>		<b>(0.000)</b>	<b>(0.002)</b>	<b>(0.004)</b>	<b>(0.010)</b>
<b>Weighted average number of common shares outstanding</b>		<b>220,225,573</b>	<b>220,225,573</b>	<b>220,225,573</b>	<b>220,225,573</b>

See accompanying notes.

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

Nine-month periods ended December 31, 2022 and 2021  
[in thousands of Canadian dollars]

	Notes	Share capital \$	Share- based payments reserve \$	Warrants reserve \$	Foreign currency translation reserve \$	Deficit \$	Total \$
<b>Balance as at March 31, 2021</b>		66,227	2,190	1,355	(115)	(56,126)	13,531
Net loss		—	—	—	—	(2,105)	(2,105)
Foreign currency translation loss		—	—	—	(57)	—	(57)
Comprehensive loss		—	—	—	(57)	(2,105)	(2,162)
Share-based payments	6.2	—	144	—	—	—	144
Cancellation and expiration of stock options	6.2	—	(1,162)	—	—	1,162	—
<b>Balance as at December 31, 2021</b>		66,227	1,172	1,355	(172)	(57,069)	11,513
<b>Balance as at March 31, 2022</b>		66,227	1,220	1,355	(137)	(56,831)	11,834
Net loss		—	—	—	—	(823)	(823)
Foreign currency translation loss		—	—	—	(150)	—	(150)
Comprehensive loss		—	—	—	(150)	(823)	(973)
Share-based payments	6.2	—	130	—	—	—	130
Cancellation and expiration of stock options	6.2	—	(363)	—	—	363	—
<b>Balance as at December 31, 2022</b>		66,227	987	1,355	(287)	(57,291)	10,991

*See accompanying notes.*

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

Nine-month periods ended December 31  
[in thousands of Canadian dollars]

	Notes	2022 \$	2021 \$
<b>OPERATING ACTIVITIES</b>			
Net loss		(823)	(2,105)
Items not affecting cash			
Amortization of property and equipment		871	846
Amortization of intangible assets		749	638
Amortization of financing cost	7.1	38	28
Impairment (reversal)		(223)	179
Gain on disposal of assets		(5)	—
Gain on finance lease transactions		—	(109)
Share-based payments	6.2	208	144
Change in fair value of derivative financial instruments		284	248
Unrealized foreign exchange gain		(351)	(100)
Government assistance		—	(115)
Interest on lease receivable		(65)	—
Interest expense on lease liabilities	7.1	28	41
Accretion of interest expense		22	5
<b>Cash flows provided by (used in) operations before changes in working capital items</b>		<b>733</b>	<b>(300)</b>
<b>Changes in working capital items:</b>			
Accounts receivable		(1,958)	(2,161)
Inventories		(2,667)	(323)
Prepaid expenses and deposits		(39)	(508)
Other assets		375	68
Accounts payable and accrued liabilities		3,380	930
Warranty provision		52	15
Deferred revenues		1,118	356
		<b>261</b>	<b>(1,623)</b>
<b>Cash flows provided by (used in) operating activities</b>		<b>994</b>	<b>(1,923)</b>
<b>INVESTING ACTIVITIES</b>			
Payments on finance leases receivable		41	120
Additions to property and equipment		(482)	(82)
Additions to intangible assets		(569)	(862)
<b>Cash flows used in investing activities</b>		<b>(1,010)</b>	<b>(824)</b>
<b>FINANCING ACTIVITIES</b>			
Increase (repayment) of credit facility		(540)	(2,358)
Repayment of long-term debt		(428)	(200)
Payment of lease liabilities		(194)	(241)
Proceeds from long-term debt net of financing costs paid		500	1,602
<b>Cash flows used in financing activities</b>		<b>(662)</b>	<b>(1,238)</b>
Effect of exchange rate fluctuations on cash and cash equivalents		82	22
<b>Net change in cash and cash equivalents</b>		<b>(596)</b>	<b>(3,963)</b>
Cash and cash equivalents, beginning of period		3,937	9,134
<b>Cash and cash equivalents, end of period</b>		<b>3,341</b>	<b>5,171</b>
<b>Cash and cash equivalents consist of:</b>			
Cash		3,341	4,696
Cash equivalents		—	475
<b>Interest and income taxes included in operating activities:</b>			
Interest paid		236	171
Income tax paid		19	—

*See accompanying notes.*

**D-BOX Technologies Inc.**  
**NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED**  
**FINANCIAL STATEMENTS**  
December 31, 2022

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

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## **1. DESCRIPTION OF BUSINESS**

D-BOX Technologies Inc. [“D-BOX” or the “Corporation”], incorporated under the *Canada Business Corporations Act*, is located 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 and/or 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 based on its single operating segment which is the design, manufacture and sale of cutting-edge motion systems.

The unaudited interim condensed consolidated financial statements were approved by the Corporation’s Board of Directors on February 9, 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, 2022 annual consolidated financial statements which include the same accounting policies and methods of computation used in the preparation of these financial statements.

**D-BOX Technologies Inc.**  
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**3. INVENTORIES**

	<b>December 31,</b> <b>2022</b>	March 31,
	\$	2022
		\$
Parts and components <sup>(1)</sup>	<b>7,155</b>	4,193
Finished goods	<b>675</b>	970
	<b>7,830</b>	5,163

<sup>(1)</sup> As at December 31, 2022, parts and components include \$1,066 [\$1,320 as of March 31, 2022] of deposits related to the purchase of parts and components which cannot be redeemed for cash.

**4. CREDIT FACILITY**

On July 24, 2020, the Corporation signed an agreement with the National Bank of Canada ["NBC"] related to the availability of a line of credit amounting to \$4,000 for ongoing operations and working capital of the Corporation. The balance as of December 31, 2022 was \$520. This line of credit is renewable annually and bears interest at prime rate [6.45% as of December 31, 2022] 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 of December 31, 2022, the Corporation was in compliance with the financial ratios required under the facility.

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**5. LONG-TERM DEBT**

	<b>December 31, 2022</b>	March 31, 2022
	\$	\$
Loan with the Business Development Bank of Canada ["BDC"] amounting to \$2,000, bearing interest at the banks prime rate [6.45% as of December 31, 2022] plus 1.75% and repayable in 59 monthly capital installments of \$33 from July 2021 to May 2026 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.	<b>1,400</b>	1,700
Loan with the Développement économique de l'agglomération de Longueuil, in the amount of \$100, bore interest at the fixed rate of 6% payable monthly, was repaid during the period.	—	100
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 24 monthly installments of \$9 from the 13 <sup>th</sup> month after disbursement and the balance at maturity in 36 months. 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 BDC.	<b>972</b>	1,000
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 banks prime rate [6.45% as of December 31, 2022] plus 1.75% and repayable in monthly principal installments of \$19 from the 6 <sup>th</sup> month after disbursement and the balance at maturity 12 months after the second disbursement. 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 the Economic Development Agency of Canada ["EDC"].	<b>500</b>	—

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	<b>December 31, 2022</b>	March 31, 2022
	\$	\$
Loan with Canada Economic Development amounting to \$846 for ongoing operations and working capital of the Corporation, repayable in 60 monthly capital installments of \$14 from January 2023 to 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.	<b>765</b>	743
	<b>3,637</b>	3,543
Less: Financing costs	<b>54</b>	92
Less: Current portion of long-term debt	<b>884</b>	601
	<b>2,699</b>	2,850

Debt payments for the next years are as follows:

	\$
2023	884
2024	1,665
2025	643
2026	369
2027	168
	3,729
Less: discounting	92
	3,637

For the three- and the nine-month periods ended December 31, 2022, the interest expense on long-term debt charged to net loss amounted to \$63 and \$159, respectively [\$39 and \$90 for the three- and the nine-month periods ended December 31, 2021].

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## 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

	December 31, 2022		March 31, 2022	
	#	\$	#	\$
<b>Balance at end of period</b>	<b>220,225,573</b>	<b>66,227</b>	220,225,573	66,227

### 6.2 Share-based payments

Changes in the Corporation's stock options for the nine-month periods ended December 31, 2022 and 2021 are summarized in the following table:

	2022		2021	
	#	Weighted average exercise price \$	#	Weighted average exercise price \$
<b>Balance as at March 31</b>	<b>12,691,034</b>	<b>0.15</b>	12,582,034	0.18
Options granted	—	—	25,000	0.12
Options cancelled and expired	(3,421,034)	0.19	(2,261,000)	0.26
<b>Balance as at December 31</b>	<b>9,270,000</b>	<b>0.14</b>	10,346,034	0.16
<b>Options exercisable at end of period</b>	<b>5,087,333</b>	<b>0.17</b>	5,804,871	0.21

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For the three- and the nine-month periods ended December 31, 2022, the share-based payment expense charged to net loss amounted to \$40 and \$130, respectively [\$44 and \$144, respectively, for the three- and the nine-month periods ended December 31, 2021], with a corresponding amount recognized under share-based payments reserve. For the three- and the nine-month periods ended December 31, 2022, the cancellation and expiry of options resulted in a reclassification of \$26 and \$363, respectively [\$15 and \$1,162, respectively, for the three- and the nine-month periods ended December 31, 2021], from the share-based payments reserve to the deficit.

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

**7.1 Financial expenses**

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

	Three Months		Nine Months	
	2022	2021	2022	2021
	\$	\$	\$	\$
Interest expense on long-term debt	63	39	159	90
Interest expense on credit facility	23	6	77	81
Interest expense on lease liabilities	8	13	28	41
Amortization of financing costs	11	14	38	28
Other interest and bank charges	42	(13)	101	65
	147	59	403	305

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**7.2 Government assistance**

For the three- and nine-month periods ended December 31, 2022 and 2021, 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 \$18 and \$60 for the three- and nine-month periods ended December 31, 2022, respectively [nil and \$72 for the three- and nine-month periods ended December 31, 2021, respectively]. The remaining funding has been recorded as a reduction of the related expenses as follows for the three- and nine-month periods ended December 31:

	<b>Three Months</b>		<b>Nine Months</b>	
	<b>2022</b>	2021	<b>2022</b>	2021
	<b>\$</b>	\$	<b>\$</b>	\$
Cost of goods sold excluding amortization	—	—	—	161
Selling and marketing	<b>3</b>	—	<b>250</b>	387
Administration	—	—	—	370
Research and development	<b>242</b>	—	<b>396</b>	200
	<b>245</b>	—	<b>646</b>	1,118