Consolidated Financial Statements

D-BOX Technologies Inc.

For the year ended March 31, 2025

MANAGEMENT REPORT

The accompanying consolidated financial statements of D-BOX Technologies Inc. and all the information in the management's discussion and analysis ["MD&A"] are the responsibility of management.

The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ["IFRS"]. The consolidated financial statements include some amounts that are based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly, in all material respects. Financial information used elsewhere in the MD&A is consistent with that in the consolidated financial statements.

The Board of Directors ["Board"] is responsible for reviewing and approving the consolidated financial statements and the MD&A and ensuring that management fulfills its financial reporting responsibilities. The Board discharges its responsibility primarily through its Audit Committee ["Committee"].

The Committee is appointed by the Board and all its members are independent directors. The Committee meets periodically with management, as well as the independent auditors, to discuss internal control over financial reporting, audit matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities and to review the consolidated financial statements, the independent auditor's report and the MD&A. The Committee reports its findings to the Board for consideration when it approves the consolidated financial statements and the MD&A for issuance to the shareholders.

The consolidated financial statements have been audited by Ernst & Young LLP, the independent auditor, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. The independent auditor has full and free access to the Audit Committee.

Signed:
Sébastien Mailhot
President and Chief Executive Officer
Montréal, Canada

June 10, 2025

Independent auditor's report

To the Shareholders of
D-BOX Technologies Inc.

Opinion

We have audited the consolidated financial statements of D-BOX Technologies Inc. and its subsidiaries [the "Company"], which comprise the consolidated balance sheets as at March 31, 2025 and 2024, and the consolidated statements of net profit and comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ["IFRS"].

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Revision of the comparative period

We draw attention to Note 2 to the consolidated financial statements, which explains that certain comparative information presented for the year ended March 31, 2024 has been restated. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition over system sales	
For the year ended March 31, 2025, the Company had $31.8 million of system sales. As disclosed in Note 3.11, Revenue recognition, the Company recognizes in income the sale of systems when the customer obtains control over the system, which generally occurs upon delivery. Accordingly, we identified the risk of improper revenue recognition with respect to cut-off of system sales as a key audit matter due to the significance of the amount, the various shipping terms and conditions, and the customer locations.	In relation to revenue recognition of system sales, we have performed the following audit procedures, among others: • Performed a walkthrough to understand the related process and identified key controls; • Tested transactions, on a sample basis, against sales contracts, invoices and shipping documents to assess that revenue has been recognized in the correct accounting period based on the customer-specific terms and conditions for the transfer of control; • Obtained support for material manual journal entries affecting system sales.

Other information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters to be the most significant in the audit of the consolidated financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Francis Guimond.

Ernst & Young LLP [1]

Montréal, Canada
June 10, 2025

[1] CPA auditor, public accountancy permit no. A118111

D-BOX Technologies Inc.

CONSOLIDATED BALANCE SHEETS

As at March 31
[in thousands of Canadian dollars]

	Notes	2025 $	2024 $ (revised - note 2)
ASSETS	9, 14		
Current assets			
Cash and cash equivalents		**7,812**	2,916
Short-term deposits		**107**	209
Accounts receivable	4	**6,881**	5,736
Inventories	5	**5,609**	7,188
Prepaid expenses and deposits		**608**	650
Current portion of finance leases receivable	8	**61**	108
		21,078	16,807
Non-current assets			
Property and equipment	6, 13	**5,621**	5,894
Intangible assets	7	**1,349**	1,564
Finance leases receivable	8	**375**	245
		28,423	24,510
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	10, 11	**5,459**	5,323
Derivative financial instruments	19	**484**	45
Provisions	12	**182**	210
Deferred revenues		**980**	502
Current portion of lease liabilities	13	**249**	46
Current portion of long-term debt	14	**301**	494
		7,655	6,620
Non-current liabilities			
Lease liabilities	13	**3,581**	3,831
Long-term debt	14	**920**	1,964
		12,156	12,415
Equity			
Share capital	15.1	**66,470**	66,227
Share-based payment reserve	15.2	**498**	783
Foreign currency translation reserve		**(138)**	(210)
Deficit		**(50,563)**	(54,705)
		16,267	12,095
		28,423	24,510

Contingencies [Note 21]
Subsequent event [Note 22]

See accompanying notes.

On behalf of the Board,

Brigitte Bourque
Director

Sébastien Mailhot
Director

D-BOX Technologies Inc.
CONSOLIDATED STATEMENTS OF NET PROFIT AND COMPREHENSIVE INCOME

For the years ended March 31
[in thousands of Canadian dollars, except share and per-share amounts]

	Notes	2025 $	2024 $
Revenues	16.1		(revised - note 2)
System sales		**31,759**	30,898
Rights for use, rental and maintenance		**11,028**	8,699
		42,787	39,597
Cost of goods sold	5, 6, 7	**20,460**	20,937
Gross profit		**22,327**	18,660
Other expenses			
Selling and marketing	6, 12	**6,595**	6,741
Administration	6, 7, 12	**6,405**	6,743
Research and development	6, 7, 12	**4,376**	3,942
Gain on disposal of assets	20	**–**	(478)
Foreign exchange loss		**615**	57
		17,991	17,005
Net profit before financial expenses (income) and income taxes		**4,336**	1,655
Financial expenses (income)			
Financial expenses	16.2	**531**	600
Interest income		**(79)**	(10)
		452	590
Net profit before income taxes		**3,884**	1,065
Income taxes	17	**26**	7
Net profit		**3,858**	1,058
Items that will be reclassified to profit or loss:			
Foreign currency translation gain		**72**	80
Comprehensive income		**3,930**	1,138
Basic and diluted net profit per share	3.15	**0.017**	0.005

See accompanying notes.

D-BOX Technologies Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Twelve month periods ended March 31
[in thousands of Canadian dollars]

	Notes	Share capital	Share-based payments reserve	Foreign currency translation reserve	Deficit	Total
(revised - note 2)		$	$	$	$	$
Balance as at March 31, 2023		66,227	842	(290)	(55,885)	10,894
Profit		–	–	–	1,058	1,058
Foreign currency translation gain		–	–	80	–	80
Comprehensive income		–	–	80	1,058	1,138
Share-based payments	15.2	–	63	–	–	63
Cancellation and expiration of stock options	15.2	–	(122)	–	122	–
Balance as at March 31, 2024		66,227	783	(210)	(54,705)	12,095
Profit		**–**	**–**	**–**	**3,858**	**3,858**
Foreign currency translation gain		**–**	**–**	**72**	**–**	**72**
Comprehensive income		**–**	**–**	**72**	**3,858**	**3,930**
Exercise of stock options	15.1	**243**	**(95)**	**–**	**–**	**148**
Share-based payments	15.2	**–**	**94**	**–**	**–**	**94**
Cancellation and expiration of stock options	15.2	**–**	**(284)**	**–**	**284**	**–**
Balance as at March 31, 2025		**66,470**	**498**	**(138)**	**(50,563)**	**16,267**

See accompanying notes.

D-BOX Technologies Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Twelve month periods ended March 31
[in thousands of Canadian dollars]

	Notes	2025 $	2024 $
OPERATING ACTIVITIES			(revised - note 2)
Net profit		**3,858**	1,058
Items not affecting cash:			
Amortization of property and equipment	6	**1,216**	1,039
Amortization of intangible assets	7	**567**	720
Amortization of financing costs	16.2	**10**	31
Gain on disposal of assets	20	**–**	(478)
Share-based payments	11, 15.2	**200**	63
Change in fair value of derivative financial instruments		**439**	(117)
Unrealized foreign exchange gain (loss)		**(264)**	108
Interest income on lease receivable	8	**(73)**	18
Interest expense on lease liabilities	13	**248**	47
Accretion of interest expense on long-term debt	14	**19**	25
Cash flows provided by operations before changes in working capital items		**6,220**	2,514
Changes in working capital items:			
Short-term deposits		**102**	(209)
Accounts receivable		**(1,097)**	2,218
Inventories		**1,579**	2,778
Prepaid expenses and deposits		**42**	(148)
Accounts payable and accrued liabilities		**29**	(1,880)
Provisions		**(28)**	91
Deferred revenues		**478**	(2,239)
		1,105	611
Cash flows provided by operating activities		**7,325**	3,125
INVESTING ACTIVITIES			
Finance lease receivables payments	8	**130**	108
Additions to property and equipment	6, 13	**(943)**	(538)
Additions to intangible assets	7	**(352)**	(458)
Disposal of other assets		**–**	500
Cash flows used in investing activities		**(1,165)**	(388)
FINANCING ACTIVITIES			
Repayment of credit facility		**–**	(1,160)
Exercise of stock options	15.1	**148**	–
Repayment of long-term debt	14	**(1,266)**	(1,494)
Payment of lease liabilities	13	**(295)**	(277)
Cash flows used in financing activities		**(1,413)**	(2,931)
Effect of exchange rate fluctuations on cash and cash equivalents		**149**	(6)
Net change in cash and cash equivalents		**4,896**	(200)
Cash and cash equivalents, beginning of period		**2,916**	3,116
Cash and cash equivalents, end of period		**7,812**	2,916
Cash and cash equivalents consist of:			
Cash		**7,812**	2,916
Interest and income taxes included in operating activities:			
Interest		**147**	391
Income taxes		**26**	7

See accompanying notes.

[Amounts are in thousands of Canadian dollars, except share, option, 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 theatrical entertainment, sim racing and simulation and training customers. 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 consolidated financial statements were approved by the Company's Board of Directors on June 10, 2025.

2 REVISION OF THE COMPARATIVE PERIOD

The Company has revised the comparative period for an error identified related to the signature of a 10-year lease amendment of its office space. The lease amendment, which was signed on February 29, 2024, was not accounted for in the previously published 2024 consolidated financial statements.

The following tables summarize the impacts of the aforementioned correction on the Company's consolidated financial statements as at, and for the year ended March 31, 2024:

Consolidated statements of financial position	Previously reported	Adjustment	As revised
Non-current assets			
Property and equipment	2,320	3,574	5,894
Total assets	20,936	3,574	24,510
Current liabilities			
Current portion of lease liability	246	(200)	46
Total current liabilities	6,820	(200)	6,620

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

Non-current liabilities			
Lease liabilities	22	3,809	3,831
Total liabilities	8,806	3,609	12,415
Equity			
Deficit	(54,670)	(35)	(54,705)
Total equity	12,130	(35)	12,095
Total liabilities and equity	20,936	3,574	24,510

Consolidated statements of net profit and comprehensive income	Previously reported	Adjustment	As revised
Other expenses			
Administration	6,728	15	6,743
Total other expenses	16,990	15	17,005
Net profit before financial expenses (income and income taxes	1,670	(15)	1,655
Financial expenses (income)			
Financial expenses	580	20	600
Total financial expenses (income)	570	20	590
Net profit before income taxes	1,100	(35)	1,065
Net profit	1,093	(35)	1,058
Comprehensive income	1,173	(35)	1,138

Consolidated statements of cash flows	Previously reported	Adjustment	As revised
Net profit	1,093	(35)	1,058
Amortization of property and equipment	1,024	15	1,039
Interest expense on lease liabilities	27	20	47

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of presentation and statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ["IFRS"] as issued by the International Accounting Standards Board.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, which are measured at fair value. The significant accounting policies are summarized below.

Changes in accounting standards
New standards, interpretations and amendments effective for annual reporting periods beginning on or after January 1, 2024.

IFRS 16 - Lease liability in a sale and leaseback
In September 2022, the International Accounting Standards Board ["IASB"] issued amendments to IFRS 16 for seller-lessees relating to sale-leaseback transactions. The amendments added requirement to measure lease payments, or revised lease payments, so as to not result in the recognition of a gain or loss relating to the right-of-use asset retained by the seller-lessee.

IAS 1 - Classification of liabilities as current or non-current
In December 2020, the IASB issued amendments to IAS 1 to clarify aspects of how entities classify liabilities as current or non-current.

IAS 7 - Supplier finance arrangements
In May 2023, the IASB issued amendments to IAS 7 and IFRS 7 to add requirements to disclose information that allows users to assess how supplier finance arrangements affect an entity's liabilities, cash flows, and exposure to liquidity risk.

The above changes to accounting standards had no material impact on the Company's consolidated financial statements.

Standards issued but not yet effective
New standards, interpretations and amendments effective for annual reporting periods beginning on or after January 1, 2025.

IAS 21 - Lack of exchangeability
In August 2023, the IASB issued amendments to IAS 21 requiring that entities apply a consistent approach in assessing whether a currency can be exchanged into another currency and in determining the exchange rate to use and the disclosures to provide when it cannot.

IFRS 18 - Presentation and disclosure in financial statements
In April 2024, the IASB issued the new standard IFRS 18, *Presentation and disclosure in financial statements* that will replace IAS 1. The new standard introduces newly defined subtotals on the income statement, requirements for aggregation and disaggregation of information, and disclosure of Management Performance Measures (MPMs) in the financial statements.

The Company is assessing the impacts of the above accounting standards to the consolidated financial statements.

3.2 Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, D-BOX USA Inc. and D-BOX Entertainment Technology (Shanghai) Co. Ltd., which use the same accounting policies and fiscal year-end as the Company. All intercompany balances and transactions have been eliminated on consolidation.

3.3 Significant judgments and estimates

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that could affect the amounts of revenues, expenses, assets and liabilities and the accompanying disclosures, and the disclosures of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

3.3.1 Judgments

In connection with the application of the Company's accounting policies, management has made the following judgments, which have the most material impact on the carrying amounts of assets and liabilities reported in the consolidated financial statements.

3.3.1.1 Leases

The Company is involved in the rental of motion systems as a lessor. The Company has determined, based on its assessment of the terms and conditions of agreements, such as lease term and minimum lease payments, that it may or may not retain substantially all the risks and rewards of ownership of the systems for its lease contracts. Accordingly, the Company has accounted for these agreements as operating or finance leases, as deemed appropriate.

3.3.1.2 Intangible assets

Development costs related to D-BOX motion technology are capitalized in accordance with the accounting policy described in note 3.12. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied, the expected period of benefits and forecasted revenues.

3.3.2 Estimates

The underlying estimates and assumptions are based on past experience and other factors deemed reasonable in view of the circumstances. Accordingly, they provide a basis for judgments made in determining the carrying amounts of assets and liabilities.

The final amounts appearing in the Company's future consolidated financial statements may differ from the amounts currently estimated. These estimates and assumptions are reviewed on an ongoing basis. The main estimates used concern the impairment of non-financial assets, the determination of the incremental borrowing rate used to measure lease liabilities, the recognition of deferred tax benefits, as well as the provision for expected credit losses.

3.3.2.1 Impairment of non-financial assets

Impairment of non-financial assets exists when the carrying amount of an asset exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value-in-use. The calculation of fair value less cost of disposal is based on available data from sales transactions involving similar assets in arms-length exchanges and observable market prices less incremental costs to dispose of the asset.. The value-in-use calculation is based on a discounted cash flow model. The cash flows are derived from the Company's forecast and strategic plan. The recoverable amount is most sensitive to the discount rate used in the discounted cash flow model, the expected future cash flows and the perpetual growth rate used for extrapolation.

3.3.2.2 Provision for expected credit losses of trade accounts receivables

The Company uses a provision matrix to calculate expected credit losses ["ECLs"] for trade accounts receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns [i.e., by geography, customer type and rating, and coverage by credit insurance]. The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade accounts receivables is disclosed in note 4.

3.3.2.3 Determination of the incremental borrowing rate used to measure lease liabilities

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

3.3.2.4 Recognition of deferred tax benefits

Deferred tax assets, including those arising from unutilized tax losses require management to assess the likelihood that the Company will generate taxable earnings in future periods. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that the cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded in the statement of financial position to date, if any, could be impacted.

3.4 Foreign currency translation

The Company's consolidated financial statements are expressed in Canadian dollars, which is its functional currency.

3.4.1 Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rate at the date of the transaction. At the end of each reporting period:

- Foreign currency monetary assets and liabilities are translated using the closing rate. Resulting exchange differences are recognized in net profit for the year;
- Foreign currency non-monetary assets and liabilities are recognized using the historical rate at the date of the transaction.

3.4.2 Translation of the subsidiary's financial statements

The functional currency of the subsidiaries is the US dollar for D-BOX USA Inc. and the RMB for D-BOX Entertainment Technology (Shanghai) Co. Ltd. The balance sheet is translated into Canadian dollars at the closing rate, that is, the exchange rate at the end of the reporting period. Income (loss) and cash flows are translated at the average exchange rates. Differences resulting from this translation are recorded as a foreign currency translation gain (loss) in other comprehensive income (loss).

On the sale of a foreign entity, the translation differences previously recognized in other comprehensive income (loss) are recognized in the consolidated statements of net profit.

3.5 Cash and cash equivalents

Cash consists of cash with financial institutions. Cash equivalents consist of investments which are readily convertible into a known amount of cash and which have an acquisition date maturity of three months or less. Cash and cash equivalents includes cash at banks in high interest savings accounts which earn interest at floating rates based on daily deposit balances.

3.6 Inventories

Finished goods, parts and components are valued at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The amount of the inventory impairment charge may be reversed when the circumstances that gave rise to the impairment no longer exist. The cost of finished goods includes the cost of goods and components, labour costs and a portion of manufacturing overhead costs, based on the Company's normal operating capacity.

3.7 Property and equipment and intangible assets

Property and equipment, and intangible assets are recorded at cost. These assets are amortized over their estimated useful lives using the following methods and rates:

Nature of amortized asset	Method	Period
Property and equipment		
Goods held for lease	Straight-line	10 years
Computer hardware	Straight-line	4 to 5 years
Buildings and leasehold improvements	Straight-line	Lease term
Other equipment	Straight-line	3 to 7 years
Intangible assets		
Patents	Straight-line	Not exceeding 10 years
D-BOX motion technology*	Straight-line	3 to 7 years
Software	Straight-line	4 years

* Internally generated intangible assets.

For finite-life tangible and intangible assets, the Company assesses at each reporting date whether there is an indication that the carrying amount may be impaired. If any such indication exists, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If the asset does not generate cash inflows that are largely independent of those from other assets or group of assets, the recoverable amount is determined by reference to the cash generating unit's value-in-use or fair value less costs of disposal. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

A previously recognized impairment loss is reversed if there has been a change in the estimated recoverable amount since the last impairment loss was recognized. That increased amount cannot exceed the carrying amount that would have been determined, net of accumulated amortization, had no impairment loss been recognized for the asset in prior years. Such a reversal is recognized in the consolidated statements of loss.

3.8 Provision

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount. The expense relating to a provision is presented in the consolidated statements of net profit net of any reimbursement.

Warranty provisions

The Company provides warranties for replacement and repairs of defects that existed at the time of sale. Provisions related to these assurance-type warranties are recognized when the product is sold. Initial recognition is based on historical experience.

Restructuring provisions

Restructuring provisions are recognized only when the Company has a constructive obligation, which is when: (i) there is a detailed formal plan that identifies the business or part of the business concerned, the location and number of employees affected, the detailed estimate of the associated costs, and the timeline; and (ii) the employees affected have been notified of the plan's main features.

3.9 Share-based payment plan

Compensation expense for options granted to employees and directors under the Company’s share-based payment plan is recognized over their vesting period. Such share-based payment expense is determined under the fair value method using the Black-Scholes option pricing model. Any consideration paid on exercise of stock options together with the related portion previously credited to the share-based payment reserve is credited to share capital.

For the share unit plans, the fair value of the amount payable to employees and directors is recognized as an expense, with a corresponding increase in liabilities, over the period that the employees and directors unconditionally become entitled to payment. The liability is re-measured at each reporting date. Any changes in the fair value of the liability are recognized in income (loss) as employee costs or in director fees.

3.10 Leases

The right-of-use asset and lease liability are recognized at the lease commencement date. Certain exemptions apply for short-term leases and leases of low-value assets.

Right-of-use of assets

Right-of-use assets are measured at cost. The cost is based on the initial amount of the lease liability plus initial direct costs incurred and estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located adjusted for any lease payments made at or before the commencement date, less any lease incentives received, if any.

The cost of right-of-use assets are periodically reduced by amortization expenses and impairment losses, if any, and adjusted for certain remeasurement of the lease liability. Right-of-use assets are amortized to the lesser of the useful life or the lease term using the straight-line method as this reflects the expected pattern of consumption of the future economic benefits. The lease term includes the renewal option only if it is reasonably certain to exercise that option.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments mainly include fixed payments less any lease incentives receivable and the exercise price of a purchase option reasonably certain to be exercised. Variable lease payments that do not depend on an index or a rate are recognized as an expense in the period during which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect accretion of interest and reduced for lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment of whether the underlying asset will be purchased.

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise, or not to exercise, the option to renew.

The Company as a lessor

The Company classifies each lease related to commercial theatres motion systems either as an operating or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

For commercial theatre finance leases, the Company recognizes, at the commencement of the lease term, a finance lease receivable in the consolidated balance sheets at an amount equals to the fair value of the leased asset, or if lower, the present value of the minimum lease payments. Finance lease income, included within Right for use, rental and maintenance revenue, is recognized each year in a manner that reflect a constant rate of return on the finance lease asset.

The operating lease agreements for which the Company acts as lessor are related to the rental of motion systems for commercial theaters. These contracts are generally for a period between 5 to 7 years. For these contracts, the Company recognizes operating lease payments as income under Right for use, rental and maintenance as they become due under the term of the agreement, that is, on ticket sales related to commercial usage of motion systems. In the event that the performance of a seat falls short of expectations, the Company has the contractual right to recover these assets which could then be sold or rented to another customer.

3.11 Revenue recognition

The Company's revenues are generated from the sale or lease of motion systems to entertainment market and simulation and training market clients.

Revenue is measured at the fair value of the consideration received or receivable, net of estimated discounts, and after eliminating intercompany sales. Discounts are estimated based on the most likely amount method and using contractual terms with customers.

Revenue from the sale of motion systems is recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when [or as] the entity satisfies a performance obligation.

Revenues arising from sale of motion systems are recognized in income (loss) when the customer obtains control over the system, which generally occurs upon delivery. The cost of systems sold is recognized immediately in income (loss) as cost of goods sold.

Revenues arising from operating leases for motion systems are recognized in income (loss) as they become due under the terms of the arrangement, that is, on ticket sales by the commercial theatre for motion system use. System costs are recorded in property and equipment under goods held for lease.

Revenues arising from motion technology use and maintenance agreements are recognized in income (loss) over the period of service, that is, on commercial usage of motion systems. Costs directly attributable to the production of the motion technology and maintenance are recorded as cost of goods sold as incurred. Costs directly attributable to the production of the motion technology includes the cost of coding theatrical releases that are shown in theaters.

In addition to the above general principles, the Company applies specific revenue recognition for bill and hold transactions. When customers request a bill and hold, revenue is recognized when the customer is invoiced for goods that have been produced, packaged and made ready for shipment. These goods are shipped within a specified period of time and are segregated from other inventory, the control is transferred to the customer, and the terms and collection experience on the related billings are consistent with all other sales.

3.12 Research and development costs

Research costs are charged to income (loss) in the year of expenditure. Development costs related to the D-BOX motion technology are capitalized when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability and intention to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

Following initial recognition of capitalized development costs as an asset, the asset is carried at cost less accumulated amortization and accumulated impairment losses, if any. Amortization begins when development is complete, and the asset is available for use. During the period of development, the asset is tested for impairment annually.

3.13 Government assistance and investment tax credits

Government assistance and refundable investment tax credits are recognized when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions necessary to obtain such assistance. The Company incurs research and development expenses that are eligible for investment tax credits.

Recognized government assistance and refundable investment tax credits are based on management's estimates of amounts expected to be recovered and are subject to audit by tax authorities.

Government assistance and refundable investment tax credits are recognized as a reduction of the cost of the related assets or expenses in the year in which the expenditures are made when management deems that there is reasonable assurance that the conditions for government assistance or investment tax credits have been met.

3.14 Income taxes

The Company follows the liability method of accounting for income taxes. Deferred tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using substantively enacted tax rates and laws that reflect the tax consequences that would follow from the way that the Company expects to recover or settle the carrying amount of its assets and liabilities in the periods in which the deferred tax assets and liabilities are expected to be realized or settled.

Deferred tax assets are recognized to the extent that it is probable that the Company's future taxable income will be sufficient to permit the recovery of such assets.

Deferred tax assets and liabilities are accounted for directly through income (loss), other comprehensive income (loss) or equity, based on the classification of the item to which they relate.

3.15 Earnings (loss) per share

Basic earnings (loss) per common share are calculated by dividing the net profit attributable to common shareholders by the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share are calculated taking into account the dilution that could result if stock options for the issuance of common shares were exercised or converted into common shares at the later of the beginning of the fiscal year or the date of issue. Stock options have only been included in the calculation of diluted weighted average number of common shares outstanding when the average market price of ordinary shares during the period exceeds the exercise price of the stock options. As at March 31, 2025, 3,272,000 [5,829,500 as at March 31, 2024] stock options were not included in the calculation of diluted earnings (loss) per share because the effects would have been antidilutive.

3.16 Financial instruments

3.16.1 Classification, measurement and recognition

A financial asset is classified and subsequently measured at amortized cost; fair value through other comprehensive income ["FVTOCI"]; or fair value through profit and loss ["FVTPL"]. The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding [the "SPPI criterion"]. The Company's financial assets are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion and are classified and subsequently measured at amortized cost.

The financial assets classified and subsequently measured at amortized cost consist of cash, cash equivalents, short-term deposits, and trade accounts receivable.

A financial liability is classified and subsequently measured at amortized cost or FVTPL. The Company's financial liabilities measured at amortized cost consist of trade accounts payable, accrued liabilities, and long-term debt are classified as other financial liabilities. They are initially recognized at fair value, net of directly attributable transaction costs, and are subsequently carried at amortized cost using the effective interest method.

The Company's financial asset and liability at FVTPL comprise derivative financial instruments. Derivative financial instruments consist of foreign exchange contracts [note 19.3] and are accounted for at fair value with changes in fair value recognized in the consolidated statements of net income (loss) under "Foreign exchange loss (gain)". Derivative financial instruments are recognized as financial assets where fair value is positive and as financial liabilities where it is negative.

Derivative financial instruments are measured at fair value in the consolidated balance sheets and are grouped into the three levels of the fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices [unadjusted] in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: unobservable inputs for the asset or liability.

The fair value of derivative financial instruments is determined using the Company's valuation models. These models project future cash flows and discount the future amounts to a present value using the contractual terms of the derivative instrument and factors observable in external markets data, such as period-end foreign exchange rates [Level 2 inputs]. The USD/CAD foreign exchange rate as at March 31, 2025 was 1.4376 [1.3550 as at March 31, 2024].

3.16.2 Impairment of financial assets measures at amortized cost

The Company applies the simplified approach to measuring expected credit losses ["ECL"] which uses a lifetime expected loss allowance for all trade receivables. To measure the ECL, trade accounts receivable and finance leases receivable have been grouped based on shared risk characteristics and the days past due. The Company then applies an ECL based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Trade accounts receivable are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the debtor enters bankruptcy, is in significant financial difficulty or has failed to make contractual payments, unless the Company has reasonable and supportable information to demonstrate that a more lagging criterion is more appropriate.

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

4 ACCOUNTS RECEIVABLE

	2025	2024
	$	$
Trade accounts receivable	**5,955**	5,190
Allowance for expected credit losses	**(254)**	(225)
	5,701	4,965
Investment tax credits	**278**	543
Commodity taxes receivable	**902**	228
	6,881	5,736

The following table is the movement in the allowance for expected credit losses of trade accounts receivable:

	2025	2024
	$	$
Balance, beginning of year	**225**	196
Addition	**97**	58
Write-off	**(68)**	(29)
	254	225

Information about the credit exposure is disclosed in note 19.2.

5 INVENTORIES

	2025	2024
	$	$
Parts and components	**3,890**	5,851
Finished goods	**1,719**	1,337
	5,609	7,188

Inventories charged to cost of goods sold amounted to $14,170 in 2025 [$15,113 in 2024].

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

6 PROPERTY AND EQUIPMENT

Cost	Goods held for lease	Computer hardware	Buildings and leasehold improvements (2)	Other equipment	Total
Balance, March 31, 2023	13,809	2,477	2,422	2,867	21,575
Additions (Revised - note 2)	99	239	3,778	46	4,162
Disposals and write-offs	–	–	–	(2)	(2)
Other changes (1)	8	–	–	–	8
Balance, March 31, 2024	13,916	2,716	6,200	2,911	25,743
Additions	165	22	554	202	943
Disposals and write-offs	(119)	(120)	–	(1,067)	(1,306)
Other changes (1)	366	–	–	–	366
Balance, March 31, 2025	**14,328**	**2,618**	**6,754**	**2,046**	**25,746**

Accumulated amortization	Goods held for lease	Computer hardware	Buildings and leasehold improvements (2)	Other equipment	Total
Balance, March 31, 2023	12,145	2,070	2,101	2,488	18,804
Amortization	470	186	267	116	1,039
Disposals and write-offs	–	–	–	(2)	(2)
Other changes (1)	8	–	–	–	8
Balance, March 31, 2024	12,623	2,256	2,368	2,602	19,849
Amortization	470	195	422	129	1,216
Disposals and write-offs	(119)	(120)	–	(1,067)	(1,306)
Other changes (1)	366	–	–	–	366
Balance, March 31, 2025	**13,340**	**2,331**	**2,790**	**1,664**	**20,125**

Carrying amount	Goods held for lease	Computer hardware	Buildings and leasehold improvements (2)	Other equipment	Total
Balance, March 31, 2024	1,293	460	3,832	309	5,894
Balance, March 31, 2025	**988**	**287**	**3,964**	**382**	**5,621**

(1) Other changes relate to foreign exchange gain (loss).
(2) Building and leasehold improvements include right-of-use assets related to two lease agreements, see note 13.

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

The allocation of amortization to the various items in the consolidated statements of net profit are detailed as follows:

	2025	2024
	$	$
Cost of goods sold	**535**	532
Selling and marketing	**55**	49
Administration	**626**	456
Research and development	**—**	2
	1,216	1,039

7 INTANGIBLE ASSETS

Cost	**Patents**	**D-BOX motion technology** [1]	**Software**	**Total**
Balance, March 31, 2023	2,478	5,962	1,379	9,819
Additions	61	397	–	458
Balance, March 31, 2024	2,539	6,359	1,379	10,277
Additions	84	268	–	352
Disposals and write-offs	–	(105)	–	(105)
Balance, March 31, 2025	**2,623**	**6,522**	**1,379**	**10,524**

Accumulated amortization	**Patents**	**D-BOX motion technology** [1]	**Software**	**Total**
Balance, March 31, 2023	2,261	4,354	1,378	7,993
Amortization	97	622	1	720
Balance, March 31, 2024	2,358	4,976	1,379	8,713
Amortization	83	484	–	567
Disposals and write-offs	–	(105)	–	(105)
Balance, March 31, 2025	**2,441**	**5,355**	**1,379**	**9,175**

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

Carrying amount	**Patents**	**D-BOX motion technology** (1)	**Software**	**Total**
Balance, March 31, 2024	181	1,383	–	1,564
Balance, March 31, 2025	**182**	**1,167**	**–**	**1,349**

(1) Internally generated intangible assets.

The allocation of amortization to the various items in the consolidated statements of net profit is as follows:

	2025	2024
	$	$
Cost of goods sold	**484**	622
Administration	**–**	1
Research and development	**83**	97
	567	720

8 FINANCE LEASES RECEIVABLE

The following table presents the reconciliation between the opening and closing balance of the finance leases receivable:

	2025	2024
	$	$
Balance, beginning of year	**353**	479
Lease payments received	**(130)**	(108)
Interest income	**73**	88
Receivable written off during the year as uncollectible	**113**	(106)
Foreign exchange translation adjustment	**27**	–
Balance, end of year	**436**	353
Current	**61**	108
Non-current	**375**	245

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

Future undiscounted lease payments for the next years are as follows:

	$
2026	136
2027	136
2028	136
2029	136
2030	92
Beyond 5 years	74
Undiscounted lease payments	710
Less: unearned finance income	248
Less: allowance for expected credit losses	26
Finance leases receivable as at March 31, 2025	436

9 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 at March 31, 2024] for the ongoing operations and working capital of the Company. The balance outstanding as at March 31, 2025 was $nil [$nil as at March 31, 2024]. This line of credit is renewable annually and bears interest at prime rate [4.95% as at March 31, 2025, and 7.20% as at 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 March 31, 2025, the Company was in compliance with the financial ratios required under the facility.

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

10 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2025	2024
	$	$
Trade accounts payable	**2,030**	2,329
Accrued liabilities	**3,345**	2,942
Credit facility (1)	**84**	52
	5,459	5,323

(1) As at March 31, 2025, the Company had an unsecured bank credit facility amounting to $454 [$441 as at March 31, 2024] which charged variable interest rates ranging from 18.99% to 19.15% [18.99% to 19.15% as at March 31, 2024].

11 SHARE-BASED PAYMENT 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 is 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. RSU share units vest three years after the grant date and are redeemed for cash or shares at the vesting date or under certain conditions at the option of the holder. DSU share units vest twelve months after the grant date and are redeemed for cash or shares upon cessation of participants service for all vested units. Any change in fair value is recognized in the consolidated statements of net profit.

	2025		2024	
	RSU Share Units	**DSU Share Units**	RSU Share Units	DSU Share Units
Balance, beginning of year	**521,083**	**80,000**	744,208	80,000
Units granted	**2,013,440**	**–**	–	–
Units exercised/released	**–**	**(80,000)**	–	–
Units cancelled and expired	**–**	**–**	(223,125)	–
Balance, end of year	**2,534,523**	**–**	521,083	80,000
Units exercisable at end of year	**–**	**–**	–	80,000

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

For the year ended March 31, 2025, the share-based payment expense included in administration expense amounted to $100 [$35 in 2024]. As at March 31, 2025, an amount of $151 [$51 in 2024] was accounted for in accounts payable and accrued liabilities. During the year ended March 31, 2025, 80,000 DSUs where redeemed for cash of $8.

12 PROVISIONS

	Warranty claims	**Restructuring**	**Total**
	$	**$**	**$**
At April 1, 2024	210	–	210
Charged to profit or loss	100	405	505
Unused amounts reversed	–	(28)	(28)
Utilised in period	(128)	(377)	(505)
Due within one year or less at March 31, 2025	**182**	**–**	**182**

Warranty claims

A provision is recognised for expected warranty claims on products sold during the year, based on past experience of the level of repairs and returns. It is expected that these costs will be incurred in the next financial year. Assumptions used to calculate the provision for warranties were based on current sales levels and current information available about returns and repairs on the warrant period for all products sold. The corresponding expense is recorded in cost of goods sold.

Restructuring

During the year ended March 31, 2025, the Company announced and completed a restructuring related to the reduction of its workforce by approximately 7%. The resulting restructuring expense was recorded in the following:

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

	$
Selling and marketing	324
Administration	23
Research and development	30
	377

13 LEASES

The Company has lease contracts for its office building and certain office equipment used within the office building. These assets are included within buildings and leasehold improvements (note 6). The Company's obligations under its leases are secured by the lessor's title to the leased assets.

The following table presents the carrying amounts of right-of-use assets recognized and the movements during the period:

	2025	2024
Buildings and leasehold improvements	**$**	$
		(revised - note 2)
Balance, beginning of year	**3,748**	308
Additions (note 6)	**–**	3,624
Depreciation expense	**(347)**	(184)
Balance, end of year	**3,401**	3,748

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

The following table presents the reconciliation between the opening and closing balances of the lease liabilities:

	2025	2024
	$	$
		(revised - note 2)
Balance, beginning of year	**3,877**	483
Additions	**–**	3,624
Lease payments	**(295)**	(277)
Interest expense on lease liabilities	**248**	47
Balance, end of year	**3,830**	3,877
Current	**249**	46
Non-current	**3,581**	3,831

The incremental borrowing rate applied to lease liabilities recognized as at March 31, 2025 is 6.45% [6.2% as at March 31, 2024]. The expense related to short-term leases and low-value assets leases during the year ended March 31, 2025 was $nil [$nil in 2024].

Lease payments for the next years are as follows:

	$
2026	487
2027	496
2028	506
2029	508
2030	518
Thereafter	2,700
	5,215
Less: interest	1,385
	3,830

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

14 LONG-TERM DEBT

	2025	2024
	$	$
Loan with the Business Development Bank of Canada ["BDC"] amounted to $2,000. During the year ended March 31, 2025, the Company reimbursed this loan in its entirety. The loan bore interest at the bank's prime rate [9.30% as of March 31, 2024] plus 1.75% and repayable in monthly capital installments of $20. The loan was secured by second ranking hypothec and security interests on all assets of the Corporation and its U.S. subsidiary.	**–**	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 [September 2025 as at March 31, 2024] . 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.	**722**	833
Loan with Canada Economic Development amounting to $846 for ongoing operations and working capital of the Company, repayable in 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.	**499**	626
	1,221	2,468
Less: Financing costs	**–**	10
Less: Current portion of long-term debt	**301**	494
	920	1,964

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

Debt payments for the next years are as follows:

	$
2026	301
2027	301
2028	642
	1,244
Less: discounting	23
	1,221

During the year ended March 31, 2025, the interest expense on long-term debt charged to net profit amounted to $140, including an amount of $19 accounted for as an accretion of interest expense [$234, including an amount of $25 accounted for as an accretion expense for the year ended March 31, 2024].

15 EQUITY

15.1 Share-capital

15.1.1 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].

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

15.1.2 Issued

Changes in Class A common shares of the Company are shown in the following table:

	2025		2024	
	#	**$**	#	$
Balance at beginning of period	**220,226,573**	**66,227**	220,226,573	66,227
Exercise of stock options	**1,713,000**	**243**	–	–
Balance at end of period	**221,939,573**	**66,470**	220,226,573	66,227

During the period, the Company issued 1,713,000 common shares pursuant to the exercise of stock options for gross cash proceeds of $148. The fair value of $95 was transferred from the share-based payments reserve to share capital.

15.2 Share-based payments

The Board of Directors established a stock option plan [the "2015 Plan"]. The material terms and conditions of the 2015 Plan are as follows:

[a] The maximum number of Class A common shares in respect of which options may be outstanding under the 2015 Plan and under all of the Company's other share-based compensation agreements cannot exceed ten percent of the issued and outstanding Class A common shares of the Company at any time;

[b] No option may be granted to any optionee under the 2015 Plan unless the aggregate number of Class A common shares: (a) issued to "insiders" of the Company within any one-year period; and (b) issuable to "insiders" of the Company at any time under the 2015 Plan or combined with all other share-based compensation agreements of the Company, does not exceed ten percent of the total number of issued and outstanding Class A common shares;

[c] The exercise price of options is determined by the Board of Directors at the time the options are granted, but may not be less than the weighted-average trading price of the Class A common shares of the Company on the Toronto Stock Exchange for the five trading days immediately preceding the day on which an option is granted;

[d] At the time of granting an option, the Board of Directors, in its discretion, may set a "vesting schedule", that is, one or more dates from which an option may be exercised in whole or in part. In such event, the Board of Directors will not be under any obligation to set a "vesting schedule" in respect of any other option granted under the 2015 Plan. If the Board of Directors does not set a "vesting schedule" at the

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

time of granting an option, the option will be deemed to vest over a period of 36 months in three equal instalments, with one-third of the option vesting at twelve-month intervals;

[e] Options expire on the date set by the Board of Directors at the time the option is granted, which date may not be more than 10 years after the grant date.

As at March 31, 2025, a maximum of 22,193,957 options [22,022,657 as at March 31, 2024] were issuable. The following tables summarize the changes in the Company's stock options and information on options outstanding as at March 31:

	2025		2024	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
	#	**$**	#	$
Balance, beginning of year	**9,067,500**	**0.12**	8,620,000	0.13
Granted	**3,000,000**	**0.16**	1,800,000	0.08
Exercised	**(1,713,000)**	**0.09**	–	–
Cancelled and expired	**(2,300,000)**	**0.10**	(1,352,500)	0.14
Balance, end of year	**8,054,500**	**0.15**	9,067,500	0.12

	Options outstanding			**Options exercisable**	
Range of exercise prices	**Number of options**	**Weighted average remaining life**	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
$	#	[in years]	$	#	$
0.08 - 0.08	1,100,000	3.88	0.08	366,669	0.08
0.09 - 0.10	2,307,500	1.84	0.09	1,707,500	0.09
0.11 - 0.11	795,000	1.88	0.11	795,000	0.11
0.12 - 0.18	2,980,000	4.79	0.17	580,000	0.13
0.19 - 0.53	872,000	2.21	0.32	872,000	0.32
	8,054,500	**3.25**	**0.15**	**4,321,169**	**0.15**

The fair value of the options granted during the year ended March 31, 2025 was estimated at the date of grant using the Black-Scholes option pricing model based on the following assumptions: 2.82% weighted average risk-free interest rate [3.67% in 2024]; no dividends; 104.77% weighted average volatility factor of the expected market price of the Company's shares [103.30% in 2024]; $0.16 weighted average share price [0.08$ in 2024]; and a 4.48-year expected weighted average option life [5-year in 2024]. 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 forfeiture rate used was 10.37% [9.30% 2024]. The weighted average of the estimated fair value at the grant date of the options awarded was $0.14 per option [0.06$ in 2024], amortized through net profit over the vesting periods of the options.

For the year ended March 31, 2025, the share-based payment expense charged to net profit amounted to $94 [$63 in 2024] with a corresponding amount recognized under the share-based payments reserve. For the year ended March 31, 2025, the cancellation and expiry of options resulted in a reclassification of $284 from the share-based payment reserve to the deficit [$122 in 2024].

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

16 SUPPLEMENTARY INFORMATION ON THE CONSOLIDATED STATEMENTS OF NET PROFIT AND COMPREHENSIVE INCOME

16.1 Revenues

Revenues are disaggregated by country based on the client's location, as well as, by customer grouping as follows:

	2025	2024
Geographical grouping	**$**	$
United States	**21,860**	20,164
Canada	**9,698**	7,904
Europe	**9,384**	8,307
Asia	**808**	2,004
South America	**509**	590
Oceania	**458**	527
Africa	**70**	101
Total revenues	**42,787**	39,597

Customer grouping	**$**	$
Theatrical	**21,390**	20,004
Simulation and training	**8,606**	8,825
Sim racing	**10,020**	7,112
Other	**2,771**	3,656
Total revenues	**42,787**	39,597

For the year ended March 31, 2025, rental revenue from operating leases included under rights for use, rental and maintenance revenues amount to $1,899 [$1,844 in 2024]. For the year ended March 31, 2025, two customers accounted for 23% and 11% of total revenues respectively [22% and 8% respectively in 2024].

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

16.2 *Financial expenses*

The key components of financial expenses are detailed as follows for the years ended March 31:

	2025	2024
	$	$
Interest expense on long-term debt [Note 14]	**140**	234
Interest expense on credit facility	**26**	157
Interest expense on lease liabilities [Note 13]	**248**	47
Amortization of financing costs [Note 14]	**10**	31
Other interest and bank charges	**107**	131
	531	600

16.3 Key management personnel compensation and employee benefits

The management personnel comprise members of the Board of Directors and key senior management of the Company and its subsidiaries. Their compensation is as follows:

	2025	2024
	$	$
Salaries and short-term benefits	**2,634**	2,465
Share-based payments	**49**	49
	2,683	2,514

Employee benefit expenses [including directors] for the year ended March 31, 2025 amount to $12,189 [$11,341 for the year ended March 31, 2024].

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

16.4 *Government assistance*

For the year ended March 31, 2025, 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 year ended March 31, 2025:

	2025	2024
	$	$
Research and development	**517**	638

17 INCOME TAXES

17.1 Current income taxes

The income taxes reported in the consolidated statements of net income stem from the accounts of the U.S. subsidiary. The reconciliation between the income tax expense [or recovery] and the income tax amount computed by applying Canadian statutory income tax rates was as follows:

	2025	2024
	%	%
Income tax recovery using Canadian statutory rates	**26.5**	26.5
Change in income taxes resulting from:		
Effect of difference in foreign tax rate	**(0.96)**	(3.50)
Non-deductible expenses and other differences	**3.94**	(1.70)
Federal investment tax credit claimed in the year	**–**	(24.00)
Financing fees deductible only for tax purposes (equity portion)	**(1.33)**	(5.30)
Prior year adjustments	**(4.24)**	(13.90)
Unrecognized tax benefits of operating losses and other deductions	**(23.29)**	22.50
	0.62	0.60

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

17.2 Deferred income taxes

The key components of the Company's deferred income tax asset and liability are as follows:

	2025		2024	
		$		$
	Asset	**Liability**	Asset	Liability
Recognised in profit and loss				
Net operating loss carry-forwards	**11,068**	**–**	12,670	–
Research and development expenditures	**3,129**	**–**	2,915	–
Carrying amounts of property and equipment below tax bases	**336**	**–**	55	–
Share issue costs and other differences	**176**	**–**	153	–
Derivative financial instruments	**128**	**–**	–	–
Recognised in equity				
Share issuance costs	**271**	**–**	271	–
Total deferred tax	**15,108**	**–**	16,064	–
Unrecognized deferred income tax assets	**(15,108)**	**–**	(16,064)	–
	–	**–**	–	–

The Company has accumulated net operating loss carry-forwards for federal, Québec, United States and China tax purposes, which are available to reduce future taxable income. These loss carry-forwards expire as follows:

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

	Federal	Québec	United States	China
	$	$	$	$
2026	–	–	–	55
2027	–	–	–	80
2028	1,696	38	–	–
2029	3,969	3,981	–	–
2030	4,789	4,802	–	6
2031	4,441	4,445	–	–
2032	4,002	4,002	–	–
2033	1,243	1,310	–	–
2034	280	–	–	–
2035	–	–	–	–
2036	2,150	2,211	–	–
2037	2,803	2,709	–	–
2038	1,595	1,612	–	–
2039	1,669	1,730	–	–
2040	3,708	3,690	–	–
2041	7,861	7,862	–	–
2042	1,682	1,845	–	–
Indefinite	–	–	112	–
	41,888	40,237	112	141

The Company has approximately $10,347 in scientific research and experimental development expenditures for federal tax purposes and $13,634 for Québec tax purposes available to reduce taxable income in future years and be carried forward over an unlimited period. Finally, the non-recoverable portion of federal investment tax credits may be applied against future income taxes payable. These investment tax credits expire as follows:

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

	$
2026	10
2027	132
2028	118
2029	217
2030	154
2031	177
2032	188
2033	95
2034	103
2035	67
2036	124
2037	135
2038	52
2039	66
2040	94
2041	99
2042	123
2043	194
2044	186
2045	201
	2,535

18 CAPITAL MANAGEMENT

The Company's capital includes equity, long-term debt as well as the undrawn portion of its credit facilities.

	2025	2024
	$	$
Undrawn portion of credit facilities *[notes 9 and 10]*	**8,370**	5,889
Long-term debt	**1,221**	2,468
Equity	**16,267**	12,130
	25,858	20,487

Management's strategy and priority is preserving capital to ensure the sustainability of the business. To maximize its ongoing technology development and marketing initiatives, the Company does not pay any dividends.

19 FINANCIAL INSTRUMENTS

19.1 Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk due to fluctuations in interest rates on cash, cash equivalents, and short-term investments that earn interest at market rates and its variable interest rate on the credit facility and the long-term debt. The Company does not use derivative instruments to reduce its exposure to interest rate risk. On an annual basis, a 1% change in interest rates would have had a $75 impact on net profit for the year ended March 31, 2025 [impact of $24 for the year ended March 31, 2024].

The Company manages its interest rate risk by maximizing the interest income earned on excess funds while maintaining the necessary liquidity to conduct its day-to-day operations.

19.2 Credit risk

The Company is exposed to credit losses arising from payment defaults by third parties. The Company evaluates the creditworthiness of its clients to limit the amount of credit extended, where appropriate, and establishes an allowance for expected credit losses sufficient to cover probable and reasonably estimated losses. Furthermore, the Company generally insures its trade accounts receivable balances with Export Development Canada. As at March 31, 2025, three clients accounted for 39% of total trade accounts receivable and 33% of trade accounts receivable were 96% insured [as at March 31, 2024, three clients accounted for 30% of total trade accounts receivable and 26% of trade accounts receivable were 90% insured]. Historically, the Company has never written off a significant amount of trade accounts receivable. Outstanding trade accounts receivable over 90 days past due stood at 7% as at March 31, 2025 [17% as at March 31, 2024]. The Company allowance for expected credit losses amounted to $254 as at March 31, 2025 [$225 as at March 31, 2024]. Accounts receivable included investment tax credits, commodity taxes and government assistance receivables, which are receivable from the government and not exposed to significant credit risk. Cash and cash equivalents are mainly held with a limited number of Canadian chartered banks.

19.3 Foreign exchange risk

The Company is exposed to foreign exchange risk due to cash and cash equivalents, trade accounts receivable, short-term deposits, and accounts payable denominated in U.S. dollars. As at March 31, 2025, financial assets, consisting primarily of cash, trade accounts receivable and deposits denominated in U.S. dollars, totaled US$1,533, US$3,311 and US$125 respectively [US$1,769, US$2,834 and US$107, respectively, as at March 31, 2024], and financial liabilities, consisting of accounts payable denominated in U.S. dollars totaled US$1,680 [US$1,263 as at March 31, 2024]. As at March 31, 2025, a 10% increase or decrease in the exchange rate between the U.S. dollar and the Canadian dollar would have had a $473 impact on net profit [$466 as at March 31, 2024].

Moreover, the Company uses derivative financial instruments to mitigate foreign exchange risk. The Company elected not to apply hedge accounting. However, the Company considers that those derivative instruments partially hedge the foreign exchange risk related to those transactions. As at March 31, 2025, the Company held foreign exchange contracts with a nominal value ranging from US$6,200 to US$6,700 [from US$5,600 to US$6,425 as at March 31, 2024], allowing it to sell U.S. currency at a Canadian dollar exchange rate ranging from 1.3580 to 1.4000 [1.3200 to 1.3720 as at March 31, 2024] maturing from April 2025 to May 2026 [April 2024 to February 2025 as at March 31, 2024].

19.4 Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they become due. The Company manages its liquidity to allow for the settlement of liabilities when they become due by continuously monitoring actual and expected cash flows. In past years, the Company financed its liquidity needs primarily by issuing debt and equity securities. The Company believes that it has sufficient liquidity to meet its working capital obligations and carry on its business for the next twelve months.

As at March 31, 2025, the Company's financial liabilities which had contractual maturities of under one year consisted of its accounts payable and accrued liabilities, derivative financial instruments, current portion of lease liabilities and current portion of long-term debt amounting to $6,493 [$5,908 as at March 31, 2024 - revised]. Non-current contractual liabilities included lease liabilities amounting to $3,581 [$3,831 as at March 31, 2024 – see note 13 for the maturity of lease payments] and long-term debt amounting to $920 [$1,964 as at March 31, 2024 – see note 14 for the maturity of debt payments]. As required under the terms of the amended office lease agreement, for the renovation project undertaken by the Company, it provided a $375,000 letter of credit with NBC to the lessor. The letter of credit expires April 30, 2025.

19.5 Fair value risk

The fair value of cash and cash equivalents, short-term investments, accounts receivable, accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity.

The fair value of long-term debt bearing interest at a variable rate approximates its carrying value because the terms and conditions are comparable to current market terms and conditions.

The fair value of long-term debt bearing interest at a fixed rate is determined using the net present value of principal contractual payment discounted using a rate of 10% and represents an amount of approximately $1,072.

20 OTHER ASSETS

During the year ended March 31, 2024, the Company sold an investment, recorded in other assets, for gross proceeds of $500. The sale resulted in a realized gain on sale of investment of $478. There was no such sale for the year ended March 31, 2025.

21 CONTINGENCIES

In the normal course of business, the Company is party to lawsuits and other proceedings. It is management's opinion that any resulting settlement would not have a material impact on the Company's consolidated financial position or operating results.

22 SUBSEQUENT EVENT

On June 4, 2025, the Company announced a change in Chief Executive Officer effective June 10, 2025. Provisions related to the termination costs of the outgoing Chief Executive Officer will be recorded during Q1 of fiscal 2026.