

Unaudited Interim Condensed Consolidated
Financial Statements

D-BOX Technologies Inc.

For the three months ended June 30, 2024

Notice

The Corporation's independent auditor has not reviewed these interim condensed consolidated financial statements in accordance with standards established by CPA Canada for a review of interim condensed consolidated financial statements by an entity's auditor.

D-BOX Technologies Inc.
UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

As at
[in thousands of Canadian dollars]

	Notes	June 30, 2024 \$	March 31, 2024 \$
ASSETS			
Current assets			
Cash and cash equivalents		1,695	2,916
Short-term deposits		211	209
Accounts receivable		6,828	5,736
Inventories	3	7,360	7,188
Prepaid expenses and deposits		499	650
Current portion of finance leases receivable		108	108
		16,701	16,807
Non-current assets			
Property and equipment		2,118	2,320
Intangible assets		1,506	1,564
Finance leases receivable		222	245
		20,547	20,936
LIABILITIES AND EQUITY			
Current liabilities			
Credit facility	4	520	–
Accounts payable and accrued liabilities		4,644	5,323
Derivative financial instruments		151	45
Warranty provision		195	210
Deferred revenues		665	502
Current portion of lease liabilities		182	246
Current portion of long-term debt	5	516	494
		6,873	6,820
Non-current liabilities			
Lease liabilities		20	22
Long-term debt	5	1,841	1,964
		8,734	8,806
Equity			
Share capital	6.1	66,227	66,227
Share-based payments reserve	6.2	748	783
Foreign currency translation reserve		(230)	(210)
Deficit		(54,932)	(54,670)
		11,813	12,130
		20,547	20,936

Subsequent events [note 8]

See accompanying notes.

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

Three-month periods ended June 30

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

	Notes	2024 \$	2023 \$
Revenues			
System sales		6,326	7,480
Rights for use, rental and maintenance		2,436	3,011
		8,762	10,491
Cost of goods sold			
Cost of goods sold excluding amortization		3,955	4,871
Amortization related to cost of goods sold		256	299
Cost of goods sold		4,211	5,170
Gross profit		4,551	5,321
Other expenses			
Selling and marketing		1,830	1,763
Administration		1,767	1,603
Research and development		1,111	1,160
Foreign exchange loss		72	132
		4,780	4,658
(Loss) income before financial expenses (income) and income taxes		(229)	663
Financial expenses (income)			
Financial expenses	7.1	79	168
Interest income		(2)	(1)
		77	167
(Loss) income before income taxes		(306)	496
Income taxes		10	–
Net (loss) income		(316)	496
<i>Items that will be reclassified to profit or loss:</i>			
Foreign currency translation (loss) gain		(20)	111
Comprehensive (loss) income		(336)	607
Basic and diluted net (loss) income per share		(0.001)	0.002
Basic and diluted weighted average number of common shares outstanding	6.1	220,226,573	220,226,573

See accompanying notes.

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

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

	Notes	Share capital \$	Share- based payments reserve \$	Foreign currency translation reserve \$	Deficit \$	Total \$
Balance as at March 31, 2023		66,227	842	(290)	(55,885)	10,894
Net income		–	–	–	496	496
Foreign currency translation gain		–	–	111	–	111
Comprehensive income		–	–	111	496	607
Share-based payments	6.2	–	16	–	–	16
Cancellation and expiration of stock options	6.2	–	(70)	–	70	–
Balance as at June 30, 2023		66,227	788	(179)	(55,319)	11,517
Balance as at March 31, 2024		66,227	783	(210)	(54,670)	12,130
Net loss		–	–	–	(316)	(316)
Foreign currency translation loss		–	–	(20)	–	(20)
Comprehensive loss		–	–	(20)	(316)	(336)
Share-based payments	6.2	–	19	–	–	19
Cancellation and expiration of stock options	6.2	–	(54)	–	54	–
Balance as at June 30, 2024		66,227	748	(230)	(54,932)	11,813

See accompanying notes.

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

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

	Notes	2024 \$	2023 \$
OPERATING ACTIVITIES			
Net (loss) income		(316)	496
Items not affecting cash:			
Amortization of property and equipment		259	255
Amortization of intangible assets		142	191
Amortization of financing costs	7.1	6	13
Share-based payments	6.2	19	16
Change in fair value of derivative financial instruments		106	(196)
Unrealized foreign exchange gain		(34)	(84)
Interest income on lease receivable		(18)	(22)
Interest expense on lease liabilities	7.1	4	7
Accretion of interest expense on long-term debt		5	7
Cash flows provided by operations before changes in working capital items		173	683
Changes in working capital items:			
Short-term deposits		(2)	(204)
Accounts receivable		(1,043)	181
Inventories		(172)	699
Prepaid expenses and deposits		151	(80)
Accounts payable and accrued liabilities		(672)	(2,293)
Warranty provision		(15)	(11)
Deferred revenues		163	166
		(1,590)	(1,338)
Cash flows used in operating activities		(1,417)	(655)
INVESTING ACTIVITIES			
Finance lease receivables payments		41	38
Additions to property and equipment		(57)	(152)
Additions to intangible assets		(84)	(127)
Cash flows used in investing activities		(100)	(241)
FINANCING ACTIVITIES			
Proceeds from credit facility		520	1,960
Repayment of long-term debt		(112)	(225)
Payment of lease liabilities		(70)	(66)
Cash flows provided by financing activities		338	1,669
Effect of exchange rate fluctuations on cash and cash equivalents		(42)	(8)
Net change in cash and cash equivalents		(1,221)	765
Cash and cash equivalents, beginning of period		2,916	3,116
Cash and cash equivalents, end of period		1,695	3,881
Cash and cash equivalents consist of:			
Cash		1,695	3,881
Interest and income taxes included in operating activities:			
Interest		48	132
Income taxes		10	-

See accompanying notes.

D-BOX Technologies Inc.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024

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

1. DESCRIPTION OF BUSINESS

D-BOX Technologies Inc. ["D-BOX" or the "Corporation"], incorporated under the *Canada Business Corporations Act*, is domiciled at 2172 de la Province Street, Longueuil, Québec, Canada.

D-BOX designs, manufactures and commercializes haptic motion systems intended for the entertainment and simulation and training markets. This patented technology uses motion effects specifically programmed for each visual content, which are sent to a motion system integrated into either a platform, a seat or any other product. The resulting motion is synchronized with the on-screen action, thus creating a realistic immersive experience.

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

The unaudited interim condensed consolidated financial statements were approved by the Corporation's Board of Directors on August 13, 2024.

2. BASIS OF PRESENTATION

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standards 34 ["IAS 34"], *Interim Financial Reporting*. They are interim condensed consolidated financial statements because they do not include all disclosures required under International Financial Reporting Standards ["IFRS"] for annual consolidated financial statements. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the March 31, 2024 annual consolidated financial statements which include the same accounting policies and methods of computation used in the preparation of these financial statements.

3. INVENTORIES

	June 30, 2024	March 31, 2024
	\$	\$
Parts and components	6,381	5,851
Finished goods	979	1,337
	7,360	7,188

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

June 30, 2024

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

4. CREDIT FACILITY

On October 3, 2023, the Corporation signed an amended agreement with the National Bank of Canada ["NBC"] related to the availability of a line of credit amounting to \$5,500 for the ongoing operations and working capital of the Corporation. The balance outstanding as of June 30, 2024 was \$520 [nil as of March 31, 2024]. This line of credit is renewable annually and bears interest at prime rate [6.95% as of June 30, 2024, and 7.20% as of March 31, 2024] plus 2.50%. The line of credit is secured by first-ranking hypothec and security interests on all assets of the Corporation and its U.S. subsidiary. As at June 30, 2024, the Corporation was in compliance with the financial ratios required under the facility.

5. LONG-TERM DEBT

	June 30, 2024	March 31, 2024
	\$	\$
Loan with the Business Development Bank of Canada ["BDC"] amounting to \$2,000, bearing interest at the bank's prime rate [9.05% as of June 30, 2024, 9.30% as of March 31, 2024] plus 1.75% and repayable in monthly capital installments of \$20, maturing in June 2028. The loan is secured by second ranking hypothec and security interests on all assets of the Corporation and its U.S. subsidiary.	949	1,009
Loan with the NBC amounting to \$1,000 for ongoing operations and working capital of the Corporation, bearing interest at the fixed rate of 4% payable monthly, and principal repayable in monthly installments of \$9 and the balance at maturity in September 2025. The loan is secured by a first-ranking hypothec and security interests on all assets of the Corporation and its U.S. subsidiary and is guaranteed by BDC.	806	833
Loan with Canada Economic Development amounting to \$846 for ongoing operations and working capital of the Corporation, repayable in monthly capital installments of \$9 until October 2024, and then monthly capital installments of \$16 until maturity in December 2027. The loan does not bear interest [effective interest rate of 4%] and is not secured. At inception of this loan, the discounting was recognized as government assistance and recorded as a reduction of administration expense.	606	626

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

June 30, 2024

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

	June 30,	March 31,
	2024	2024
	\$	\$
	2,361	2,468
Less: Financing costs	4	10
Less: Current portion of long-term debt	516	494
	1,841	1,964

Debt payments for the next years are as follows:

	\$
2025	516
2026	1,122
2027	427
2028	332
	2,397
Less: discounting	36
	2,361

6. EQUITY

6.1 Share-capital

6.1.1 Authorized

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

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

6.1.2 Issued

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

D-BOX Technologies Inc.
NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED
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[Amounts are in thousands of Canadian dollars, except share, option, warrant, per-share and per-option amounts]

6.2 Share-based payments

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

	2024		2023	
	Number	Weighted average exercise price	Number	Weighted average exercise price
	#	\$	#	\$
Balance as at March 31	9,067,500	0.12	8,620,000	0.13
Options cancelled and expired	(800,000)	0.09	(517,500)	0.19
Balance as at June 30	8,267,500	0.12	8,102,500	0.13
Options exercisable at end of period	5,977,500	0.13	5,993,334	0.14

For the three-month period ended June 30, 2024, the share-based payment expense charged to net income (loss) amounted to \$19 [\$16 for the period ended June 30, 2023] with a corresponding amount recognized under share-based payments reserve. For the three-month period ended June 30, 2024, the cancellation and expiry of options resulted in reclassification of \$54 [\$70 for the period ended June 30, 2023] from the share-based payments reserve to the deficit.

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

D-BOX Technologies Inc.
NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED
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[Amounts are in thousands of Canadian dollars, except share, option, warrant, per-share and per-option amounts]

7.1 Financial expenses

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

	2024	2023
	\$	\$
Interest expense on long-term debt	41	70
Interest expense on credit facility	7	62
Interest expense on lease liabilities	4	7
Amortization of financing costs	6	13
Other interest and bank charges	21	16
	79	168

7.2 Government assistance

For the periods ended June 30, 2024 and 2023, the Corporation recognized government assistance from various governmental entities. Government assistance received has been recorded as a reduction of the related expenses as follows for the three-month periods ended June 30:

	2024	2023
	\$	\$
Research and development	99	41

8. SUBSEQUENT EVENTS

On July 31, 2024, the Corporation signed the eighth amending agreement with the NBC relating to its loan facilities. The amendment increases the line of credit from \$5,500 to \$8,000 for the ongoing operations and working capital of the Corporation. The eighth amending agreement also extends the maturity of the \$1,000 loan with NBC, guaranteed by BDC, to September 2027.

On August 7, 2024, the Corporation announced its plan to reduce its workforce by approximately 8% before the end of the fiscal year. Provisions related to employee termination costs will be recorded during Q2 of fiscal 2025.