

Unaudited Interim Condensed Consolidated
Financial Statements

D-BOX Technologies Inc.

For the three- and nine-months ended December 31, 2023

Notice

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

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

As at
[in thousands of Canadian dollars]

	Notes	December 31, 2023 \$	March 31, 2023 \$
ASSETS			
Current assets			
Cash and cash equivalents		2,406	3,116
Short-term deposits		208	—
Accounts receivable		6,084	8,039
Derivative financial instruments		61	—
Inventories	3	7,985	9,966
Prepaid expenses and deposits		526	502
Current portion of finance leases receivable		127	128
		17,397	21,751
Non-current assets			
Property and equipment		2,463	2,771
Intangible assets		1,638	1,826
Finance leases receivable		373	351
Other assets		22	22
		21,893	26,721
LIABILITIES AND EQUITY			
Current liabilities			
Credit facility	4	340	1,160
Accounts payable and accrued liabilities		5,901	7,266
Derivative financial instruments		—	162
Warranty provision		166	119
Deferred revenues		1,135	2,741
Current portion of lease liabilities		258	243
Current portion of long-term debt	5	472	1,643
		8,272	13,334
Non-current liabilities			
Lease liabilities		74	240
Long-term debt	5	2,087	2,253
		10,433	15,827
Equity			
Share capital	6.1	66,227	66,227
Share-based payments reserve	6.2	773	842
Foreign currency translation reserve		(247)	(290)
Deficit		(55,293)	(55,885)
		11,460	10,894
		21,893	26,721

Subsequent event [Note 8]

See accompanying notes.

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

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

	Notes	Three Months		Nine Months	
		2023	2022	2023	2022
		\$	\$	\$	\$
Revenues					
System sales		6,657	8,446	22,845	17,138
Rights for use, rental and maintenance		1,418	2,009	6,573	6,572
		8,075	10,455	29,418	23,710
Cost of goods sold excluding amortization					
Amortization related to cost of goods sold		296	390	895	1,078
Cost of goods sold		4,338	5,863	15,492	12,220
Gross profit		3,737	4,592	13,926	11,490
Other expenses					
Selling and marketing		1,611	1,863	5,060	4,721
Administration		1,579	1,711	4,995	4,753
Research and development		932	1,145	2,887	2,716
Impairment (reversal)		—	—	—	(223)
Gain on disposal of assets		—	—	(1)	(5)
Foreign exchange (gain) loss		(110)	(165)	12	(70)
		4,012	4,554	12,953	11,892
(Loss) profit before financial expenses (income) and income taxes		(275)	38	973	(402)
Financial expenses (income)					
Financial expenses	7.1	158	147	501	403
Interest income		(6)	—	(8)	(1)
		152	147	493	402
(Loss) profit before income taxes		(427)	(109)	480	(804)
Income taxes (recovery)		(2)	1	7	19
(Net loss) profit		(425)	(110)	473	(823)
<i>Items that will be reclassified to profit or loss:</i>					
Foreign currency translation (loss) gain		(43)	(9)	43	(150)
Comprehensive (loss) income		(468)	(119)	516	(973)
Basic and diluted (net loss) profit per share		(0.002)	(0.000)	0.002	(0.004)
Weighted average number of common shares outstanding	6.1	220,226,573	220,225,573	220,226,573	220,225,573

See accompanying notes.

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

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

	Notes	Share capital \$	Share- based payments reserve \$	Warrants reserve \$	Foreign currency translation reserve \$	Deficit \$	Total \$
Balance as at March 31, 2022		66,227	1,220	1,355	(137)	(56,831)	11,834
Net loss		—	—	—	—	(823)	(823)
Foreign currency translation loss		—	—	—	(150)	—	(150)
Comprehensive loss		—	—	—	(150)	(823)	(973)
Share-based payments	6.2	—	130	—	—	—	130
Cancellation and expiration of stock options	6.2	—	(363)	—	—	363	—
Balance as at December 31, 2022		66,227	987	1,355	(287)	(57,291)	10,991
Balance as at March 31, 2023		66,227	842	—	(290)	(55,885)	10,894
Profit		—	—	—	—	473	473
Foreign currency translation gain		—	—	—	43	—	43
Comprehensive income		—	—	—	43	473	516
Share-based payments	6.2	—	50	—	—	—	50
Cancellation and expiration of stock options	6.2	—	(119)	—	—	119	—
Balance as at December 31, 2023		66,227	773	—	(247)	(55,293)	11,460

See accompanying notes.

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

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

Notes	2023 \$	2022 \$
OPERATING ACTIVITIES		
Profit (net loss)	473	(823)
Items not affecting cash:		
Amortization of property and equipment	848	871
Amortization of intangible assets	571	749
Amortization of financing costs	25	38
Impairment (reversal)	—	(223)
Gain on disposal of assets	(1)	(5)
Share-based payments	35	208
Change in fair value of derivative financial instruments	(223)	284
Unrealized foreign exchange loss (gain)	147	(351)
Interest income on lease receivable	(66)	(65)
Interest expense on lease liabilities	22	28
Accretion of interest expense on long-term debt	27	22
Cash flows provided by operations before changes in working capital items	1,858	733
Changes in working capital items:		
Short-term deposits	(208)	—
Accounts receivable	1,937	(1,958)
Inventories	1,981	(2,667)
Prepaid expenses and deposits	(24)	(39)
Other assets	—	375
Accounts payable and accrued liabilities	(1,361)	3,380
Warranty provision	47	52
Deferred revenues	(1,606)	1,118
	766	261
Cash flows provided by operating activities	2,624	994
INVESTING ACTIVITIES		
Finance lease receivables payments	38	41
Additions to property and equipment	(504)	(482)
Additions to intangible assets	(383)	(569)
Cash flows used in investing activities	(849)	(1,010)
FINANCING ACTIVITIES		
Repayment of credit facility	(820)	(540)
Repayment of long-term debt	(1,389)	(428)
Payment of lease liabilities	(208)	(194)
Proceeds from long-term debt	—	500
Cash flows used in financing activities	(2,417)	(662)
Effect of exchange rate fluctuations on cash and cash equivalents	(68)	82
Net change in cash and cash equivalents	(710)	(596)
Cash and cash equivalents, beginning of period	3,116	3,937
Cash and cash equivalents, end of period	2,406	3,341
Cash and cash equivalents consist of:		
Cash	2,406	3,341
Cash equivalents	—	—
Interest and income taxes included in operating activities:		
Interest paid	343	236
Income taxes	7	19

See accompanying notes.

D-BOX Technologies Inc.
NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
December 31, 2023

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

1. DESCRIPTION OF BUSINESS

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

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

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

The unaudited interim condensed consolidated financial statements were approved by the Corporation’s Board of Directors on February 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, 2023 annual consolidated financial statements which include the same accounting policies and methods of computation used in the preparation of these financial statements.

3. INVENTORIES

	December 31,	March 31,
	2023	2023
	\$	\$
Parts and components ⁽¹⁾	6,705	8,934
Finished goods	1,280	1,032
	7,985	9,966

⁽¹⁾ As at December 31, 2023, parts and components include \$361 [\$1,297 as of March 31, 2023] of deposits related to the purchase of parts and components which cannot be redeemed for cash.

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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 [\$4,000 as of March 31, 2023] for the ongoing operations and working capital of the Corporation. The balance outstanding as of December 31, 2023 was \$340 [\$1,160 as of March 31, 2023]. This line of credit is renewable annually and bears interest at prime rate [7.20% as of December 31, 2023, and 6.70% as of March 31, 2023] plus 2.50% [3.25% as of March 31, 2023]. 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 December 31, 2023, the Corporation was in compliance with the financial ratios required under the facility.

5. LONG-TERM DEBT

	December 31,	March 31,
	2023	2023
	\$	\$
Loan with the Business Development Bank of Canada ["BDC"] amounting to \$2,000, bearing interest at the bank's prime rate [9.30% as of December 31, 2023, 8.80% as of March 31, 2023] 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.	1,068	1,300
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.	861	944
Loan with the NBC amounting to \$1,000 for ongoing operations and working capital of the Corporation, was repaid during the period.	—	963

D-BOX Technologies Inc.
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	December 31,	March 31,
	2023	2023
	\$	\$
Loan with Canada Economic Development amounting to \$846 for ongoing operations and working capital of the Corporation, repayable in monthly capital installments of \$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. The discounting is recognized as government assistance and recorded as a reduction of administration expenses.	647	731
	2,576	3,938
Less: Financing costs	17	42
Less: Current portion of long-term debt	472	1,643
	2,087	2,253

Debt payments for the next years are as follows:

	\$
2024	472
2025	1,177
2026	427
2027	427
2028	99
	2,602
Less: discounting	26
	2,576

For the three- and the nine-month periods ended December 31, 2023, the interest expense on long-term debt charged to (net loss) profit amounted to \$51 and \$191, respectively [\$63 and \$159 for the three- and the nine-month periods ended December 31, 2022].

On October 3, 2023, the Corporation signed the seventh amending agreement with the NBC relating to its loan facilities. This amendment extends the maturity of the \$1,000 loan with NBC, guaranteed by BDC, to September 2025 from September 2024.

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6. EQUITY

6.1 Share-capital

6.1.1 Authorized

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

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

6.1.2 Issued

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

6.2 Share-based payments

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

	2023		2022	
	Number #	Weighted average exercise price \$	Number #	Weighted average exercise price \$
Balance as at March 31	8,620,000	0.13	12,691,034	0.15
Options cancelled and expired	(1,252,500)	0.15	(3,421,034)	0.19
Balance as at December 31	7,367,500	0.13	9,270,000	0.14
Options exercisable at end of period	5,341,667	0.14	5,087,333	0.17

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For the three- and nine-month periods ended December 31, 2023, the share-based payment expense charged to (net loss) profit amounted to \$17 and \$50, respectively [\$40 and \$130 for the three- and nine-month periods ended December 31, 2022, respectively] with a corresponding amount recognized under share-based payments reserve. For the three- and nine-month periods ended December 31, 2023, the cancellation and expiry of options resulted in reclassification of \$48 and \$119, respectively [\$26 and \$363 for the three- and nine-month periods ended December 31, 2022, respectively] from the share-based payments reserve to the deficit.

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

7.1 Financial expenses

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

	Three Months		Nine Months	
	2023	2022	2023	2022
	\$	\$	\$	\$
Interest expense on long-term debt	51	63	191	159
Interest expense on credit facility	32	23	152	77
Interest expense on lease liabilities	6	8	22	28
Amortization of financing costs	6	11	25	38
Other interest and bank charges	63	42	111	101
	158	147	501	403

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7.2 Government assistance

For the three- and nine-month periods ended December 31, the Corporation recognized government assistance from various governmental entities. The funding has been recorded as a reduction of the related expenses as follows for the three- and nine-month periods ended December 31:

	Three Months		Nine Months	
	2023	2022	2023	2022
	\$	\$	\$	\$
Selling and marketing	—	3	—	250
Research and development	228	242	435	396
	228	245	435	646

8. SUBSEQUENT EVENT

Subsequent to period end, the Corporation 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.