

Unaudited Interim Condensed Consolidated  
Financial Statements

**D-BOX Technologies Inc.**

For the three and nine months ended December 31, 2024

**Notice**

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

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

As at

[in thousands of Canadian dollars]

	Notes	December 31, 2024	March 31, 2024
		\$	\$
<b>ASSETS</b>	5		
<b>Current assets</b>			
Cash and cash equivalents	3	6,333	2,916
Short-term deposits		106	209
Accounts receivable		7,258	5,736
Inventories	4	5,785	7,188
Prepaid expenses and deposits		619	650
Current portion of finance leases receivable		110	108
		<b>20,211</b>	16,807
<b>Non-current assets</b>			
Property and equipment		5,620	2,320
Intangible assets		1,435	1,564
Finance leases receivable		261	245
		<b>27,527</b>	20,936
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		5,281	5,323
Derivative financial instruments		619	45
Provisions	6	317	210
Deferred revenues		478	502
Current portion of lease liabilities		209	246
Current portion of long-term debt	7	301	494
		<b>7,205</b>	6,820
<b>Non-current liabilities</b>			
Lease liabilities		3,645	22
Long-term debt	7	991	1,964
		<b>11,841</b>	8,806
<b>Equity</b>			
Share capital	8.1	66,462	66,227
Share-based payments reserve	8.2	463	783
Foreign currency translation reserve		(193)	(210)
Deficit		(51,046)	(54,670)
		<b>15,686</b>	12,130
		<b>27,527</b>	20,936

See accompanying notes.

## D-BOX Technologies Inc.

### UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET PROFIT AND COMPREHENSIVE INCOME

For the three and nine month periods ended December 31, 2024  
[in thousands of Canadian dollars, except share and per-share amounts]

	Notes	Three months		Nine months	
		2024	2023	2024	2023
		\$	\$	\$	\$
<b>Revenues</b>					
System sales		10,136	6,657	25,391	22,845
Rights for use, rental and maintenance		3,163	1,418	8,787	6,573
		<b>13,299</b>	8,075	<b>34,178</b>	29,418
Cost of goods sold	6	6,612	4,338	16,512	15,492
<b>Gross profit</b>		<b>6,687</b>	3,737	<b>17,666</b>	13,926
<b>Other expenses</b>					
Selling and marketing	6	1,810	1,611	5,353	5,060
Administration	6	1,574	1,579	4,994	4,995
Research and development	6, 9.2	1,187	932	3,277	2,887
Gain on disposal of assets		—	—	—	(1)
Foreign exchange loss (gain)		470	(110)	409	12
		<b>5,041</b>	4,012	<b>14,033</b>	12,953
<b>Net profit before financial expenses (income) and income taxes</b>		<b>1,646</b>	(275)	<b>3,633</b>	973
<b>Financial expenses (income)</b>					
Financial expenses	9.1	128	158	312	501
Interest income		(24)	(6)	(40)	(8)
		<b>104</b>	152	<b>272</b>	493
<b>Net profit before income taxes</b>		<b>1,542</b>	(427)	<b>3,361</b>	480
Income taxes		11	(2)	21	7
<b>Net profit</b>		<b>1,531</b>	(425)	<b>3,340</b>	473
<i>Items that will be reclassified to profit or loss:</i>					
Foreign currency translation gain (loss)		67	(43)	17	43
<b>Comprehensive income</b>		<b>1,598</b>	(468)	<b>3,357</b>	516
<b>Basic and diluted net profit per share</b>		<b>0.007</b>	(0.002)	<b>0.015</b>	0.002

See accompanying notes.

## D-BOX Technologies Inc.

### UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Nine month periods ended December 31, 2024

[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
Profit		–	–	–	473	473
Foreign currency translation gain		–	–	43	–	43
Comprehensive income		–	–	43	473	516
Share-based payments	8.2	–	50	–	–	50
Cancellation and expiration of stock options	8.2	–	(119)	–	119	–
Balance as at December 31, 2023		66,227	773	(247)	(55,293)	11,460
<b>Balance as at March 31, 2024</b>		<b>66,227</b>	<b>783</b>	<b>(210)</b>	<b>(54,670)</b>	<b>12,130</b>
<b>Profit</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>3,340</b>	<b>3,340</b>
<b>Foreign currency translation gain</b>		<b>–</b>	<b>–</b>	<b>17</b>	<b>–</b>	<b>17</b>
<b>Comprehensive income</b>		<b>–</b>	<b>–</b>	<b>17</b>	<b>3,340</b>	<b>3,357</b>
<b>Exercise of options</b>	8.1	<b>235</b>	<b>(93)</b>	<b>–</b>	<b>–</b>	<b>142</b>
<b>Share-based payments</b>	8.2	<b>–</b>	<b>57</b>	<b>–</b>	<b>–</b>	<b>57</b>
<b>Cancellation and expiration of stock options</b>	8.2	<b>–</b>	<b>(284)</b>	<b>–</b>	<b>284</b>	<b>–</b>
<b>Balance as at December 31, 2024</b>		<b>66,462</b>	<b>463</b>	<b>(193)</b>	<b>(51,046)</b>	<b>15,686</b>

See accompanying notes.

## D-BOX Technologies Inc.

# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Nine month periods ended December 31, 2024

[in thousands of Canadian dollars]

	Notes	2024 \$	2023 \$
<b>OPERATING ACTIVITIES</b>			
Net profit		3,340	473
Items not affecting cash:			
Amortization of property and equipment		813	848
Amortization of intangible assets		416	571
Amortization of financing costs	9.1	10	25
Gain on disposal of assets		–	(1)
Share-based payments	8.2	57	35
Change in fair value of derivative financial instruments		574	(223)
Unrealized foreign exchange gain (loss)		(159)	147
Interest income on lease receivable		(53)	(66)
Interest expense on lease liabilities	9.1	69	22
Accretion of interest expense on long-term debt		14	27
Cash flows provided by operations before changes in working capital items		5,081	1,858
<b>Changes in working capital items:</b>			
Short-term deposits		103	(208)
Accounts receivable		(1,491)	1,937
Inventories		1,403	1,981
Prepaid expenses and deposits		31	(24)
Accounts payable and accrued liabilities		78	(1,361)
Provisions		107	47
Deferred revenues		(24)	(1,606)
<b>Cash flows provided by operating activities</b>		<b>5,288</b>	<b>2,624</b>
<b>INVESTING ACTIVITIES</b>			
Finance lease receivables payments		41	38
Additions to property and equipment		(383)	(504)
Additions to intangible assets		(287)	(383)
<b>Cash flows used in investing activities</b>		<b>(629)</b>	<b>(849)</b>
<b>FINANCING ACTIVITIES</b>			
Repayment of credit facility		–	(820)
Exercise of options		142	–
Repayment of long-term debt		(1,190)	(1,389)
Payment of lease liabilities		(208)	(208)
<b>Cash flows used in financing activities</b>		<b>(1,256)</b>	<b>(2,417)</b>
Effect of exchange rate fluctuations on cash and cash equivalents		14	(68)
<b>Net change in cash and cash equivalents</b>		<b>3,417</b>	<b>(710)</b>
Cash and cash equivalents, beginning of period		2,916	3,116
<b>Cash and cash equivalents, end of period</b>		<b>6,333</b>	<b>2,406</b>
<b>Cash and cash equivalents consist of:</b>			
Cash		6,333	2,406
<b>Interest and income taxes included in operating activities:</b>			
Interest		134	343
Income taxes		21	7

See accompanying notes.

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

December 31, 2024

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

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**1. DESCRIPTION OF BUSINESS**

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

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

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

The unaudited interim condensed consolidated financial statements were approved by the Company's Board of Directors on February 12, 2025.

**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. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents includes cash at banks in high interest savings accounts which earn interest at floating rates based on daily deposit balances.

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**4. INVENTORIES**

	<b>December 31, 2024</b>	March 31, 2024
	\$	\$
Parts and components	<b>4,713</b>	5,851
Finished goods	<b>1,072</b>	1,337
	<b>5,785</b>	7,188

**5. CREDIT FACILITY**

On July 31, 2024, the Company signed an amended agreement with the National Bank of Canada ["NBC"] related to the availability of a line of credit amounting to \$8,000 [\$5,500 as of March 31, 2024] for the ongoing operations and working capital of the Company. The balance outstanding as of December 31, 2024 was \$nil [\$nil as of March 31, 2024]. This line of credit is renewable annually and bears interest at prime rate [5.45% as of December 31, 2024, and 7.20% as of March 31, 2024] plus 2.50%. The line of credit is secured by first-ranking hypothec and security interests on all assets of the Company and its U.S. subsidiary. As at December 31, 2024, the Company was in compliance with the financial ratios required under the facility.

**6. PROVISIONS**

	<b>Warranty claims</b>	<b>Restructuring</b>	<b>Total</b>
	\$	\$	\$
At April 1, 2024	210	–	210
Charged to profit or loss	100	405	505
Utilised in period	(122)	(276)	(398)
<b>Due within one year or less at December 31, 2024</b>	<b>188</b>	<b>129</b>	<b>317</b>

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**Restructuring**

The Company recorded a restructuring provision during the period related to the reduction of its workforce by approximately 8%. The restructuring is expected to be completed by year end. For the nine month period ended December 31, 2024, restructuring expense resulted in the following:

	<b>\$</b>
Cost of goods sold	28
Selling and marketing	324
Administration	23
Research and development	30
	<b>405</b>

**7. LONG-TERM DEBT**

	<b>December 31, 2024</b>	March 31, 2024
	<b>\$</b>	<b>\$</b>
Loan with the Business Development Bank of Canada ["BDC"] amounted to \$2,000. During the period, the Company reimbursed this loan in its entirety.	–	1,009
Loan with the NBC amounting to \$1,000 for ongoing operations and working capital of the Company, bearing interest at the fixed rate of 4% payable monthly, and principal repayable in monthly installments of \$9 and the balance at maturity in September 2027. The loan is secured by a first-ranking hypothec and security interests on all assets of the Company and its U.S. subsidiary and is guaranteed by BDC.	<b>750</b>	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.	<b>542</b>	626
	<b>1,292</b>	2,468
Less: Financing costs	–	10
Less: Current portion of long-term debt	<b>301</b>	494
	<b>991</b>	1,964



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Debt payments for the next years are as follows:

	<b>\$</b>
2025	301
2026	301
2027	718
	1,320
Less: discounting	28
	<b>1,292</b>

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

## **8. EQUITY**

### **8.1 Share-capital**

#### *8.1.1 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].

#### *8.1.2 Issued*

	<b>December 31, 2024</b>		March 31, 2024	
	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
Balance at beginning of period	<b>220,226,573</b>	<b>66,227</b>	220,226,573	66,227
Exercise of options	<b>1,650,000</b>	<b>235</b>	–	–
Balance at end of period	<b>221,876,573</b>	<b>66,462</b>	220,226,573	66,227

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During the period, the Company issued 1,650,000 common shares pursuant to the exercise of stock options for gross cash proceeds of \$142. The fair value of \$93 was transferred from the share-based payments reserve to share capital.

**8.2 Share-based payments**

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

	2024		2023	
	Number	Weighted average exercise price	Number	Weighted average exercise price
	#	\$	#	\$
<b>Balance as at March 31</b>	<b>9,067,500</b>	<b>0.12</b>	8,620,000	0.13
Granted	600,000	0.10	–	–
Exercised	(1,650,000)	0.09	–	–
Cancelled and expired	(2,300,000)	0.10	(1,252,500)	0.15
<b>Balance as at December 31</b>	<b>5,717,500</b>	<b>0.13</b>	7,367,500	0.13
<b>Options exercisable at end of period</b>	<b>3,752,500</b>	<b>0.15</b>	5,341,667	0.14

For the three and nine month periods ended December 31, 2024, the share-based payment expense charged to net profit amounted to \$19 and \$57, respectively [\$17 and \$50 for the three and nine month periods ended December 31, 2023, respectively] with a corresponding amount recognized under share-based payments reserve. For the three and nine month periods ended December 31, 2024, the cancellation and expiry of options resulted in reclassification of \$195 and \$284, respectively [\$48 and \$119 for the three and nine month periods ended December 31, 2023, respectively] from the share-based payments reserve to the deficit.

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

**9.1 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	
	2024	2023	2024	2023
	\$	\$	\$	\$
Interest expense on long-term debt	49	51	128	191
Interest expense on credit facility	5	32	20	152
Interest expense on lease liabilities	62	6	69	22
Amortization of financing costs	–	6	10	25
Other interest and bank charges	12	63	85	111
	128	158	312	501

**9.2 Government assistance**

For the three and nine month periods ended December 31, 2024, the Company recognized government assistance from various governmental entities. Government assistance received has been recorded as a reduction of the related expenses as follows for the three and nine month periods ended December 31, 2024:

	Three Months		Nine Months	
	2024	2023	2024	2023
	\$	\$	\$	\$
Research and development	57	228	363	435