



Management Discussion and Analysis

D-BOX Technologies Inc.

Third quarter ended December 31, 2015

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MANAGEMENT DISCUSSION AND ANALYSIS

D-BOX Technologies Inc.

Third Quarter ended December 31, 2015

1. Scope of the MD&A

This Management's Discussion and Analysis ("MD&A") is intended to provide the reader with a better understanding of the activities of D-BOX Technologies Inc. and its subsidiary, and key elements of its financial results. In particular, it explains changes in the Corporation's financial position and operating results for the quarter and nine-month period ended December 31, 2015 by comparing them to the results of the corresponding periods of the previous fiscal year. It also presents a comparison of the balance sheets as at December 31, 2015 and March 31, 2015.

This MD&A has been prepared in accordance with *National Instrument 51-102, Continuous Disclosure Obligations*, and should be read in conjunction with the information included in the audited consolidated financial statements and management discussion and analysis for the fiscal year ended March 31, 2015 and the unaudited interim condensed consolidated financial statements of the third quarter and nine-month period ended December 31, 2015. Unless otherwise indicated, the terms "Corporation" and "D-BOX" refer to D-BOX Technologies Inc.

The unaudited interim condensed consolidated financial statements for the third quarter and nine-month period ended December 31, 2015 and this MD&A have been reviewed by the Audit Committee and approved by the Corporation's Board of Directors. Unless otherwise indicated, all the amounts in this MD&A are in thousands of Canadian dollars.

2. Forward-looking Statements

Some of the statements made in this MD&A, including, but not limited to, statements about the opinions, the projects, the objectives, the strategies, the estimates, the intentions and the expectations of the Corporation, as well as other statements not referring to historical facts, are forward-looking statements. Forward-looking statements can be identified by terms such as "expects," "anticipates," "estimates," "predicts," "undertakes" and other similar terms and expressions. These statements are based on the information available at the time they were prepared and management's good faith assumptions and expectations regarding future events, and inherently involve known and unknown risks and uncertainties such as, without limitation, competition, the Corporation's ability to build on its technology, the Corporation's ability to continue developing its distribution network and enter into new commercial agreements in the entertainment and industrial markets, exchange rate fluctuations, and other factors discussed herein (see "Risks and Uncertainties") or in the Corporation's continuous disclosure filings. The Corporation's actual results may be materially different from those expressed or implied in these forward-looking statements. As a result, you are cautioned not to place undue reliance on these forward-looking statements. These statements do not reflect the potential impact of any special items or of any business combination or other transaction that may be announced or that may occur after the date hereof. Except as required by law, the Corporation does not intend, and undertakes no obligation, to update any forward-looking statements to reflect, in particular, new information or future events.

3. Quarterly Highlights

3.1 Financial Highlights

- Growth in revenue fueled equally by both markets:
 - ✓ Quarterly revenue up by 65% to \$8,221 k:
 - Entertainment revenue up by 65% to \$5,686 k;
 - Industrial revenue up by 64% to \$2,535 k.
- Net income of \$397 k for the quarter compared to a net loss of \$315 k last year.
- Adjusted EBITDA* of \$1,371 k for the quarter compared to \$200 k last year.
- Cash flows generated from the operating activities of \$813 k for the nine-month period compared to a use of funds of \$1,060 k last year.
- Equity investment of \$5,000 k at a price of \$0.45 per unit, representing a 55% premium on the stock market price, from Gold-Finance (Canada) Asset Management Limited, a major holding group in the entertainment market and other sectors.

Third quarter and nine-month period ended December 31 (in thousands of CAD, except per share amounts)				
	Third quarter		Nine months	
	2015	2014	2015	2014
Revenues	8,221	4,994	20,430	13,908
Adjusted EBITDA*	1,371	200	2,654	591
Net income (loss)	397	(315)	219	(1,328)
Basic net income (loss) per share	0.0024	(0.0019)	0.0013	(0.0081)
Diluted net income (loss) per share	0.0023	(0.0019)	0.0013	(0.0081)
Information from the consolidated balance sheet				
	As at December 31, 2015		As at March 31, 2015	
Cash and cash equivalents	15,961		6,710	

* See the "Non IFRS Measures" section on page 7 and the reconciliation table of adjusted EBITDA to the net income (loss) on page 8.

3.2 Operational Highlights

- D-BOX increases by more than 25% the number of screens signed from 420 at the end of September to 528 at the end of December. This increase is explained for the most part by a new agreement with Cinemark, a leading exhibitor in the Americas, who has committed to install D-BOX's motion systems in at least 80 new screens in 40 theatres over the next 24 months.
- D-BOX continues to demonstrate its unique positioning at the convergence of the entertainment and virtual reality worlds. On the heels of a recent partnership with Sony Pictures Entertainment (SPE) in the context of the launch of the Goosebumps movie, D-BOX, in collaboration with 20th Century Fox films took part of the *Martian virtual reality* experience with Oculus Rift which was presented at the recently-held Consumer Electronic Show (CES).
- Ongoing progression in the Industrial market spurred by new orders from existing customers, the impact of the recent introduction of new products and expanded relationships in key markets.

4. Outlook

D-BOX focuses on two major development areas: the entertainment market and the industrial market which have their respective sub-markets. In light of the business development activities in each of these two markets, D-BOX anticipates the general upward trend in revenue to continue.

D-BOX intends to accelerate the speed of its deployment in key sub-markets and allocate capital to hire additional resources and to negotiate new partnerships.

In combination with this expected growth of revenue, D-BOX will therefore increase the level of its operating expenses aiming, amongst others, to support the sales and marketing of technological innovations that will help solidify D-BOX's position in existing sub-markets and will facilitate entering new ones. Generally speaking, the Corporation aims to maintain a positive adjusted EBITDA and intends to manage its operations accordingly.

5. Corporate Profile

D-BOX designs, manufactures and commercializes cutting-edge motion systems intended for the entertainment and industrial 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.

Three components produce motion synchronized in perfect harmony with image and sound:

1. the creation of motion effects making up the motion code known as D-BOX Motion Code;
2. a motion controller serving as an interface between the optical disk reader or the video server that contains the film and the D BOX motion system; and
3. the D-BOX motion system, consisting amongst other things of electromechanical pistons (actuators) built into a platform, a seat, or another type of equipment.

As at December 31, 2015, D-BOX had 95 employees up from 82 as at December 31, 2014.

6. Corporate Strategy

The Corporation is a leader with respect to the creation and design of non-distractive immersive motion systems. It is also in a unique position to be part of and to act as a truly differentiating factor for upcoming virtual reality technologies and experiences.

D-BOX continues to develop brand awareness in addition to offering a differentiated asset generating revenue in various business sectors. The Corporation's cutting-edge motion systems target two distinct markets: the entertainment market and the industrial market.

Examples of Applications

Entertainment Market	Industrial Market
<ul style="list-style-type: none"> • Commercial theatres • Home entertainment: <ul style="list-style-type: none"> ○ Home theatre ○ Home video games ○ Virtual reality 	<ul style="list-style-type: none"> • Simulation and training / virtual reality • Amusement parks, arcades, museums and planetariums

6.1 Revenue Models

The Corporation's revenue streams consist mainly of:

1. the sale or lease of D-BOX motion systems including motion controllers and computer servers in the case of larger installations such as commercial theatres;
2. utilization rights (license) for the D-BOX technology on the sale of admission tickets in commercial theatres which are equipped with this technology to view a motion picture encoded by D-BOX. The Corporation also receives system maintenance revenue relating to the use of systems;
3. direct sales of motion systems to a network of specialized resellers, integrators, equipment or seating manufacturers who market the D-BOX technology under their own brands (Original Equipment Manufacturers or OEMs). This marketing method offers the advantage of minimizing sales and marketing costs; and
4. coding rights for visual content.

6.2 Growth Strategy / Entertainment Market

The Corporation is constantly pursuing opportunities with commercial theatre owners to increase the number of venues equipped with its technology.

Concurrently, the Corporation leverages its relationships and credibility established with Hollywood's major studios and some Asian and European studios in order to provide a wide array of content to its commercial theatres. The Corporation believes that an increase in the offer of motion pictures has a direct impact on the number of equipped venues and that box office revenue for D-BOX motion systems equipped theatres acts as an incentive to:

1. accelerate the deployment of its technology with new commercial theatre exhibitors that want to add a distinctive element to their offering;
2. facilitate the sale of its technology to current exhibitors that may want to equip more than one of their complexes or equip more than one screen within the same complex;
3. generate motion system sales to the home entertainment clientele, who want to experience D-BOX in the comfort of their homes;
4. encourage video game customers to purchase gaming seats equipped with D-BOX motion systems thereby allowing them to add a new level of immersion to their gaming experience;
5. promote the technology to potential customers in the industrial market.

As of December 31, 2015, 35 exhibitors had more than one location that integrated the D-BOX motion system and more than 100 installed locations had more than one screen incorporating our technology within the same complex.

An increase in the number of equipped theatres has a direct impact on the offering of studios which is based on a business model that benefits all parties since they share the new revenue generated by D-BOX.

Access to content is a key factor in accelerating the deployment of D-BOX motion system. The Corporation is constantly expanding its business relationships with new film and gaming content providers. For instance, over 175 titles, including more than 90 which ranked number 1 at the box office on opening weekend, have been coded so far for presentation in commercial theatres.

The D-BOX experience in commercial theatres will continue to expand significantly through the deployment of its motion systems. This vision is strengthened by the fact that the Corporation has continuously coded content from major studios in addition to coding local content in some countries where D-BOX is now present. Furthermore, it has proven its technical and commercial benefits and has received several awards over the last few years.

However, certain seasonal factors may impact the deployment of new D-BOX motion systems in commercial theatres. The Corporation's growth rate for its commercial theatre business activities is not necessarily be linear but rather subject to a certain level of volatility when comparing consecutive quarters.

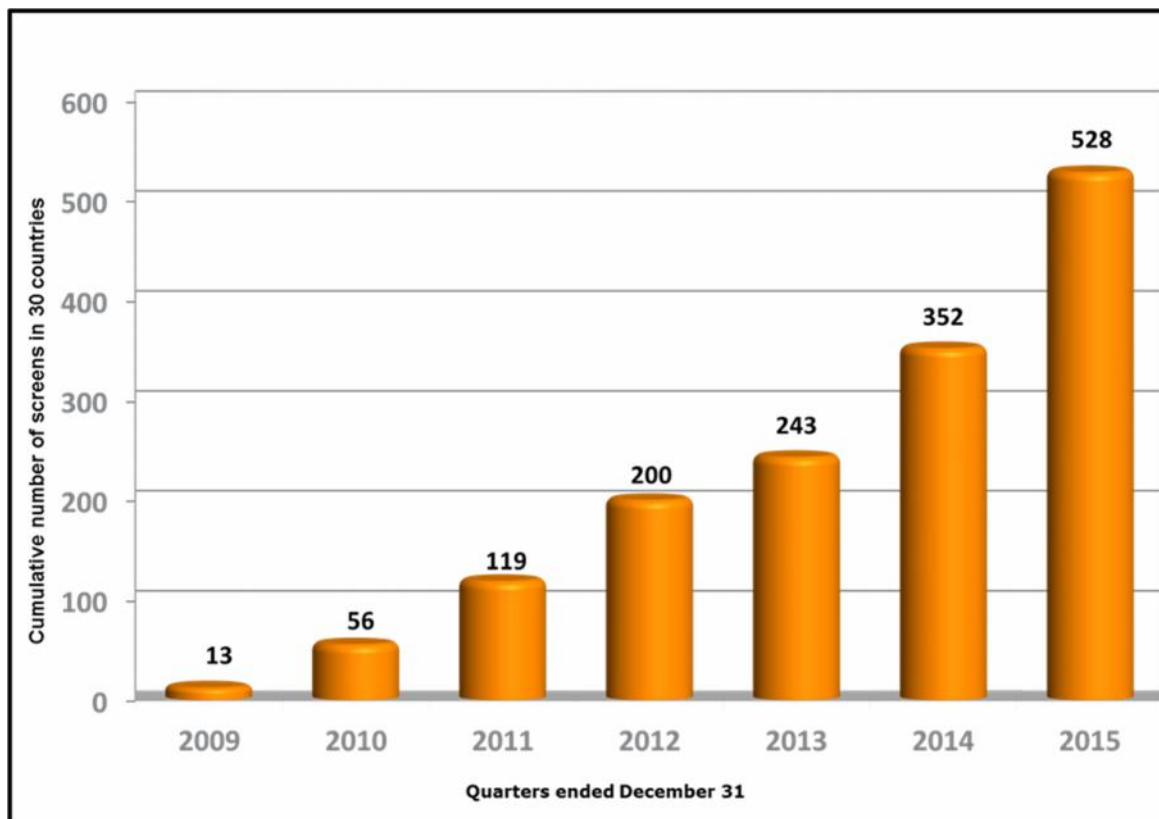
In this respect, the Corporation wishes to remind readers that it remains subject to a number of risks and uncertainties pertaining to its operations (see the "Risks and Uncertainties" section).

Business development efforts targeting commercial theatre chains are handled by an internal business development team and a few external partners in certain countries. Moreover, the Corporation's representatives continue to attend major trade shows. The Corporation believes that the entertainment market, in addition to demonstrate its technology to the largest number of people possible, generates significant revenue through utilization rights earned from the use of the technology based on premiums for admission tickets, the sale or rental of motion systems and motion system maintenance contracts. This strategy drives a significant increase in brand awareness.

In measuring achievement of its deployment objectives for theatre chains, the Corporation tracks the installed base of its D-BOX motion systems as well as its backlog. From a practical standpoint, the Corporation defines system backlog as follows: a commitment or an order for D-BOX motion systems received as part of a contractual agreement and for which the installation will be scheduled within a twenty-four-month period.

The total screens installed or in backlog increased by 50% and stood at 528 at the end of the quarter in comparison with 352 a year ago.

Worldwide growth of installed screens or in backlog As at December 31, 2015



With respect to products targeting home entertainment, the Corporation aims to:

1. sell products under its own brand name and under original equipment manufacturers' (OEM), integrators' and resellers' brands;
2. increase the offer of content coded by D-BOX; and
3. create products and form partnerships with strategic players that should accelerate mass markets penetration.

In short, D-BOX has demonstrated so far:

- the willingness of moviegoers to pay a premium on an admission ticket to live a non-distractive motion experience;
- that it generates a new source of business traffic and new revenue for commercial theatre operators allowing them to stand out from competitors and increase their revenue ((i) direct revenue from the sale of tickets in the D-BOX zone and (ii) indirect revenue from the sale of food and beverages); and
- that it brings in additional visibility and a new source of revenue for the studios.

6.3 Growth Strategy / Industrial Market

The industrial market contributes significantly to the global awareness of the D-BOX brand thereby sparking consumer interest for the realism and efficiency which can stimulate demand for the D-BOX experience in other sub-markets, such as: simulation and training, arcades, military, virtual reality, amusement parks, museums and planetariums. The Corporation is mobilizing resources devoted to the business development of this market with the goal of identifying new partners and meeting their needs.

With respect to products earmarked for industrial simulation users, the Corporation is following its mission to sell products under its own brand, under original equipment manufacturers' brands (OEM's) and through a network of integrators and resellers. It is also adapting its products to address specific requests of manufacturers and OEM's to penetrate new markets.

In the last few years, the Corporation has stepped up its presence at commercial and industrial trade shows, which raises awareness of D-BOX and its motion technology.

The Corporation recently developed motion systems adapted to the needs of the industrial market and their sales should accelerate over the course of the next few quarters. This trend has been observed in the quarter ended December 31, 2015 as newly-developed actuators are gaining in acceptance with existing and new customers.

The Corporation will continue dedicating a team to develop and service this market to identify new potential customers and/or distributors and meet their demands adequately. The main selection criteria for new customers and/or distributors include an efficient international distribution network, a well-renowned name in the market and the willingness to invest the necessary effort and resources to generate new and important revenue streams.

7. Non-IFRS Measures

In this MD&A, the Corporation uses two measures that are non-compliant with IFRS: 1) the adjusted EBITDA and 2) the gross profit excluding amortization. Although these measures supply useful and complementary information, they do not have a standardized meaning under IFRS and are not likely to be comparable to similar measures used by other issuers.

- 1) The adjusted EBITDA provides useful and complementary information which allows, among other things, the evaluation of profitability and cash flows provided by operations. It is comprised of the net income (loss) but excludes the following: items not affecting cash, foreign exchange gain or loss, financial expenses (income) and income taxes.

The following table explains the reconciliation of adjusted EBITDA to the net income (loss).

	Third quarter ended December 31		Nine-month period ended December 31	
	2015	2014	2015	2014
Net income (loss)	397	(315)	219	(1,328)
Amortization of property and equipment	738	541	1,805	1,533
Amortization of intangible assets	132	121	399	318
Amortization of other assets	22	23	104	59
Write-off of property and equipment	24	10	158	82
Gain on disposal of property and equipment	—	—	—	(36)
Share-based payments	59	105	178	325
Foreign exchange gain	(118)	(295)	(452)	(388)
Financial expenses (income)	129	14	244	25
Income taxes (recovery)	(12)	(4)	(1)	1
Adjusted EBITDA	1,371	200	2,654	591

- 2) The gross profit excluding amortization serves to evaluate the Corporation's capacity to generate funds through product sales by considering the cost of these products while excluding the main non-cash item, namely amortization (see the table explaining the reconciliation of gross profit to gross profit excluding amortization on page 11).

8. Main Financial Data

The following tables present selected significant financial data for the third quarter and the nine-month period ended December 31, 2015 by comparing them with the corresponding periods of the previous fiscal year.

Information from the Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss)	Third quarter ended December 31		Nine months ended December 31	
	2015	2014	2015	2014
Revenue	8,221	4,994	20,430	13,908
Gross profit excluding amortization*	4,974	2,623	12,261	7,559
Net income (loss)	397	(315)	219	(1,328)
Adjusted EBITDA*	1,371	200	2,654	591
Basic net income (loss) per share	0.0024	(0.0019)	0.0013	(0.0081)
Diluted net income (loss) per share	0.0023	(0.0019)	0.0013	(0.0081)

* See the "Non-IFRS measures" section on page 7.

Information from the Consolidated Statements of Cash Flows	Nine months ended December 31	
	2015	2014
Goods held for lease	(1,008)	(405)
Cash flows relating to operating activities	813	(1,060)
Additions to property and equipment	(808)	(379)
Additions to intangible assets	(706)	(827)
Cash flows relating to financing activities	9,836	1

The following table presents certain important financial data of the consolidated balance sheets as at December 31, 2015 and as at March 31, 2015.

Information from the Consolidated Balance Sheets	December 31, 2015	March 31, 2015
Cash and cash equivalents	15,961	6,710
Inventories	5,129	3,903
Working capital	21,144	11,238
Total assets	35,679	24,838
Current liabilities	5,006	4,245
Long-term debt	4,390	—
Equity	26,283	20,593

9. Operating Results

9.1 Revenue

Revenue for the third quarter ended December 31, 2015 increased by 65% to \$8,221 k compared to \$4,994 k for the third quarter ended December 31, 2014. For the entertainment market, revenue consists of D-BOX motion system sales to commercial theatre operators, revenue from right of use, rental and maintenance with respect to admission tickets sold in commercial theatres and system sales to home entertainment customers. Revenue also includes motion system sales to customers in the industrial market who sell D-BOX motion systems under their own brand names and system sales to customers in the entertainment market.

During the third quarter ended December 31, 2015, the entertainment market generated a 65% increase in revenue to \$5,686 k compared to the \$3,450 k realized last year. Revenue from commercial theatres increased by 66% from \$3,141 k in the third quarter of 2014 to \$5,214 k in the third quarter of this year. These revenues consist of: i) the sale of D-BOX motion systems which increased by 67% to \$3,586 k (\$2,150 k for the corresponding quarter in 2014) and ii) revenue from rights for use, rental and maintenance on the sale of admission tickets in commercial theatres which increased by 64% to \$1,628 k (\$991 k in 2014). This increase is mainly due to the box office performance of the movies presented during the quarter and the deployment of additional screens in the last twelve months.

It is important to note that revenue from rights for use, rental and maintenance can fluctuate from one period to another based on the following factors:

- the box office performance of the movies that are presented, which can vary significantly from one movie to another;
- the revenue sharing with exhibitors and studios;
- the individual performance of exhibitors;
- the average number of D-BOX motion systems deployed, which is constantly evolving;
- the number of weekly screenings of a D-BOX movie, which can vary based on the country in which a film is presented, or from one exhibitor to another; and
- the number of weeks a movie is played, which can vary based on the country due to different launch dates or the decision made by an exhibitor to present a film for a longer or shorter period of time.

As at December 31, 2015, 10,054 D-BOX MFX systems were installed in 409 screens around the world compared to 7,435 D-BOX MFX systems installed in 297 screens at the same date last year.

The entertainment market also includes system sales for home entertainment for an amount of \$472 k in comparison with \$309 k last year and representing an increase of 53%.

For the industrial market, our development strategy consists of selling our motion system technology to customers so they can integrate it into their products. Industrial market sales are driven, among other things, by the attendance at commercial and industrial trade shows which contributes to raising awareness to the D-BOX technology and the presentation in commercial theatres of movies integrating the D-BOX Motion Code, which creates a growing demand for the D-BOX experience in numerous other sub-markets.

Sales of motion systems to customers of the industrial market increased by 64% to \$2,535 k for the third quarter ended December 31, 2015 compared to \$1,544 k for the quarter ended December 31, 2014. The increase in sales for the industrial market was mainly driven by amusement parks and simulation and training systems sold to customers in the construction and automotive sub-markets.

For the nine-month period ended December 31, 2015, total revenues increased by 47% and amounted to \$20,430 k in comparison with \$13,908 k for the corresponding period of last year. This is explained by a 44% increase of revenues in the entertainment market with the increase of D-BOX motion system sales which amounted to \$8,358 k (41% increase) and with the increase of revenues from utilization rights, rental and maintenance fees which amounted to \$5,097 k (51% increase). Sales of systems for the home entertainment market amounted to \$1,037 k representing an increase of 35% in comparison with the \$770 k realized in the corresponding period last year. In the industrial market, sales increased by 54% and amounted to \$5,938 k in comparison with \$3,858 k last year.

9.2 Gross Profit

The following table explains the reconciliation of gross profit to gross profit excluding amortization.

	Third quarter ended December 31		Nine months ended December 31	
	2015	2014	2015	2014
Revenue	8,221	4,994	20,430	13,908
Gross profit	4,294	2,097	10,521	6,119
Amortization related to cost of goods sold	680	526	1,740	1,440
Gross profit excluding amortization*	4,974	2,623	12,261	7,559
Gross margin excluding amortization	61%	53%	60%	54%

* See the "Non-IFRS measure" section on page 7.

For the third quarter ended December 31, 2015, gross profit increased by 105% amounting to \$4,294 k in comparison with \$2,097 k for the corresponding quarter of the previous fiscal year. Excluding amortization related to cost of goods sold, gross profit amounted to \$4,974 k (61% of revenue) in the third quarter of the current fiscal year in comparison with the \$2,623 k (53% of revenue) achieved for the same period last year. This 90% increase in gross profit excluding amortization is mainly explained by the good performance in sales of both the entertainment and industrial markets.

For the nine-month period ended December 31, 2015, gross profit amounted to \$10,521 k in comparison with \$6,119 k for the corresponding period of the previous fiscal year. Excluding amortization, gross profit amounted to \$12,261 k (60% of revenues) in comparison with \$7,559 k (54% of revenues) last year. This 62% improvement of gross profit is also explained by the good performance in sales of both the entertainment and industrial markets.

9.3 Operating Expenses

Selling and Marketing: selling and marketing expenses consist primarily of employee costs including share-based payments, professional fees, advertising and point-of-sales material expenses and attendance at trade shows. They also include expenses related to motion coding and other marketing expenses.

For the third quarter ended December 31, 2015, selling and marketing expenses totaled \$2,180 k (27% of revenue) representing a 48% increase in comparison with \$1,475 k (30% of revenue) for the corresponding quarter of the previous fiscal year. This is explained for the most part by the promotional costs related to the partnership with Sony Pictures Entertainment (SPE) for the launch of the Goosebumps movie virtual reality adventure.

For the nine-month period ended December 31, 2015, selling and marketing expenses amounted to \$5,275 k (26% of revenues) which compares to \$4,231 k (30% of revenues) for the nine-month period ended December 31, 2014. This 25% increase is mostly explained by an increase in employee-related costs, professional fees and Goosebumps movie promotional event.

Administration: administrative expenses consist primarily of employee costs including share-based payments expense, professional fees as well as other general and administrative expenses.

For the third quarter ended December 31, 2015, administrative expenses amounted to \$1,085 k (13% of revenue) representing a 38% increase compared to the \$789 k (16% of revenue) spent in the quarter ended December 31, 2014. This increase is primarily explained by the increase of employee-related costs.

For the nine-month period ended December 31, 2015, administrative expenses amounted to \$3,111 k (15% of revenues) which compares to \$2,402 k (17% of revenues) for the nine-month period ended December 31, 2014. This 30% increase is also explained essentially by the increase of employee-related costs.

Research and Development: research and development expenses mainly include costs related to employees, amortization of assets and patents, others costs associated with existing product enhancement, and the cost of adapting products to various international standards, less investment tax credits.

For the third quarter ended December 31, 2015, research and development expenses amounted to \$633 k (8% of revenue) which compares to \$433 k (9% of revenue) for the corresponding quarter of the previous fiscal year. This 46% increase is mainly explained by higher employee costs associated to product development and enhancement.

For the nine-month period ended December 31, 2015, research and development expenses increased to \$2,125 k (10% of revenues) compared to \$1,176 k (8% of revenues) for the same period last year. The \$949 k increase is mostly explained by: i) a change in estimate of \$401 k coming from a reduction of investment tax credits receivable, and an increase related to a liability for investment tax credits (this liability follows reception from relevant tax authorities of an assessment project relative to a previous fiscal year), and ii) an increase of \$ 324 k in employee costs for the hiring of additional resources associated to product development and enhancement.

Foreign Exchange Gain or Loss: the foreign exchange gain or loss mainly results from the fluctuation of Canadian currency relative to US currency when converting US dollar operations at the prevailing rate on the date of a transaction and the conversion of US dollar monetary assets and liabilities at the end-of-period rate.

Thus, for the third quarter ended December 31, 2015, the foreign exchange gain amounts to \$118 k in comparison with a foreign exchange gain of \$295 k for the corresponding quarter last year.

For the nine-month period ended December 31, 2015, the foreign exchange gain amounts to \$452 k which compares to a gain of \$388 k for the corresponding quarter of the previous fiscal year. The foreign exchange gain is explained by the fluctuation of the Canadian currency in comparison with the US currency over the course of each of these two periods.

9.4 Financial Expenses (Income)

For the third quarter ended December 31, 2015, financial expenses amounted to \$129 k in comparison with \$14 k for the corresponding quarter of the previous fiscal year. The increase in financial expenses comes mainly from the interest expense related to the long-term debt issued on August 5, 2015.

For the nine-month period ended December 31, 2015, financial expenses (net of income) amounted to \$244 k compared to \$25 k in 2014.

9.5 Income Taxes

With respect to accounting for future income taxes, the Corporation has concluded that a valuation allowance equal to its future income tax assets should be recorded.

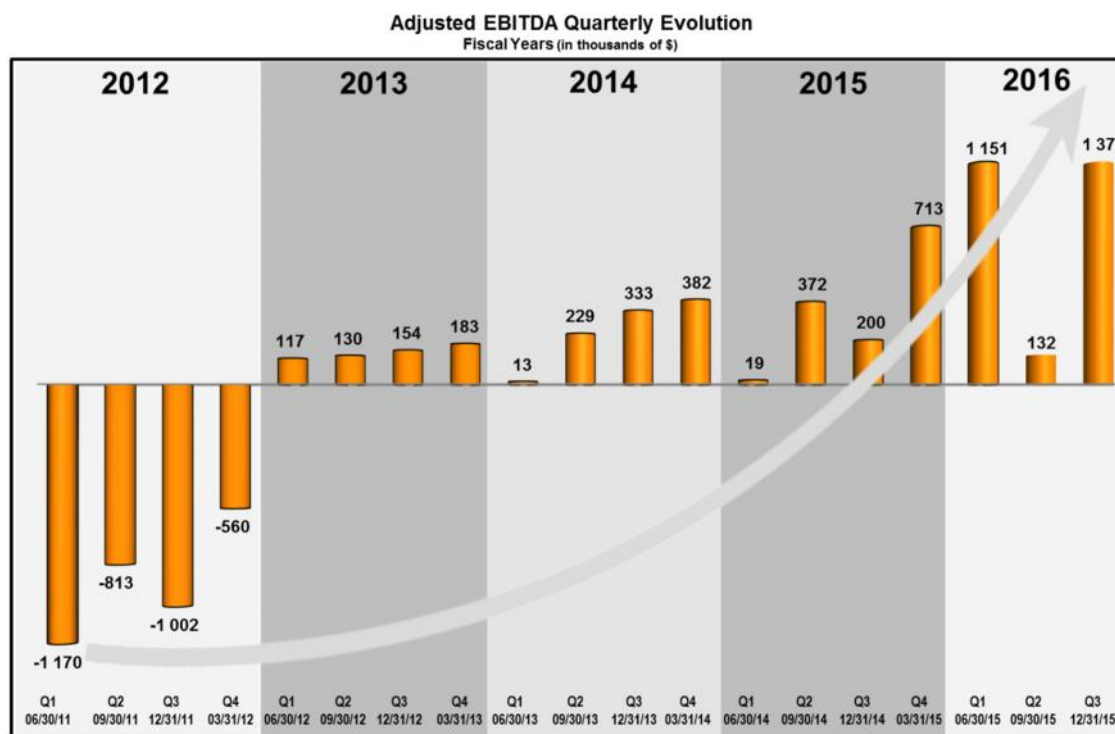
9.6 Net Income (Loss)

Given the aforementioned facts, the net income for the third quarter ended December 31, 2015 amounted to \$397 k (basic net income per share of \$0.0024 and fully diluted net income per share of \$0.0023) in comparison with a net loss of \$315 k (net loss per share of \$0.0019) in 2014.

For the nine-month period ended December 31, 2015, the net income amounted to \$219 k (basic and fully diluted net income per share \$0.0013) compared with a net loss of \$1,328 k (\$0.0081 net loss per share) in 2014.

10. Adjusted EBITDA

The adjusted EBITDA is comprised of net income (loss) but excludes items not affecting cash, foreign exchange gain or loss, financial expenses (income) and income taxes. This measure provides useful and complementary information which allows, among other things, the evaluation of profitability and cash flows provided by operations.



D-BOX achieved a positive adjusted EBITDA in the first quarter of the 2013 fiscal year. It has remained positive and has been trending upwards ever since as a result of sustained growth in revenue and a tight control over operating expenses.

In the third quarter ended December 31, 2015, D-BOX achieved an adjusted EBITDA of \$1,371 k in comparison with an adjusted EBITDA of \$200 k for the same period last year.

For the nine months ended December 31, 2015, adjusted EBITDA increased to \$2,654 k compared to \$591 k for the same period of last year.

11. Liquidity, Capital Resources and Financing Sources

As at December 31, 2015, total assets amounted to \$35,679 k compared to \$24,838 k as at March 31, 2015. The favorable variation is explained by the increase in working capital.

Working capital increased to \$21,144 k as at December 31, 2015 compared to \$11,238 k as at March 31, 2015. Cash and cash equivalents increased by \$9,251 k to \$15,961 k compared to \$6,710 k as at March 31, 2015 and is mostly explained by the long-term debt issued during the second quarter and the share issue in the last quarter. Accounts receivable, which mostly consists of trade accounts receivable, investment tax credits and commodity taxes receivable, increased by \$269 k to \$4,571 k as at December 31, 2015 in comparison with \$4,302 k as at March 31, 2015. Inventories increased by \$1,226 k from \$3,903 k on March 31, 2015 to \$5,129 k on December 31, 2015. Inventories increased due to open orders at the end of the quarter and available inventories for new products.

Current liabilities increased by \$761 k to \$5,006 k as of December 31, 2015 which compares to \$4,245 k as at March 31, 2015. Current liabilities include accounts payable and accrued liabilities which increased by \$576 k to \$4,362 k compared to \$3,786 k as at March 31, 2015. This increase is mostly explained by a higher amount of accounts payable due to the increase in inventories as at quarter end.

11.1 Operating Activities

For the nine-month period ended December 31, 2015, cash flows generated by operating activities totalled \$813 k compared to a use of funds of \$1,060 k for the corresponding period of the previous fiscal year. This favorable variance of \$1,873 k is the result of a positive variance of \$1,469 k in net income when excluding items not affecting cash, plus a positive variance in changes in working capital items of \$404 k.

11.2 Investing Activities

For the nine-month period ended December 31, 2015, cash flows used by investing activities amounted to \$1,514 k in comparison with \$1,167 k for the corresponding period of the previous fiscal year.

Cash flows from investing activities include costs associated to the acquisition of property and equipment which required investments of \$808 k this nine-month period compared to \$379 k last year and the increase is mainly due to leaseholds improvements to premises. It also includes investments in intangible assets, mainly patents and internally developed products which required \$706 k compared to \$827 k for the comparable nine-month period last year.

11.3 Financing Activities

For the nine-month period ended December 31, 2015, cash flows generated by financing activities amounted to \$9,836 k as a result of the following:

Long-term debt issue: On August 5, 2015, the Corporation issued a loan and 4,500,000 warrants for net proceeds of \$4,869 k, net of financing fees of \$131 k. Each warrant entitles its holder to purchase one Class A common share at \$0.50 per share for a 48-month period ending August 5, 2019. The loan bears interest under specific conditions at a rate of either 7% or 10% and matures on February 5, 2020. Interests are payable quarterly and the principal can be reimbursed at any time by the Corporation and is payable in full on the maturity date. The loan is secured and contains certain restrictions, including limitations on the Corporation's ability to incur additional indebtedness, pay dividends and

make other distributions. The loan is guaranteed by a general pledge and security agreement against the assets (except for the intellectual property) of the Corporation and its subsidiary.

Long-term debt is classified as other financial liabilities and is initially measured at fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method. The residual amount of gross proceeds of \$527 k was allocated to the warrants. Financing fees related to long-term debt are capitalized in reduction of long-term debt and amortized using the effective interest rate method. Financing fees related to warrants are capitalized in reduction of equity.

On December 31, 2015, the effective interest rate of long-term debt was 10.7% and the Corporation was in compliance with all debt covenants.

During the quarter and the nine-month period ended December 31, 2015, the interest expense on long-term debt charged to income amounted respectively to \$117 k and to \$190 k, including an amount of \$29 k and to \$48 k related to the accretion of interest.

Shares issue: On December 18, 2015, the Corporation issued 11,111,111 Class A common shares and 8,333,333 warrants for gross proceeds of \$5,000 k. Each warrant entitles the holder to purchase one Class A common share at \$0.60 for an 18-month period ending June 18, 2017. The gross proceeds were allocated to the shares and warrants proportionately to their respective estimated fair values. As a result, \$435 k was allocated to warrants and \$4,565 k was added to share capital. The issue costs of \$40 k were allocated to shares and warrants proportionately to their respective estimated fair values. Accordingly, \$37 k was deducted from share capital and \$3 k was deducted from warrants.

During the nine-month period ended December 31, 2015, the Corporation issued 33,333 Class A common shares for a total cash consideration of \$7 k on exercise of stock options. An amount of \$4 k, representing the initial fair value of the stock options, was credited to share capital and deducted from the share-based payments reserve.

11.4 Equity

Equity amounted to \$26,283 k as at December 31, 2015, compared to \$20,593 k as at March 31, 2015. This \$5,690 k increase in the nine-month period results mainly from the financing activities and the net income.

12. Quarterly Data

Operating results for each of the past eight quarters are presented in the table below.

	2016			2015				2014
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue from the entertainment market								
Commercial theatres:								
- System sales	3,586	2,208	2,564	4,418	2,150	1,880	1,878	2,120
- Rights for use, rental and maintenance	1,628	1,193	2,276	658	991	1,238	1,143	815
	5,214	3,401	4,840	5,076	3,141	3,118	3,021	2,935
Home entertainment system sales	472	233	332	254	309	238	223	266
Total revenue Entertainment market	5,686	3,634	5,172	5,330	3,450	3,356	3,244	3,201
Revenue from the industrial market	2,535	1,387	2,016	1,350	1,544	998	1,316	1,779
TOTAL REVENUE	8,221	5,021	7,188	6,680	4,994	4,354	4,560	4,980
Adjusted EBITDA*	1,371	132	1,151	713	200	372	19	382
Net income (loss)	397	(208)	30	850	(315)	192	(1,205)	(43)
Basic net income (loss) per share	0.0024	(0.0013)	0.0002	0.0052	(0.0019)	0.0012	(0.0074)	(0.0005)
Diluted net income (loss) per share	0.0023	(0.0013)	0.0002	0.0052	(0.0019)	0.0012	(0.0074)	(0.0005)
Weighted average number of common shares outstanding	165,508,616	163,791,129	163,784,462	163,784,462	163,784,462	163,783,665	163,781,129	163,781,129
Diluted weighted average number of common shares	173,551,150	163,791,129	171,180,329	167,491,996	163,784,462	163,783,665	163,781,129	163,781,129

* See the "Non-IFRS Financial Measures" section on page 7.

The fluctuation of revenue during the last eight quarters is explained, among other reasons, by the uneven growth of the entertainment and industrial markets. More specifically, for the entertainment market, revenue fluctuated mostly as per the performance of presented films.

13. Commitments

The Corporation rents premises and equipment under operating leases and has entered into long-term commitments to purchase services. The minimum payments for the coming years are as follows:

	Leases	Other Commitments
Next twelve months	201	6
Following four years	747	—
More than five years	168	—
	1,116	6

The Corporation's operating lease expenses amounted to \$354 k in the third quarter ended December 31, 2015 (\$244 k in 2014) and are secured by the universality of movable property, both present and future, in favour of the lessors.

14. Fully Diluted Share Capital (February 11, 2016)

	Class A common shares
Class A common shares outstanding	174,928,906
Convertible instruments	
Stock options outstanding	15,154,345
Warrants	14,833,333
	204,916,584

15. Risk and Uncertainties

We are active in an industry which presents many risks and uncertainties. These risks and uncertainties are described in the Annual Information Form (AIF) dated June 18, 2015 which is available on www.sedar.com.

16. Disclosure Controls and Internal Controls over Financial Reporting

Internal control over financial reporting aims to provide reasonable insurance regarding the reliability of the Corporation's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

During the quarter ended December 31, 2015, there were no changes in the Corporation's internal control over financial reporting that materially affected, or are likely to materially affect, the Corporation's internal control over financial reporting.

17. Continuous Information and Additional Disclosure

This MD&A was prepared as at February 11, 2016. Additional information can be found on the SEDAR website at www.sedar.com.

D-BOX®, D-BOX Motion Code®, LIVE THE ACTION®, MOTION ARCHITECTS® and MOVE THE WORLD® are trademarks of D-BOX Technologies Inc. Other names are for informational purposes only and may be trademarks of their respective owners.

Unaudited Interim Condensed Consolidated
Financial Statements

D-BOX Technologies Inc.

December 31, 2015

Notice

The Corporation's independent auditors have 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 CONSOLIDATED BALANCE SHEETS
(in thousands of Canadian dollars)
As at

	Notes	December 31, 2015 \$	March 31, 2015 \$
ASSETS			
Current assets			
Cash and cash equivalents		15,961	6,710
Accounts receivable		4,571	4,302
Inventories	3	5,129	3,903
Prepaid expenses and deposits		489	568
		26,150	15,483
Non-current assets			
Property and equipment		7,423	7,452
Intangible assets		2,078	1,771
Other assets		28	132
		35,679	24,838
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		4,362	3,786
Derivative financial instruments		254	120
Warranty provision		14	14
Deferred revenues		376	325
		5,006	4,245
Non-current liabilities			
Long-term debt	4	4,390	—
		9,396	4,245
Equity			
Share capital	5.1	62,254	57,715
Share-based payments reserve		5,188	5,014
Warrants reserve	4, 5.3	959	—
Foreign currency translation reserve		(586)	(385)
Deficit		(41,532)	(41,751)
		26,283	20,593
		35,679	24,838

See accompanying notes.

On behalf of the Board,

Director

Director

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

(in thousands of Canadian dollars, except share and per-share amounts)

Quarters and nine-month periods ended December 31

	Notes	Third Quarter		Nine Months	
		2015	2014	2015	2014
		\$	\$	\$	\$
Revenues					
Motion systems for:					
Entertainment market:					
Commercial theatres:					
System sales		3,586	2,150	8,358	5,908
Rights for use, rental and maintenance		1,628	991	5,097	3,372
		5,214	3,141	13,455	9,280
Home entertainment system sales		472	309	1,037	770
		5,686	3,450	14,492	10,050
Industrial market		2,535	1,544	5,938	3,858
		8,221	4,994	20,430	13,908
Cost of goods sold excluding amortization	6.1	3,247	2,371	8,169	6,349
Amortization related to cost of goods sold		680	526	1,740	1,440
Cost of goods sold		3,927	2,897	9,909	7,789
Gross profit		4,294	2,097	10,521	6,119
Other expenses					
Selling and marketing	6.2	2,180	1,475	5,275	4,231
Administration	6.3	1,085	789	3,111	2,402
Research and development	6.4	633	433	2,125	1,176
Foreign exchange gain		(118)	(295)	(452)	(388)
		3,780	2,402	10,059	7,421
Income (loss) before financial expenses					
(income) and income taxes (recovery)		514	(305)	462	(1,302)
Financial expenses (income)					
Financial expenses		145	20	282	53
Interest income		(16)	(6)	(38)	(28)
		129	14	244	25
Income (loss) before income taxes (recovery)		385	(319)	218	(1,327)
Income taxes (recovery)		(12)	(4)	(1)	1
Net income (loss)		397	(315)	219	(1,328)
<i>Items that will be reclassified to net income (loss) in subsequent periods:</i>					
Foreign currency translation loss		98	68	201	93
Comprehensive income (loss)		299	(383)	18	(1,421)
Basic net income (loss) per share		0.0024	(0.0019)	0.0013	(0.0081)
Diluted net income (loss) per share		0.0023	(0.0019)	0.0013	(0.0081)
Weighted average number of common shares outstanding		165,508,616	163,784,462	164,364,058	163,783,092
Diluted weighted average number of common shares		173,551,150	163,784,462	172,406,592	163,783,092

See accompanying notes.

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

(in thousands of Canadian dollars)

Nine-month periods ended December 31, 2015 and 2014

	Notes	Share capital \$	Share- based payments reserve \$	Warrants reserve \$	Foreign currency translation reserve \$	Deficit \$	Total \$
Balance as at March 31, 2015		57,715	5,014	—	(385)	(41,751)	20,593
Net income		—	—	—	—	219	219
Foreign currency translation loss		—	—	—	(201)	—	(201)
Comprehensive income (loss)		—	—	—	(201)	219	18
Issue of share capital	5.1	4,576	(4)	435	—	—	5,007
Share issue costs	5.1	(37)	—	(3)	—	—	(40)
Share-based payments	5.2	—	178	—	—	—	178
Issue of warrants	5.3	—	—	527	—	—	527
Balance as at December 31, 2015		62,254	5,188	959	(586)	(41,532)	26,283
Balance as at March 31, 2014		57,714	4,605	—	(106)	(41,273)	20,940
Net loss		—	—	—	—	(1,328)	(1,328)
Foreign currency translation loss		—	—	—	(93)	—	(93)
Comprehensive loss		—	—	—	(93)	(1,328)	(1,421)
Issue of share capital	5.1	1	—	—	—	—	1
Share-based payments	5.2	—	325	—	—	—	325
Balance as at December 31, 2014		57,715	4,930	—	(199)	(42,601)	19,845

See accompanying notes.

D-BOX Technologies Inc.
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of Canadian dollars)
Nine-month periods ended December 31

	Notes	2015 \$	2014 \$
OPERATING ACTIVITIES			
Net income (loss)		219	(1,328)
Items not affecting cash			
Amortization of property and equipment		1,805	1,533
Amortization of intangible assets		399	318
Amortization of other assets		104	59
Write-off of property and equipment		158	82
Gain on disposal of property and equipment			(36)
Share-based payments	5.2	178	325
Unrealized foreign exchange gain		(982)	(493)
Accretion of interest expense	4	48	
Cash flows from operations before changes in working capital items		1,929	460
Changes in working capital items:			
Accounts receivable		987	289
Inventories		(955)	137
Prepaid expenses and deposits		84	(65)
Goods held for lease		(1,008)	(405)
Other assets			(40)
Accounts payable and accrued liabilities		(409)	(1,356)
Derivative financial instruments		134	2
Deferred revenues		51	(82)
		(1,116)	(1,520)
Cash flows relating to operating activities		813	(1,060)
INVESTING ACTIVITIES			
Additions to property and equipment		(808)	(379)
Disposal of property and equipment			39
Additions to intangible assets		(706)	(827)
Cash flows relating to investing activities		(1,514)	(1,167)
FINANCING ACTIVITIES			
Proceeds from long-term debt, net of financing fees	4	4,869	
Issue of share capital	5.1	5,007	1
Share issue costs	5.1	(40)	
Cash flows relating to financing activities		9,836	1
Effect of exchange rate fluctuations on cash and cash equivalents		116	21
Net change in cash and cash equivalents		9,251	(2,205)
Cash and cash equivalents, beginning of period		6,710	6,717
Cash and cash equivalents, end of period		15,961	4,512
Cash and cash equivalents consist of:			
Cash		2,624	3,112
Cash equivalents		13,337	1,400
Interest and income taxes included in operating activities:			
Interest paid		144	
Income taxes paid (net of recoveries)			5

See accompanying notes.

D-BOX Technologies Inc.
NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
December 31, 2015

(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 cutting-edge motion systems intended for the entertainment and industrial 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.

Based on the nature of the Corporation’s clients, two significant markets have been identified: the entertainment and industrial markets. The entertainment market comprises motion systems installed in commercial theatres and home entertainment consumer products, particularly video games and home theatres. The industrial market consists of products for industrial simulators, industrial training and other applications.

The unaudited interim condensed consolidated financial statements were approved by the Corporation’s Board of Directors on February 11, 2016.

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*, and accordingly, 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. Thus, these interim condensed consolidated financial statements should be read in conjunction with the 2015 annual consolidated financial statements which include the same accounting policies used in the preparation of these financial statements. The results of operation and cash flows for the interim period are not necessary indicative of the results of operation and cash flows for the full year.

Certain prior period comparative figures have been reclassified to conform to current period presentation.

D-BOX Technologies Inc.
NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
December 31, 2015

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

3. INVENTORIES

Inventories as at December 31, 2015 and March 31, 2015 are detailed as follows:

	December 31, 2015	March 31, 2015
	\$	\$
Parts and components	3,890	2,446
Finished goods	1,239	1,457
	5,129	3,903

4. LONG-TERM DEBT

Long-term debt as at December 31, 2015 and March 31, 2015 are detailed as follows:

	December 31, 2015	March 31, 2015
	\$	\$
Balance	4,390	—

On August 5, 2015, the Corporation issued a loan and 4,500,000 warrants for net proceeds of \$4,869, net of financing fees of \$131. Each warrant entitles its holder to purchase one Class A common share at \$0.50 per share for a 48-month period ending August 5, 2019. The loan bears interest under specific conditions at a rate of either 7% or 10% and matures on February 5, 2020. Interests are payable quarterly and the principal can be reimbursed at any time by the Corporation and is payable in full on the maturity date. The loan is secured and contains certain restrictions, including limitations on the Corporation's ability to incur additional indebtedness, pay dividends and make other distributions. The loan is guaranteed by a general pledge and security agreement against the assets (except for the intellectual property) of the Corporation and its subsidiary.

Long-term debt is classified as other financial liabilities and is initially measured at fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method. The residual amount of gross proceeds of \$527 was allocated to the warrants. Financing fees related to long-term debt are capitalized in reduction of long-term debt and amortized using the effective interest rate method. Financing fees related to warrants are capitalized in reduction of equity.

On December 31, 2015, the effective interest rate of long-term debt was 10.7% and the Corporation was in compliance with all debt covenants.

During the quarter and the nine-month period ended December 31, 2015, the interest expense on long-term debt charged to income amounted to \$117 and \$190, including an amount of \$29 and \$48 related to the accretion of interest.

D-BOX Technologies Inc.
NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
December 31, 2015

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

5. EQUITY

5.1 Share Capital

Class A common shares of the Corporation for the nine-month periods ended December 31, 2015 and 2014 are summarized in the following table:

	2015		2014	
	#	\$	#	\$
Balance as at March 31	163,784,462	57,715	163,781,129	57,714
Shares issued	11,111,111	4,528		
Shares issued on exercise of options	33,333	11	3,333	1
Balance as at December 31	174,928,906	62,254	163,784,462	57,715

Period ended December 31, 2015

On December 18, 2015, the Corporation issued 11,111,111 Class A common shares and 8,333,333 warrants for gross proceeds of \$5,000. Each warrant entitles the holder to purchase one Class A common share at \$0.60 for an 18-month period ending June 18, 2017. The gross proceeds were allocated to the shares and warrants proportionately to their respective estimated fair values. As a result, \$435 was allocated to warrants and \$4,565 was added to share capital. The issue costs of \$40 were allocated to shares and warrants proportionately to their respective estimated fair values. Accordingly, \$37 was deducted from share capital and \$3 was deducted from warrants. The fair value of the warrants was estimated using the Black-Scholes option pricing model based on the following assumptions: 0.50% average risk-free interest rate; no dividend; 69.7% average volatility factor for the expected market price of the Corporation's shares; and an expected average warrant term of 18 months.

During this period, the Corporation also issued 33,333 Class A common shares for a total cash consideration of \$7 on exercise of stock options. An amount of \$4, representing the initial fair value of the stock options, was credited to share capital and deducted from the share-based payments reserve.

Period ended December 31, 2014

The Corporation issued 3,333 Class A common shares for a total cash consideration of \$1 on exercise of stock options. An amount of \$0.4, representing the initial fair value of the stock options, was credited to share capital and deducted from the share-based payment reserve.

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

December 31, 2015

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

5. EQUITY [Cont'd]

5.2 Stock Option Plan

Changes in the Corporation's stock options for the nine-month periods ended December 31, 2015 and 2014 are summarized in the following table:

	2015		2014	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Balance as at March 31	14,879,345	0.37	14,453,345	0.38
Options granted	390,000	0.34	785,000	0.27
Options exercised	(33,333)	0.21	(3,333)	0.19
Options cancelled	(81,667)	0.26	(245,667)	0.40
Options expired			(150,000)	0.39
Balance as at December 31	15,154,345	0.37	14,839,345	0.37
Options exercisable at end of period	12,501,833	0.40	9,977,658	0.44

The fair value for options granted during the nine-month period ended December 31, 2015 was estimated at the grant date using the Black-Scholes option pricing model based on the following assumptions: 1.02% weighted average risk-free interest rate (1.69% in 2014); no dividend issued in 2015 and 2014; 79.9% weighted average volatility factor of the expected market price for the Corporation's shares (86% in 2014); 3.6% weighted average cancellation rate (3.7% in 2014); \$0.33 weighted average share price (\$0.27 in 2014) and an expected weighted average option life of 6.1 years (5.9 years in 2014). The expected life of stock options is based on historical data and is not necessarily indicative of exercise patterns that might occur. 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 of the estimated fair values at the grant date of the options awarded during the period is \$0.34 per option (\$0.27 per option in 2014), amortized through income over the vesting periods of the options.

For the quarter and the nine-month period ended December 31, 2015, the share-based compensation expense charged to income amounted to \$55 and \$178 (\$105 and \$325 for the quarter and the nine-month period ended December 31, 2014) with a corresponding amount recognized under share-based payment reserve.

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

December 31, 2015

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

5. EQUITY [Cont'd]

5.3 Warrants

Warrants for the nine-month periods ended December 31, 2015 and 2014 are summarized in the following table:

	2015		2014	
	Number	Exercise Price \$	Number	Exercise Price \$
Balance as at March 31				
Expiring on June 18, 2017	8,333,333	0.60	—	—
Expiring on August 5, 2019	4,500,000	0.50	—	—
Expiring on December 22, 2022	2,000,000	(a)	—	—
Balance as at December 31	14,833,333		—	—

(a) Exercise price corresponds to the volume weighted average price of the Class A common shares on the Toronto Stock Exchange for the five trading days prior to the exercise date of the warrants. No warrants were vested as at December 31, 2015.

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

6.1 Cost of Goods Sold Excluding Amortization

The key components of costs of goods sold excluding amortization of property and equipment are detailed as follows for the quarters and nine-month periods ended December 31:

	Third Quarter		Nine-Months	
	2015 \$	2014 \$	2015 \$	2014 \$
Cost of parts and components	2,793	2,010	6,982	5,237
Employee costs	219	274	600	668
Freight charges and import duties	81	23	188	122
Outsourcing fees	48	10	163	45
Production supplies	40	17	96	51
Parts and components write-offs	33	—	52	104
Maintenance of goods held for lease	9	—	41	—
Share-based payments	1	3	4	13
Other	23	34	43	109
	3,247	2,371	8,169	6,349

D-BOX Technologies Inc.
NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
December 31, 2015

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

6. SUPPLEMENTARY INFORMATION ON THE
UNAUDITED INTERIM CONSOLIDATED STATEMENTS
OF NET INCOME (LOSS) AND COMPREHENSIVE
INCOME (LOSS) [Cont'd]

6.2 Selling and Marketing

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

	Third Quarter		Nine Months	
	2015	2014	2015	2014
	\$	\$	\$	\$
Employee costs	1,053	893	2,961	2,589
Advertising and promotions	508	32	619	89
Professional fees	169	137	552	348
Trade show expenses	140	140	322	356
Travel and entertainment expenses	77	39	179	138
Amortization of property and equipment	56	49	147	146
Office rental	31	15	105	42
Write-off of property and equipment	13	9	42	69
Share-based payments	11	26	32	79
Freight charges and import duties	(13)	47	17	145
Other	135	88	299	230
	2,180	1,475	5,275	4,231

6.3 Administration

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

	Third Quarter		Nine Months	
	2015	2014	2015	2014
	\$	\$	\$	\$
Employee costs	673	405	1,760	1,323
Amortization of property and equipment and intangible assets	113	69	282	198
Professional fees	81	92	250	241
Costs related to publicly traded company	27	26	150	108
Share-based payments	45	70	135	214
Insurance	48	38	127	123
Director fees	40	30	125	72
Other	58	59	282	123
	1,085	789	3,111	2,402

D-BOX Technologies Inc.
NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
December 31, 2015

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

6. SUPPLEMENTARY INFORMATION ON THE
UNAUDITED INTERIM CONSOLIDATED STATEMENTS
OF NET INCOME (LOSS) AND COMPREHENSIVE
INCOME (LOSS) [Cont'd]

6.4 Research and Development

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

	Third Quarter		Nine Months	
	2015	2014	2015	2014
	\$	\$	\$	\$
Employee costs	432	290	1,226	902
Amortization of property and equipment and intangible assets	43	41	139	126
Materials and certification	41	57	98	114
Professional fees	33	13	92	16
Share-based payments	2	6	7	19
Investment tax credits reversal (tax credits)	(10)	(9)	379	(101)
Other	92	35	184	100
	633	433	2,125	1,176