D-BOX Technologies Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Second Quarter Ended September 30, 2012

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 its key financial results. In particular, it explains changes in the Corporation's financial position and operating results for its second quarter and six-month period ended September 30, 2012 by comparison to those of the same periods in the previous fiscal year. It also presents a comparison of the balance sheets as at September 30, 2012 and March 31, 2012.

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 for the fiscal year ended March 31, 2012 and the unaudited interim condensed consolidated financial statements for the quarter and six-month period ended September 30, 2012. Unless otherwise indicated, the terms "Corporation" and "D-BOX" refer to D-BOX Technologies Inc.

The unaudited interim condensed consolidated financial statements for the second quarter ended September 30, 2012 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.

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, but not limited to, 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 home entertainment and commercial sectors, 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.

QUARTERLY HIGHLIGHTS

- **Positive quarterly adjusted EBITDA for a second consecutive quarter:**
  - ✓ + $130 k compared to ($813 k) for the corresponding quarter of the previous fiscal year
  - ✓ For the first six months: + $247 k compared to ($1,983 k) for the same period of last year
- **Growth in total revenues for a third consecutive quarter:**
  - ✓ + 83% in comparison to last year
    - o Commercial theatres: + 224% including 132% from utilization rights, rental and maintenance fees
    - o OEM: + 39%
- **200 screens are now equipped or will soon be equipped of D-BOX MFX systems, including:**
  - ✓ 25 exhibitors currently owning more than one complex equipped with a D-BOX screen, and
  - ✓ 14 exhibitors having as of today more than one screen within a same complex.

CORPORATE PROFILE

D-BOX Technologies Inc. designs, manufactures and markets cutting-edge motion systems intended mainly for the entertainment and industrial simulation industries. This unique and patented technology, the D-BOX Motion Code, uses motion effects specifically programmed for each visual content which are sent to a motion system integrated into 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. As of today, many major studios offer D-BOX Motion Code on their motion pictures in commercial theatres, on DVDs and Blu-rays. By reaching agreements with various industry leaders, D-BOX's award-winning motion technology is gradually proving itself as a new global standard. D-BOX is a public company whose shares are traded on the Toronto Stock Exchange under the symbol DBO. D-BOX® and D-BOX Motion Code® are registered trademarks of D-BOX Technologies Inc. Other names are for informational purposes only and may be trademarks of their respective owners.

Three components produce motion synchronized 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 DVD or Blu-ray players or video servers that contain 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 platforms, seats, or other types of simulation equipment.

The Corporation's current revenue streams, mainly consist of:

1. the sale or lease of D-BOX motion systems ;
2. the sale of motion controllers (electronic interface); and
3. utilization rights on the sale of admission tickets in movie theatres equipped with the D-BOX technology to view a motion picture encoded by D-BOX. The Corporation also receives system maintenance revenues.

The entertainment experience provided by the Corporation's technology targets two distinct segments: commercial theatres and OEMs which each have their respective markets. As at September 30, 2012, D-BOX had 69 employees compared to 66 as at September 30, 2011.

CORPORATE STRATEGY

The Corporation is positioning itself as the global reference in regard to the creation and design of motion systems for the entertainment and OEM sectors. It is developing its brand awareness in addition to offering a differentiating asset generating revenues in various business sectors. The Corporation's cutting-edge motion systems target two distinct segments: commercial theatres and OEMs which integrate the D-BOX technology to their own products to then market them under their own brand names. In the short term, the Corporation has set its priorities on deploying its motion technology in the commercial theatre segment.

Examples of Applications

Commercial Theatres	Original Equipment Manufacturers (OEMs)
• All types of commercial theatres	• Home theatre • Video games • Casino and electronic gaming • Therapeutic care • Museums, planetariums • Industrial simulation and others

Revenue Model

The Corporation's targeted revenue streams are as follows:

1. utilization rights and maintenance fees from the premium on admissions tickets sold by movie theatres for the use of the technology;
2. the sale or rental of D-BOX motion systems to movie theatre owners;
3. direct sales of motion systems to a network of specialized resellers, integrators or seating manufacturers whom market the D-BOX technology under their own brands (OEM). This marketing method offers the advantage of minimizing sales and marketing costs; and
4. licensing fees from the potential integration of the motion controller in the form of electronic circuits and/or integrated software in audio-video equipment.

Growth Strategy / Commercial Theatres

The Corporation is continuously pursuing negotiations with movie theatre owners to augment the number of venues equipped with its technology. In particular, the Corporation's goal is to increase the number of exhibitors while ensuring broader geographical coverage around the world.

Concurrently, the Corporation is counting on the contacts and credibility it has established with studios to integrate D-BOX Motion Code into an increasing number of new films. The Corporation believes that an increase in the offering of motion pictures will have a direct impact on the number of equipped venues and that box office revenue per D-BOX equipped theatre will act as a motivational agent to accelerate the deployment of its technology in commercial theatres. An increase in the offering of motion pictures will also motivate current customers to equip another one of their complexes or to equip more than one screen within a same complex.

(Amounts in tables are in thousands of Canadian dollars, except for amounts relating to shares and per-share amounts) Page 4

These two trends have started being observed:

Number of exhibitors owning more than one complex equipped with D-BOX technology

Q2 (Sept. 2011)	Q3 (Dec. 2011)	Q4 (March 2012)	Q1 (June 2012)	Q2 (Sept. 2012)
19	19	20	24	25

Number of exhibitors having more than one screen within a same complex equipped with D-BOX technology

Q2 (Sept. 2011)	Q3 (Dec. 2011)	Q4 (March 2012)	Q1 (June 2012)	Q2 (Sept. 2012)
6	8	12	13	14

An increased number of equipped theatres should directly impact the number of coded studio films on the basis of a business model clearly beneficial for all involved parties who split the new revenues generated by the technology.

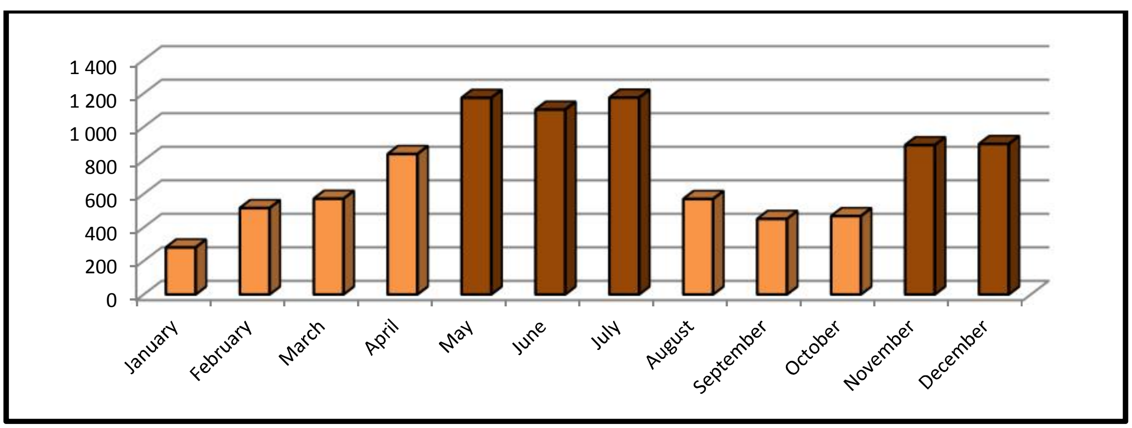
The D-BOX experience in movie theatres should therefore continue to experience significant growth through the deployment of its technology. This vision is strengthened by the fact that the Corporation has continuously encoded content from major studios in addition to starting encoding local content. Furthermore, D-BOX has proven its technical and commercial merits in addition to receiving several awards over the last few years.

So far, the Corporation's experience demonstrates however that certain seasonal factors may impact the deployment of new D-BOX MFX systems in commercial theatres. As a matter of fact, the vast majority of box office hits, including many titles, often amongst the most appropriate for the D-BOX technology, are typically introduced at the beginning of the summer or shortly before the Christmas holiday season.

Theatre owners, who wish to see their initial investments coincide with the launch of new blockbuster titles, are inclined to deploy the technology shortly before these periods. At the same time, considering that the Corporation's current business development efforts are more focused on large theatre chains, it is possible that future announcements may cover a larger number of systems. The combination of the two aforementioned factors translates into the fact that the Corporation's future growth rate will not necessarily be linear but rather subject to a certain level of volatility on the basis of consecutive quarters. With regards to markets outside of North America, it is noteworthy that the launch date of a new movie is not necessarily the same in the different geographical markets targeted by the Corporation. 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 "Risks and Uncertainties").

Box Office Seasonality (M$)

(Top 100 films in North America, movies launched in 2011,
Source: www.boxofficemojo.com – As at January 26, 2012)



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Business development efforts targeting movie theatre chains require limited resources and are handled by an internal business development team and certain external partners for specific countries. In line with this objective, the Corporation's representatives continue to attend major film exhibitor trade shows while pursuing direct discussions with some of them. At the same time, the Corporation has already started negotiating agreements with integrators to meet a potentially significant growth in the volume of installations. The Corporation believes that the movie theatre segment, in addition to being an excellent showcase for the demonstration of its technology to the largest number of people possible, should generate significant revenues through utilization rights earned from the use of the technology based on premiums on admission tickets, the sale or rental of D-BOX MFX systems and related service contracts. This strategy should also drive a significant increase in brand awareness.

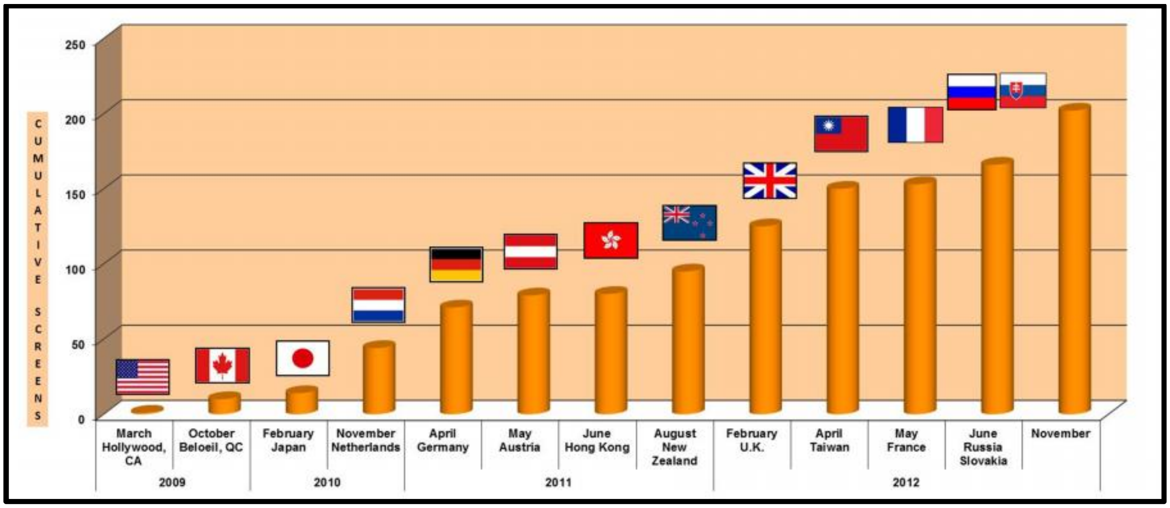
In measuring achievement of deployment objectives for theatre chains, the Corporation tracks the installed base of its D-BOX MFX systems and as well as its backlog. From a practical standpoint, the Corporation defines systems backlog as follows: an order for D-BOX MFX systems received as part of a contractual agreement and for which the installation is scheduled within a twelve-month period of the filing date of its most recent financial statements. The following table shows the progression as at November 12, 2012, of installed or added to the backlog D-BOX MFX systems since the end of the previous quarter on June 30, 2012.

D-BOX MFX Systems Growth

	Backlog*		Installed		Total	
	# screens	# MFX systems	# screens	# MFX systems	# screens	# MFX systems
As at June 30, 2012	**21**	**501**	**143**	**3,711**	**164**	**4,212**
Additions to backlog during the quarter	36	988	—	—	36	988
Quarterly installations	(14)	(307)	14	307	—	—
Quarterly variation	22	681	14	307	36	988
As at September 30, 2012	**43**	**1,182**	**157**	**4,018**	**200**	**5,200**
Quarterly variation in %	*105%*	*136%*	*10%*	*8%*	*22%*	*23%*
Additions to backlog since the end of the quarter	2	29	—	—	2	29
Installations since the end of the quarter	(10)	(273)	10	273	—	—
As at November 12, 2012	**35**	**938**	**167**	**4,291**	**202**	**5,229**

* The final number may slightly fluctuate given certain constraints caused amongst others by the possible change of the layout of screening rooms or by changes made to contracts after their execution.

Worldwide Progression of Commercial Theatres Installed or in Backlog
As of November 12, 2012



In short, D-BOX has demonstrated so far that:

- moviegoers are willing to pay premium admission to experience immersive Audio Video Motion (AVM);
- according to survey results performed by the independent firm OTX Research, over 90% of moviegoers have positively rated their D-BOX experience;
- our close relations with major studios have allowed us to encode 61 motion pictures for theatrical releases since April 2009;
- in comparison with traditional theatre seats, the D-BOX section shows a significant increase in the occupancy rate;
- it constitutes a new source of business traffic and revenues for movie theatre operators allowing them to stand out from competitors and increase their revenues ((i) direct revenues from the sale of tickets in the D-BOX section and (ii) indirect revenues from the sale of food and beverages).

Growth Strategy/ Original Equipment Manufacturers (OEMs)

The Corporation expects that exhibiting motion pictures embedded with the D-BOX Motion Code should significantly increase brand awareness which should then spark customer interest for the Audio Video Motion (AVM) experience and eventually bolster demand for the D-BOX experience in other sectors, such as home theatre, video games, casinos and electronic gaming, therapeutic care, industrial simulation, etc.

The strategy which has been put into place aims at collaborating with third parties which will incorporate our technology in their products. Up until now, this strategy has proven very conclusive as more than twenty partners have done so and distribute our technology throughout their own networks. The strategy to sell under OEM brands allows the Corporation to focus on selling motion systems.

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With respect to products earmarked for home theatre, video gaming or for other users of industrial simulation, the Corporation seeks to:

1. sell products under its own brand or under the brands of OEMs, integrators or resellers;
2. increase the content encoded by D-BOX through agreements with studios;
3. adapt products to specific requests of Original Equipment Manufacturers in order to penetrate new markets.

In the longer term, the Corporation seeks to:

1. sell licenses to manufacturers of audio-video devices to integrate motion controller circuitry into new devices;
2. develop products or enter into partnerships with strategic players which will allow for the eventual and progressive penetration of the mass consumer market;

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

In the short term, the Corporation intends to continue dedicating a team to develop and service this business segment to identify new potential clients and adequately meet their demands. The main selection criteria for new clients include an efficient international network, a well-renowned name in the market and readiness to invest the necessary effort and resources to generate significant new revenue streams.

Main Agreements with Content Providers

Access to content is a key factor regarding the speed of D-BOX technology deployment. To date, the Corporation has developed business relationships with some 15 theatrical and video game content providers. As at September 30, 2012, the D-BOX Motion Code logo is displayed on the packaging and menu of close to 200 films and the complete library of encoded titles since the Corporation's inception includes some 1,150 titles. In regard to theatrical releases, since 2009, the Corporation has encoded 61 motion pictures from many different studios in North America and elsewhere in the world. As for video games, 52 titles are compatible with the D-BOX technology as at September 30, 2012.

Number of Movies
Presented or to be Presented in Theatres

As of December 31	Number of movies
2009	9
2010	13
2011	15
2012 to date	24
Total	**61**

(Amounts in tables are in thousands of Canadian dollars, except for amounts relating to shares and per-share amounts) Page 8

OUTLOOK

Broadly speaking, D-BOX will focus on two major development segments: commercial theatres and OEMs, which each have their respective markets.

In light of the evolution of its sales and a relatively fixed short-term cost structure, D-BOX aims at continuing to maintain a positive adjusted EBITDA provided this figure may remain subject to a certain level of volatility.

NON-IFRS FINANCIAL MEASURES

In this management discussion and analysis, the Corporation's management uses two measures which are not standardized under IFRS. These measures, namely gross profit before amortization and adjusted EBITDA, supply useful and complementary information allowing amongst others to evaluate profitability but they do not have a standardized meaning under IFRS. Also, these measures are not likely to be comparable to similar measures used by other issuers. The adjusted EBITDA designates the net loss before items not affecting cash, the foreign exchange gain or loss, financial expenses and interest income and income taxes (see the table explaining the reconciliation of adjusted EBITDA to the net loss on page 12).

MAIN FINANCIAL DATA

The following table presents selected significant financial data for the second quarter and six-month period ending September 30, 2012 in comparison to the corresponding periods of the previous fiscal year.

	Quarter ended September 30		Six-month period ended September 30	
	2012	2011	2012	2011
Information from the Consolidated Statements of Operations and Comprehensive Loss				
Revenues	**3,708**	2,030	**7,276**	4,439
Gross profit excluding amortization*	**2,007**	1,128	**3,973**	2,493
Adjusted EBITDA*	**130**	(813)	**247**	(1,983)
Net loss	**(1,204)**	(981)	**(1,794)**	(2,774)
Basic and diluted net loss per share	**(0.0074)**	(0.0060)	**(0.0110)**	(0.0169)
Information from the Consolidated Statements of Cash Flows				
Goods held for lease			**(1,425)**	(2,552)
Cash flow relating to operating activities			**(942)**	(7,142)
Additions to property, plant and equipment			**(238)**	(418)
Additions to intangible assets			**(126)**	(107)

* See the non-IFRS financial measures section.

	As of Sept. 30, 2012	As of March 31, 2012
Data from the consolidated balance sheet		
Cash and cash equivalents	**7,926**	9,320
Inventories	**4,157**	4,667
Working capital	**12,904**	14,870
Total assets	**25,177**	25,823
Total liabilities	**2,762**	2,110
Equity	**22,415**	23,713

OPERATING RESULTS

Revenues

Revenues for the second quarter ended September 30, 2012 amounted to $3,708 k, up 83% compared to $2,030 k for the second quarter ended September 30, 2011. Revenues include motion systems sales to OEMs, which market the D-BOX technology under their own brand names, D-BOX MFX system sales to commercial theatre operators and revenues consisting of utilization rights, rental and maintenance fees in regard to admission tickets sold in commercial theatres.

Sales to OEMs amounted to $2,170 k for the quarter ended September 30, 2012 representing a 39% increase compared to $1,556 k for the same quarter of the previous fiscal year. Our development strategy consists in selling our motion systems technology to Original Equipment Manufacturers so it can be integrated into their own products. During the quarter, sales to our main customer in the electronic gaming segment represented 42% of our segmented sales, which remains unchanged compared to last year.

Revenues generated by commercial theatres during the second quarter amounted to $1,538 k, representing a 224% increase when compared to the $474 k of revenues generated for the same period last year. As previously mentioned, D-BOX's revenue model includes revenues from the sale or lease of D-BOX MFX systems in addition to revenues from utilization rights, rental and maintenance fees.

Revenues from the sale of D-BOX MFX systems amounted to $682 k in the second quarter in comparison to $105 k in the second quarter of last year. This significant increase is explained by the increase of D-BOX MFX systems sold internationally but also in North America reflecting our commercial theatre business development strategy. Revenues from utilization rights, rental and maintenance fees amounted to $856 k or a 132% increase when compared to the $369 k achieved in the corresponding quarter of the previous fiscal year.

Revenues from utilization rights, rental and maintenance fees can fluctuate from one period to another mostly as a result of the following items:

- the average number of D-BOX MFX systems deployed which is constantly evolving;
- the Box Office performance of the movies that are presented, which can fluctuate significantly;
- the individual performance of exhibitors;
- the number of screens where the D-BOX MFX systems are sold;
- the split between screens where D-BOX MFX systems are sold, generating less recurring revenue, in comparison to those that remain D-BOX's property;
- the number of weekly screenings of a D-BOX movie, which can change based on the country in which a film is presented;
- the number of weeks during which a movie is played can vary amongst others based on the country given different launch dates or the decision made by an exhibitor to present a film for a longer or shorter period.

As of September 30, 2012, 4,018 D-BOX MFX systems were installed in 157 screens around the world. This compares to 2,420 D-BOX MFX systems installed in 96 screens at the same date, last year.

For the six-month period ended September 30, 2012, revenues amounted to $7,276 k in comparison to $4,439 k for the corresponding period of last year. This 64% increase is explained by a 21% growth in OEM sales which amounted to $3,763 k in comparison to $3,121 k for the same period of last year and a 167% increase of revenues from the commercial theatres segment. The increase in this segment is a result of the 320% growth of D-BOX MFX sales which amounted to $1,994 k and the 80% increase of revenues from utilization rights, rental and maintenance fees which amounted to $1,519 k.

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Gross Profit

	Quarter ended September 30		Six-Month Period ended September 30	
	2012	**2011**	**2012**	**2011**
Revenues	**3,708**	2,030	**7,276**	4,439
Gross profit	**1,656**	837	**3,196**	1,984
Amortization related to cost of goods sold	**351**	291	**777**	509
Gross profit excluding amortization	**2,007**	1,128	**3,973**	2,493
Gross margin excluding amortization	**54%**	56%	**55%**	56%

For the second quarter ended September 30, 2012, gross profit amounted to $1,656 k (45% of revenues) in comparison to $837 k for the corresponding quarter of the previous fiscal year. Excluding amortization, which for the most part relates to goods held for lease in the commercial theatre segment, gross profit amounted to $2,007 k (54% of revenues) for the second quarter representing a 78% increase when compared to $1,128 k (56% of revenues) last year. This change in gross profit is explained by the revenue growth.

For the six-month period ended September 30, 2012, gross profit amounted to $3,196 k (44% of revenues) in comparison to $1,984 k (45% of revenues) for the corresponding period of the previous fiscal year. Excluding amortization, gross profit amounted to $3,973 k (55% of revenues) for the six-month period ending September 30, 2012 in comparison to $2,493 k (56% of revenues) last year. This change in gross profit is explained by the revenue growth.

Operating Expenses

Selling and Marketing Expenses: Selling and marketing expenses consist primarily of costs related to employees compensation including share-based payment expense, professional fees, advertising and point-of-sales material expenses, attendance at industrial trade shows targeting the commercial theatre and OEM segments, expenses related to motion coding and other marketing costs.

For the quarter ended September 30, 2012, selling and marketing expenses totalled $1,265 k (34% of revenues) representing a 7% decrease in comparison to the $1,367 k (67% of revenues) incurred for the corresponding quarter of last year. This decrease is partly explained by an increasing portion of marketing expenses which are assumed by commercial theatre exhibitors and by general efforts of marketing expenses reduction undertaken since the beginning of the fiscal year.

For the six-month period ended September 30, 2012, selling and marketing expenses amounted to $2,385 k (33% of revenues) which compares to $2,986 k (67% of revenues) for the six-month period ending September 30, 2011 and the favourable variation is due to the same reasons explained in the above paragraph.

Administrative Expenses: Administrative expenses consist primarily of costs related to employees' compensation including share-based payment expense, professional fees as well as other general and administrative expenses.

For the second quarter ended September 30, 2012, administrative expenses amounted to $746 k (20% of revenues), which compares to $777 k (38% of revenues) for the corresponding quarter of the previous fiscal year. This decrease in administrative expenses is mostly explained by the $100 k decrease of the share-based payment expense which went from $229 k to $129 k on a comparative quarter basis and partially offset by an increase in costs related to employee compensation.

For the six-month period ended September 30, 2012, administrative expenses amounted to $1,492 k (21% of revenues) which compares to $1,770 k (40% of revenues) for the six-month period ending September 30, 2011. This decrease in administrative expenses is a result of the share-based payment expense which went from $434 k to $274 k on a comparative quarter basis and the $150 k of additional expenses incurred last year when we graduated to the Toronto Stock Exchange.

Research and Development Expenses: Research and development expenses mainly include costs related to employee compensation, share-based payment expense, others costs associated with existing product enhancement and cost reduction initiatives and the cost of adapting products to various international standards, less investment tax credits.

For the quarter ended September 30, 2012, research and development expenses decreased by 19% to $246 k (7% of revenues) compared with $305 k (15% of revenues) for the quarter ended September 30, 2011. The decrease is explained by an increase in investment tax credits recorded as a reduction of the cost of eligible projects as well as lower salaries and various expenses incurred for project realization.

For the six-month period ended September 30, 2012, research and development expenses decreased by 5% to $634 k (9% of revenues) compared to $664 k (15% of revenues) for the same period last year. The decrease is explained by the increase in investment tax credits recorded as a reduction of the cost of eligible projects.

Foreign exchange loss (gain): Foreign exchange gains or losses mainly result from the fluctuation of the Canadian currency in relationship to its US counterpart when converting US dollars operations at the prevailing rate on the date of a transaction and the translation of the net US dollars denominated monetary assets at the end-of-period date. During the quarter ended September 30, 2012, the fluctuation of the Canadian currency in relationship to its US counterpart translated into a loss of $609 k which compares to a gain of $600 k last year. The $609 k foreign exchange loss includes $599 k unrealized foreign exchange loss resulting from translation of US dollars denominated monetary assets at the end-of-period date.

For the six-month period ended September 30, 2012, the foreign exchange loss amounts to $491 k which compares to a gain of $581 k in 2011. The foreign-exchange loss is explained by the strong fluctuation of the Canadian currency in comparison to the US currency over the course of the period in comparison to the opposite fluctuation of currencies for the same period last year. The $491 k foreign exchange loss includes $429 k unrealized foreign exchange loss resulting from translation of US dollars denominated monetary assets at the end-of-period date.

Financial Results

The financial results include financial expenses and interest income. For the second quarter ended September 30, 2012, financial results amounted to a gain of $6 k which compares to a gain of $33 k for the corresponding quarter of the previous fiscal year. For the six-month period ended September 30, 2012, the financial results amount to a gain of $16 k which compares to a gain of $83 k for the corresponding period of last year. The variation for the three and six-month periods is explained by higher interest income given higher funds available last year.

Income Taxes

In regard to accounting for future income taxes, the Corporation has concluded that a valuation allowance equivalent to its future income tax assets should be recorded.

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Net Loss

Due to the results and the explanations previously mentioned, the net loss for the quarter ended September 30, 2012, amounted to $1,204 k ($0.0074 per share) which compares to a net loss of $981 k ($0.006 per share) for the corresponding quarter of the previous fiscal year. For the six-month period ended September 30, 2012, the net loss stands at $1,794 k ($0.0110 per share) representing a $980 k or 35% improvement in comparison to a loss of $2,774 k ($0.0169 per share) for the same period of the 2011 fiscal year.

ADJUSTED EBITDA

The adjusted EBITDA* designates net loss before items not affecting cash, the foreign exchange gain or loss, financial expenses, interest income and income taxes. This measure supplies useful and complementary information which allows amongst others to evaluate profitability and cash flows provided by operations.

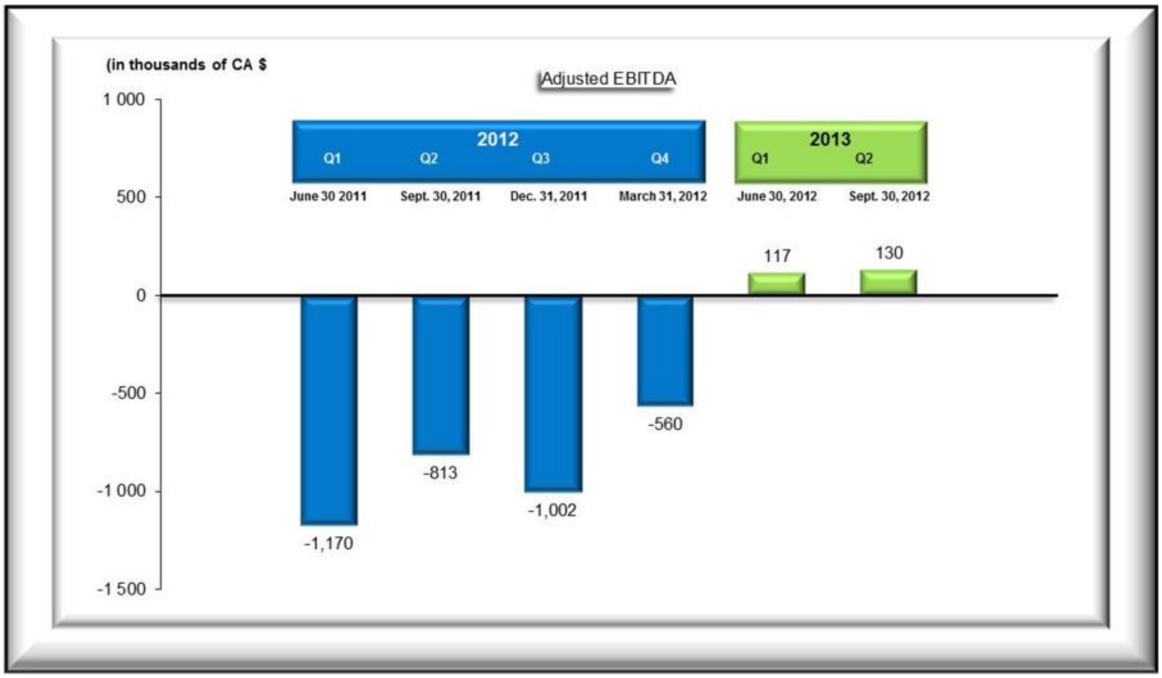
The following table explains the reconciliation of the adjusted EBITDA to the net loss.

	Quarter ended September 30		Six-month period ended September 30	
	2012	**2011**	**2012**	**2011**
Net loss	**(1,204)**	(981)	**(1,794)**	(2,774)
Amortization of property, plant and equipment	**428**	358	**914**	634
Amortization of intangible assets	**65**	49	**127**	95
Amortization of other assets	**7**	15	**29**	33
Share-based payment expense	**231**	377	**492**	691
Foreign exchange loss (gain)	**609**	(600)	**491**	(581)
Financial results (financial expenses and interest income)	**(6)**	(33)	**(16)**	(83)
Income taxes	**—**	2	**4**	2
Adjusted EBITDA*	**130**	(813)	**247**	(1,983)

* See the "Non-IFRS financial measures" section.

Adjusted EBITDA greatly improved during the quarter ended September 30, 2012 amounting to $130 k compared to a negative amount of $813 k for the corresponding quarter of the previous fiscal year. This performance of the Corporation's profitability is a result amongst others of the deployment of 4,018 D-BOX MFX systems in 157 theatres covering 13 countries which are generating more and more recurring revenues and the reduction of operating expenses. For the six-month period ended September 30, 2012, adjusted EBITDA amounted to $247 k in comparison to a negative adjusted EBITDA of $1,983 k in 2011. In light of the evolution of its sales and a relatively fixed short-term cost structure, D-BOX aims for a positive adjusted EBITDA provided this figure may remain subject to a certain level of volatility.

The following graph shows the performance of adjusted EBITDA over the course of the last quarters.



LIQUIDITY, CAPITAL RESOURCES AND FINANCING SOURCES

As at September 30, 2012, total assets amounted to $25,177 k which compares to $25,823 k as at March 31, 2012. The $646 k decrease in total assets is explained by the following items. Working capital stood at $12,904 k as at September 30, 2012 compared with $14,870 k as at March 31, 2012. Cash and cash equivalents totalled $7,926 k as at September 30, 2012 compared with $9,320 k as at March 31, 2012 and consisted mainly of money market securities readily accessible by the Corporation. Accounts receivable which mostly consist of trade accounts receivable, investment tax credits and commodity taxes receivable amounted to $3,058 k as at September 30, 2012 in comparison to $2,555 k as at March 31, 2012. Inventories decreased by $510 k to $4,157 k on September 30, 2012 which compares to $4,667 k on March 31, 2012. The decrease in inventories is explained by the significant increase in revenues and the deliveries of D-BOX MFX systems required for the deployment in commercial theatres during the quarter ended September 30, 2012. Short-term liabilities increased by $652 k to $2,762 k as of September 30, 2012 which compares to $2,110 k on March 31, 2012. Short-term liabilities include accounts payable and accrued liabilities which, as a whole, increased $692 k as a result of a higher quarterly level of operations offset by a decrease of $50 k in deferred revenues as a result of customer deliveries.

Operating Activities

For the six-month period ended September 30, 2012, cash flows used in operating activities totalled $942 k compared with $7,142 k for the same quarter of the previous fiscal year. The $6,200 k favourable variation is explained by the following items: goods held for lease which were $1,127 k lower, the favourable impact of the loss before items not affecting cash for $1,870 k, the favourable evolution of inventories for $2,699 k and accounts receivable for $773 k.

(Amounts in tables are in thousands of Canadian dollars, except for amounts relating to shares and per-share amounts) Page 14

Investing Activities

For the six-month period ended September 30, 2012, cash flows used by investment activities amounted to $364 k in comparison to $525 k for the corresponding quarter of the previous fiscal year. Cash flows from investing activities include the acquisition of tangible assets such as the demonstration booths for D-BOX MFX systems installed in commercial theatres in North America. The decrease of these investments totaling $180 k results from a decrease of rental activities of D-BOX MFX systems as opposed to increased D-BOX MFX systems sales for the six-month period ended September 30, 2012 compared to the same period of last year.

Financing Activities

There were no financing activities during the six-month period ended September 30, 2012. For the six-month period ended September 30, 2011, cash flows generated by financing activities amounted to $111 k as a result of the exercise of stock options.

Equity

Equity amounted to $22,415 k as at September 30, 2012, compared with $23,713 k as at March 31, 2012. This $1,298 k decrease comes for the most part from the $1,794 k net loss for the six-month period ended September 30, 2012 less share-based payment expense totalling $492 k accounted for in the share-based payment reserve.

QUARTERLY DATA

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

	2013		2012				2011	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues from Original Equipment Manufacturers	2,170	1,593	1,530	1,398	1,556	1,565	1,264	1,101
Revenues from commercial theatres:								
- System sales	682	1,312	641	50	105	370	742	17
- Utilization rights, rental & maintenance	856	663	412	362	369	474	247	247
Total revenues commercial theatres	1,538	1,975	1,053	412	474	844	989	264
TOTAL REVENUES	3,708	3,568	2,583	1,810	2,030	2,409	2,253	1,365
Adjusted EBITDA*	130	117	(560)	(1,002)	(813)	(1,170)	(760)	(1,366)
Net loss	(1,204)	(590)	(1,824)	(1,958)	(981)	(1,793)	(1,181)	(1,836)
Basic and diluted net loss per share	(0.007)	(0,004)	(0.011)	(0.012)	(0.006)	(0.011)	(0.006)	(0.014)
Weighted average number of common shares outstanding	163,781,129	163,781,129	163,781,129	163,781,129	163,764,825	163,722,525	162,425,275	130,985,692

* See the "Non-IFRS financial measures"» section.

The variation of revenues from one quarter to another is explained amongst others by the uneven growth of the Original Equipment Manufacturers' and commercial theatre segments. More specifically for the commercial theatre segment, revenues fluctuate in relationship to the average number of installed systems, the number of systems which are leased, seasonality, the performance of films that are presented and the performance of commercial theatre exhibitors.

RELATED PARTY TRANSACTIONS

During the 2012 and 2011 fiscal years, the Corporation sold motion systems for commercial theatres to a commercial entity controlled by one of the Corporation's directors. During the three and six-month periods ended September 30, 2012, the Corporation respectively recognized an amount of $12 k and $27 k [12 k and $27 k respectively for the three and six-month periods ended September 30, 2011]. These transactions have been accounted for based on an exchange value, as negotiated between the parties**.** As of September 30, 2012, the net cost of these systems was $8 k [$50 k in 2011], considering a cost of $117 k [$118 k in 2011] and cumulative amortization of $109 k [$68 k in 2011].

COMMITMENTS

Future minimum payments under long-term leases for the next five fiscal years, mainly for the Corporation's premises, are as follows for the remainder of the current fiscal year and for future fiscal years.

Fiscal Year	In Thousands of $
2013 (for the remaining 6 months)	127
2014	175
2015	72
2016	2
2017	1
	377

The Corporation has pledged the universality of movable and personal property, both present and future, as collateral in favour of the lessor up to a maximum of $120 k.

OUTSTANDING SHARE CAPITAL (November 12, 2012)

	Class A common shares
Class A common shares outstanding	163,781,129
Convertible instruments	
Options outstanding	12,621,478
	176,402,607

RISKS 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 19, 2012 which is available on www.sedar.com. There were no changes with regards to risk and uncertainties during the quarter ended September 30, 2012.

CONTROLS AND PROCEDURES

The purpose of internal controls over financial reporting is to provide reasonable assurance as to the reliability of the Corporation's financial reporting and the preparation of its consolidated financial statements in accordance with IFRS.

During the quarter ended September 30, 2012, there were no changes brought to the attention of the Corporation's management that had or may be expected to have a material impact on internal controls over financial reporting.

ADDITIONAL AND CONTINUOUS DISCLOSURE

This MD&A has been prepared as at November 12, 2012. Additional information can be found on the SEDAR website at www.sedar.com.

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