Management's Discussion and Analysis

D-BOX Technologies Inc.
Third Quarter Ended December 31, 2021

V. Board

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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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 subsidiaries, as well as key elements of its financial results. In particular, it explains changes in the Corporation's financial position and operating results for the third quarter ended December 31, 2021, by comparing them to the results of the corresponding period of the previous fiscal year. It also presents a comparison of the balance sheets as at December 31, 2021, and March 31, 2021.

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, 2021, and accompanying notes and the unaudited interim condensed consolidated financial statements of the third quarter ended December 31, 2021. Unless otherwise indicated, the terms "Corporation" and "D-BOX" refer to D-BOX Technologies Inc.

The unaudited interim condensed consolidated financial statements for the quarter ended December 31, 2021, and this MD&A have been reviewed by the Audit Committee and approved by the Board of Directors of the Corporation on February 11, 2022. Unless otherwise indicated, all the amounts in this MD&A are in Canadian dollars.

2. FORWARD-LOOKING STATEMENTS

Certain information included in this MD&A may constitute "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information may include, among others, statements regarding the future plans, activities, objectives, operations, strategy, business outlook, and financial performance and condition of the Corporation, or the assumptions underlying any of the foregoing. In this MD&A, words such as "may", "would", "could", "will", "likely", "believe", "expect", "anticipate", "intend", "plan", "estimate" and similar words and the negative form thereof are used to identify forward-looking statements. Forward-looking statements should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether, or the times at or by which, such future performance will be achieved. Forward-looking information, by its very nature, is subject to numerous risks and uncertainties and is based on several assumptions, which give rise to the possibility that actual results could differ materially from the Corporation's expectations expressed in or implied by such forward-looking information and no assurance can be given that any events anticipated by the forward-looking information will transpire or occur, including but not limited to the future plans, activities, objectives, operations, strategy, business outlook and financial performance and condition of the Corporation.

Forward-looking information is provided in this MD&A for the purpose of giving information about Management's current expectations and plans and allowing investors and others to get a better understanding of the Corporation's operating environment. However, readers are cautioned that it may not be appropriate to use such forward-looking information for any other purpose.

Forward-looking information provided in this MD&A is based on information available at the date hereof and/or management's good-faith belief with respect to future events and are subject to known or unknown risks, uncertainties, assumptions and other unpredictable factors, many of which are beyond the Corporation's control.

The risks, uncertainties and assumptions that could cause actual results to differ materially from the Corporation's expectations expressed in or implied by the forward-looking information include, but are not limited to: future funding requirements; indebtedness; COVID-19 and similar global health crises; political, social and economic conditions; strategic alliances; access to content; performance of content; distribution network; dependence on suppliers; manufacturing costs; concentration of clients; competition; technology standardization; exchange rate between the Canadian dollar and the U.S. dollar; warranty, recalls and lawsuits; intellectual property; security and management of information; credit risk; reputational risk through social media; and dependence on key personnel and labour relations. These and other risk factors that could cause actual results to differ materially from expectations expressed in or implied by the forward-looking information are discussed under "Risk Factors" in the Corporation's annual information form for the fiscal year ended March 31, 2021, a copy of which is available on SEDAR at www.sedar.com. Except as may be required by Canadian securities laws, the Corporation does not intend nor does it undertake any obligation to update or revise any forward-looking information contained in the annual information form to reflect subsequent information, events, circumstances or otherwise.

The Corporation cautions readers that the risks described above are not the only risks that could have an impact on it. Additional risks and uncertainties not currently known to the Corporation or that the Corporation currently deems to be immaterial may also have a material adverse effect on the Corporation's business, financial condition or results of operations.

3. CORPORATE PROFILE

D-BOX creates and redefines realistic, immersive entertainment experiences by moving the body and sparking the imagination through effects: motion, vibration and texture. D-BOX has collaborated with some of the best companies in the world to deliver new ways to enhance great stories. Whether its movies, video games, virtual reality applications, themed entertainment or professional simulation, creating a feeling of presence that makes life resonate like never before.

D-BOX's markets include the commercial and home entertainment markets. The commercial market is composed of projects related to theatrical exhibitors, themed entertainment, as well as professional simulation and training. The professional simulation and training sub-market include a diversified group of industries comprising automotive, defence, flight, heavy equipment, racing, and wellness. The home entertainment market represents opportunities related to the video game, home theatre and consumer entertainment devices.

As at December 31, 2021, D-BOX had 90 employees compared with 84 employees as at December 31, 2020.

4. OUTLOOK

D-BOX has developed a strong brand globally as a leading haptic technology vendor in the commercial entertainment market including the theatrical, sim racing, location-based entertainment and professional simulation and training sub-markets. Owing to the technological progress, versatility of its haptic platform and global fan base, D-BOX is now geared to pursue home entertainment opportunities.

The size and growth potential for the commercial entertainment market, including the theatrical and themed entertainment sub-markets, remains significant. Despite the temporary setback in some markets due to the COVID-19 pandemic, growth is expected to resume as vaccines and treatment of COVID-19 roll out in the world, restrictions lift, and theaters reopen. Data shows that moviegoers are willing to pay more for a premium experience such as D-BOX, and the recent performance of *Spider-Man: No Way Home* demonstrates that the theatrical experience remains an important contributor to the success of movie studios. Tent pole movies such as *The Batman*, *Top Gun: Maverick*, *Jurassic World: Dominion* and *Thor: Love And Thunder* are expected to be released in the upcoming months.

For the Simulation and Training segment, the market size is estimated to grow 13% per annum to US$20 billion by 2025[1]. The business fundamentals remain strong and growth should gradually resume.

The home entertainment market represents a significant market opportunity driven by factors such as time spent at home, the abundant entertainment content available and by enhanced experiences through modern technologies. U.S. consumer spending on home entertainment content is valued at $30.0 billion[2] in 2020 up 15.8% year-over-year. For consumers looking for unparalleled experience, D-BOX is well positioned to deliver true-to-life and immersive sensations through its simulation engines. D-BOX has discussions with a partner to release another product in the upcoming year to please the craving of movie and TV series enthusiasts.

Another key market for D-BOX is the gaming peripheral market, including the sim racing segment, which is estimated at $40 billion in 2020 by Jon Peddie Research.[3] The adoption of high-fidelity haptic technology in the gaming sector is relatively nascent. Nevertheless, it could eventually become an important revenue contributor to D-BOX. D-BOX's vision is that the haptic cues enhance the emotional gaming experience and immersion, as well as improve the performance of gamers. During the quarter, D-BOX continued to reinforce its brand in the sim racing segment by being an official sponsor of the D-BOX eNascar International iRacing Series event. At the 2022 Consumer Electronic Show ("CES"), D-BOX and Razer showcased the Enki Pro gaming chair with D-BOX's haptic technology, a concept gaming chair. The future is promising.

While there are encouraging signs regarding the recovery of D-BOX's markets, the uncertainty related to the magnitude and duration of the COVID-19 pandemic, as well as the impact of supply chain and the rising costs of electronic components to our ecosystem, including our suppliers and our partner integrators, could impact the financial performance of the Corporation in future reporting periods.

5. FINANCIAL AND BUSINESS HIGHLIGHTS

5.1 COVID-19 Financial Impact

During third quarter ended December 31, 2021, some commercial entertainment venues were constrained with social distancing rules and local government business restrictions. In the case of the theatrical market, while some may have operated with a limited capacity, movie studios have resumed releasing high budget movies since April 2021, and such movies are scheduled to be released in 2022. However, disruption related to the COVID pandemic could continue to impact adversely the business with uncertainty related to global rollout of vaccines, efficacy of new treatments and new strain of COVID variants.

[1] "Operator Training Simulator Market", dated March 28, 2019, by Global Market Insights, Inc.
[2] "DEG Year-End 2020 Digital Media Entertainment Report", Digital Entertainment Group, January 27, 2021
[3] "Global PC Gaming Hardware Market Forecast", Jon Peddie Research, July 6, 2020

5.2 Financial Highlights

Highlights for the Third Quarter Ended December 31, 2021

Compared with the Third Quarter ended December 31, 2020:

- Total revenues increased to $5.6 million from $3.0 million for the same period last year.
- Rights for use, rental and maintenance revenues increased 812% from $0.2 million for the same period last year to $2.1 million, driven by the exceptional performance of *Spider-Man: No Way Home*.
- Revenues related to systems sales increased 26% from $2.8 million for the same period last year to $3.5 million.
- Net loss decreased from $2.2 million for the same period last year to $0.3 million.
- Adjusted EBITDA* improved from $(1.3) million for the same period last year to $0.4 million.
- Cash and cash equivalents was $5.2 million as at December 31, 2021, compared with $9.1 million as at March 31, 2021.

Highlights for the Nine-month period ended December 31, 2021

- Total revenues increased to $14.3 million from $8.1 million for the same period last year.
- Net loss decreased to $2.1 million from $3.7 million for the same period last year.
- Adjusted EBITDA* decreased to $(0.1) million from $(1.9) million for the same period last year.

Third Quarter and Nine-month Period ended December 31 (in thousands of dollars, except per share amounts)				
	Third Quarter		Nine-month Period	
	2021	2020	**2021**	2020
Revenues	**5,578**	2,997	**14,341**	8,144
Net loss	**(340)**	(2,194)	**(2,105)**	(3,701)
Adjusted EBITDA*	**402**	(1,336)	**(47)**	(1,951)
Basic and diluted net loss per share	**(0.002)**	(0.012)	**(0.010)**	(0.021)
Information from the consolidated balance sheet				
	As at December 31, 2021		**As at March 31, 2021**	
Cash and cash equivalents	**5,171**		9,134	

* See the "Non IFRS Performance Measures" section on page 5 and the table reconciling adjusted EBITDA* to net loss on page 10.

5.3 Operational Highlights

- D-BOX has partnered with Razer, the world's leading lifestyle brand for gamers, to design the first concept Razer gaming chair featuring D-BOX's high-fidelity haptic technology. Introduced at the 2022 CES, the prototype showcased immersive touch-sensory feedback for lifelike sensations based on haptic cues from games and a variety of fully integrated entertainment mediums, including games to streaming libraries featuring over 2,000 movies and TV series.
- D-BOX became an official sponsor of the D-BOX eNascar International iRacing Series presented by Digital Motorsports. This eSports racing series which visited five virtual tracks in the United States, Canada, and Belgium.
- D-BOX grew its theatrical installed-based of haptic systems in fifteen theatrical screens of which eight screens were

located in the United States. D-BOX is currently present on more than 780 screens in over 42 countries.

- MajorMega, a D-BOX partner, has launched SpongeBob SquarePants VR experience in November at IAAPA 2021. This unit is attendant-free and requires only 80 sq. ft. of space, features that enable operators to generate a high ROI.
- Embry-Riddle University, one of the largest and leading Universities in the Aerospace, Aeronautical and Astronautical programmes, bought 12 VR Trainer units from True Course Simulation, a D-BOX partner.
- D-BOX announced the appointment of Zrinka Dekic as a member of its Board of Directors. She brings nearly 20 years of entertainment industry and financial markets experience, including Corporate Strategy, Strategic Planning and Business Development at The Walt Disney Company, Vice President in Investment Management at Goldman Sachs in New York and Vice President of Houlihan Lokey's Investment Banking Technology, Media & Telecom (TMT) Group.
- D-BOX appointed Tripp Wood as the Vice President of Sales, Home Entertainment. Mr. Wood is an industry veteran with over 20 years of business development, partnership and sales experience in the home entertainment industry, during which he developed business for market leaders such as The Walt Disney Company, Electronic Arts and Paramount Pictures Home Media. His career has focused on consumer home entertainment including video games and traditional movies and TV content.
- D-BOX appointed Karen Mendoza as Vice President, Sales, Commercial Entertainment. Ms. Mendoza has over 20 years of experience in business development, partner management, sales and merchandising. She developed business markets for entertainment, gaming and eSports organizations, such as Nintendo of America, FOX Sports Interactive and GameTruck Licensing.
- Robert Desautels, Chief Technology Officer of D-BOX has been appointed Chairman of the Board and President of the Haptics Industry Forum ("HIF"), a global consortium that represents the interests of the haptics industry as of January 11, 2022. HIF was created to give the main ecosystem participants the ability to define common standards as well as recommended practices and guidelines, maximizing interoperability and continued growth of the market. HIF's common voice will permit decades of know-how to be pooled to facilitate adoption.

6. NON-IFRS FINANCIAL PERFORMANCE MEASURES

The Corporation uses two non-IFRS financial performance measures in its MD&A and other communications. The non-IFRS measures do not have any standardized meaning prescribed by IFRS and are unlikely to be comparable to similarly titled measures reported by other companies. Readers are cautioned that the disclosure of these metrics is meant to add to, and not to replace, the discussion of financial results determined in accordance with IFRS. Management uses both IFRS and non-IFRS measures when planning, monitoring and evaluating the Corporation's performance. The two non-IFRS performance measures are described as follows:

1) Adjusted EBITDA provides useful and complementary information, which can be used, in particular, to assess profitability and cash flows from operations. It consists of net loss excluding amortization, financial expense net of income, income taxes, impairment charges, share-based payments, foreign exchange gain (loss) and non-recurring expenses related to restructuring costs (see the table reconciling net loss to adjusted EBITDA on page 10).

2) Gross profit excluding amortization is used 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 reconciling gross profit to gross profit excluding amortization on page 7).

7. OPERATING RESULTS

The following table shows selected significant financial information for the third quarter and the nine-month period ended December 31, 2021, compared with the corresponding period of the previous fiscal year:

(Amounts are in thousands of Canadian dollars, except per-share data)

Information from the Consolidated Statements of Net Loss and Comprehensive Loss	Third Quarter ended December 31		Nine-month Period ended December 31	
	2021	2020	**2021**	2020
Revenue	**5,578**	2,997	**14,341**	8,144
Gross profit excluding amortization*	**3,578**	1,322	**8,285**	3,816
Net loss	**(340)**	(2 194)	**(2,097)**	(3,701)
Adjusted EBITDA*	**402**	(1,336)	**(47)**	(1,951)
Basic and diluted net loss per share	**(0.002)**	(0.012)	**(0.010)**	(0.021)

* See the "Non-IFRS Performance Measures" section on page 5 and the table reconciling Adjusted EBITDA to net loss on page 10

7.1 Revenues

The following table presents the revenue information for the third quarter and the nine-month period ended December 31, 2021, compared with the corresponding period of the previous fiscal year:

(Amounts are in thousands of Canadian dollars)

	Third Quarter ended December 31				Nine-month period ended December 31			
	2021	2020	Var. ($)	Var. (%)	2021	2020	Var. ($)	Var. (%)
Revenues from								
System sales								
Commercial	**2,369**	1,648	721	44%	**7,335**	4,718	2,617	55%
Home entertainment	**1,111**	1,118	(7)	-1%	**3,012**	2,849	163	1%
Total System sales	**3,480**	2,766	714	26%	**10,347**	7,567	2,781	37%
Rights for use, rental and maintenance	**2,098**	230	1,868	812%	**3,994**	577	3,417	593%
TOTAL REVENUES	**5,578**	2,997	2,582	86%	**14,341**	8,144	6,198	76%

For the third quarter ended December 31, 2021, revenue increased 86% to $5.6 million compared with $2.9 million for the same period last year.

Systems sales revenue increased 26% to $3.5 million compared with $2.8 million for the same period of the previous year.

Systems sales for the commercial market, which include sales of D-BOX haptic systems to theatrical exhibitors, themed entertainment, racing simulation, as well as professional simulation and training market segments increased 44% to $2.4 million compared with $1.6 million for the same period last year. This increase was driven by the broad recovery of the commercial entertainment market for the period ended December 31, 2021.

System sales revenue for the home entertainment market which comprises D-BOX synchronized haptic technology system sales for at home theaters, video games, and home entertainment were flat at $1.1 million in the third quarter of 2021.

Rights for use, rental and maintenance revenues increased 812% to $2.1 compared with $230 thousand dollars last year. This growth resulted from the reopening of theaters and the release of major films since the first quarter ended June 30, 2021.

For the nine-month period ended December 31, 2021, revenue increased 76% to $14.3 million compared with $8.1 million for the same period last year.

Systems sales revenue increased 37% to $10.3 million compared with $7.6 million for the same period of the previous year.

Systems sales for the commercial market increased 55% to $7.3 million compared with $4.7 million for the same period last year. This increase was driven by the broad recovery of the commercial entertainment market for the period ended December 31, 2021.

System sales revenue for the home entertainment market increased by 1% to reach $3.1 million in 2021 from $2.8 million for the same period of the previous year. This increase was driven by the broad recovery of the home entertainment market for the period ended December 31, 2021.

Rights for use, rental and maintenance revenues increased 593% to $4.0 million compared with $577 thousand for the same period last year. This growth resulted from the reopening of theaters and the release of major films since the first quarter ended June 30, 2021.

7.2 Gross Profit

The following table reconciles gross profit to gross profit excluding amortization for the quarters and the nine-month periods ended December 31, 2021, and 2020:

(Amounts are in thousands of Canadian dollars)

	Third Quarter ended December 31		Nine-month period ended December 31	
	2021	**2020**	**2021**	**2020**
Revenues	**5,578**	2,997	**14,341**	8,144
Gross profit	**3,237**	1,176	**7,308**	2,792
Amortization related to cost of goods sold	**341**	146	**977**	1,024
Gross profit excluding amortization*	**3,578**	1,322	**8,285**	3,816
Gross margin excluding amortization	**64%**	44%	**58%**	47%

See the "Non-IFRS Performance Measures" section on page 5.

For the third quarter ended December 31, 2021, gross profit increased to $3.2 million from $1.2 million for the same period last year. The increase was driven primarily by higher revenues from right for use, rental and maintenance.

For the third quarter ended December 31, 2021, gross profit excluding amortization related to cost of goods sold increased to $3.6 million from $1.3 million for the same period last year. Gross margin excluding amortization increased to 64% from 44% for the same period last year. The increase was also driven primarily by higher revenues from right for use, rental and maintenance due to the performance at the box office of *Spider-Man: No Way Home*.

For the nine-month period ended December 31, 2021, gross profit increased to $7.3 million from $2.8 million for the same period last year. The increase is explained primarily by higher revenues from right for use, rental and maintenance.

For the nine-month period ended December 31, 2021, gross profit excluding amortization related to cost of goods sold increased to $8.3 million from $3.8 million for the same period last year. Gross margin excluding amortization related to cost of goods sold increased to 58% from 47% for the same period last year. The increase is also explained primarily by higher revenues from right for use, rental and maintenance due to the performance at the box office of *Spider-Man: No Way Home*.

7.3 Operating Expenses

(Amounts are in thousands of Canadian dollars)

	Third Quarter ended December 31			Nine-month period ended December 31		
	2021	**2020**	**Variation (%)**	**2021**	**2020**	**Variation (%)**
Selling and marketing	**1,365**	1,457	(6%)	**3,726**	2,371	57%
% of revenues	**25%**	49%		**26%**	29%	
Administration	**1,484**	1,106	34%	**3,586**	2,719	32%
% of revenues	**27%**	36%		**25%**	33%	
Research and development	**538**	535	1%	**1,676**	1,212	38%
% of revenues	**10%**	18%		**13%**	13%	
Foreign exchange loss (gain)	**(48)**	125	(138%)	**(50)**	(145)	(134%)
% of revenues	**(1)%**	4%		**(0%)**	(-5%)	

Government assistance: For the nine-month period ended December 31, 2021, the Corporation recognized government assistance amounting to $995 thousand ($994 thousand and $1.6 million, respectively, for the quarter and nine-month period ended December 31, 2020) related to the Canada Emergency Wage Subsidy. An amount totalling $923 thousand, respectively, [$942 thousand and $1.5 million, respectively, for the quarter and nine-month period ended December 31, 2020] was recorded as a reduction of operating expenses for the nine-month period ended December 31, 2021, and an amount totalling $72 thousand [$98 thousand for the quarter and nine-month period ended December 31, 2020] was recorded as a reduction of intangible assets for the nine-month period ended December 31, 2021.

The Corporation also recognized government assistance amounting to $80 thousand related to the Canada Emergency Rent Subsidy for the nine-month period ended December 31, 2021 ($28 thousand for the quarter and nine-month period ended December 31, 2020), and this amount was recorded as a reduction of administration expenses.

In addition, the Corporation recognized government assistance amounting to $115 thousand related to the loan from the Economic Development Agency of Canada for the nine-month period ended December 31, 2021 (nil for 2020], and this amount was recorded as a reduction of administration expenses.

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

For the third quarter ended December 31, 2021, selling and marketing expenses decreased by 6% to $1.4 million (25% of revenues) compared with $1.5 million (49% of revenues) for the same period last year. The increase is a result of the recovery of our markets and business growth initiatives.

For the nine-month period ended December 31, 2021, selling and marketing expenses increased by 57% to $3.7 million (26% of revenues) compared with $2.4 million (29% of revenues) last year. The increase is a result of business recovery. For the nine-month period ended December 31, 2020, employee working hours as well as overall expenses decreased due to the impact of the COVID-19 pandemic on our clients.

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

For the third quarter ended December 31, 2021, administration expenses increased by 34% to $1.5 million (27% of revenues) from $1.1 million (36% of revenues) for the same period last year. The increase is a result of business recovery. For the third quarter ended December 31, 2020, employee working hours as well as overall expenses decreased due to the impact of the COVID-19 pandemic on our clients. The increase also resulted from the costs related to recruitment and the end of the government subsidy program

For the nine-month period ended December 31, 2021, administration expenses increased by 32% to $3.6 million (25% of revenues) from $2.7 million (33% of revenues) for the same period last year. The increase is a result of business recovery. For the nine-month period ended December 31, 2020, employee working hours as well as overall expenses decreased due to the impact of the COVID-19 pandemic on our clients.

Research and Development: Research and development expenses mainly include costs related to employees, amortization of property and equipment and intangible assets, other costs associated with enhancements to existing products, and the cost of adapting products to various international standards, less investment tax credits.

For the third quarter ended December 31, 2021, research and development expenses increased by 1% to $0.5 million (10% of revenues) from $0.5 million (18% of revenues) for the same period last year. The increase is a result of the recovery of our markets and business growth initiatives. For the third quarter ended December 31, 2020, employee working hours as well as overall expenses decreased due to the impact of the COVID-19 pandemic on our clients.

For the nine-month period ended December 31, 2021, research and development expenses increased by 38% to $1.7 million (13% of revenues) from $1.2 million (13% of revenues) for the same period last year. The increase is a result of the recovery of our markets and business growth initiatives. For the nine-month period ended December 31, 2020, employee working hours as well as overall expenses decreased due to the impact of the COVID-19 pandemic on our clients.

Foreign exchange loss (gain): Foreign exchange loss (gain)results primarily from the fluctuation of the Canadian dollar relative to the U.S. currency when translating U.S. dollar operations at the prevailing rate on the date of a transaction and the translation of U.S. dollar monetary assets and liabilities at the end-of-period rate.

For the third quarter ended December 31, 2021, foreign exchange gain amounted to $48 thousand compared with $125 loss thousand for the corresponding period last year.

For the nine-month period ended December 31, 2021, foreign exchange gain amounted to $50 thousand compared with $145 thousand for the corresponding period last year.

The foreign exchange difference was driven by the volatility of the Canadian dollar relative to the U.S. currency between the periods.

7.4 Financial Expenses

For the third quarter ended December 31, 2021, financial expenses net of interest income amounted to $59 thousand compared with $152 thousand for the same period of the previous year. The decrease is due to lower usage of the credit facility during the quarter

For the nine-month period ended December 31, 2021, financial expenses net of interest income amounted to $305 thousand compared with $349 thousand for the same period of the previous year.

7.5 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. Income tax expenses are related to D-BOX's international operations in different countries and different foreign rules of taxation.

7.6 Net Loss

Net loss for the third quarter ended December 31, 2021 amounted to $0.3 million (basic and diluted net loss of $0.002 per share) compared with a net loss of $2.2 million (basic and diluted net loss of $0.012 per share) for the same period last year.

Net loss for the nine-month period ended December 31, 2021 amounted to $2.1 million (basic and diluted net loss of $0.010 per share) compared with a net loss of $3.7 million (basic and diluted net loss of $0.021 per share) for the same period last year.

8. ADJUSTED EBITDA*

Adjusted EBITDA provides useful and complementary information that can be used, in particular, to assess profitability and cash flows provided by operations. It consists of net loss excluding amortization, financial expenses net of income, income taxes, impairment charges, share-based payments, foreign exchange gain (loss) and non-recurring expenses related to restructuring costs.

For the third quarter ended December 31, 2021, adjusted EBITDA amounted to $395 thousand compared with a loss of $1.3 million for the same period last year.

For the nine-month period ended December 31, 2021, adjusted EBITDA amounted to a loss of $54 thousand compared with a loss of $1.9 million for the same period last year.

The following table reconciles adjusted EBITDA to net loss:

(Amounts are in thousands of Canadian dollars)

	Third Quarter ended December 31		Nine-month period ended December 31	
	2021	**2020**	**2021**	**2020**
Net loss	**(340)**	(2,197)	**(2,105)**	(3,701)
Amortization of property and equipment	**271**	340	**846**	1,269
Amortization of intangible assets	**232**	228	**638**	608
Impairment of property and equipment	**179**	—	**179**	—
Accretion of interest expense	**5**	—	**5**	—
Financial expenses	**59**	150	**296**	338
Income taxes (recovery)	—	(2)	—	(2)
Share-based payments	**44**	20	**144**	96
Foreign exchange (gain) loss	**(48)**	125	**(50)**	(145)
Restructuring costs	—	—	—	(414)
Adjusted EBITDA	**402**	**(1,336)**	**(47)**	**(1,951)**

* See the "Non-IFRS Performance measure" section on page 5.

9. LIQUIDITY, CAPITAL RESOURCES AND FINANCING SOURCES

The following table shows certain selected significant financial information from the consolidated balance sheets as at December 31, 2021, and March 31, 2021:

(Amounts are in thousands of Canadian dollars)

Information from the Consolidated Balance Sheets	As at December 31, 2021	As at March 31, 2021
Cash and cash equivalents	**5,171**	9,134
Inventories	**4,870**	4,547
Working capital	**9,022**	8,964
Total assets	**21,987**	23,736
Current liabilities	**6,943**	7,864
Total liabilities	**10,474**	10,205
Equity	**11,513**	13,531

As at December 31, 2021, working capital increased to $9.1 million, compared with $9.0 million as at March 31, 2021. Current assets decreased by $0.6 million to $16.2 million. This decrease is mainly due to an increase in accounts receivable of $1.6 million, an increase of $0.3 million in inventories, and a decrease in cash and cash equivalents of $4.0 million, which was $5.2 million as of December 31, 2021, compared with $9.1 million as of March 31, 2021. Current liabilities decreased by $0.7 million.

Equity decreased $2.0 million to $11.5 million as at December 31, 2021, from $13.5 million as at March 31, 2021. The decrease resulted mainly from the $2.0 million net loss for the nine-month period ended December 31, 2021.

The following table shows selected significant financial information for the third quarter ended December 31, 2021, compared with the corresponding period of the previous fiscal year:

(Amounts are in thousands of Canadian dollars).

Information from the Consolidated Statements of Cash Flows	Nine-month period ended December 31	
	2021	2020
Cash flows (used in) provided by operating activities	**(1,964)**	57
Additions to property and equipment	**(82)**	(3)
Additions to intangible assets	**(862)**	(559)
Cash flows (used in) provided by financing activities	**(1,197)**	1,096

9.1 Operating Activities

For the nine-month period ended December 31, 2021, cash flows used in operating activities totalled $1.9 million compared with cash flows provided by operating activities of $57 thousand for the same quarter last year. While cash flow used in operations before changes in working capital items improved by 3.6 million, the unfavourable variation in cash flow from operating activities is mainly attributable to the increase in the accounts receivable for $2.1 million, which resulted from the considerable increase in revenues for the nine-month period and primarily during the quarter ended December 31, 2021.

9.2 Investing Activities

For the nine-month period ended December 31, 2021, cash flows used in investing activities amounted to $860 thousand compared with $541 thousand last year. This variation resulted mainly from investment totalling $862 thousand in intangible assets related to the Corporation's investment in technology development related to salaries, materials and certification for the third quarter ended December 31, 2021, compared with $559 thousand for the same period of the previous year.

9.3 Financing Activities

For the nine-month period ended December 31, 2021, cash flows used in financing activities amounted to $1.3 million compared with $1.1 million thousand for the same period last year.

For the nine-month period ended December 31, 2021, an amount of $2.4 million was repaid on the credit facility compared with $0.7 million in the previous year. This credit facility agreement was entered into on July 24, 2020, after the quarter ended December 31, 2020. The variation is also explained by the granting of long-term debts for $1.6 million for the nine-month period ended December 31, 2021, while a long-term debt for $2.0 million was obtained during the same period last year. Also, a loan of $4.0 million dollars was repaid during the period ending December 31, 2020.

For the nine-month period ended December 31, 2021, the interest expense on long-term debt charged to loss amounted to $59 thousand compared with $152 thousand for the same period in 2020.

10. QUARTERLY DATA

Operating results for each of the past eight quarters are shown in the table below:

(Amounts are in thousands of Canadian dollars, except number of shares and per-share data)

	2022			2021				2020
	Q3	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Rights for use, rental and maintenance	**2,098**	1,284	612	308	230	249	98	1,269
System sales	**3,480**	4,317	2,551	2,628	2,767	2,668	2,132	5,291
TOTAL REVENUES	**5,578**	5,601	3,163	2,936	2,997	2,917	2,230	6,560
Adjusted EBITDA*	**402**	150	(599)	(1,592)	(1,336)	(520)	(95)	7
Net loss	**(340)**	(421)	(1,344)	(2,491)	(2,194)	(540)	(966)	(3,096)
Basic and diluted net loss per share	**(0.002)**	(0.002)	(0.006)	(0.014)	(0.012)	(0.003)	(0.005)	(0.019)
(in thousands) **Weighted average number of common shares outstanding**	**220,226**	220,226	220,226	179,226	175,951	175,951	175,951	175,951

*See the "Non-IFRS Financial Measures" section on page 5 and the table reconciling adjusted EBITDA to net loss on page 10.

11. OFF-BALANCE SHEET ARRANGEMENTS

As at the date of this MD&A, the Corporation did not have any off-balance sheet arrangements other than the commitments related to the Corporation's lease liabilities as at December 31, 2021, accounted for in the balance sheet, and the operating leases presented in the annual consolidated financial statements for the year ended March 31, 2021.

12. FULLY DILUTED SHARE CAPITAL (FEBRUARY 11, 2022)

	Class A common shares
Class A common shares outstanding	220,225,573
Convertible instruments	
Stock options outstanding	11,883,534
Warrants	48,847,441
	280,956,548

13. ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) STRATEGY

D-BOX is committed to advance ESG initiatives. The Corporation measures its progress in increasing environmental sustainability, achieving a diverse and inclusive workplace, and adopting leading corporate governance practices.

While the Corporation has a small direct carbon footprint given the nature of its activities, the adoption of its product helps to reduce carbon emissions by allowing users to live experiences at home or in a local environment, or by creating simulation and training experiences for users in the aerospace, heavy equipment, car racing and defence markets, among other, enabling them to achieve the same results as if they were in the field.

The Corporation is aware of the benefits of diversity among its employees. When selecting candidates for employment, the Corporation takes into consideration not only the qualifications, personal qualities, business background and experience of the candidates, but also representation by women and members of designated groups as an added value.

It should be noted that in April 2021, D-BOX hired COESIO, a consulting firm specialized in strategic planning and management of sustainable development practices. COESIO will help D-BOX to identify, integrate and measure sustainable development practices.

14. RISK AND UNCERTAINTIES

For a detailed description of risk factors associated with the Corporation, please refer to the "Risk Factors" section of the Corporation's Annual Information Form (the "**AIF**") dated June 7, 2021, which is available on www.sedar.com. The following update should be read together with such risk factors described in the 2021 AIF, which are hereby incorporated by reference.

COVID-19 Pandemic

The Corporation's business, operations and financial condition continued to be affected by the COVID-19 pandemic during the third quarter ended December 31, 2021. As conditions surrounding the pandemic continue to evolve, the Corporation may experience further unexpected negative impacts from the COVID-19 pandemic in the future. According to various sources, the Omicron variant is more contagious than previous strains in unvaccinated persons. Moreover, fully vaccinated people can also spread the virus to others. For these reasons, governments and local authorities around the world may continue or reimpose confinement restrictions, closures, mandated social distancing measures, quarantines and other public health emergency declarations that could lead to a material reduction in demand for the Corporation's products, reduced sales, higher costs for new capital, licensing delays, increased operating expenses, delayed performance of contractual obligations, product shipping delays, and potential supply and staff shortages, all of which could be expected to negatively impact the business, financial condition and results of operations of the Corporation and its ability to satisfy its obligations.

15. DISCLOSURE CONTROLS AND INTERNAL CONTROL 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, 2021, 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.

16. CONTINUOUS INFORMATION AND ADDITIONAL DISCLOSURE

This MD&A was prepared as at February 11, 2022. Additional information can be found on the SEDAR website at www.sedar.com.

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