# Management's Discussion and Analysis

## D-BOX Technologies Inc.
## Fiscal Year Ended March 31, 2022

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# MANAGEMENT'S DISCUSSION AND ANALYSIS
# D-BOX Technologies Inc.
## Fiscal Year Ended March 31, 2022

## 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 fourth quarter and fiscal year ended March 31, 2022, 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 March 31, 2022 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, 2022 and accompanying notes. Unless otherwise indicated, the terms "Corporation" and "D-BOX" refer to D-BOX Technologies Inc.

The annual audited consolidated financial statements for the fiscal year ended March 31, 2022 and this MD&A have been reviewed by the Audit Committee, and approved by the Board of Directors of the Corporation on June 2, 2022. Unless otherwise indicated, all the amounts in this MD&A are in Canadian dollars.

## 2. FORWARD-LOOKING STATEMENTS

Certain information included in this Management's Discussion and Analysis 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: dependence on suppliers; indebtedness; future funding requirements; global health crises and COVID-19; political, social and economic conditions; strategic alliances; access to content; performance of content; distribution network; 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, 2022, 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 ones 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. COVID-19 PANDEMIC

The Corporation may in the future experience unexpected negative impacts from global health crises such as the COVID-19 pandemic. Such impacts could include, with respect to its operations, its suppliers' operations and its customers' operations, forced closures, mandated social distancing, isolation and/or quarantines, impacts of declared states of emergency, public health emergency and similar declarations and could include other increased government regulations, 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 would be expected to negatively impact the business, financial condition and results of operations of the Corporation and its ability to satisfy its obligations. The risks to the Corporation of such public health crises also include risks to employee health and safety and a slowdown or temporary suspension of operations in the Corporation's facilities or a supplier's facilities. Should an employee or visitor in any of the Corporation's facilities or a supplier's facilities become infected with a serious illness that has the potential to spread rapidly, this could place the Corporation's workforce at risk.

Government-imposed restrictions and mandated closures of nonessential businesses in response to the COVID-19 pandemic have caused significant disruptions to the Corporation's ability to generate revenue in fiscal 2022. While the Corporation is cautiously optimistic that the exhibition, amusement and leisure industries have gradually resumed their pre-pandemic operations, conditions surrounding the COVID-19 pandemic continue to rapidly evolve and government authorities could potentially implement additional emergency measures to mitigate the spread of the virus, such as capacity restrictions, lockdowns and social distancing, thereby adversely affecting the demand for the Corporation's products, activities, revenues, profitability, results of operations and financial condition and the trading price of its securities.

While the Corporation is progressively making inroads into the home entertainment market, the theatrical market still represents a material source of revenue for the Corporation. The outbreak of a global health crisis such as COVID-19, and government-imposed restrictions and mandated closures of nonessential businesses in response thereto, could have material adverse effects on the Corporation's commercial entertainment market.

# 4. MESSAGE TO SHAREHOLDERS

## Message from the Chair of the Board

Dear fellow shareholders,

In the last two years, I had the opportunity to witness the agility of D-BOX leadership team to build a strong corporate structure, spearhead growth opportunities for its haptic technology and now be ready to deliver solid financial results. The business environment we had to face included one of the worst global pandemics in the modern era, facing supply chain issues that resulted in delays and rising costs without forgetting a cyberattack (ransomware).

During the fiscal year 2022, D-BOX delivered excellent financial performance. Total revenue grew 92% YoY and delivered a positive adjusted EBITDA of $922,000 compared to a negative adjusted EBITDA of $3.5 million in the previous year. This is a significant milestone as this should provide investors greater confidence that the D-BOX leadership can deliver a profitable growth strategy.

A key growth driver for D-BOX, is the quality of its haptic experience, its product management customer-centric approach and the years of investment in creativity and innovation. This is one of the main reasons why D-BOX's footprint extends to more than 70 countries, through more than 400 business partners and is enjoyed by millions of consumers worldwide. The geographic and sector diversification leads to the democratization of the experience.

Over the last year, the board has also been active in providing a sturdy foundation for D-BOX and developing strong environmental, social, and governance (ESG) practices. in April 2021, D-BOX hired COESIO to push forward policies related to environmental sustainability, social impact and corporate governance practices. Moreover, D-BOX will identify, integrate and measure sustainable development practices, that promote corporate accountability and mitigate D-BOX's ESG risks. Those policies will support our growth as it is requested by shareholders, valued by customers, and attracts highly sought talents. We've added to the Board Mr. Jean- Pierre Trahan, and Ms. Zrinka Dekic. They bring a solid background in business strategy and corporate finance with valuable accomplishments in technology and entertainment.

As for future growth, D-BOX is strategically positioned to capture a significant portion of the entertainment opportunity. D-BOX will continue to expand its footprint in movie theatres, location-based entertainment, museums, arcades, theme parks, simulation & training centers and other commercial venues as it has already an established base of partners and end-users. As well, the metaverse, video game accessories, consumer electronics, and home furniture are all areas where haptic technology will soon be in our daily lives.

In closing, D-BOX has been building a strong foundation and we look forward to maintaining this strong momentum. I am very proud of what has been accomplished in this past year with greater oversight on corporate governance, pushing ESG initiatives and delivering strong financial performance. D-BOX is committed to value creation and profitable growth. Finally, I would like to thank D-BOX employees for believing in the vision, the strategies and the tactics, our customers and partners that helped democratize D-BOX's haptic technology and investors for the support. You are all important to the success of D-BOX.

Sincerely,

Signed:

Denis Chamberland
Chair of the Board

## Message from the President and Chief Executive Officer

Dear fellow shareholders,

My appointment as President and CEO was officially announced on April 1st, 2020, right at the start of the COVID pandemic. It's been a turbulent two years, and my life has been anything, but normal. With perseverance, resilience, and faith in our vision, I am proud to announce that D-BOX delivered an excellent financial performance for FY2022, in one of the toughest business environments. I would like to thank all stakeholders who were part of that extraordinary situation, for their incommensurable support. I will summarize some of the key highlights and discuss some key catalysts to come.

Over the last year, our daily life was clouded by uncertainty related to the pandemic, the management of an unpredictable recovery, a cyberattack (ransomware), and dealing with the supply chain disruption which led to delays and rising costs. What is the most gratifying, is to see that the D-BOX team rolled up their sleeves, and used creativity and ingenuity to not only mitigate the adverse impacts but deliver great execution resulting in strong financial performance. In FY2022, total revenue grew 92% YoY to $21.3 million, driven by rights for use revenues which grew 530% YoY and the commercial entertainment segment which increased 382% YoY. More importantly, we generated a positive adjusted EBITDA of $922,000 compared to a negative adjusted EBITDA of $3.5 million for the previous year. Interestingly, if we compare the last three quarters of FY2022 to the same period of FY2020, we have reached a similar level of revenues, but higher adjusted EBITDA by $1.0M. This demonstrates the actions taken by the management, have paid off.

While some of the achievements highlighted below contributed to the financial performance of FY2022, a significant portion will impact positively in FY2023. Here are some key achievements of the last fiscal year:

- Addition of more than 40 theatrical screens equipped with haptic seats
- Reached 3.2 million tickets sold by theatrical exhibitors, despite many theatres being closed due to the pandemic;
- Partnerships with EA/CodeMaster for F1 2021 video game, BMW for developing a haptic platform with custom motion cueing, and eNASCAR to maintain D-BOX's leadership in the motorsport and sim racing markets as the best haptic solution;
- Launch of a concept seat with Razer, the world's leading lifestyle brand for gamers, to showcase a concept gaming chair featuring D-BOX's high-fidelity haptic technology at the CES 2022. Cooler Master for the unveiling of a gaming chair featuring D-BOX's high-fidelity haptic technology at its Summer Sumit 2021;
- Partnership with LADB and development of internal tools for D-BOX's content scalability strategy;
- Strengthen the sales team with the addition of Ms. Karen Mendoza and Mr. Tripp Wood as sales executive leaders; and
- Strategically positioned D-BOX leadership within the Haptic Industry Forum;

One of the key assets of D-BOX is its people. The team has been resilient, innovative, engaged and committed to the success of the organization and I could not thank them enough for their contribution. D-BOX will continue to promote and invest in a work-life balance as well as create an inspiring working culture environment for its employees.
While some uncertainties remain present, some have abated. One thing is for sure, D-BOX is committed to working hard and delivering results. We are optimistic regarding the opportunities in the haptic technology market since D-BOX is an established player and a pioneer in this industry for more than 20 years! Our technological platform, our large ecosystem of partners and our worldwide install-based, are extremely valuable. My job is to make sure you see it, you hear about it, and you feel it.

Sincerely,
Signed:

Sébastien Mailhot
President and CEO

# 5. FINANCIAL AND BUSINESS HIGHLIGHTS

## 5.1 COVID-19 Financial and Operational Impacts

During the fourth quarter and fiscal year ended March 31, 2022, government regulations and restrictions aimed to fight the spread of the COVID-19 virus were eased and lifted in certain regions allowing a significant number of commercial entertainment venues to reopen. This reopening, and the release of blockbuster movies which had previously been postponed, benefits the Corporation's rights for use, rental and maintenance revenue. Furthermore, the easing of the measures benefited the system sales for the various market segments as consumers flock back to entertainment venues.

## 5.2 Financial Highlights

***Highlights for the Fourth Quarter Ended March 31, 2022***

- Total revenues increase to $7.0 million from $2.9 million for the same three-month period last year.
- Rights for use, rental and maintenance revenues increased by 413% to $1.6 million from $308 thousand for the same three-month period last year.
- Revenues related to systems sales increased by 105% to $5.4 million from $2.6 million for the same three-month period last year.
- Net income was $238 thousand compared to a net loss of $2.5 million during the same three-month period last year.
- Adjusted EBITDA* increased to $972 thousand from $(1.6) million for the same three-month period last year.

***Highlights for the Fiscal Year Ended March 31, 2022***

- Total revenues increased to $21.3 million from $11.1 million for the same period last fiscal year as a result of the easing of government restrictions.
- Rights for use, rental and maintenance revenues increased to $5.6 million from $0.9 million for the same period last fiscal year.
- Revenues related to systems sales increased to $15.7 million from $10.2 million for the same period last fiscal year.
- Net loss decreased to $1.9 million from $6.2 million for the same period last fiscal year.
- Adjusted EBITDA* increased to $922 thousand from $(3.5) million for the same period last fiscal year.
- Cash flow used in operating activities was $3.3 million in FY2022 compared to $0.2 million for the same period last fiscal year.
- Cash and cash equivalents were $3.9 million as of March 31, 2022 compared to $9.1 million as of March 31, 2021.

| Fiscal Year and Fourth Quarter Ended March 31 (in thousands of dollars, except per share data) | | | | |
|---|---|---|---|---|
| | Fiscal Year | | Fourth Quarter | |
| | 2022 | 2021 | 2022 | 2021 |
| Revenues | **21,313** | 11,080 | **6,972** | 2,936 |
| Net income (loss) | **(1,867)** | (6,192) | **238** | (2,491) |
| Adjusted EBITDA* | **922** | (3,549) | **972** | (1,592) |
| Basic and diluted net income (loss) per share | **(0.009)** | (0.035) | **0.001** | (0.014) |
| **Information from the Consolidated Balance Sheets** | | | | |
| | As at March 31, 2022 | | As at March 31, 2021 | |
| Cash and cash equivalents | **3,937** | | **9,134** | |

* See the "Non IFRS financial performance measures" in section 9 and the table reconciling adjusted EBITDA* to net loss in section 12.

## 5.3 Quarterly Operational Highlights

- D-BOX, BMW and Sim-Lab combined forces to create the new BMW Motion Platform. This simulator was designed to make the unparalleled BMW motorsport experience more accessible to sim racers and drivers around the world with D-BOX high-fidelity haptic technology. The solution will be available by the end of 2022.
- Advanced Sim Racing, a fast-growing North American racing simulation chassis manufacturer and digital motorsport equipment retailer, became an official distributor of D-BOX sim racing solutions.
- Metropolitan Theatres installed their first D-BOX screen with 23 high-fidelity haptic recliner seats located at Metropolitan Theatres' flagship luxury cinema MetroLux Theatres in South Orange County, California.
- In March 2022, the Corporation executed an amendment agreement with the BDC for the repayment of the outstanding principal balance of $1.2 million as at May 31, 2023 over 36 monthly instalments of $33 thousand, until June 1, 2026.
- John Deere introduces new forestry full-tree training simulator designed and supported by D-BOX long-time partner, CM-Labs.

# 6. OUTLOOK

D-BOX has developed a strong brand globally in the commercial entertainment market with a significant leadership position in the theatrical, sim racing, location-based entertainment and professional simulation markets. Owing to the technological progress, versatility of its haptic platform and global fan base, D-BOX is now geared to pursue gaming opportunities.

The video game is an attractive market and could eventually become an important revenue contributor for D-BOX as its haptic products are integrated into video game and streaming gears of which the market is estimated to grow at over 20% CAGR between 2020 and 2024 to about $45 billion by 2024 according to Jon Peddie Research[1]. Gamers have long adopted basic haptics technology, with rumbles on video game controllers. D-BOX's vision is that the haptic cues enhance the emotional gaming experience and immersion, as well as improve the performance of gamers.

U.S. consumer spending on home entertainment content grew 7.8% to $32.3 billion[2] in 2021 and 10.1%[3] for the first quarter of 2022. D-BOX launched through a commercial partnership, an immersive and haptic home entertainment seat to reach a broader consumer base earlier in November 2020. It is an important milestone for D-BOX as it is a foray into a commercial off-the-shelf model in the home entertainment segment. D-BOX will continue to develop strategies to reduce the cost for consumers.

The size and growth potential for the commercial entertainment market, including the theatrical and themed entertainment sub-markets, are large and will continue to expand as consumers flock back to entertainment venues. Consumers are eager to get entertained with an enhanced and immersive experience as validated by the strong box office receipts from North American theatrical exhibitors which grew 349%[4] YoY. With the upcoming blockbuster releases such as Jurassic World Dominion, Thor: Love and Thunder, Avatar: The Way of Water and Black Panther: Wakanda Forever, the outlook for the theatrical market is promising for the remainder of the year. For the themed entertainment market, a recent market study from Polaris Market Research[5] forecasts that global location-based entertainment market to grow 34% CAGR to reach US$21.4 billion by 2028.

For the Simulation and Training segment, the market size is estimated to grow 10% per annum to US$20 billion by 2027[6]. The business fundamentals for simulators remain strong driven by safety prevention, increased skills and productivity, environmentally friendly, as well as cost savings compared to training on planes, heavy equipment trucks or automobiles. growth is expected to continue in the upcoming years.

While there are uncertainty related to geopolitical, economic and supply chain risks, we are cautiously optimistic that the demand for D-BOX solutions will remain strong. With robust fundamentals for the commercial entertainment, product launches for the home entertainment, and a resilient and growing simulation and training market segment, D-BOX is well positioned for growth.

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[1] "The Worldwide PC Gaming Hardware Market report", Jon Peddie Research, July 13, 2021
[2] "DEG Year-End 2021 Digital Media Entertainment Report", Digital Entertainment Group, February 3, 2022
[3] "DEG Q1 2022 Digital Media Entertainment Report", Digital Entertainment Group, May 13, 2022
[4] www.boxofficemojo.com, Domestic Box Office, from Jan. 1 to May 26 2022
[5] "Location-based Entertainment Market Size Worth $21.42 Billion by 2028 | CAGR: 34.2%", Polaris Market Research,
[6] *Operator Training Simulator Market",* dated November 2021 by Global Market Insights, Inc.

# 7. CORPORATE PROFILE

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

Thanks to its unparalleled mastery of haptics, D-BOX offers the best possible synchronization of body movements with images and sound.

Three components produce unparalleled synchronized motion in perfect harmony with the images and sounds:

1. Software haptic effects are programmed as a track, frame by frame, in the case of linear content, or programmed as a library for interactive content based on the content's specific telemetry.
2. A haptic processor (or haptic controller) serving as an interface between the content (films, video games, music, wellness, simulation and training, VR experiences) and the D-BOX haptic system. This device is able to recognize the content being used or played, regardless of the source, and associate it with the appropriate D-BOX Haptic Code. It then enables the D-BOX haptic systems to be synchronized with the content.
3. The D-BOX haptic system, consisting, amongst other things, of proprietary electromechanical actuators built into a seat, platform, or other type of equipment.

As of March 31, 2022, D-BOX had 90 employees compared with 91 employees as of March 31, 2021.

# 8. CORPORATE STRATEGY

The Corporation is a leader in the design of haptic and immersive experiences. It is also uniquely positioned to serve as a true differentiator for upcoming home entertainment companies, virtual reality (VR) technologies, video game industry and content distributors. D-BOX continues to develop brand awareness, in addition to offering differentiated asset generating revenues in various business sectors.

## 8.1 Revenue Models

The Corporation's current revenue streams mainly consist of:

(i) the sale or lease of D-BOX hardware including haptic seats, haptic bases that are integrated into recliners or seats, haptic controllers and electronic interfaces or servers, and the sale of actuators to resellers, integrators, and equipment or seating manufacturers who incorporate and market the D-BOX technology under their own brands (known as original equipment manufacturers ("**OEMs**");

(ii) the licensing of the D-BOX Haptic Code in commercial theatres and entertainment centres which are equipped with the D-BOX haptic systems to play content encoded by D-BOX. The Corporation also receives maintenance revenue relating to the use of the haptic systems;

(iii) the licensing of the D-BOX Haptic Code for home entertainment.

## 8.2 Markets

### 8.2.1 Home Entertainment Market

The haptic experience at home is growing rapidly and major technology companies are starting to look at this market to differentiate their own product offering. D-BOX, with more than 20 years of experience is well established to support new players. The strategy is to enter into business partnerships with market leaders in these markets to integrate the D-BOX haptic experience in their products and to commercialize new products and applications. D-BOX will continue to develop the haptic experience with these partners in order to develop new products and applications for use by consumers that will integrate the D-BOX haptic experience.

The Corporation has developed or is developing business relationships with home entertainment partners that operate in the following sub-markets:

- video game peripherals such as:
    - Video gaming chairs;
    - Video game controllers; and
    - Sim racing peripherals and accessories;
- virtual reality ("VR") systems; and
- seating furniture.

### 8.2.2 Commercial Market

The commercial market includes (i) the commercial entertainment segment (which are projects related to location-based entertainment centres, theme parks, arcades, museums, planetariums and commercial theatres) and (ii) the simulation and training segment. In recent years, the growth of family entertainment centres, a sub-segment of the amusement park market, has helped fuel the growth of the commercial entertainment market. D-BOX offers its products and services to the commercial market through channel partners, including original equipment manufacturers ("OEMs"), integrators and value-added resellers.

| Commercial Entertainment | Simulation and Training |
|---|---|
| **Sub-markets:**<br>▪ Location-based entertainment<br>▪ Theme Parks<br>▪ Arcades<br>▪ Museums<br>▪ Planetariums<br>▪ Commercial Theatres<br>▪ Virtual reality | **Sub-markets:**<br>▪ Automobile<br>▪ Defense<br>▪ Flight<br>▪ Heavy Equipment<br>▪ Wellness<br>▪ Virtual Reality |

The Corporation's business strategy to increase sales in the commercial entertainment and simulation and training markets are as follows:

1. Increase the number of partnerships, including OEMs, integrators and value-added resellers;
2. Increase the revenue per partner;
3. Find new sectors for our technology; and
4. Develop new products.

**Theatrical Entertainment**

D-BOX offers its products and services to the theatrical market directly and through partners.

The Corporation's business strategies to increase sales in the theatrical market are as follows:

1. Add new commercial theatres seeking to enhance their offerings with a distinctive draw and generate a new source of revenue.

2. Equip D-BOX motion systems in more complexes or more screens within the same complex or more rows at existing screens.

There were 208,037 cinema screens globally in 2021.[7]

## 8.3 ESG Strategy

The Corporation is committed to conducting its business in an ethical, legal and socially responsible manner, with an ever more responsible approach by promoting, accelerating, and facilitating the integration of sustainable development principles into its business model.

ESG matters are interwoven with each other and must be addressed by all responsible corporate citizens. The Corporation recognizes that ESG has gained a greater importance among investors, policymakers, and other key stakeholders because it is seen as a way to safeguard businesses from future risks. The three pillars of ESG for D-BOX are as follows:

*'E' or Environmental* pertains to the Corporation's energy use, waste, pollution, and natural resource conservation;

*'S' or Social* looks at how the Corporation interacts with communities where it operates, and the Corporation's internal policies related to labour, diversity and inclusion policies, among others;

*'G' or Governance* relates to internal practices and policies that lead to effective decision making and legal compliance. ESG facilitates the Corporation's top-line growth in the long run, attracts talent, reduces costs, and forge a sense of trust amongst consumers.

D-BOX has taken a proactive approach by adopting policies and behaviours pertaining to environment and sustainability, wellbeing, diversity and ethics. These policies and behaviours are described in the Annual Information Form (AIF) dated June 2, 2022, which is available on www.sedar.com .

[7] Source : page 42 of the 2021 Theme Report published in March 2022 by the Motion Picture Association and available at https://www.motionpictures.org/wp-content/uploads/2022/03/MPA-2021-THEME-Report-FINAL.pdf.

## 9. 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 are 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 Company's performance. The two non-IFRS financial performance measures are described as follow:

- 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 expenses net of interest income, income taxes (recovery), impairment charges, share-based payments, foreign exchange loss (gain) and non-recurring expenses related to restructuring costs. (see the reconciliation table in section 12).

- 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 in section 11.2).

## 10. MAIN FINANCIAL DATA

The following tables show selected significant financial information for the current fiscal year and fourth quarter ended March 31, 2022 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 | Fiscal year ended March 31 | | Fourth quarter ended March 31 | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| Revenue | **21,313** | 11,080 | **6,972** | 2,936 |
| Gross profit excluding amortization* | **12,445** | 5,093 | **3,881** | 1,115 |
| Net income (loss) | **(1,867)** | (6,192) | **238** | (2,491) |
| Adjusted EBITDA* | **922** | (3,549) | **972** | (1,592) |
| Basic and diluted net income (loss) per share | **(0.009)** | (0.035) | **0.001** | (0.014) |

* See the "Non IFRS financial performance measures" in section 9 and the table reconciling adjusted EBITDA* to net loss in section 12.

| Information from the Consolidated Statements of Cash Flows | Fiscal year ended March 31 | |
|---|---|---|
| | **2022** | **2021** |
| Cash flows used in operating activities | **(3,323)** | (242) |
| Additions to intangible assets | **(960)** | (467) |
| Additions to property and equipment | **(415)** | (13) |
| Cash flows provided by (used in) financing activities | **(744)** | 5,640 |

The following table shows certain selected significant financial information from the consolidated balance sheets as at March 31, 2022 and March 31, 2021:

(Amounts are in thousands of Canadian dollars)

| Information from the Consolidated Balance Sheets | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| Cash and cash equivalents | **3,937** | 9,134 |
| Inventories | **5,163** | 4,547 |
| Total assets | **22,350** | 23,736 |
| Total current liabilities | **7,183** | 7,864 |
| Total liabilities | **10,516** | 10,205 |
| Equity | **11,834** | 13,531 |

# 11. OPERATING RESULTS

## 11.1 Revenues

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

| | Fiscal year ended March 31 | | | | Fourth quarter ended March 31 | | | |
|---|---|---|---|---|---|---|---|---|
| | **2022** | 2021 | Variation ($) | Variation (%) | **2022** | 2021 | Variation ($) | Variation (%) |
| **Revenues from** | | | | | | | | |
| System sales | | | | | | | | |
| Commercial entertainment | **5,870** | 1,217 | 4,653 | 382% | **2,146** | 75 | 2,071 | 2761% |
| Home entertainment | **937** | 1,004 | (67) | -7% | **194** | 162 | 32 | 20% |
| Simulation and training | **8,933** | 7,974 | 959 | 12% | **3,052** | 2,391 | 661 | 28% |
| | **15,740** | 10,195 | 5,545 | 54% | **5,392** | 2,628 | 2,764 | 105% |
| Rights for use, rental and maintenance | **5,573** | 885 | 4,688 | 530% | **1,579** | 308 | 1,271 | 413% |
| **TOTAL REVENUES** | **21,313** | 11,080 | 10,233 | 92% | **6,972** | 2,936 | 4,035 | 137% |

Total revenues for the fiscal year ended March 31, 2022, were $21.3 million from $11.1 million for the same period last year.

Total revenues for the fourth quarter ended March 31, 2022, increased to $7.0 million compared with $2.9 million for the fourth quarter ended March 31, 2021.

Systems sales for the commercial market increased 382% to $5.9 million compared with $1.2 million for the year ended March 31, 2022 and 2021 respectively. This increase was driven by the broad recovery of the commercial entertainment market for the year ended March 31, 2022.

System sales revenue for the home entertainment market decreased by 7% to reach $937 thousand in 2022 from $1.0 million for the same period of the previous year.

**Rights for use, rental and maintenance**

Recurring revenues from rights for use, rental and maintenance can fluctuate from period to period based on the following factors:

- Box office performance varies significantly from movie to movie.
- Revenue sharing with commercial theatres and studios.
- Movie studios are not releasing movies.
- Individual performance of commercial theatres.
- The average number of D-BOX haptic systems deployed.
- The number of weekly screenings of a D-BOX movie, which can vary by country and commercial theatres.
- The number of weeks a movie screens, which vary by country due to different launch dates or commercial theatres decisions to extend or shorten the exhibition window.
- The number of seats available due to social distancing policies.

Rights for use, rental and maintenance revenues increased 530% to $5.6 million compared with $885 thousand for the same period last year. This growth resulted from the reopening of theaters and the release of major films for the year ended March 31, 2022.

## 11.2 Gross Profit

The following table reconciles gross profit to gross profit excluding amortization:

(Amounts are in thousands of Canadian dollars)

| | Fiscal year ended March 31 | | | Fourth quarter ended March 31 | | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | Variation (%) | 2022 | 2021 | Variation (%) |
| Revenues | 21,313 | 11,080 | 92% | 6,971 | 2,936 | 137% |
| Gross profit | 11,146 | 3,769 | 196% | 3,559 | 815 | 337% |
| Amortization related to cost of goods sold | 1,299 | 1,324 | -2% | 322 | 300 | 7% |
| Gross profit excluding amortization* | 12,445 | 5,093 | 144% | 3,881 | 1,115 | 248% |
| Gross margin excluding amortization | 58% | 46% | | 56% | 38% | |

* See the "Non-IFRS financial performance measures" in section 9.

The Gross margin excluding amortization increased during the fourth quarter and on an annual basis due to the revenue mix. Rights for use, rental and maintenance revenues represented 23% of total revenues during the quarter compared to 10% in the comparable period of the previous year (see section 11.1 revenues for more details).

## 11.3 Operating Expenses

The following table summarizes the evolution of expenses during the current quarter and year to date. With revenues increasing as compared to last fiscal year, but still being lower than revenues pre-COVID, the percentage of expenses over revenues is higher in each of the expense categories as compared to the pre-COVID period. Details of the nature of expenses are provided following the table for more details.

(Amounts are in thousands of Canadian dollars)

| | Fiscal year ended March 31 | | | Fourth quarter ended March 31 | | |
|---|---|---|---|---|---|---|
| | **2022** | 2021 | **Variation (%)** | **2022** | 2021 | **Variation (%)** |
| **Selling and marketing** | **5,103** | 3,564 | 43% | **1,100** | 1,034 | 6% |
| % of Revenues | 24% | 32% | | 16% | 35% | |
| **Administration** | **4,966** | 3,947 | 26% | **1,380** | 1,228 | 12% |
| % of Revenues | 23% | 36% | | 20% | 42% | |
| **Research and development** | **2,319** | 1,920 | 21% | **643** | 708 | -9% |
| % of Revenues | 11% | 17% | | 9% | 24% | |
| **Foreign exchange loss (gain)** | **50** | (133) | -138% | **99** | (12) | -925% |
| % of Revenues | 0% | -1% | | 1% | 0% | |

**Government assistance:** For the year ended March 31, 2022, the Corporation recognized government assistance from various governmental entities in the amount of $1.3 million ($2.8 million for the year ended March 31, 2021). Government assistance received on capital expenditures and deducted from the carrying amount of the internally generated intangible asset, D-BOX motion technology, amounted to $72 thousand for the year ($132 thousand for the year ended March 31, 2021).

**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 motion coding and other marketing expenses.

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

**Research and Development:** Research and development expenses consist primarily of 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.

**Foreign Exchange Gain or Loss:** Foreign exchange 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. Foreign exchange gain includes the change in fair value of derivative financial instrument related to foreign exchange.

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

## 11.4 Financial Expenses

For the fiscal year ended March 31, 2022, financial expenses net of interest income amounted to $396 thousand compared with $488 thousand for the same period of the previous year.

For the fourth quarter ended March 31, 2022, financial expenses net of interest income amounted to $99 thousand compared with $146 thousand for the same period of the previous year. The increase in financial expenses is related to the new loan obtained at the beginning of the year.

## 11.5 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.

## 11.6 Net Loss

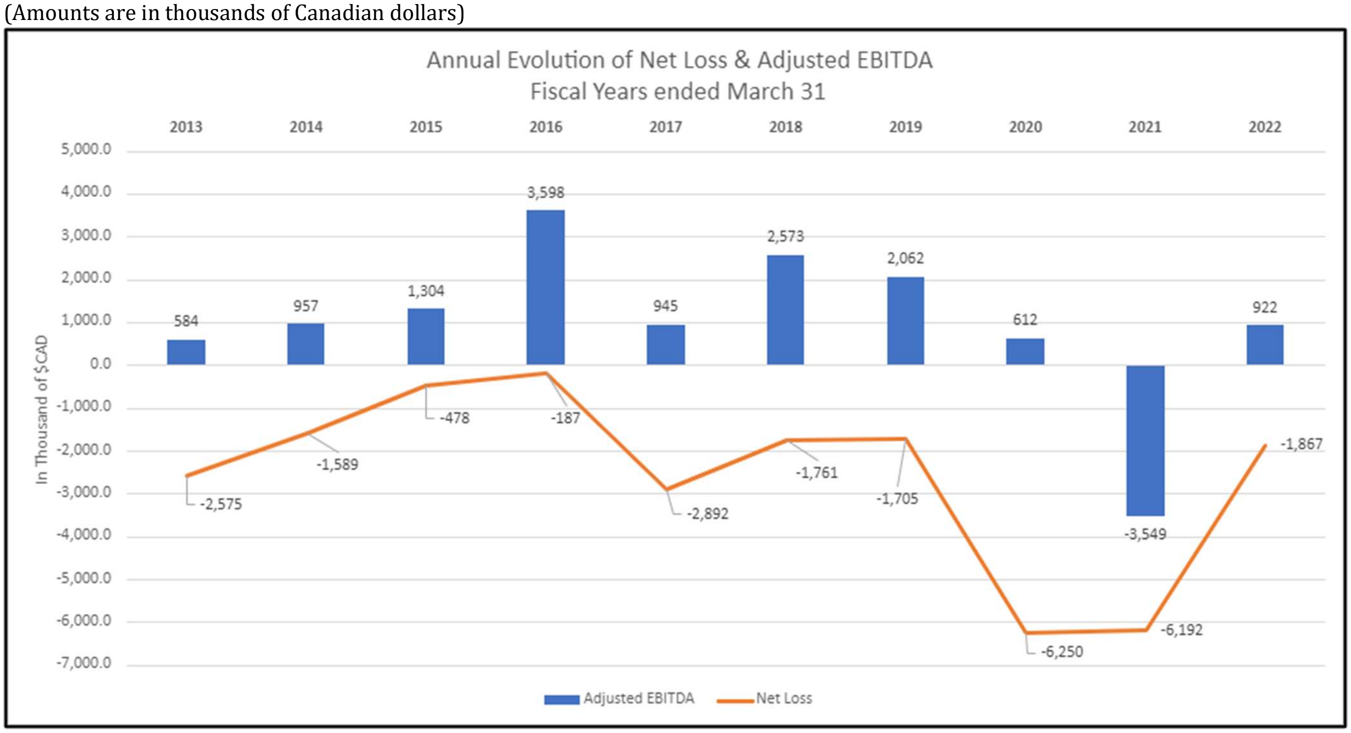
For the fiscal year ended March 31, 2022, net loss amounted to $1.9 million (basic and diluted net loss of $0.009 per share) compared with a net loss of $6.2 million (basic and diluted net loss of $0.035 per share) for the same period last year.

Net income for the fourth quarter ended March 31, 2022, amounted to $238 thousand (basic and diluted net income of $0.001 per share) compared with a net loss of $2.5 million (basic and diluted net loss of $0.014 per share) for the same period last year.

# 12. ADJUSTED EBITDA*

The following table reconciles adjusted EBITDA to net loss:

(Amounts are in thousands of Canadian dollars)




* See the "Non-IFRS financial performance measures" in section 9.

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 interest income, income taxes, impairment charges, share-based payments, foreign exchange loss (gain) and non-recurring expenses related to restructuring costs.

For the fiscal year ended March 31, 2022, adjusted EBITDA amounted to income of $922 thousand compared with a loss of $3.5 million for the same period last year. For the fourth quarter ended March 31, 2022, adjusted EBITDA amounted to income of $972 thousand compared with a loss of $1.6 million for the same period last year.

The following table reconciles adjusted EBITDA to net loss:

(Amounts are in thousands of Canadian dollars)

| | Fiscal year ended March 31 | | Fourth quarter ended March 31 | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| **Net income (loss)** | **(1,867)** | (6,192) | **238** | (2,491) |
| Amortization of property and equipment | **1,124** | 1,530 | **277** | 267 |
| Amortization of intangible assets | **848** | 819 | **211** | 211 |
| Loss on disposal of property and equipment | **—** | 24 | **—** | 24 |
| Impairment of property and equipment | **—** | 235 | **—** | 235 |
| Impairment of intangible assets | **179** | — | **—** | — |
| Impairment (reversal) of finance lease receivable | **—** | (26) | **—** | (26) |
| Financial expenses (income) | **396** | 488 | **99** | 150 |
| Income taxes (recovery) | **—** | (34) | **—** | (32) |
| Share-based payments | **192** | 154 | **48** | 58 |
| Foreign exchange loss (gain) | **50** | (133) | **99** | 12 |
| Restructuring costs | **—** | (414) | **—** | — |
| **Adjusted EBITDA** | **922** | (3,549) | **972** | (1,592) |

* See the "Non-IFRS financial performance measures" in section 9.

# 13. LIQUIDITY, CAPITAL RESOURCES AND FINANCING SOURCES

## 13.1 Operating Activities

For the fiscal year ended March 31, 2022, cash flows used in operating activities totaled $3.3 million compared with cash flows used in operating activities of $242 thousand for the same period last year. This $3.1 million unfavorable variance in cash flows related to operating activities was mainly the result of the reinvestment of non-cash working capital accounts in the amount of $3.6 million.

## 13.2 Investing Activities

During the fiscal year ended March 31, 2022, cash flows used in investing activities amounted to $1.1 million compared with $0.4 million last year. The $0.7 million variance consists mainly of an increase in additions to intangible assets and property and equipment.

## 13.3 Financing Activities

During the fiscal year ended March 31, 2022, cash flows used in financing activities amounted to $744 thousand compared with cash generated by financing activities of $5.6 million last year. The $6.4 million variance is due primarily to the issuance of shares and warrants for net proceeds of $5.1 million in the previous year, as well as repayment of the credit facility in the current year.

During the fiscal year ended March 31, 2022, the financial expenses on interest bearing debt amounted to $227 thousand compared with $303 thousand in 2021.

## 13.4 Equity

Equity decreased by $1.8 million to $11.7 million as of March 31, 2022, from $13.5 million as of March 31, 2021. The decrease is explained mainly by the $1.9 million comprehensive loss.

## 13.5 Working Capital

Total working capital increased by $214 thousand to $9.2 million as of March 31, 2022, compared with $9.0 million as of March 31, 2021:

Current assets decreased to $16.3 million as of March 31, 2022 from $16.8 million as of March 31, 2021 which was mainly due to the reduction of $5.2 million in cash, partially offset by the increase of $4.0 million in accounts receivable and a $616 thousand increase in inventories.

Current liabilities decreased to $7.2 million as of March 31, 2022 from $7.9 million as of March 31, 2021 and was mainly due to the reduction of $1.8 million in the credit facility, partially offset by the increase of $617 thousand in accounts payable and accrued liabilities and an increase in deferred revenues of $419 thousand.

# 14. 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 | | | |
|---|---|---|---|---|---|---|---|---|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Rights for use, rental and maintenance | **1,579** | 2,098 | 1,284 | 612 | 308 | 230 | 249 | 98 |
| System sales | **5,392** | 3,480 | 4,317 | 2,551 | 2,628 | 2,767 | 2,668 | 2,132 |
| **TOTAL REVENUES** | **6,971** | 5,578 | 5,601 | 3,163 | 2,936 | 2,997 | 2,917 | 2,230 |
| **Adjusted EBITDA*** | **972** | 402 | 150 | (599) | (1,592) | (1,288) | (571) | (98) |
| **Net income (loss)** | **238** | (340) | (421) | (1,344) | (2,523) | (2,194) | (540) | (967) |
| **Basic and diluted net income (loss) per share** | **0.001** | (0.002) | (0.002) | (0.006) | (0.014) | (0.012) | (0.003) | (0.005) |
| (in thousands) **Weighted average number of common shares outstanding** | **220,226** | 220,226 | 220,226 | 220,226 | 179,226 | 175,951 | 175,951 | 175,951 |

* See the "Non IFRS financial performance measures" in section 9 and the table reconciling adjusted EBITDA* to net loss in section 12.

## 15. FULLY DILUTED SHARE CAPITAL (June 2, 2022)

| | Class A common shares |
|---|---|
| Class A common shares outstanding | 220,225,573 |
| Convertible instruments | |
| Stock-options outstanding | 12,335,034 |
| Warrants | 48,847,441 |
| | 281,408,048 |

## 16. SIGNIFICANT JUDGEMENTS AND ESTIMATES

### *Significant Judgements and Estimates*

The preparation of consolidated financial statements requires the Corporation's management to make judgements, estimates and assumptions that could affect the amounts of assets and liabilities at the balance sheet date and the amounts of revenues and expenses.

### *Judgements*

In connection with the application of the Corporation's accounting policies, management made the following judgement which had a material impact on the carrying amount of assets and liabilities reported in the consolidated financial statements.

Leases

The Corporation is involved in the rental of motion systems as a lessor. The Corporation has determined, based on its assessment of the terms and conditions of agreements, such as lease term and minimum lease payments, that it may or may not retain substantially all the risks and rewards of ownership of the systems for its lease contracts. Accordingly, the Corporation has accounted for these agreements as operating or finance leases, as deemed appropriate.

Intangible assets

Development costs related to D-BOX motion technology are capitalized in accordance with the accounting policy described in note 2.13 of the consolidated financial statements. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied, the expected period of benefits and forecasted revenues.

### *Estimates*

The underlying estimates and assumptions are based on past experience and other factors deemed reasonable in view of the circumstances. Accordingly, they provide a basis for judgements made in determining the carrying amounts of assets and liabilities.

The final amounts appearing in the Corporation's future consolidated financial statements may differ from the amounts currently estimated. These estimates and assumptions are reviewed on an ongoing basis. The main estimates used concern the impairment of non-financial assets as well as the provision for expected credit losses.

Impairment of non-financial assets

Impairment of non-financial assets exists when the carrying amount of an asset exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets and observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the Corporation's forecast and strategic plan, which assumes a gradual return to pre-pandemic operations and revenues by mid fiscal 2024. The recoverable amount is most sensitive to the discount rate used in the discounted cash flow model, the expected future cash flows and the perpetual growth rate used for extrapolation.

Provision for expected credit losses of trade accounts receivables

The Corporation uses a provision matrix to calculate expected credit losses ("ECLs") for trade accounts receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, customer type and rating, and coverage by credit insurance). The provision matrix is initially based on the Corporation's historical observed default rates. The Corporation will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Corporation's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Corporation's trade accounts receivables is disclosed in note 3 of the consolidated financial statements.

## 17. FINANCIAL INSTRUMENTS

### *Interest Rate Risk*

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Corporation is exposed to interest rate risk due to fluctuations in interest rates on cash and cash equivalents that earn interest at market rates and its variable interest rate on the current portion of long-term debt. The Corporation does not use derivative instruments to reduce its exposure to interest rate risk. On an annual basis, a 1% change in interest rates would have had a $22 thousand impact on net loss and comprehensive loss for the year ended March 31, 2022 (impact of $57 thousand for the year ended March 31, 2021).

The Corporation manages its interest rate risk by maximizing the interest income earned on excess funds while maintaining the necessary liquidity to conduct its day-to-day operations.

### *Credit Risk*

The Corporation is exposed to credit losses arising from payment defaults by third parties. The Corporation evaluates the creditworthiness of its clients to limit the amount of credit extended, where appropriate, and establishes an allowance for expected credit losses sufficient to cover probable and reasonably estimated losses. Furthermore, the Corporation generally insures its accounts receivable balances with Export Development Canada. As of March 31, 2022, five clients accounted for 40% of total trade accounts receivable and 50% of trade accounts receivable were 91% insured (as at March 31, 2021, five clients accounted for 41% of total trade accounts receivable and 39% of trade accounts receivable were 89% insured). Historically, the Corporation has never written off a significant amount of trade accounts receivable. Outstanding trade accounts receivable over 90 days past due stood at 18% as at March 31, 2022 (31% in 2021). The Corporation allowance for expected credit losses amounted to $166 thousand as at March 31, 2022 ($253 thousand as at March 31, 2021). Accounts receivable included investment tax credits, commodity taxes and government assistance receivables, which are receivable from the government and not exposed to significant credit risk. Cash and cash equivalents are mainly held with a limited number of Canadian chartered banks.

As at March 31, 2021, cash equivalents consist of liquid investments, bearing interest at 0.75%, with no fixed maturity.

### *Foreign Exchange Risk*

The Corporation is exposed to foreign exchange risk due to cash and cash equivalents, trade accounts receivable, deposits, and accounts payable denominated in U.S. dollars. As at March 31, 2022, financial assets, consisting primarily of cash, trade accounts receivable and deposits denominated in U.S. dollars, totaled $2.6 million, $3 million and $1.3 million respectively ($1.3 million, $1.1 million and $95 thousand, respectively, as at March 31, 2021), and financial liabilities denominated in U.S. dollars totaled $1 million ($430 thousand as at March 31, 2021). As at March 31, 2022, a 10% increase or decrease in the exchange rate between the U.S. dollar and the Canadian dollar would have had a $735 thousand impact on net loss and comprehensive loss ($261 thousand as at March 31, 2021).

Moreover, the Corporation uses derivative financial instruments to mitigate foreign exchange risk. The Corporation elected not to apply hedge accounting. However, the Corporation considers that those derivative instruments partially hedge the foreign exchange risk related to those transactions. As at March 31, 2022, the Corporation held foreign exchange contracts with a nominal value ranging from US$5.9 million to US$9.4 million (from US$3.7 million to US$4.8 million as at March 31, 2021), allowing it to sell U.S. currency at a Canadian dollar exchange rate ranging from 1.2000 to 1.2800 (1.3000 to 1.3376 as at March 31, 2021) maturing from April 2022 to February 2023 (April 2021 to December 2021 in 2021).

### *Liquidity Risk*

Liquidity risk is the risk that the Corporation will be unable to meet its financial obligations as they become due. The Corporation manages its liquidity to allow for the settlement of liabilities when they become due by continuously monitoring actual and expected cash flows. In past years, the Corporation financed its liquidity needs primarily by issuing debt and equity securities. The Corporation believes that it has sufficient liquidity to meet its working capital obligations and carry on its business for the next twelve months. As the Corporation is currently incurring operating losses, additional capital may be required to continue developing and marketing its technology.

As of March 31, 2022, the Corporation's financial liabilities which had contractual maturities of under one year consisted of its credit facility, accounts payable and accrued liabilities, current portion of lease liabilities and current portion of long-term debt amounting to $6 million ($7.1 million as of March 31, 2021). Non-current contractual liabilities included lease liabilities amounting to $483 thousand ($700 thousand as of March 31, 2021) and long-term debt amounting to $2.9 million ($1.6 million as of March 31, 2021).

### *Fair value*

The fair value of cash and cash equivalents, accounts receivable, credit facility, accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity.

The fair value of long-term debt bearing interest at a variable rate approximates its carrying value because the terms and conditions are comparable to current market terms and conditions.

The fair value of long-term debt bearing interest at a fixed rate is determined using the net present value of principal contractual payment discounted using a rate of 6% and represents an amount of approximately $1.6 million.

## 18. RISK AND UNCERTAINTIES

We operate in an industry which presents many risks and uncertainties. These risks and uncertainties are described in the Annual Information Form (AIF) dated June 2, 2022, which is available on www.sedar.com.

## 19. CONTINGENCY

In the normal course of business, the Corporation is party to lawsuits and other claim proceedings. It is management's opinion that any resulting settlement would not have a material impact on the Corporation's financial position or operating results.

## 20. DISCLOSURE CONTROLS AND INTERNAL CONTROL OVER FINANCIAL REPORTING

In accordance with National Instrument 52-109 Respecting Certification of Disclosure in Issuers' Annual and Interim Filings, the Corporation has filed certifications signed by the President and Chief Executive Officer and the Chief Financial Officer that, among other things, report on the design and effectiveness of disclosure controls and procedures, and the design and effectiveness of internal control over financial reporting.

Management has designed disclosure controls and procedures to provide reasonable assurance that material information relating to the Corporation is made known to the President and Chief Executive Officer and the Chief Financial Officer, particularly during the period in which annual filings are being prepared. The President and Chief Executive Officer and the Chief Financial Officer evaluated the effectiveness of the Corporation's disclosure controls and procedures and concluded, based on their evaluation, that such disclosure controls and procedures were effective as of March 31, 2022.

Management has also designed internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The President and Chief Executive Officer and the Chief Financial Officer evaluated the effectiveness of the Corporation's internal control over financial reporting.

Finally, there has been no change in the Corporation's internal control during the financial year beginning April 1, 2021 and ending March 31, 2022 that materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

## 21. CONTINUOUS INFORMATION AND ADDITIONAL DISCLOSURE

This MD&A was prepared as at June 2, 2022. Additional information can be found on the SEDAR website at www.sedar.com.

The trademarks D-BOX, HAPTICODE, HAPTISYNC, FEEL IT ALL, MOVE THE WORLD, LIVE THE ACTION, HEMC and D-BOX MOTION CODE, whether in text or graphical form, are owned by the Corporation and in most cases are registered or in the process of being registered in Canada and in the countries or territories in which these trademarks are used.

All aspects of the D-BOX haptic effects are protected by copyright.