Management's Discussion and Analysis

D-BOX Technologies Inc.
First Quarter Ended June 30, 2021

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MANAGEMENT'S DISCUSSION AND ANALYSIS
D-BOX Technologies Inc.
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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 first quarter ended June 30, 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 June 30, 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 first quarter ended June 30, 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 June 30, 2021, and this MD&A have been reviewed by the Audit Committee and approved by the Board of Directors of the Corporation on September 8, 2021. 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 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. CORPORATE PROFILE

D-BOX redefines and creates 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, 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 represent opportunities related to the video game, home theatre and consumer entertainment devices.

As at June 30, 2021, D-BOX had 86 employees compared with 109 employees as at June 30, 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.

This market represent a significant market opportunity driven by factors such as time spent at home, the shorter theatrical release window and by enhanced experiences through modern technologies. U.S. consumer spending on home entertainment content is valued at $30.0 billion[1] 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 FY2022 to please the craving of movie and TV series enthusiasts.

Another key market for D-BOX is the gaming and streaming gears segment which is estimated at $40 billion in 2020 by Jon Peddie Research[2]. The adoption of high-fidelity haptic technology in that 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. D-BOX has signed agreements with one gaming chair manufacturer and one gaming accessories manufacturer that will collaborate with D-BOX to potentially launch a haptic integrated product by the end of this fiscal year. D-BOX is in active discussions to enroll additional gaming peripherals vendors and video gaming studios throughout the end of this fiscal year.

The size and growth potential for the commercial entertainment market, including the theatrical and themed entertainment sub-markets, remains large. Despite the temporary setback in some markets due to the COVID-19 pandemic, growth is expected to resume s vaccines roll out across the world, restrictions lift and theaters reopen, early data shows that moviegoers are willing to pay more for a premium experience such as D-BOX. Consumers are eager to get entertained with an enhanced and immersive experience as validated by the strong numbers from blockbusters such as "*Godzilla vs Kong", "F9"* and *"Black Widow".* This bodes well for the remainder of the year with the release of tent pole movies such as James Bond: "No Time to Die", "The Matrix 4" and "Spider-Man: No Way Home".

For the Simulation and Training segment, the market size is estimated to grow 13% per annum to US$20 billion by 2025[3]. The business fundamentals remain strong and growth should gradually resume.

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 could impact the financial performance of the Corporation in future reporting periods.

5. FINANCIAL AND BUSINESS HIGHLIGHTS

5.1 COVID-19 Financial Impact

During first quarter ended June 30, 2021, a significant number of commercial entertainment venues were constrained with social distancing rules and local government business restrictions. In the case of the theatrical market, while a significant number still operating at limited capacity, movie studios have resumed releasing high budget movies since April 2021, and several such movies are scheduled to be released over the remainder of 2021. The adverse impacts are expected to continue in the upcoming quarters of the fiscal year ending March 31, 2022 and potentially through the end of such fiscal year.

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

5.2 Financial Highlights

Highlights for the First Quarter Ended June 30, 2021

Compared with the first quarter ended June 30, 2020:

- Total revenues increased 42% from $2.2 million to $3.2 million.
- Rights for use, rental and maintenance revenues increased 523% from $0.1 million to $0.6 million.
- Revenues related to systems sales increased 20% from $2.1 million to $2.6 million.
- Net loss increased from $1.0 million to $1.3 million.
- Adjusted EBITDA* decreased from $(0.1) million to $(0.6) million.
- Cash and cash equivalent was $6.7 million as at June 30, 2021 compared with $9.1 million as at March 31, 2021. Subsequent to the quarter-end, D-BOX closed a $1.0 million debt financing, improving its cash position.

First Quarter Ended June 30 (in thousands of dollars, except per share amounts)		
	First Quarter	
	2021	**2020**
Revenues	**3,163**	2,230
Net loss	**(1,344)**	(966)
Adjusted EBITDA*	**(598)**	(95)
Basic and diluted net loss per share	**(0.006)**	(0.005)
Information from the consolidated balance sheets		
	As at June 30, 2021	As at March 31, 2021
Cash and cash equivalents	**6,700**	9,134

* See the "Non IFRS Performance Measures" section on page 5 and the table reconciling adjusted EBITDA* to net loss on page 8.

5.3 Operational Highlights

- D-BOX has entered into an agreement with Cinemark Holdings Inc, one of the world's largest and most influential movie theatre companies, to install D-BOX haptic recliner seats in 8 additional locations, driving up the total number of D-BOX Cinemark screens to 99 throughout the United States.

- Cooler Master, a global leader in designing and manufacturing innovative computer components and peripherals, in collaboration with D-BOX, officially launched Motion 1, an immersive haptic gaming chair.

- D-BOX has collaborated with Serious Labs to develop a new virtual reality commercial truck driving simulator. This innovation will not only help to create an expedited route to proficiency and safety for drivers, but contribute to a better, cleaner environment by lowering greenhouse gas emissions.

- D-BOX has collaborated with ANGRUP Software Technologies to develop a heavy vehicle training simulator. The new product is developed completely domestically using real vehicle equipment and electronics.

- D-BOX is partnering with Los Angeles Distribution & Broadcasting Inc. (LADB), a Los Angeles-based leader in digital media and content processing, to accelerate its penetration into the consumer market. This long-term agreement will strengthen D-BOX's presence in Los Angeles and increase the capacity and speed of haptic content output. It will also allow us to solidify our business relationships with major film studios and large movie exhibitors in the United States, and to benefit from LADB's local business network with movies studios and more specifically with emerging streaming platforms.

- D-BOX recently finalized an official study with the Tech3lab from HEC Montréal, evaluating the impact of high-fidelity haptics on gamers in a gaming environment. The study concludes that the gaming experience:
  - Enhances the immersion experienced and perceived by gamers
  - Increases the level of enjoyment and intensity of emotions
  - And contributes positively to the gaming experience

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 follow:

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 income (loss) excluding amortization, financial expenses net of income, income taxes, impairment charges, share-based payments, foreign exchange loss (gain) and non-recurring expenses related to restructuring costs (see the table reconciling net loss to adjusted EBITDA on page 8).

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 6).

7. OPERATING RESULTS

The following table shows selected significant financial information for the first quarter ended June 30, 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	First quarter ended June 30	
	2021	**2020**
Revenues	**3,163**	2,230
Gross profit excluding amortization*	**1,861**	1,351
Net loss	**(1,344)**	(966)
Adjusted EBITDA*	**(598)**	(95)
Basic and diluted net loss per share	**(0.006)**	(0.005)

* See the "Non-IFRS Performance Measures" section on page 5 and the table reconciling Adjusted EBITDA to net loss on page 8.

7.1 Revenues

The following table presents the revenues information for the first quarter ended June 30, 2021 compared with the corresponding period of the previous fiscal year:

(Amounts are in thousands of Canadian dollars)

	First quarter ended June 30			
	2021	2020	Variation ($)	Variation (%)
Revenues from				
System sales				
Commercial	**1,724**	1,323	401	30%
Home entertainment	**827**	809	18	2%
Total System sales	**2,551**	2132	419	20%
Rights for use, rental and maintenance	**612**	98	514	523%
TOTAL REVENUES	**3,163**	2,230	933	42%

For the first quarter ended June 30, 2021, revenue increased 42% to $3.2 million compared with $2.2 million for the same period last year.

Systems sales revenue increased 20% to $2.6 million compared with $2.1 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 30% to $1.7 million compared with $1.3 million for the same period last year. This increase is explained by the recovery of major customers in the first quarter of 2021.

System sales revenue for the home entertainment market which is comprised of D-BOX synchronized motion technology system sales at home theaters, video games, and home entertainment increased by 2% to reach $827 thousand in the first quarter of 2021, from $809 thousand for the same period the previous years.

Rights for use, rental and maintenance revenues increased 523% from $612 thousand dollars last year. This growth is explained by the reopening of theaters and the release of major films in the first quarter ending June 30, 2021.

7.2 Gross Profit

The following table reconciles gross profit to gross profit excluding amortization for the quarters ended June 30, 2021 and 2020:

(Amounts are in thousands of Canadian dollars)

	First quarter ended June 30	
	2021	**2020**
Revenues	**3,163**	2,230
Gross profit	**1,517**	907
Amortization related to cost of goods sold	**344**	444
Gross profit excluding amortization*	**1,861**	1,351
Gross margin excluding amortization	**59%**	61%

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

For the first quarter ended June 30, 2021, gross profit increased to $1.5 million from $0.9 million for the same period last year. The increase is explained primarily by the recovery of the commercial segment and the decrease in amortization.

For the first quarter ended June 30, 2021, gross profit excluding amortization related to cost of goods sold increased to $1.9 million from $1.4 million for the same period last year. Gross margin excluding amortization decreased to 59% from 61% for the same period last year. This decrease is explained by the increase in costs related to supply chain expenses, by the nature of the different types of projects and the variation of foreign exchange rates for the quarter ended June 30, 2021 compared with June 30, 2020.

7.3 Operating Expenses

(Amounts are in thousands of Canadian dollars)

	First quarter ended June 30		
	2021	**2020**	**Variation (%)**
Selling and marketing	**1,148**	584	97%
% of Revenues	36%	26%	
Administration	**1,017**	861	18%
% of Revenues	32%	39%	
Research and development	**519**	269	93%
% of Revenues	16%	12%	
Foreign exchange loss (gain)	**25**	66	(62)%
% of Revenues	1%	3%	

Government assistance: For the quarter ended June 30, 2021, the Corporation recognized government assistance amounting to $798 thousand [$593 thousand for the quarter ended June 30, 2020] related to the Canada Emergency Wage Subsidy. An amount totaling $744 thousand [$547 thousand for the quarter ended June 30, 2020] was recorded as a reduction of operating expenses. and an amount totaling $54 thousand [$46 thousand for the quarter ended June 30, 2020] was recorded as a reduction of intangible assets.

For the quarter ended June 30, 2021, the Corporation also recognized government assistance amounting to $61 thousand [nil for the quarter ended June 30, 2020] related to the Canada Emergency Rent Subsidy, 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 motion coding and other marketing expenses.

For the first quarter ended June 30, 2021, selling and marketing expenses increased by 97% to $1.1 million (36% of revenues) compared with $0.6 million (26% of revenues) last year. The increase is a result of business recovery. For the quarter ended June 30, 2020, a decrease in employee working hours as well as overall expenses were reduced 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 first quarter ended June 30, 2021, administration expenses increased by 18% to $1.0 million (32% of revenues) from $0.9 million (39% of revenues) for the same period last year. The increase is a result of business recovery. For the quarter ended June 30, 2020, a decrease in employee working hours as well as overall expenses were reduced 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 first quarter ended June 30, 2021, research and development expenses increased by 93% to $0.5 million (16% of revenues) from $0.3 million (12% of revenues) for the same period last year. The increase is a result of business recovery. For the quarter ended June 30, 2020, a decrease in employee working hours as well as overall expenses were reduced due to the impact of the Covid-19 pandemic on our clients.

Foreign Exchange Loss: Foreign exchange loss 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 first quarter ended June 30, 2021, foreign exchange loss amounted to $25 thousand compared with $66 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 first quarter ended June 30, 2021, financial expenses net of interest income amounted to $153 thousand compared with $94 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 first quarter ended June 30, 2021 amounted to $1.3 million (basic and diluted net loss of $0.006 per share) compared with a net loss of $1.0 million (basic and diluted net loss of $0.005 per share) for the same period last year.

8. ADJUSTED EBITDA*

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

For the first quarter ended June 30, 2021, adjusted EBITDA amounted to a loss of $598 thousand compared with $95 thousand for the same period last year.

The following table reconciles adjusted EBITDA to net loss:

(Amounts are in thousands of Canadian dollars)

	First quarter ended June 30	
	2021	**2020**
Net loss	**(1,344)**	(966)
Amortization of property and equipment	**297**	475
Amortization of intangible assets	**224**	191
Financial expenses	**153**	94
Income taxes (recovery)	**(1)**	(1)
Share-based payments	**48**	46
Foreign exchange loss	**25**	66
Adjusted EBITDA	**(598)**	**(95)**

* 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 June 30, 2021 and March 31, 2021:

(Amounts are in thousands of Canadian dollars)

Information from the Consolidated Balance Sheets	As at June 30, 2021	As at March 31, 2021
Cash and cash equivalents	**6,700**	9,134
Inventories	**4,956**	4,547
Working capital	**7,909**	8,964
Total assets	**22,469**	23,736
Current liabilities	**8,004**	7,864
Total liabilities	**10,199**	10,205
Equity	**12,270**	13,531

As at June 30, 2021, working capital decreased to $7.9 million, compared with $9.0 million as at March 31, 2021. Current assets decreased by $1.0 million to $15.9 million. This decrease is mainly due to an increase in accounts receivable of $1.0 million, an increase of $0.4 million in inventory, and a decrease in cash and cash equivalents of $2.4 million which was $6.7 million as of June 30, 2021, compared with $9.1 million as of March 31, 2021. Current liabilities increased by $0.1 million.

Equity decreased $1.3 million to $12.3 million as at June 30, 2021, from $13.5 million as at March 31, 2021. The decrease resulted mainly from the $1.3 million net loss for the first quarter ended June 30, 2021.

The following table show selected significant financial information for the first quarter ended June 30, 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	First quarter ended June 30	
	2021	2020
Cash flows (used in) provided by operating activities	**(1,777)**	542
Additions to property and equipment	**(18)**	—
Additions to intangible assets	**(269)**	(63)
Cash flows (used in) provided by financing activities	**(444)**	(74)

9.1 Operating Activities

For the first quarter ended June 30, 2021, cash flows used in operating activities totaled $1.8 million compared with cash flows provided by operating activities of $0.5 million for the same quarter last year. This $2.3 million unfavorable variance in cash flow from operating activities is mainly attributable to working capital items; the unfavorable variance of $2.8 million in accounts receivable, $0.7 million in inventories, and by cash flow from operations less cash provided by accounts payable and accrued liabilities in the amount of $1.0 million.

9.2 Investing Activities

For the quarter ended June 30, 2021, cash flows used in investing activities amounted to $213 thousand compared with $47 thousand last year. This variance is mainly explained by investment totalling $269 thousand in intangible assets related to the Corporation's investment in technology development related to salaries, materials and certification for the first quarter ended June 30, 2021, compared with $63 thousand for the same period the previous year.

9.3 Financing Activities

For the first quarter ended June 30, 2021, cash flows used in financing activities for payment amounted to $444 compared with $74 thousand last year.

For the first quarter ended June 30, 2021, an amount of $365 thousand was attributable to repayment to the new credit facility. This credit facility was entered into on July 24, 2020, after the quarter ended June 30, 2020.

As at June 30, 2021, the effective interest rate of long-term debt was 4,55% (6.2% as at June 30, 2020). For the quarter ended June 30, 2021, the interest expense on long-term debt charged to loss amounted to $24 thousand compared with $48 thousand 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		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Rights for use, rental and maintenance	**612**	**308**	230	249	98	1,269	1,821	1,811
System sales	**2,551**	**2,628**	2,767	2,668	2,132	5,291	3,652	4,518
TOTAL REVENUES	**3,163**	**2,936**	2,997	2,917	2,230	6,560	5,473	6,329
Adjusted EBITDA*	**(598)**	**(1,592)**	(1,288)	(571)	(95)	7	276	114
Net loss	**(1,344)**	**(2,491)**	(2,194)	(540)	(966)	(3,096)	(1,615)	(933)
Basic and diluted net loss per share (in thousands)	**(0.006)**	**(0.014)**	(0.012)	(0.003)	(0.005)	(0.019)	(0.008)	(0.006)
Weighted average number of common shares outstanding	**220,226**	**179,226**	175,951	175,951	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 8.

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 June 30, 2021 in the balance sheet and the equipment under operating leases presented in the annual consolidated financial statements for the year ended March 31, 2021.

12. FULLY DILUTED SHARE CAPITAL (SEPTEMBRE 8, 2021)

	Class A common shares
Class A common shares outstanding	220,225,573
Convertible instruments	
Stock options outstanding	11,908,534
Warrants	48,847,441
	280,981,548

13. 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 remained materially adversely affected by the COVID-19 pandemic during the first quarter ended June 30, 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 delta variant is more contagious and might cause more severe illness 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 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.

Cyberattack

On July 14, 2021, the Corporation announced that it had suffered a ransomware cyberattack on its information technology systems that caused practically all of its systems to be encrypted and unusable. On July 28, 2021, D-BOX announced the resumption of its activities and the deferral of filing its consolidated financial results for the first quarter of fiscal 2022 ended June 30, 2021 ("Q1 Financial Results"). The Corporation then applied to the applicable Canadian securities' regulatory authorities for a management cease trade order ("MCTO") which was obtained on August 12, 2021, preventing the Chief Executive Officer, the Chief Financial Officer and all the directors of the Corporation from trading securities of the Corporation until the Q1 Financial Results were filed.

The most important impact of the cyberattack on the Corporation was a significant loss of productivity of its employees for a period of approximately four weeks. Production and operations were never completely interrupted.

14. SUBSEQUENT EVENTS

On September 7, 2021, the Corporation signed an agreement with the National Bank of Canada ["NBC"] related to a loan amounting to $1,000 for the ongoing operations and working capital of the Corporation. This loan bearing interest at the fixed rate of 4% is repayable in 24 monthly principal installments of $8 from the 13th month after the payment and the balance at maturity in 36 months. The loan is secured by second-ranking hypothec and security interests on all assets of the Corporation and its U.S. subsidiary and is guaranteed by the Business Development Bank of Canada ["BDC"].

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 June 30, 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 September 8, 2021. Additional information can be found on the SEDAR website at www.sedar.com.

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