Management's Discussion and Analysis

D-BOX Technologies Inc.
Second Quarter Ended September 30, 2021

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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1. SCOPE OF THE MD&A

This Management's Discussion and Analysis ("MD&A") is intended to provide the reader with a better understanding of the activities of D-BOX Technologies Inc. and its subsidiaries, as well as key elements of its financial results. In particular, it explains changes in the Corporation's financial position and operating results for the second quarter ended September 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 September 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 second quarter ended September 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 September 30, 2021, and this MD&A have been reviewed by the Audit Committee and approved by the Board of Directors of the Corporation on November 11, 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 risks that could have an impact on it. Additional risks and uncertainties not currently known to the Corporation or that the Corporation currently deems to be immaterial may also have a material adverse effect on the Corporation's business, financial condition or results of operations.

3. CORPORATE PROFILE

D-BOX 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 September 30, 2021, D-BOX had 89 employees compared with 87 employees as at September 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 represents 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 the upcoming year 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 launch a haptic integrated product by the end of this fiscal year. D-BOX is in active discussions to enroll additional gaming peripherals vendors by 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 significant. Despite the temporary setback in some markets due to the COVID-19 pandemic, growth is expected to resume as vaccines roll out across the world, restrictions lift and theaters reopen while early data shows that moviegoers are willing to pay more for a premium experience such as D-BOX. Consumers are eager to be entertained by 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, as well as the impact of supply chain and the rising costs of electronic components to our ecosystem, including our suppliers and our partner integrators, could impact the financial performance of the Corporation in future reporting periods.

5. FINANCIAL AND BUSINESS HIGHLIGHTS

5.1 COVID-19 Financial Impact

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

[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 Second Quarter Ended September 30, 2021

Compared with the second quarter ended September 30, 2020:

- Total revenues increased to $5.6 million from $2.9 million for the same period last year.
- Rights for use, rental and maintenance revenues increased 416% from $0.2 million for the same period last year to $1.3 million.
- Revenues related to systems sales increased 62% from $2.7 million for the same period last year to $4.3 million.
- Net loss decreased from $0.5 million for the same period last year to $0.4 million.
- Adjusted EBITDA* improved from $(0.6) million for the same period last year to $0.2 million.
- Cash and cash equivalent was $6.8 million as at September 30, 2021, compared with $9.1 million as at March 31, 2021.

Highlights for the six-month period ended September 30, 2021

- Total revenues increased to $8.8 million from $5.1 million for the same period last year.
- Net loss increased to $1.8 million from 1.5 million for the same period last year.
- Adjusted EBITDA* decreased to $(0.4) million from $(0.7) million for the same period last year.

Second quarter and Six-month period ended September 30 (in thousands of dollars, except per share amounts)				
	Second Quarter		**Six-month Period**	
	2021	2020	**2021**	2020
Revenues	**5,601**	2,917	**8,764**	5,146
Net loss	**(421)**	(540)	**(1,765)**	(1,506)
Adjusted EBITDA*	**150**	(571)	**(448)**	(667)
Basic and diluted net loss per share	**(0.002)**	(0.003)	**(0.008)**	(0.009)
Information from the consolidated balance sheet				
	As at September 30, 2021		**As at March 31, 2021**	
Cash and cash equivalents	**6,793**		9,134	

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

5.3 Operational Highlights

- During the second quarter, several key existing exhibitor chain partners, such as CMX, Cinesa and an important Southern Hemisphere exhibitor chain, as well as ECCO our distributor partner in Germany, have announced a planned rollout of D-BOX haptic systems. Since the beginning of this fiscal year, more than 37 screens to be installed in the future have been announced by D-BOX, confirming the premium offering trend in movie exhibition.
- D-BOX becomes the exclusive haptic supplier for all Adrenalin GmbH's Simulators, including the DRSeven® Sim Racing Simulators created for Nürburgring eSports, their first 6 degrees of freedom ("DOF") unit dedicated to eSports.

- D-BOX participated the ADAC Sim Racing Expo at the Nürburgring Racetrack in Germany. More than 23,500 visitors and 800,000 live stream viewers attended the event and D-BOX was awarded the SIMMY Award for the best booth activation.
- On July 14, 2021, the Corporation announced that it had suffered a ransomware cyberattack on its information technology systems. On July 28, all major IT systems have been restored. The operational and financial impact were quickly contained.

6. NON-IFRS FINANCIAL PERFORMANCE MEASURES

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

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

2) Gross profit excluding amortization is used to evaluate the Corporation's capacity to generate funds through product sales by considering the cost of these products while excluding the main non-cash item, namely amortization (see the table reconciling gross profit to gross profit excluding amortization on page 7).

7. OPERATING RESULTS

The following table shows selected significant financial information for the second quarter and the six-month period ended September 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	Second Quarter ended September 30		Six-month Period ended September 30	
	2021	2020	**2021**	2020
Revenue	**5,601**	2,917	**8,764**	5,146
Gross profit excluding amortization*	**3,125**	1,305	**4,986**	2,655
Net loss	**(421)**	(540)	**(1,765)**	(1,506)
Adjusted EBITDA*	**150**	(571)	**(448)**	(667)
Basic and diluted net loss per share	**(0.002)**	(0.003)	**(0.008)**	(0.009)

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

7.1 Revenues

The following table presents the revenue information for the second quarter and the six-month period ended September 30, 2021, compared with the corresponding period of the previous fiscal year:

(Amounts are in thousands of Canadian dollars)

	Second quarter ended September 30				Six-month period ended September 30			
	2021	2020	Var. ($)	Var. (%)	2021	2020	Var. ($)	Var. (%)
Revenues from								
System sales								
Commercial	**3,242**	1,764	1,478	84%	**4,965**	3,070	1,895	62%
Home entertainment	**1,075**	904	171	19%	**1,903**	1,730	173	10%
Total System sales	**4,317**	2,668	1,649	62%	**6,868**	4,800	2,068	43%
Rights for use, rental and maintenance	**1,284**	249	1,035	416%	**1,896**	346	1,550	448%
TOTAL REVENUES	**5,601**	2,917	2,684	92%	**8,764**	5,146	3,618	70%

For the second quarter ended September 30, 2021, revenue increased 92% to $5.6 million compared with $2.9 million for the same period last year.

Systems sales revenue increased 62% to $4.3 million compared with $2.7 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 84% to $3.2 million compared with $1.8 million for the same period last year. This increase is explained by the broad recovery of the commercial entertainment market for the period ended September 30, 2021.

System sales revenue for the home entertainment market which comprises D-BOX synchronized motion technology system sales for at home theaters, video games, and home entertainment increased by 19% to reach $1.1 million in the second quarter of 2021, from $904 thousand for the same period the previous years. This increase is explained by the broad recovery of the home entertainment market for the period ended September 30, 2021.

Rights for use, rental and maintenance revenues increased 416% to $1.3 compared with $249 thousand dollars last year. This growth is explained by the reopening of theaters and the release of major films since the first quarter ended June 30, 2021.

For the six-month period ended September 30, 2021, revenue increased 70% to $8.8 million compared with $5.1 million for the same period last year.

Systems sales revenue increased 43% to $6.9 million compared with $4.8 million for the same period of the previous year.

Systems sales for the commercial market increased 62% to $5.0 million compared with $3.1 million for the same period last year. This increase is explained by the broad recovery of the commercial entertainment market for the period ended September 30, 2021.

System sales revenue for the home entertainment market increased by 10% to reach $1.9 million in 2021 from $1.7 million for the same period of the previous year. This increase is explained by the broad recovery of the home entertainment market for the period ended September 30, 2021.

Rights for use, rental and maintenance revenues increased 448% to $1.9 million compared with $346 thousand for the same period last year. This growth is explained by the reopening of theaters and the release of major films since the first quarter ended June 30, 2021.

7.2 Gross Profit

The following table reconciles gross profit to gross profit excluding amortization for the quarters and the six-month periods ended September 30, 2021, and 2020:

(Amounts are in thousands of Canadian dollars)

	Second quarter ended September 30		Six-month period ended September 30	
	2021	2020	2021	2020
Revenues	**5,601**	2,917	**8,764**	5,146
Gross profit	**2,833**	871	**4,350**	1,778
Amortization related to cost of goods sold	**292**	434	**636**	877
Gross profit excluding amortization*	**3,125**	1,305	**4,986**	2,655
Gross margin excluding amortization	**56%**	45%	**57%**	52%

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

For the second quarter ended September 30, 2021, gross profit increased to $2.8 million from $0.9 million for the same period last year. The increase is explained primarily by higher revenues and the decrease in amortization.

For the second quarter ended September 30, 2021, gross profit excluding amortization related to cost of goods sold increased to $3.1 million from $1.3 million for the same period last year. Gross margin excluding amortization increased to 56% from 45% for the same period last year. Since the second quarter, the revenue breakdown by markets is more aligned with historical revenue breakdown, which explains the increase of the margin.

For the six-month period ended September 30, 2021, gross profit increased to $4.4 million from $1.8 million for the same period last year. The increase is explained primarily by higher revenues and the decrease in amortization.

For the six-month period ended September 30, 2021, gross profit excluding amortization related to cost of goods sold increased to $5.0 million from $2.7 million for the same period last year. Gross margin excluding amortization related to cost of goods sold increased to 57% from 52% for the same period last year. Since the second quarter, the revenue breakdown by markets is more aligned with historical revenue breakdown, which explains the increase of the margin.

7.3 Operating Expenses

(Amounts are in thousands of Canadian dollars)

	Second quarter ended September 30			Six-month period ended September 30		
	2021	2020	Variation (%)	2021	2020	Variation (%)
Selling and marketing	**1,490**	489	205%	**2,638**	1,075	145%
% of revenues	**27%**	17%		**30%**	21%	
Administration	**1,085**	752	44%	**2,102**	1,612	30%
% of revenues	**19%**	26%		**24%**	31%	
Research and development	**619**	408	52%	**1,138**	677	68%
% of revenues	**11%**	14%		**13%**	13%	
Foreign exchange loss (gain)	**(26)**	(335)	(92%)	**(1)**	(270)	(100%)
% of revenues	**(1)%**	(11)%		**(0%)**	(-5%)	

Government assistance: For the quarter and six-month period ended September 30, 2021, the Corporation recognized government assistance amounting to $196 thousand and $995 thousand, respectively ($994 thousand and $1.6 million, respectively, for the quarter and six-month period ended September 30, 2020) related to the Canada Emergency Wage Subsidy. Amounts totalling $179 thousand and $923 thousand, respectively, [$942 thousand and $1.5 million for the quarter and six-month period ended September 30, 2020] were recorded as a reduction of operating expenses for the quarter and six-month period ended September 30, 2021, and an amount totaling $72 thousand [$98 thousand for the quarter and six-month period ended September 30, 2020] was recorded as a reduction of intangible assets for the six-month period ended September 30, 2021.

The Corporation also recognized government assistance amounting to $20 thousand and $80 thousand, respectively, related to the Canada Emergency Rent Subsidy for the quarter and six-month period ended September 30, 2021, and these amounts were recorded as a reduction of administration expenses.

In addition, the Corporation recognized government assistance amounting to $115 thousand related to the loan from the Economic Development Agency of Canada for the six-month period ended September 30, 2021 (nil for 2020], and this amount was recorded as a reduction of administration expenses.

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

For the second quarter ended September 30, 2021, selling and marketing expenses increased by 205% to $1.5 million (27% of revenues) compared with $0.5 million (17% of revenues) for the same period last year. The increase is a result of business recovery. For the second quarter ended September 30, 2020, employee working hours as well as overall expenses decreased due to the impact of the COVID-19 pandemic on our clients.

For the six-month period ended September 30, 2021, selling and marketing expenses increased by 145% to $2.6 million (30% of revenues) compared with $1.1 million (21% of revenues) last year. The increase is a result of business recovery. For the six-month period ended September 30, 2020, employee working hours as well as overall expenses decreased due to the impact of the COVID-19 pandemic on our clients.

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

For the second quarter ended September 30, 2021, administration expenses increased by 44% to $1.1 million (19% of revenues) from $0.8 million (26% of revenues) for the same period last year. The increase is a result of business recovery. For the second quarter ended September 30, 2020, employee working hours as well as overall expenses decreased due to the impact of the COVID-19 pandemic on our clients.

For the six-month period ended September 30, 2021, administration expenses increased by 30% to $2.1 million (24% of revenues) from $1.6 million (31% of revenues) for the same period last year. The increase is a result of business recovery. For the six-month period ended September 30, 2020, employee working hours as well as overall expenses decreased due to the impact of the COVID-19 pandemic on our clients.

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

For the second quarter ended September 30, 2021, research and development expenses increased by 52% to $0.6 million (11% of revenues) from $0.4 million (14% of revenues) for the same period last year. The increase is a result of business recovery. For the second quarter ended September 30, 2020, employee working hours as well as overall expenses decreased due to the impact of the COVID-19 pandemic on our clients.

For the six-month period ended September 30, 2021, research and development expenses increased by 68% to $1.1 million (13% of revenues) from $0.7 million (13% of revenues) for the same period last year. The increase is a result of business recovery. For the six-month period ended September 30, 2020, employee working hours as well as overall expenses decreased due to the impact of the COVID-19 pandemic on our clients.

Foreign Exchange gain: 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 second quarter ended September 30, 2021, foreign exchange loss amounted to $26 thousand compared with $335 thousand for the corresponding period last year.

For the six-month period ended September 30, 2021, foreign exchange loss amounted to $1 thousand compared with $270 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 second quarter ended September 30, 2021, financial expenses net of interest income amounted to $85 thousand compared with $98 thousand for the same period of the previous year.

For the six-month period ended September 30, 2021, financial expenses net of interest income amounted to $238 thousand compared with $191 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 second quarter ended September 30, 2021 amounted to $0.4 million (basic and diluted net loss of $0.002 per share) compared with a net loss of $0.5 million (basic and diluted net loss of $0.003 per share) for the same period last year.

Net loss for the six-month period ended September 30, 2021 amounted to $1.8 million (basic and diluted net loss of $0.008 per share) compared with a net loss of $1.5 million (basic and diluted net loss of $0.009 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 gain (loss) and non-recurring expenses related to restructuring costs.

For the second quarter ended September 30, 2021, adjusted EBITDA amounted to a gain of $150 thousand compared with a loss of $571 thousand for the same period last year.

For the six-month period ended September 30, 2021, adjusted EBITDA amounted to a loss of $448 thousand compared with $667 thousand for the same period last year.

The following table reconciles adjusted EBITDA to net loss:

(Amounts are in thousands of Canadian dollars)

	Second quarter ended September 30		Six-month period ended September 30	
	2021	**2020**	**2021**	**2020**
Net loss	**(421)**	(540)	**(1,765)**	(1,506)
Amortization of property and equipment	**277**	401	**574**	876
Amortization of intangible assets	**182**	189	**406**	380
Financial expenses	**85**	98	**238**	191
Income taxes (recovery)	**1**	(1)	**—**	(1)
Share-based payments	**52**	31	**100**	77
Foreign exchange gain	**(26)**	(335)	**(1)**	(270)
Restructuring costs	**—**	(414)	**—**	(414)
Adjusted EBITDA	**150**	**(571)**	**(448)**	**(667)**

* 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 September 30, 2021, and March 31, 2021:

(Amounts are in thousands of Canadian dollars)

Information from the Consolidated Balance Sheets	As at September 30, 2021	As at March 31, 2021
Cash and cash equivalents	**6,793**	9,134
Inventories	**4,346**	4,547
Working capital	**9,196**	8,964
Total assets	**23,889**	23,736
Current liabilities	**8,321**	7,864
Total liabilities	**12,060**	10,205
Equity	**11,829**	13,531

As at September 30, 2021, working capital increased to $9.2 million, compared with $9.0 million as at March 31, 2021. Current assets increased by $0.7 million to $17.5 million. This increase is mainly due to an increase in accounts receivable of $3.1 million, a decrease of $0.2 million in inventories, and a decrease in cash and cash equivalents of $2.3 million, which was $6.8 million as of September 30, 2021, compared with $9.1 million as of March 31, 2021. Current liabilities increased by $0.5 million.

Equity decreased $1.7 million to $11.9 million as at September 30, 2021, from $13.5 million as at March 31, 2021. The decrease resulted mainly from the $1.8 million net loss for the six-month period ended September 30, 2021.

The following table show selected significant financial information for the second quarter ended September 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	Six-month period ended September 30	
	2021	2020
Cash flows (used in) provided by operating activities	**(2,660)**	244
Additions to property and equipment	**(47)**	(2)
Additions to intangible assets	**(549)**	(219)
Cash flows provided by financing activities	**816**	795

9.1 Operating Activities

For the six-month period ended September 30, 2021, cash flows used in operating activities totalled $2.7 million compared with cash flows provided by operating activities of $0.2 million for the same quarter last year. While cash flow used in operations before changes in working capital items improved by 1.0 million, the unfavourable variance in cash flow from operating activities is mainly attributable to the increase in the accounts receivable for $2.3 million which is explained by the considerable increase in revenues for the six-month period and primarily during the quarter ended September 30, 2021.

9.2 Investing Activities

For the six-month period ended September 30, 2021, cash flows used in investing activities amounted to $519 thousand compared with $209 thousand last year. This variance is mainly explained by investment totalling $549 thousand in intangible assets related to the Corporation's investment in technology development related to salaries, materials and certification for the second quarter ended September 30, 2021, compared with $219 thousand for the same period of the previous year.

9.3 Financing Activities

For the six-month period ended September 30, 2021, cash flows used in financing activities amounted to $816 compared with $795 thousand for the same period last year.

For the six-month period ended September 30, 2021, an amount of $112 thousand was attributable to proceeds from the credit facility compared with $3.0 million in the previous year. This credit facility agreement was entered into on July 24, 2020, after the quarter ended September 30, 2020. The variation is also explained by the granting of a long-term debt for $1.0 million for the six-month period ended September 30, 2021, while a long-term debt for $2.0 million was obtained during the same period last year. Also, a loan of $4.0 million dollars was repaid during the period ending September 30, 2020.

For the six-month period ended September 30, 2021, the interest expense on long-term debt charged to loss amounted to $51 thousand compared with $96 thousand for the same period in 2020.

10. QUARTERLY DATA

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

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

	2022		2021				2020	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Rights for use, rental and maintenance	**1,284**	612	308	230	249	98	1,269	1,821
System sales	**4,317**	2,551	2,628	2,767	2,668	2,132	5,291	3,652
TOTAL REVENUES	**5,601**	3,163	2,936	2,997	2,917	2,230	6,560	5,473
Adjusted EBITDA*	**150**	(598)	(1,592)	(1,288)	(571)	(95)	7	276
Net loss	**(421)**	(1,344)	(2,491)	(2,194)	(540)	(966)	(3,096)	(1,615)
Basic and diluted net loss per share	**(0.002)**	(0.006)	(0.014)	(0.012)	(0.003)	(0.005)	(0.019)	(0.008)
(in thousands) **Weighted average number of common shares outstanding**	**220,226**	220,226	179,226	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 10.

11. OFF-BALANCE SHEET ARRANGEMENTS

As at the date of this MD&A, the Corporation did not have any off-balance sheet arrangements other than the commitments related to the Corporation's lease liabilities as at September 30, 2021, accounted for in the balance sheet and the operating leases presented in the annual consolidated financial statements for the year ended March 31, 2021.

12. FULLY DILUTED SHARE CAPITAL (NOVEMBER 11, 2021)

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

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

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

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

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

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

14. RISK AND UNCERTAINTIES

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

COVID-19 Pandemic

The Corporation's business, operations and financial condition continued to be affected by the COVID-19 pandemic during the second quarter ended September 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 continue or reimpose confinement restrictions, closures, mandated social distancing measures, quarantines and other public health emergency declarations that could lead to a material reduction in demand for the Corporation's products, reduced sales, higher costs for new capital, licensing delays, increased operating expenses, delayed performance of contractual obligations, product shipping delays, and potential supply and staff shortages, all of which could be expected to negatively impact the business, financial condition and results of operations of the Corporation and its ability to satisfy its obligations.

15. DISCLOSURE CONTROLS AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

During the quarter ended September 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 November 11, 2021. Additional information can be found on the SEDAR website at www.sedar.com.

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