Management Discussion and Analysis

D-BOX Technologies Inc.

Second quarter ended September 30, 2017

Table of Content

MANAGEMENT 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 quarter and six-month period ended September 30, 2017 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 September 30, 2017 and March 31, 2017.

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 and MD&A for the fiscal year ended March 31, 2017 and the unaudited interim condensed consolidated financial statements of the quarter and six-month period ended September 30, 2017. Unless otherwise indicate, the terms "Corporation" and "D-BOX" refer to D-BOX Technologies Inc.

The unaudited interim condensed consolidated financial statements for the quarter and six-month period ended September 30, 2017 and this MD&A have been reviewed by the Audit Committee and approved by the Corporation's Board of Directors. Unless otherwise indicated, all the amounts in this MD&A are in thousands of Canadian dollars.

2. FORWARD-LOOKING STATEMENTS

Some of the statements made in this MD&A, including, but not limited to, statements about the opinions, the projects, the objectives, the strategies, the estimates, the intentions and the expectations of the Corporation, as well as other statements not referring to historical facts, are forward-looking statements. Forward-looking statements can be identified by terms such as "expects," "anticipates," "estimates," "predicts," "undertakes" and other similar terms and expressions. These statements are based on the information available at the time they were prepared and management's good faith assumptions and expectations regarding future events, and inherently involve known and unknown risks and uncertainties such as, without limitation, competition, the Corporation's ability to build on its technology, the Corporation's ability to continue developing its distribution network and entering into new commercial agreements in the entertainment and simulation and training markets, exchange rate fluctuations, and other factors discussed herein (see "Risks and Uncertainties") or in the Corporation's continuous disclosure filings. The Corporation's actual results may be materially different from those expressed or implied in these forward-looking statements. As a result, you are cautioned not to place undue reliance on these forward-looking statements. These statements do not reflect the potential impact of any special items or of any business combination or other transaction that may be announced or that may occur after the date herein. Except as required by law, the Corporation does not intend, and undertakes no obligation, to update any forward-looking statements to reflect, in particular, new information or future events.

3. QUARTERLY HIGHLIGHTS

3.1 Financial Highlights

- Quarterly revenue increased by 21% to $7,653K.
- Increase of 32% in recurring revenues for the entertainment market.
- Net loss of $840K for the quarter compared to a net loss of $1,114K last year.
- Quarterly adjusted EBITDA* of $176K compared to $(267K) last year.
- Gross profit excluding amortization* increased to 58% compared to 52% last year.
- Cash flow generated by operating activities for the first six months improved by $5,387K from cash used of $(4,272K) for last year to cash generated of $1,115K for the same period this year.

Second quarter and six-month periods ended September 30 (in thousands of dollars, except per share amounts)	Second quarters		Six-month periods	
	2017	2016	2017	2016
Revenues	7,653	6,331	15,794	13,993
Net loss	(840)	(1,114)	(1,824)	(1,540)
Adjusted EBITDA*	176	(267)	553	172
Basic and diluted net loss per share	(0.004)	(0.007)	(0.010)	(0.009)
Information from the consolidated balance sheet				
	As at September 30, 2017		As at March 31, 2017	
Cash and cash equivalents	9,114		8,867	

* See the "Non IFRS Measures" section and the reconciliation table of adjusted EBITDA to the net loss on page 6.

3.2 Operational Highlights

- 8% increase in screens installed or in backlog to 659 at quarter-end including additional screens installed with Cineplex in Canada and with Cinemark in United States.
- New agreement with Ster-Kinekor, a division of Primedia (Pty) Ltd., the largest cinema exhibitor in South Africa.
- New project with Cineplex's Scotiabank Theatre Ottawa to supply D-BOX virtual reality ("VR") motion seats and VR systems and offering Canadians their first D-BOX VR Cinematic Experience.

4. OUTLOOK

D-BOX operates in two major areas: entertainment market and simulation and training market which have their respective sub-markets. In light of the business development activities in each of these two markets, D-BOX anticipates the long-term upward trend in revenue to continue. The corporation pursues the expansion of footprint to increase recurring revenues. In combination with this expected growth of revenue, D-BOX has to increase the level of its operating expenses aiming, amongst others, to support the sales and marketing of technological innovations. This strategy will help solidify D-BOX's position in existing sub-markets and will facilitate entering new ones.

With the advent of the VR world and with D-BOX expertise in immersive motion and true-to-life simulation, D-BOX has actively been developing new applications for VR and other key markets. De facto, D-BOX is well-positioned to become a key player in the VR industry given that its technology can reduce motion dizziness sometimes associated with such experiences and may be the missing line that will solve one of the main challenges virtual reality needs to overcome. D-BOX is particularly keen to be part of the new trend as the size of the virtual and augmented reality markets may soon reach billions of dollars according to many industry sources.

5. CORPORATE PROFILE

D-BOX is a company who redefines the entertainment experience. We create hyper-realistic, immersive entertainment experiences by moving the body and sparking the imagination through motion. This expertise is one of the reasons why we have collaborated with some of the best companies in the world to deliver new ways to tell great stories. Whether its movies, video games, virtual reality applications, themed entertainment or professional simulation, our mission is to move the world.

D-BOX designs, manufactures and commercializes cutting-edge motion systems for the entertainment and simulation and training markets. With its unique and patented technology, D-BOX produces motion effects specifically programmed for each visual content, which are sent to a motion system integrated within a platform, a seat or various types of equipment. The computer-programmed software motion effects (the "D-BOX Motion Code") is precisely synchronized with the on-screen visual, thus creating a unique realistic immersive experience.

Three components produce motion synchronized in perfect harmony with image and sound:

1. the software motion effects programmed frame by frame based on visual content;

2. a motion controller serving as an interface between the visual content (films, video games, simulation and training, virtual reality experiences) and the D-BOX motion system; and

3. the D-BOX motion system, consisting amongst other things of proprietary electromechanical actuators built into a platform, a seat, or another type of equipment.

As at September 30, 2017, D-BOX had, 131 employees compared to 110 as at September 30, 2016.

6. Corporate Strategy

The Corporation is a leader with respect to the creation and design of hyper-realistic immersive entertainment experiences. It is also in a unique position to be part of and to act as a truly differentiating factor for upcoming virtual reality technologies, electronic companies and content distributor.

D-BOX continues to develop brand awareness in addition to offering a differentiated asset generating revenue in various business sectors. The Corporation's cutting-edge motion systems target two distinct markets: the entertainment market and the simulation and training market.

Examples of Applications

Entertainment Market	Simulation and Training Market
• Commercial theatres • Home Entertainment: ○ Home theatre ○ Video games • Themed Entertainment: ○ Amusement parks ○ Arcades ○ Museums and planetariums	• Simulation and training for: ○ Automotive ○ Flight ○ Heavy equipment/cranes ○ Racing ○ Wellness
• Virtual reality for the Entertainment and Simulation and Training markets	

6.1 Revenue Models

The Corporation's revenue streams consist mainly of:

1. the sale or lease of D-BOX motion systems including motion seats, motion controllers and electronic interface or server;

2. utilization rights for the licensing and use of the D-BOX Motion Code in commercial theaters and entertainment centers, which are equipped with the D-BOX motion systems to view visual content encoded by D-BOX. The Corporation also receives maintenance revenue relating to the use of the motion systems;

3. the sale of actuators to resellers, integrators, and equipment or seating manufacturers who incorporate and market the D-BOX technology under their own brands (original equipment manufacturers ("OEMs"). This marketing method offers the advantage of minimizing sales and marketing costs; and

4. coding rights charged to distributors of visual content.

6.2 Growth Strategy / Entertainment Market

The Corporation is constantly pursuing opportunities with commercial theatre owners to increase the footprint.

Concurrently, the Corporation relies on its privileged relationships and credibility established with Hollywood's major studios and some Asian and European studios in order to provide a wide array of content to its commercial theatres. D-BOX believes that an increase in the offering of motion pictures is having a direct impact on the number of equipped theatre venues and that box office revenue per D-BOX equipped theatres acts as a motivational agent to:

1. accelerate the deployment of its technology with new commercial theatre exhibitors that want to add a distinctive element to their offering;
2. facilitate the sale of its technology to current exhibitors that may want to equip more than one of their complexes or equip more than one screen within the same complex;
3. generate motion system sales to the clientele of the home entertainment sub-market, who want to experience D-BOX in the comfort of their homes;
4. showcase the technology to potential customers in the simulation and training market; and
5. encourage video game customers to purchase gaming seats equipped with D-BOX motion systems thereby allowing them to add a new level of immersion to their gaming experience.

As of September 30, 2017, 40 exhibitors (38% of all exhibitors) had more than one location that integrated the D-BOX motion system and 177 locations (40% of all locations) had more than one screen incorporating our technology within the same complex.

An increase in the number of equipped theatres has a direct impact on the offering of studios, which is based on a business model that benefits all parties since they share the new revenue generated by D-BOX.

Access to content is a key factor in accelerating the deployment of D-BOX motion system. The Corporation is constantly expanding its business relationships with new film and gaming content providers. For instance, over 297 titles, including more than 135 which ranked number 1 at the box office on opening weekend, have been motion-coded so far for presentation in commercial theatres.

The D-BOX experience in commercial theatres will continue to expand significantly through the deployment of its motion systems. This vision is strengthened by the fact that the Corporation has continuously motion-coded content from major studios in addition to coding local content in some countries where D-BOX is now present. Furthermore, it has proven its technical and commercial benefits and has received several awards over the last few years.

Reclining cinema seats are a new trend in the commercial theatre industry in North America and D-BOX was the first to offer motion recliner seats. As of today, more than 61 screens are equipped with D-BOX Deluxe Reclining Cinema Seats.

However, certain seasonal factors may impact the deployment of new D-BOX motion systems in commercial theatres. The Corporation's growth rate for its commercial theatre business activities is not linear but rather subject to a certain level of volatility when comparing consecutive quarters.

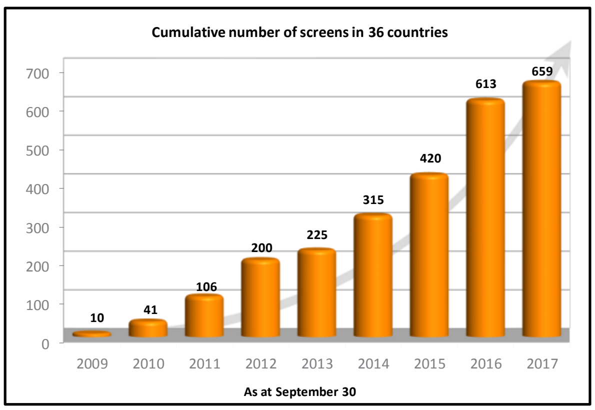
In this respect, the Corporation wishes to remind readers that it remains subject to a number of risks and uncertainties pertaining to its operations (see the "Risks and Uncertainties" section 16).

Business development efforts targeting commercial theatre chains are handled by an internal business development team and a few external partners in certain countries. Moreover, the Corporation's representatives continue to attend major trade shows. The Corporation believes that the entertainment market is an excellent means to demonstrate its technology to the largest number of people possible, and generates significant revenue through utilization rights earned from the use of the technology based on premiums for admission tickets, the sale or rental of motion systems and motion system maintenance contracts. This strategy drives a significant increase in brand awareness.

In measuring achievement of its deployment objectives for theatre chains, the Corporation tracks the installed base of its D-BOX motion systems as well as its backlog. From a practical standpoint, the Corporation defines system backlog as follows: a commitment or an order for D-BOX motion systems received as part of a contractual agreement and for which the installation is scheduled within a twenty-four-month period.

The total screens installed or in backlog increased by 8% and stood at 659 at the end of the quarter in comparison with 613 a year ago.

Growth of Installed screens or in backlog as at September 30, 2017



With respect to products targeting high-end home entertainment, the Corporation aims to:

1. sell products under its own brand name and under original equipment manufacturers' (OEM), integrators' and resellers' brands;

2. increase the offer of motion-coded content by D-BOX; and

3. create products and form partnerships with strategic players that should accelerate market penetration.

In brief, D-BOX has demonstrated so far:

- the willingness of moviegoers to pay a premium on an admission ticket to live a non-distractive motion experience;

- this generates a new source of business traffic and new revenue for commercial theatre operators allowing them to stand out from competitors and increase their revenue ((i) direct revenue from the sale of tickets in the D-BOX zone and (ii) indirect revenue from the sale of food and beverages);

- that it brings in additional visibility and a new source of revenue for the studios; and

- that it offers a solution to reduce motion dizziness associated with the VR experience.

6.3 Strategy/Simulation and Training Market

The simulation and training market also contributes to the global awareness of the D-BOX brand thereby sparking consumer interest for the realism and efficiency, which can stimulate demand for the D-BOX experience in other sub-markets such as: automotive, defense, flight, heavy equipment/cranes, racing, and wellness. The Corporation is mobilizing resources devoted to the business development of this market with the goal of identifying new partners and meeting their needs.

The Corporation is following its mission to sell products under its own brand, under original equipment manufacturers' brands (OEM's) and through a network of integrators and resellers. It is also adapting its products to address specific requests of manufacturers and OEM has to penetrate new markets.

The Corporation will continue dedicating a team to develop and service this market to identify new potential customers and/or distributors and meet their demands adequately. The main selection criteria for new customers and/or distributors include an efficient international distribution network, a well-renowned name in the market and the willingness to invest the necessary effort and resources to generate new and important revenue streams.

(Amounts in tables are in thousands of Canadian dollars, except for amounts relating to warrant, options, shares and per-share amounts) Page 6

7. NON-IFRS MEASURES

In this MD&A, the Corporation uses two measures that are non-compliant with International Financial Reporting Standards (IFRS): 1) the adjusted EBITDA and 2) the gross profit excluding amortization. Although these measures supply useful and complementary information, they do not have a standardized meaning under IFRS and are not likely to be comparable to similar measures used by other issuers.

1) The adjusted EBITDA provides useful and complementary information, which allows, among other things, the evaluation of profitability and cash flows provided by operations. It is comprised of net income (loss) but excludes items not affecting cash and the following: non-recurring expenses related to restructuring costs, foreign exchange loss (gain), financial expenses (income) and income taxes.

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

	Second quarters ended September 30		Six-month periods ended September 30	
	2017	2016	2017	2016
Net loss	**(840)**	(1,114)	**(1,824)**	(1,540)
Amortization of property and equipment	**576**	533	**1,170**	1,112
Amortization of intangible assets	**165**	149	**326**	300
Amortization of other assets	**1**	—	**2**	2
Share-based payments	**80**	21	**136**	62
Restructuring costs	**—**	28	**257**	28
Foreign exchange loss (gain)	**59**	4	**214**	(10)
Financial expenses (income)	**131**	112	**267**	218
Income taxes	**4**	—	**5**	—
Adjusted EBITDA	**176**	(267)	**553**	172

2) The gross profit excluding amortization serves 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 explaining the reconciliation of gross profit to gross profit excluding amortization on page 8).

8. MAIN FINANCIAL DATA

The following tables present selected significant financial data for the second quarter and the six-month period ended September 30, 2017 by comparing them with the corresponding periods of the previous fiscal year.

Information from the Consolidated Statements of Net Loss and Other Comprehensive Loss	Second quarters ended September 30		Six-month periods ended September 30	
	2017	2016	2017	2016
Revenue	**7,653**	6,331	**15,794**	13,993
Gross profit excluding amortization*	**4,470**	3,264	**9,400**	7,778
Net loss	**(840)**	(1,114)	**(1,824)**	(1,540)
Adjusted EBITDA*	**176**	(267)	**553**	172
Basic and diluted net loss per share	**(0.004)**	(0.007)	**(0.010)**	(0.009)

* See the "Non-IFRS measures" section on page 6.

Information from the Consolidated Statements of Cash Flows	Six-month periods ended September 30	
	2017	2016
Cash flows relating to operating activities	**1,115**	(4,272)
Goods held for lease	**(547)**	(2,004)
Additions to property and equipment	**(367)**	(383)
Additions to intangible assets	**(417)**	(836)

The following table presents certain important financial data of the consolidated balance sheets as at September 30, 2017 and as at March 31, 2017.

Information from the Consolidated Balance Sheets	As at September 30, 2017	As at March 31, 2017
Cash and cash	**9,114**	8,867
Inventories	**7,809**	8,334
Working capital	**15,626**	16,707
Total assets	**33,555**	35,031
Total current liabilities	**6,464**	6,623
Long-term debt	**4,619**	4,549
Equity	**22,004**	23,605

9. Operating Results

9.1 Revenue

Revenue for the second quarter ended September 30, 2017 increased 21% to $7,653K from $6,331K for the same quarter last year.

For the entertainment market, revenue consists of D-BOX motion system sales to commercial theatre operators, revenue from rights of use, rental and maintenance with respect to admission tickets sold in commercial theatres, system sales to home entertainment customers and systems sales to themed entertainment clients.

Revenue also includes motion system sales to customers in the simulation and training market who sell D-BOX motion systems under their own brand names.

During the second quarter ended September 30, 2017, the entertainment market revenue increased 11% to $6,075K from $5,497K in 2016. Revenue from commercial theatres increased by 2% from $3,892K in 2016 to $3,961K this year. These revenues consist of: i) the sale of D-BOX motion systems, which decreased by 15% to $2,133K ($2,508K in 2016) and ii) revenue from rights for use, rental and maintenance on the sale of admission tickets in commercial theatres which increased by 32% to $1,828K ($1,384K in 2016). The decrease in system sales is mainly due to delayed project.

The recurring revenue from rights for use, rental and maintenance can fluctuate from one period to another based on the following factors:

- the box office performance of the movies that are presented, which can vary significantly from one movie to another;
- the revenue sharing with exhibitors and studios;
- the individual performance of exhibitors;
- the average number of D-BOX motion systems deployed, which is constantly evolving;
- the number of weekly screenings of a D-BOX movie, which can vary based on the country in which a film is presented, or from one exhibitor to another; and
- the number of weeks a movie is played, which can vary based on the country due to different launch dates or the decision made by an exhibitor to present a film for a longer or shorter period of time.

As at September 30, 2017, 641 screens were installed around the world increasing by 18% compared with 545 screens at the same date last year.

The entertainment market also includes system sales for high-end home entertainment and themed entertainment. Home entertainment revenue increased 325% to $1,211K ($285K last year) and is mainly due to the exclusive distribution agreement announced in November 2016 with Hangzhou JC City Management Investment Group Limited, a wholly-owned subsidiary of Gold Finance Group, to distribute and promote D-BOX's high-end home entertainment motion system in China.

Systems sales from themed entertainment is behind by 32% to $903K ($1320K last year) and is explained by timing in sales delivery.

Sales of motion systems to customers of the simulation and training market increased by 89% to $1,578K for the second quarter ended September 30, 2017 compared to $834K for the quarter ended September 30, 2016. The increase in sales is mainly explained by higher revenue from existing client.

For the six-month period, ended September 30, 2017, revenues increased by 13% to $15,794K from $13,993K for the corresponding period of last year. This growth is mainly explained by an increase of 32% in recurring revenues to $3,978K from $3,024K last year.

In the simulation and training market, sales increased by 55% and amounted to $3,261K in comparison with $2,110K last year. The increase in sales is mainly driven by additional orders from existing clients in the automotive, professional gaming and construction sub-markets.

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

9.2 Gross Profit

The following table explains the reconciliation of gross profit to gross profit excluding amortization.

	Second quarters ended September 30		Six-month periods ended September 30	
	2017	**2016**	**2017**	**2016**
Revenue	**7,653**	6,331	**15,794**	13,993
Gross profit	**4,001**	2,811	**8,449**	6,812
Amortization related to cost of goods sold	**469**	453	**951**	966
Gross profit excluding amortization*	**4,470**	3,264	**9,400**	7,778
Gross profit excluding amortization	**58%**	52%	**60%**	56%

* See the "Non-IFRS measure" section on page 6.

For the second quarter ended September 30, 2017, gross profit amounted to $4,001K in comparison with $2,811K for the corresponding period last year. Excluding amortization related to cost of goods sold, gross profit amounted to $4,470K (58% of revenues) in comparison with $3,264K (52% of revenues) last year. This increase in gross profit excluding amortization is mainly explained by the mix of margins related to the different products.

For the six-month period ended September 30, 2017, gross profit amounted to $8,449K in comparison with $6,812K for the corresponding period of the previous fiscal year. Excluding amortization related to cost of goods sold, gross profit amounted to $9,400K (60% of revenues) in comparison with $7,778K (56% of revenues) last year. The increased gross profit is also explained by the reason mentioned above.

9.3 Operating Expenses

Selling and Marketing: selling and marketing expenses consist primarily of employee costs including share-based payments, professional fees, advertising and promotional point-of-sales 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, 2017, selling and marketing expenses increased by 25% to $2,420K (32% of revenue) compared with the $1,929K (30% of revenue) spent in Q2 2016. This variation is mostly explained by an increase in employee costs related to our new presence in China.

For the six-month period, ended September 30, 2017 selling and marketing expenses increased by 18% to $4,935K (31% of revenue) compared with $4,171K (30% of revenue). This variation is also explained by the reason mentioned above.

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

For the second quarter ended September 30, 2017, administration expenses amounted to $1,548K (20 % of revenue) which compares to $1,360K (21% of revenue) for the quarter ended September 30, 2016. This 14% increase is explained essentially by an increase in employee cost.

For the six-month period, ended September 30, 2017, administrative expenses amounted to $3,265K (21% of revenue) which compares to $2,685K (19% of revenue) for the six-month period ended September 30, 2016. This 22% increase is explained essentially by additional employee costs and non-recurring expenses related to restructuring costs.

Research and Development: R&D expenses mainly include costs related to employees, amortization of assets and patents, other costs associated with existing product enhancement, and the cost of adapting products to various international standards, less investment tax credits.

For the second quarter ended September 30, 2017, research and development expenses increased 31% to $679K (9% of revenue) from $520K (8% of revenue) for the same quarter last year.

For the six-month period, ended September 30, 2017, research and development expenses increase to $1,587K (10% of revenue) compared to $1,288K (9% of revenue) for the same period last year. The variation is explained by increased employee-related costs for supporting technical innovations and certification costs to bring the products into compliance with various international standards.

Foreign Exchange Gain or Loss: the foreign exchange gain or loss mainly results from the fluctuation of Canadian currency relative to US currency when converting US dollar operations at the prevailing rate on the date of a transaction and the conversion of US dollar monetary assets and liabilities at the end-of-period rate.

For the second quarter ended September 30, 2017; the foreign exchange loss amounted to $59K, which compares to a loss of $4K for the corresponding quarter of 2016. The foreign exchange variation is explained by the volatility of the Canadian currency in comparison with the US currency over the course of each of these two periods.

For the six-month period ended September 30, 2017, the foreign exchange loss amounted to $214K, which compares to a gain of $10K for the corresponding period of the previous fiscal year. The foreign-exchange loss is explained by the reason mentioned above.

9.4 Financial Expenses (Income)

For the second quarter ended September 30, 2017, financial expenses net of interest income amounted to $131K in comparison to $112K in 2016.

For the six-month period ended September 2017, financial expenses net of interest income amounted to $267K compared to $218K in 2016. The increase in financial expenses comes mainly from the interest expense related to the long-term debt issued in August 2015.

9.5 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.

9.6 Net Income (Loss)

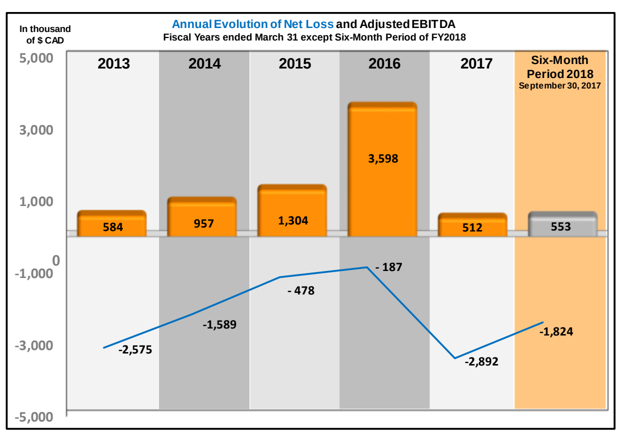
Given the aforementioned facts, the net loss for the second quarter ended September 30, 2017 amounted to $840K ($0.004 per share) in comparison to a net loss of $1,114K ($0.007 per share) in 2016.

For the six-month period ended September 30, 2017, the net loss amounted to $1,824K ($0.010 per share), compared to $1,540K net loss ($0.009 per share) in 2016.

10. ADJUSTED EBITDA

The adjusted EBITDA is comprised of net income (loss) but excludes items not affecting cash, non-recurring expenses related to restructuring costs, foreign exchange loss (gain), financial expenses (income) and income taxes. This measure provides useful and complementary information, which allows, among other things, the evaluation of profitability and cash flows provided by operations.

For the second quarter ended September 30, 2017, adjusted EBITDA amounted to $176K in comparison to a negative adjusted EBITDA of ($267K) for the same period last year.



For the six months period ended September 30, 2017, adjusted EBITDA increased to $553K from $172K for the same period of last year.

Over the last quarters, D-BOX continues the business development activities in each of the entertainment and simulation and training markets and realized upward trend in revenue. To maintain this positive trend in revenue, D-BOX increased the level of its operating expenses aiming, amongst others, to support the sales and marketing of technological innovations that will help solidify D-BOX's position in existing sub-markets and will facilitate entering new ones including China market in the recent quarters. Generally speaking, the Corporation aims to maintain a positive adjusted EBITDA and intends to manage its operations accordingly.

11. Liquidity, Capital Resources and Financing Sources

As at September 30, 2017, total assets amounted to $33,555K compared to $35,031K as at March 31, 2017. The variation in total assets is mainly explained by the decrease in accounts receivable and inventories.

Working capital $15,626K as at September 30, 2017 compared with $16,707K as at March 31, 2017. This change is mainly related to a decrease of $1,109K in accounts receivable and of $525K in inventories offsetted by a decrease of $363K in deferred revenues.

11.1 Operating Activities

For the six-month period, ended September 30, 2017, cash flows generated by operating activities totalled $1,115K compared to cash flows used of $4,272K for the corresponding period of the previous fiscal year. This positive variance of $5,387K is mainly related to improvement of cash flow for these items: i) a decrease of inventories variation (cash generated of $2,972K), ii) a decrease in cash needed for goods held for lease ($1,457K) and iii) a decrease in cash needed for accounts payable and accrued liabilities ($1,955K).

11.2 Investing Activities

For the six-month period ended September 30, 2017, cash flows used by investing activities amounted to $784K in comparison with $1,219K for the corresponding period of the previous fiscal year.

Cash flows from investing activities include costs associated to the acquisition of property and equipment, which required investments of $367K for this six-month period compared to $383K last year. It also includes investments in intangible assets, mainly patents and internally developed products that required $417K compared to $836K for the comparable six-month period last year.

11.3 Financing Activities

There were no financing activities for the six-month period, ended September 30, 2017.

During the period ended September 30, 2016, the Corporation issued 105,000 Class A common shares for a total cash consideration of $31K on exercise of stock options. An amount of $22K representing the initial fair value of the stock options was credited to share capital and deducted from the share-based payments reserve.

During the quarter and the six-month period ended September 30, 2017, the interest expense on long-term debt charged to income amounted to respectively $123K and $244K, including an amount of $35K and $70K related to the accretion of interest ($119K and $237K for the quarter and the six-month period ended September 30, 2016).

11.4 Equity

Equity amounted to $22,004K as at September 30, 2017, compared with $23,605K as at March 31, 2017. The decrease in equity comes mainly from the net loss for the period.

12. QUARTERLY DATA

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

	2018		2017				2016	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue from the entertainment market								
Commercial theatres:								
System sales	**2,133**	3,115	3,381	1,254	2,508	3,216	4,880	3,586
Rights for use, rental and maintenance	**1,828**	2,150	1,713	2,076	1,384	1,640	1,427	1,628
	3,961	5,265	5,094	3,330	3,892	4,856	6,307	5,214
Home entertainment system sales	**1,211**	751	2,006	536	285	410	424	472
Themed entertainment system sales	**903**	442	1,571	1,356	1,320	1,120	645	1,466
Total revenue Entertainment market	**6,075**	6,458	8,671	5,221	5,497	6,386	7,376	7,152
Revenue from the Simulation and training market	**1,578**	1,683	1,942	1,581	834	1,276	1,236	1,069
TOTAL REVENUE	**7,653**	8,141	10,613	6,803	6,331	7,662	8,612	8,221
Adjusted EBITDA*	**176**	377	998	(225)	(267)	439	944	1,371
Net income (loss)	**(840)**	(984)	286	(1,638)	(1,114)	(426)	(406)	397
Basic and diluted net income (loss) per share	**(0,004)**	(0,006)	0,001	(0,009)	(0.007)	(0.002)	(0.002)	0.002
(in thousands) **Weighted average number of common shares outstanding**	**175,951**	175,951	175,753	175,150	175,021	174,977	174,929	165,509

* See the "Non-IFRS Financial Measures" section and the reconciliation table of the adjusted EBITDA to the net loss on page 6.

The fluctuation of revenue during the last eight quarters is explained, among other reasons, by the uneven growth of the entertainment and simulation and training markets. More specifically, for the entertainment market, revenue fluctuated mostly as per the performance of presented films.

13. COMMITMENTS

The Corporation rents premises and equipment under operating leases and has entered into long-term commitments to purchase services. The minimum payments for the coming years are as follows:

	Leases	Other Commitments
Next twelve months	287	44
Following four years	587	17
Five years and thereafter	–	–
	874	**62**

The Corporation's operating lease expenses amounted to $275K in in the second quarter ended September 30, 2017 ($115K in 2016) and has pledged the universality of movable property, both present and future, in favour of the lessors.

14. FULLY DILUTED SHARE CAPITAL (NOVEMBER 8, 2017)

	Class A common shares
Class A common shares outstanding	175,950,573
Convertible instruments	
Stock options outstanding	15,396,600
Warrants	6,500,000
	197,847,173

15. NEW ACCOUNTING PRONOUNCEMENTS

New accounting pronouncements

Standards issued but not yet effective

- IFRS 9, *Financial Instruments*, is required to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted. IFRS 9 simplifies the measurement and classification of financial assets by reducing the number of measurement categories in IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard also provides for a fair value option in the designation of a non-derivative financial liability and its related classification and measurement, as well as for a new hedge accounting model more closely aligned with risk management activities undertaken by entities. The Corporation is currently assessing the impact of the adoption of this pronouncement on its consolidated financial statements.

- IFRS 15, *Revenue from Contracts with Customers*, is required to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted. IFRS 15 specifies how and when an entity will recognize revenue as well as requiring such entities to provide users of financial statements with more informative disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.

  For the Corporation, the standard comes into effect on April 1, 2018, and as a result, IFRS 15 will be adopted in the first quarter of fiscal year 2019. The majority of the revenues of the Corporation are generated from the sales of motion systems to clients of entertainment market and simulation and training market. The Corporation anticipates that the allocation of the transaction price to future performance obligations in certain contracts will change. This change will result in the recognition of different amounts of revenue for each performance obligation and will affect the timing of such revenue recognition. The Corporation is also assessing whether there is a significant financing component on contracts where timing of cash receipts and revenue recognition differ substantially. The Corporation will provide further updates during the course of fiscal year 2018 as it advances in its assessment.

- IFRS 16, *Leases*, is required to be applied retrospectively for annual periods beginning on or after January 1, 2019, with early adoption permitted provided that the IFRS 15 has been applied or is applied at the same time as IFRS 16. IFRS 16 sets out the new principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The standard provides lessees with a single accounting model for all leases, with certain exemptions. In particular, lessees will be required to report most leases on their balance sheets by recognizing right-of-use assets and related financial liabilities. The Corporation is currently assessing the impact of the adoption of this pronouncement on its consolidated financial statements.

16. RISKS AND UNCERTAINTIES

We are active in an industry, which presents many risks and uncertainties. These risks and uncertainties are described in the Annual Information Form (AIF) dated June 19, 2017, which is available on www.sedar.com.

17. DISCLOSURE CONTROLS AND INTERNAL CONTROLS 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 second quarter ended September 30, 2017, 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.

18. CONTINUOUS INFORMATION AND ADDITIONAL DISCLOSURE

This MD&A was prepared as at November 8, 2017. Additional information can be found on the SEDAR website at www.sedar.com.

The trademarks D-BOX, MOVE THE WORLD, MOTION ARCHITECTS, LIVE THE ACTION, Synchro Cinema, HEMC, D-BOX MOTION CODE, and D-BOX HIGH-FIDELITY MOTION, 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.