Management's Discussion and Analysis

D-BOX Technologies Inc.
Third Quarter ended December 31, 2019

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

This Management's Discussion and Analysis ("MD&A") is intended to provide the reader with a better understanding of the activities of D-BOX Technologies Inc. and its subsidiaries, as well as key elements of its financial results. In particular, it explains changes in the Corporation's financial position and operating results for the third quarter and the nine-month period ended December 31, 2019, 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 December 31, 2019 and March 31, 2019.

This MD&A has been prepared in accordance with Regulation 51-102, respecting Continuous Disclosure Obligations, and should be read in conjunction with the information included in the consolidated financial statements and MD&A for the fiscal year ended March 31, 2019, and the unaudited interim condensed consolidated financial statements of the third quarter and the nine-month period ended December 31, 2019. Unless otherwise indicated, the terms "Corporation" and "D-BOX" refer to D-BOX Technologies Inc.

The unaudited interim condensed consolidated financial statements for the quarter ended December 31, 2019, and this MD&A were reviewed by the Audit Committee and approved by the Board of Directors on February 12, 2020. Unless otherwise indicated, all the amounts in this MD&A are in Canadian dollars.

2. FORWARD-LOOKING STATEMENTS

Some of the statements made in this MD&A, including, but not limited to, statements about the opinions, projects, objectives, strategies, estimates, intentions and 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," "believes," "foresees," "intends," 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, readers 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 hereof. 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. THIRD QUARTER HIGHLIGHTS

3.1 Financial Highlights

During the third quarter, financial results were lower due to various factors, including constrained capital expenditures within existing customers, international economic uncertainty and the absence of large project deals.

Highlights for the third quarter ended December 31, 2019

- Revenues totalled $5.5 million compared to $8.3 million for the same period last year.
- Recurring revenues were $1.8 million compared to $2.1 million for the same period last year.
- Revenues in the Simulation and Training market increased 3% year over year to $2.1 million.
- Quarterly adjusted EBITDA* totalled $0.3 million compared to $0.5 million for the same period last year.
- Adjusted EBITDA*/revenues was 5% compared to 6% for the same period last year.
- Net loss totalled ($1.6 million) compared with ($0.2 million) for the same period last year.

Highlights for the nine-month period ended December 31, 2019

- Revenues totalled $19.3 million compared to $25.9 million for the same period last year.
- Recurring revenues were $6.1 million compared to $6.8 million for the same period last year.
- Revenues in the Simulation and Training market increased 10% year over year to $6.1 million.
- Adjusted EBITDA* was $0.6 million compared to $1.8 million for the same period last year.
- Adjusted EBITDA*/revenues was 3% compared to 7% for the same period last year.
- Net loss totalled ($3.2 million) compared to ($1.2 million) for the same period last year.

Third quarter and nine-month period ended December 31 (in thousands of dollars, except per share amounts)				
	Third Quarter		Nine-month Period	
	2019	2018	2019	2018
Revenues	**5,473**	8,258	**19,335**	25,855
Net loss	**(1,615)**	(177)	**(3,154)**	(1,154)
Adjusted EBITDA*	**279**	515	**608**	1,795
Basic and diluted net loss per share	**(0.008)**	(0.001)	**(0.017)**	(0.007)
Information from the consolidated balance sheets				
	As at December 31, 2019		As at March 31, 2019	
Cash and cash equivalents	**5,392**		9,635	

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

3.2 Operational Highlights

- Ryan Aerospace Australia signed a contract to supply 31 Helimod - Mark III helicopters which integrates D-BOX's motion simulators to the U.S. Army in Fort Rucker, Alabama, the world's largest helicopter training facility. Ryan Aerospace Australia specializes in the design, manufacture and support of realistic, robust, and cost-effective, helicopter flight simulators for civil, military and emergency applications.

- MajorMega, the developer of the Hyperdeck, has launched a virtual reality platform integrating D-BOX motion technology which has reached over 2,500 activations in its opening month at Two Bit Circus, a popular, Los Angeles-based, micro-amusement park.

- SiFaT, a German-based training simulation provider, has introduced their latest Porsche motion simulator the *Ultimate Performance Simulator,* powered by D-BOX.

- Kinopolis, one of the largest and most successful movie company in Germany, has opened several screens in Munich at their flagship cinema complex. This agreement brings the total number of D-BOX screens with Kinopolis to 31.

- D-BOX has installed additional screens with Cinemark in South America, a first full auditorium in Santiago (Chile), 2 new screens in Medellin (Colombia), and 2 screens in a state-of-the-art location in Sao Paulo (Brazil).

- In December, Cineplex, the largest exhibitor in Canada opened 5 locations in Québec and Ontario, bringing the total number of screens at 96.

- During the quarter, D-BOX proceeded with a reorganization of its corporate structure allowing savings to its operating expenses.

- On December 10, 2019, Mr. David Montpetit, CPA, CA, was appointed Chief Financial Officer effective January 13, 2020.

- Subsequent to the quarter end, Claude announced his planned retirement as President and CEO effective March 31, 2020. On April 1, 2020, Sébastien Mailhot, D-BOX's Chief Operating Officer will become the new President and CEO. Claude will continue to support D-BOX as a Strategic Advisor to the CEO to ensure an orderly transition.

4. Outlook

D-BOX operates in two major areas: the entertainment market and the simulation and training market which have their respective sub-markets. Business development activities focus on increasing motion system sales and grow its recurring revenue. This strategy will help solidify D-BOX's position in existing sub-markets and facilitate entering new segments.

D-BOX's expertise in immersive motion and true-to-life simulation positions the Corporation as an active participant in the growing virtual reality market. D-BOX proprietary technology may also enhance the expansion of virtual reality by reducing the motion dizziness sometimes associated with VR experiences.

Despite challenging results, D-BOX believes the future of the organization is positive. In the last four years, the Corporation has invested to develop new solutions to position the Corporation for new entertainment trends, namely streaming, gaming, and virtual and augmented reality. Within the next twelve to eighteen months, the Corporation will be releasing several products that will be key for the next growth phase while aiming at enhancing our focus on profitability and cash flow generation.

5. Corporate Profile

D-BOX is redefining the entertainment experience. We create realistic, immersive entertainment experiences by moving the body and sparking the imagination through motion. The Corporation's expertise and proprietary technology allows it to collaborate with some of the largest companies in the world to deliver new ways to tell great stories. Whether for movies, video games, virtual reality applications, themed entertainment or professional simulation, D-BOX's mission is to move the world.

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

1. D-BOX Motion Code is programming motion effects 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.
3. The D-BOX motion system, consisting of proprietary electromechanical actuators built into a platform, seat, or other type of equipment.

As of December 31, 2019, D-BOX had 131 employees compared with 145 as of December 31, 2018.

6. Corporate Strategy

The Corporation is a leader in the creation and design of hyper-realistic immersive entertainment experiences. It is also in a unique position to serve as a true differentiator for upcoming virtual reality technologies, electronic entertainment companies and content distributors. D-BOX continues to develop brand awareness in addition to offering differentiated asset generating revenue in various business sectors.

<table>
<tr><th colspan="2">Examples of Applications</th></tr>
<tr><th>Entertainment Market</th><th>Simulation and Training Market</th></tr>
<tr><td>Theatrical Entertainment:

Commercial Entertainment:
▪ Amusement parks
▪ Arcades
▪ Location-Based Entertainment
▪ Museums and planetariums

Home Entertainment</td><td>Simulation and training for:
▪ Automotive
▪ Flight
▪ Heavy equipment/cranes
▪ Racing
▪ Wellness</td></tr>
<tr><td colspan="2">Virtual reality for both the Entertainment and the Simulation and Training markets</td></tr>
</table>

6.1 Revenue Models

The Corporation's revenue streams consist primarily of:

1. Sales or leasing of D-BOX motion systems including motion for seats, motion controllers and electronic interfaces or servers.

2. Recurring revenue is generated by the licensing of the D-BOX Motion Code in theatrical and commercial entertainment centres 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. Sale of actuators to resellers, integrators, and equipment or seating manufacturers who incorporate and market the D-BOX technology under their own brands (known as original equipment manufacturers or OEMs).

6.2 Entertainment Market

Theatrical Entertainment

D-BOX offers its products and services to the theatrical market directly and through channel partners. There are 190,000 cinema screens[1] globally in 2018.

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

1. Add new theatrical exhibitors seeking to add a distinctive draw to their offerings and a new source of revenue.
2. Equip D-BOX motion systems in more complexes or more screens within the same complex or more rows at existing screens.

As of December 31, 2019, the number of total screens installed or in backlog grew 5% to 773 compared with 736 a year earlier. 50 exhibitors had more than one location that integrated the D-BOX motion system and 213 locations had more than one screen incorporating our technology within the same complex. The Corporation defines system backlog as follows: a D-BOX motion system commitment or order received as part of a contractual agreement with installation scheduled within a 24-month period.

Commercial and High-End Home Entertainment

The commercial entertainment segments include projects related to amusement parks, arcades, museums and planetariums. In recent years, the growth of Family Entertainment Centre ("FEC"), a sub-segment of the amusement park market, has helped fuel the growth of the commercial entertainment segment. D-BOX offers its products and services through channel partners including OEMs, integrators and value-added resellers.

The Corporation's business strategy to increase sales in the Commercial Entertainment Market as follows:

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

[1] Source: 2018 THEME Report as of February 2019

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

6.3 Simulation and Training Market

Simulation and training market sales target a diversified group of industries including: automotive, defence, flight, heavy equipment/cranes, racing, and wellness. D-BOX offers its products and services through channel partners including OEMs, integrators and value-added resellers.

The Corporation's business strategies to increase sales in the Simulation and Training Market are as follows:

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

7. NON-IFRS MEASURES

In this MD&A, the Corporation uses two measures that are non-compliant with International Financial Reporting Standards (IFRS): 1) Adjusted EBITDA; and 2) Gross profit excluding amortization. Although these measures provide 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) 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, write-offs of property and equipment and intangible assets, shared-based payments, foreign exchange loss (gain) and non-recurring expenses related to restructuring costs.

   The following table reconciles adjusted EBITDA* to net loss.

	Third Quarter ended December 31		Nine-month Period ended December 31	
	2019	2018	**2019**	2018
Net Loss	**(1,615)**	(177)	**(3,154)**	(1,154)
Amortization of property and equipment	**535**	402	**1,391**	1,512
Amortization of intangible assets	**202**	197	**664**	602
Amortization of other assets	**1**	—	**3**	2
Write-offs of property and equipment	**—**	—	**2**	—
Financial expenses	**94**	123	**467**	384
Income taxes	**—**	(31)	**(1)**	46
Share-based payments	**55**	16	**116**	109
Restructuring costs	**1003**	—	**1,003**	—
Foreign exchange loss (gain)	**4**	(15)	**117**	294
Adjusted EBITDA	**279**	515	**608**	1,795

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 9).

(Amounts in tables are in thousands of Canadian dollars, except for amounts relating to warrant, options, shares and per-share amounts) Page 7

8. MAIN FINANCIAL DATA

The following table shows selected significant financial information for the third quarter of the current fiscal year compared with the corresponding period of the previous fiscal year.

Information from the Consolidated Statements of Net Loss and Comprehensive Loss	Third Quarter ended December 31		Nine-month Period ended December 31	
	2019	2018	2019	2018
Revenue	**5,473**	8,258	**19,335**	25,855
Gross profit excluding amortization*	**3,564**	5,088	**12,128**	15,528
Net loss	**(1,615)**	(177)	**(3,154)**	(1,154)
Adjusted EBITDA*	**279**	515	**608**	1,795
Basic and diluted net loss per share	**(0.008)**	(0.001)	**(0.017)**	(0.007)

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

Information from the Consolidated Statements of Cash Flows	Nine-month Period ended December 31	
	2019	2018
Cash flows related to operating activities	**(2,018)**	(815)
Goods held for lease	**(470)**	(58)
Additions to property and equipment	**(266)**	(210)
Additions to intangible assets	**(735)**	(523)

The following table shows selected significant financial information from the consolidated balance sheets as at December 31, 2019 and March 31, 2019.

Information from the Consolidated Balance Sheets	As at December 31, 2019	As at March 31, 2019
Cash and cash equivalents	**5,392**	9,635
Inventories	**7,114**	7,526
Working capital	**12,573**	12,126
Total assets	**27,192**	33,764
Total current liabilities	**5,285**	12,403
Non-current liabilities	**4,298**	838
Total liabilities	**9,583**	13,241
Equity	**17,609**	20,523

9. OPERATING RESULTS

9.1 Revenue

Revenue for the third quarter ended December 31, 2019, decreased 34% to $5.5 million compared with $8.3 million for the third quarter ended December 31, 2018. For the nine-month period ended December 31, 2019, total revenue was $19.3 million, down 25% from $25.9 million for the same period last year.

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

During the third quarter ended December 31, 2019, the entertainment market revenue fell 45% to $3.4 million from $6.3 million year over year. For the nine-month period ended December 31, 2019, entertainment market revenue fell 35% in revenue to $13.2 million compared with $20.3 million for the first nine months of previous year.

Revenue from theatrical entertainment fell 39% to $2.4 million for the current quarter from $4.0 million for the same period last year. Revenue consisted of: (i) D-BOX motion systems sales, down 69% to $0.6 million ($1.9 million in 2018) (ii) recurring revenue from rights for use, rental and maintenance on the sale of admission tickets in commercial theatres, down 12% to $1.8 million ($2.1 million in 2018). Revenue from theatrical entertainment fell 25% to $10.2 million for the current nine-month period from $13.6 million for the same period last year. Revenues consisted of: (i) D-BOX motion systems sales, down 39% to $4.1 million ($6.8 million in 2018) and (ii) recurring revenue from rights for use, rental and maintenance on the sale of admission tickets in commercial theatres, down 11% to $6.1 million ($6.8 million in 2018).

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

- Box office performance can vary significantly from movie to movie.
- Revenue sharing with exhibitors and studios.
- Individual performance of exhibitors.
- The number of weekly screenings for a D-BOX movie, which can vary by country and exhibitor.
- The number of weeks a movie screens, which can vary by country due to different launch dates or exhibitor decisions to extend or shorten the exhibition window.

The entertainment market also includes system sales for high-end home entertainment and commercial entertainment. Home entertainment revenues were up 81% to $0.3 million for the third quarter ended December 31, 2019 from $0.1 million for the same period last year. For the nine-month period ended December 31, 2019, home entertainment revenue fell 23% to $0.6 million from $0.8 million year over year.

Commercial entertainment system sales fell 65% to $0.7 million for the current quarter from $2.1 million for the same period last year on both new and existing-client sales. For the nine-month period ended December 31, 2019, sales fell 59% to $2.5 million from $6.0 million for the same period last year.

Revenue also includes motion system sales to customers in the simulation and training market who resell D-BOX motion systems under their own brand names. Motion system sales in the Simulation and Training market were up 3% to $2.1 million for the third quarter ended December 31, 2019, from $2.0 million for the same period last year. For the nine-month period ended December 31, 2019, sales grew 10% to $6.1 million from $5.6 million for the same period last year. Sales growth was mainly driven by Simulation and Training systems sold to customers in the automotive, race car and gaming sub-markets. .

(Amounts in tables are in thousands of Canadian dollars, except for amounts relating to warrant, options, shares and per-share amounts) Page 9

9.2 Gross Profit

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

	Third Quarter ended December 31		Nine-month Period ended December 31	
	2019	**2018**	**2019**	**2018**
Revenue	**5,473**	8,258	**19,335**	25,855
Gross profit	**3,046**	4,690	**10,767**	14,120
Amortization related to cost of goods sold	**518**	398	**1,361**	1,408
Gross profit excluding amortization*	**3,564**	5,088	**12,128**	15,528
Gross margin excluding amortization	**65%**	62%	**63%**	60%

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

For the third quarter ended December 31, 2019, gross profit fell 35% year over year. Excluding amortization related to cost of goods sold, gross profit was down 30% to $3.6 million for the third quarter ended December 31, 2019 (65% of revenues) from $5.1 million (62% of revenues) for the corresponding period last year.

For the nine-month period ended December 31, 2019, gross profit stood at $10.8 million (56% of revenue) down 24% from $14.1 million (55% of revenue) for 2018. Excluding amortization related to cost of goods sold, gross profits fell 22% to $12.1 million (63% of revenue) for the nine-month period ended December 2019 from $15.5 million (60% of revenue) year over year.

9.3 Operating 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 third quarter ended December 31, 2019, selling and marketing expenses amounted to $2.3 million (43% of revenues) unchanged from $2.3 million (28% of revenue) for the same period last year.

For the nine-month period ended December 31, 2019, selling and marketing expenses were $6.9 million (36% of revenues) down 6% from $7.4 million (28% of revenue) year over year.

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

For the third quarter ended December 31, 2019, administration expenses amounted to $1.5 million (28% of revenue) down 13% from $1.8 million (21% of revenue) for the corresponding period ended December 31, 2019.

For the nine-month period ended December 31, 2019, administration expenses stood at $4.3 million (22% of revenues) down 13% from $5.0 million (19% of revenue) for the same period ended December 31, 2019.

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

For the third quarter ended December 31, 2019, research and development expenses amounted to $0.7 million (13% of revenues) unchanged from $0.7 million (9% of revenue) for the same period of the previous year.

For the nine-month period ended December 31, 2019, research and development expenses totalled $2.1 million (11% of revenues) down 4% from $2.2 million (9% of revenue) for the same period of the previous year.

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

Accordingly, for the third quarter ended December 31, 2019, the foreign exchange loss amounted to $4K compared with a gain of $15K for the corresponding period last year.

For the nine-month period ended December 31, 2019, the foreign exchange loss amounted to $117K compared with $294K for the first three quarters of the previous year.

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

9.4 Financial Expenses

For the third quarter ended December 31, 2019, financial expenses net of interest income amounted to $94K compared with $123K for the same period a year ago.

For the nine-month period ended December 31, 2019, financial expenses net of interest reached $467K compared with $384K for the corresponding period last year.

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

9.6 Net Loss

Net loss for the third quarter ended December 31, 2019, amounted to $1.6 million (basic and diluted net loss of $0.008 per share) compared with a net loss of $0.2 million (basic and diluted net loss of $0.001 per share) for the same period last year.

For the nine-month period ended December 31, 2019, net loss amounted $3.2 million (basic and diluted net loss of $0.017 per share) compared with a net loss of $1.2 million (basic and diluted net loss of $0.007 per share) for the same period last year.

10. 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 loss excluding amortization, financial expenses net of income, income taxes, write-offs of property and equipment and intangible assets, shared-based payments, foreign exchange loss (gain) and non-recurring expenses related to restructuring costs.

For the third quarter ended December 31, 2019, adjusted EBITDA amounted to $279K compared with $515K for the same period last year.

For the nine-month period ended December 31, 2019, adjusted EBITDA amounted to $0.6 million compared with $1.8 million year over year.

11. Liquidity, Capital Resources and Financing Sources

As at December 31, 2019, current assets amounted to $17.9 million compared with $24.5 million as at March 31, 2019.

Total working capital stood at $12.6 million as at December 31, 2019, compared with $12.1 million as at March 31, 2019. Accounts receivable, consisting primarily of trade accounts receivable, investment tax credits and commodity taxes receivable, fell to $4.2 million from $6.5 million as at March 31, 2019. Inventories fell to $7.1 million as at December 31, 2019, from $7.5 million as at March 31, 2019.

Current liabilities fell $7.1 million to $5.3 million as at December 31, 2019, from $12.4 million as at March 31, 2019. Accounts payable and accrued liabilities, included in current liabilities, were down $2.4 million to $4.2 million from $6.6 million as at March 31, 2019.

Current portion of long-term debt was down to $0 from $4.9 million due to new financing.

11.1 Operating Activities

For the nine-month period ended December 31, 2019, cash flows used by operating activities totalled $2.0 million compared with $0.8 million in cash flows used by operating activities for the same period of the previous year. This $1.2 million negative change resulted from a $2.0 million decrease in cash generated by operations before changes in working capital items and a $0.8 million decrease in cash used by operating activities before changes in working capital items.

11.2 Investing Activities

For the nine-month period ended December 31, 2019, cash flows used by investing activities amounted to $1.0 million compared with $0.7 million for the same period of the previous fiscal year.

11.3 Financing Activities

On July 31, 2019, the Corporation signed a three-year secured revolving credit facility of $5.0 million with the National Bank of Canada. This new credit facility matures in three years and bears interest, payable monthly, at an annual rate equal to National Bank of Canada's floating rate of interest applicable to commercial loans in Canadian dollars plus 2.25%. The credit facility is secured by a hypothec and security interests on all the assets (other than intellectual property) of the Corporation and its wholly-owned US subsidiary. The amount of the credit facility will gradually reduce over the term of the facility at the end of each quarter, such that the amount of the credit facility at the end of each year will be as follows: $4.5 million at the end of year one, $3.8 million at the end of year two, and $3.0 million at the end of year three.

An amount of $4.0 million was drawn from the credit facility at closing to reimburse, together with cash available, the former $5.0 million loan (plus accrued interest) which was to mature on February 5, 2020.

As at December 31, 2019, the effective interest rate of long-term debt was 6.2% (10.7% as at March 31, 2019) and the Corporation was in compliance with all debt covenants.

During the quarter and the nine-month period ended December 31, 2019, the interest expense on long-term debt charged to loss amounted to respectively $61K and $364K, including an amount of $0 and $147K related to the accretion of interest [$129K and $382K including an amount of $40K and $118K accounted for as an accretion expense for the quarter and the nine-month period ended December 31, 2018], respectively.

11.4 Equity

Equity fell $2.9 million to $17.6 million as at December 31, 2019, from $20.5 million as at March 31, 2019. This decrease resulted mainly from the net loss of $3.2 million for the nine-month period ended December 31, 2019.

12. QUARTERLY DATA

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

	2020			2019				2018
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue from the entertainment market								
Theatrical entertainment:								
System sales	**581**	1,782	1,741	999	1,896	2,688	2,197	1,236
Rights for use, rental and maintenance	**1,822**	1,811	2,434	1,831	2,073	2,102	2,605	1,967
	2,403	3,593	4,175	2,830	3,969	4,790	4,802	3,203
Commercial entertainment system sales	**746**	724	995	2,757	2,140	1,312	2,512	3,561
Home entertainment system sales	**264**	174	147	151	146	365	253	905
Total revenue from the entertainment market	**3,413**	4,491	5,317	5,738	6,255	6,467	7,567	7,669
Revenue from the simulation and training market	**2,060**	1,838	2,216	2,570	2,003	1,619	1,945	1,615
TOTAL REVENUE	**5,473**	6,329	7,533	8,308	8,258	8,086	9,512	9,284
Adjusted EBITDA*	**279**	114	215	267	515	127	1,157	906
Net income (loss)	**(1,615)**	(933)	(606)	(551)	(177)	(748)	(229)	12
Basic and diluted net income (loss) per share	**(0.008)**	(0.005)	(0.003)	(0.003)	(0.001)	(0.004)	(0.001)	0.000
(in thousands) **Weighted average number of common shares outstanding**	**175,951**	175,951	175,951	175,951	175,951	175,951	175,951	175,951

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

13. COMMITMENTS

The Corporation rents premises and equipment under operating leases and has entered into long-term commitments to purchase services. Under IFRS 16, all major leases were accounted for in the consolidated balance sheets. The minimum payments for all other leases are as follows:

(in thousands of dollars)	Leases	Other Commitments
2020	13	56
2021 to 2025	28	51
	41	**107**

Reflecting IFRS 16, the Corporation's operating lease expenses decreased to $42K for the third quarter ($137K in 2019) and $126K for the nine-month period of fiscal 2020 ($402K in fiscal 2019). The Corporation has also pledged the office furniture and fixtures, in favour of the lessors.

14. FULLY DILUTED SHARE CAPITAL (FEBRUARY 12, 2020)

	Class A common shares
Class A common shares outstanding	175,950,573
Convertible instruments	
Stock-options outstanding	13,343,389
Warrants	2,000,000
	191,293,962

15. NEW ACCOUNTING STANDARD

Effective April 1, 2019, the Corporation adopted IFRS 16, Leases, which replaces IAS 17, Leases and its related interpretations. Under this new standard, most leases of the Corporation are now recognized in the consolidated balance sheets. The Corporation adopted IFRS 16 using the modified retrospective method with the date of initial application of April 1, 2019. Under this method, the standard is applied retrospectively, and the comparatives figures are not restated. Instead, the cumulative effect of initially applying the new standard is recognized as an adjustment to the opening balance of the deficit account in equity, if any.

Impact on transition to IFRS 16:

Total right-of-use assets and lease liabilities of $0.76 million were recorded as at April 1, 2019, with no impact on the deficit as at April 1, 2019. Instead of recognizing monthly rent expenses, the Corporation started to recognize interest expense for lease liabilities and depreciation expense for right-of-use assets as of April 1, 2019. The weighted average incremental borrowing rate applied to lease liabilities recognized in the consolidated balance sheets at the date of initial application was 6.20%.

16. Change in Accounting Estimate

In order to reflect a better assessment of the useful life of the goods held for lease, the Corporation changed its accounting estimate related to the amortization of the goods held for lease. The previous period over which these assets were amortized was changed from not exceeding 7 years to not exceeding 10 years. This change is effective on October 1st, 2019.

The results of this change of estimate represents a decrease of $90K of depreciation expense for the third quarter and for the nine-month period ended December 31, 2020.

17. Risks and Uncertainties

We operate in an industry which presents many risks and uncertainties. These risks and uncertainties are described in the Annual Information Form (AIF) dated June 26, 2019, which is available on www.sedar.com

18. Disclosure Controls and Internal Controls Over Financial Reporting

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

During the third quarter ended December 31, 2019, 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.

19. Continuous Information and Additional Disclosure

This MD&A was prepared as of February 12, 2020. Additional information can be found on the SEDAR website at www.sedar.com.