Management's Discussion and Analysis

D-BOX Technologies Inc.
Fiscal Year Ended March 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 fiscal year ended March 31, 2019, by comparing them with the results of the corresponding periods for the previous fiscal year. It also presents a comparison of the balance sheets as at March 31, 2019 and March 31, 2018.

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, 2019 and the audited consolidated financial statements of the fiscal year ended March 31, 2018. Unless otherwise indicated, the terms "Corporation" and "D-BOX" refer to D-BOX Technologies Inc.

The audited consolidated financial statements for the fiscal year ended March 31, 2019 and this MD&A have been reviewed by the Audit Committee and were approved by the Board of Directors on June 26, 2019. 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, 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," "believe", "foresee", "intend" 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.

Message from the Chairman of the Board

Dear fellow shareholders,

When I wrote to you last year, I had only been in the role for a few months but this time, a full year has gone by. The year has been challenging in revenue growth for the theatrical market and share price performance, but I can confirm that D-BOX has made progress in a number of areas. The themed entertainment and the simulation & training markets grew at a quick pace, underscoring the wisdom of diversifying the sources of revenue. D-BOX performed well against the overall challenging theatrical market environment, and is still increasing its global footprint.

The board has been working with management to refine the growth strategy and find ways to broaden our market potential; it has spent considerable time reviewing and challenging each business unit, as well as the overall corporate strategy. The board is convinced that the overall plan could lead to substantial growth and that the technology improvements being developed will contribute to open new markets and lead to enhanced value for all stakeholders.

There have been some changes to the board. I am pleased to welcome Brigitte Bourque to the board. She was appointed in February of this year. While she brings a broad set of skills to the board, her proven human resources expertise will play an important role in supporting our team as it keeps evolving the business.

I also wish to thank Sylvain Lafrance for his contribution over his five years on the board. Sylvain resigned this spring as he was trying to increase his focus on some of his core activities. We wish him well and he will remain a good friend of the organisation.

Élaine Cousineau-Phenix has advised us that she would not be seeking re-election at the upcoming shareholders' meeting. I wish to thank Élaine Cousineau-Phenix for her 15 years on the board. She chaired the audit committee with a thoroughness that was reassuring to all directors. We wish her well as she slows down her professional activities. A search is currently underway for Élaine's replacement.

It is important to underscore the efforts of both the management team and the employees to accelerate the deployment of our technology in key markets around the world. Only through their efforts can we gain market share and offer more customers the benefits of our technology. On behalf of the board, thank you for your commitment to the organisation.

I also want to thank my fellow board members for their insights and contribution. Their involvement in understanding the strategic and operational issues is important, and their added value immense. Thank you.

In closing, I want to express the board's confidence in the future. While there are challenges to overcome, there are also substantial opportunities to exploit, and we are confident that the overall result will be very rewarding.

Thank you,

Signed:

Jean-René Halde
Chairman of the Board

Message from the President and Chief Executive Officer

Dear fellow shareholders,

D-BOX aims to bring the immersive experience to a new level. Through the confidence and unconditional support from our customers, our partners, our employees and our investors, we are moving the world forward. By leveraging our patented state-of-the-art technology and by providing immersive motion experience to multiple markets, we are building a recognized brand globally. The strength of the brand will reinforce our ability to capture profitable opportunities and create value to our shareholders for years to come.

Fiscal 2019 has been a year where we saw progress in our different lines of business. The Simulation and Training market grew by 31% in fiscal 2019 and accounted for 24% of our total revenue. The growth was driven mainly by systems sold to customers in automotive, race car and gaming sub-markets.

The themed entertainment market grew by 14% in fiscal 2019 and accounted for 26% of our total revenue. The growth is attributable to our partnership with leading integrators. For instance, CL Corp integrated D-BOX in the Parc Asterix project in France (a theme-park including a 4D theatre with 85 motion seats). Another successful project was *The Simpsons* in a 4D theatre with 85 D-BOX motion seats in Virginia, USA delivered by Simex-Iwerks.

In the theatrical market, D-BOX motion systems outperformed the box office in Canada & USA with 6% compared to 3%[1]. As well, we grew our footprint to 41 countries and 747 screens installed or in backlog from 40 countries and 684 screens in 2018. We are particularly proud to have signed Hoyts in Australia, Cinesa Luxe (a subsidiary of Odeon Group, an AMC Entertainment Company), and Maya Cinemas in the USA. Also, we have strengthened our partnership with Cineplex and Cinemark. Moreover, we entertained several millions of moviegoers around the world up 8% demonstrating the popularity of our unique value proposition to the exhibitors. Again this year, the D-BOX recliners have contributed to our success owing to its hyper-realistic experience, its comfortable seating, the easy maintenance and equipment reliability.

Our investments in research and development is key to maintain our competitive advantage in our existing markets and to increase the addressable market opportunity. We are proud that our diversification strategy paid off and believe the Company is well positioned for the upcoming years. As we look forward, we are cautiously optimistic by the strong film release for the remainder of the year and expect a positive contribution from that business line. As for the themed entertainment segment and the Simulation and training market, D-BOX's expertise in immersive motion and true-to-life simulation positions the Corporation to be an active participant in the growing virtual reality (VR), gaming, automotive, as well as simulation and training markets.

I would like to acknowledge the tremendous contribution of our Board of Directors. Your ongoing collaboration and encouragement are important to us as we grow our business and create rewarding new opportunities in the coming years.

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[1] *According to Rentrak*

Finally, I would like to express my heartfelt thanks to our employees. Your dedication to the brand, support and passion are key factors in our continued growth. Your efforts to go the extra mile have not gone unnoticed. You are, without a doubt, the reason for our success.

Thank you,

Signed:

Claude Mc Master
President and CEO

4. Financial and Business Highlights

4.1 Financial Highlights

Highlights for the Year Ended March 31, 2019

Compared with the year ended March 31, 2018:

- Revenues decreased 4% from $35.5 million to $34.2 million.
- Recurring revenues totalled $8.6 million up 2% from $8.4 million.
- *Adjusted EBITDA fell 20% from $2.6 million to $2.1 million.
- *Adjusted EBITDA/Revenues decreased from 7% to 6%.
- Net loss of $(1.7) million compared with $(1.8) million.
- Cash flows generated by operating activities of $0.4 million, down $2.3 million from $2.7 million.

Highlights for the Fourth Quarter Ended March 31, 2019

Compared with the fourth quarter ended March 31, 2018:

- Revenues decreased to $8.3 million down 11% from $9.3 million.
- Recurring revenues fell 7% to $1.8 million from $2.0 million.
- Quarterly *Adjusted EBITDA was $0.3 million compared with $0.9 million.
- *Adjusted EBITDA/Revenues fell to 3% from 10%.
- Net loss totalled $551 thousand compared with net income of $12 thousand.

Fourth Quarter and Fiscal Year Ended March 31 (in thousands of dollars, except per share data)				
	Fourth Quarter		**Fiscal Year**	
	2019	**2018**	**2019**	**2018**
Revenues	**8,308**	9,284	**34,164**	35,478
Net income (loss)	**(551)**	12	**(1,705)**	(1,761)
Adjusted EBITDA*	**267**	906	**2,062**	2,573
Basic and diluted net income (loss) per share	**(0.003)**	0.000	**(0.010)**	(0.010)
Information from the consolidated balance sheets				
	As at March 31, 2019		**As at March 31, 2018**	
Cash and cash equivalents	**9,635**		10,141	

* See the "Non IFRS Measures" section on page 11 and the table reconciling adjusted EBITDA to net loss on page 16.

4.2 Operational Highlights for the Fourth Quarter Ended March 31, 2019

- D-BOX expands in Spain with Cinesa Luxe, a subsidiary of Odeon Group, an AMC Entertainment Company.
- D-BOX expands in Australia with Hoyts, to equip 4 auditoriums with over 200 recliners.
- D-BOX and Cineplex strengthen their partnership to reach a new milestone of 100 auditoriums.
- D-BOX inaugurated the first full screen of D-BOX recliner seats in Las Vegas with Maya cinemas last January.
- D-BOX signs with eSports Central to launch Montreal's first eSports Entertainment complex featuring 6 racing motion simulators.
- Subsequent to the fiscal year-end, D-BOX signed an agreement with PVR Cinemas, India's largest exhibitor. PVR operates a cinema circuit of more than 745 screens in 160 locations.

5. OUTLOOK

D-BOX operates in two major areas: the entertainment market and the simulation and training market which have their respective sub-markets.

Our solution offers a compelling value proposition to movie exhibitors, where we attract moviegoers by providing an immersive experience and enabling exhibitors to earn additional revenue with rapid payback. With about 1% penetration of the motion technology in theatrical auditoriums globally, D-BOX's motion technology has abundant room to grow. Moreover, we are cautiously optimistic given the strong film release lineup for the remainder of the year which has a direct impact on our rights for use, rental and maintenance revenues.

In the themed entertainment and the simulation and training markets, D-BOX's expertise in immersive motion and true-to-life simulation positions the Corporation as an active participant in the growing virtual reality (VR), gaming, car racing simulation, and simulation & training markets. Both markets grew 22% compared with the same period of the previous year and represented 49% of total revenues in fiscal 2019. While we are still in the infancy stage, we believe those markets could represent sustainable growth opportunities for years to come.

While system sales in each vertical could be impacted by long sales cycle and market fluctuations, we believe our diversification strategy into different verticals will mitigate the volatility of our overall system sales. As we look forward, we are excited by the market opportunities ahead of us. The size and projected growth of each market are promising.

6. CORPORATE PROFILE

D-BOX is redefining the entertainment experience. We create hyper-realistic, immersive entertainment experiences by moving the body and sparking the imagination through motion. The Corporation's expertise and proprietary technology allows us 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 at March 31, 2019, D-BOX had 138 employees compared with 132 as at March 31, 2018.

7. Corporate Strategy

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

Examples of Application	
Entertainment Market	**Simulation and Training Market**
Theatrical Entertainment *Commercial Entertainment:* ▪ Amusement parks ▪ Arcades ▪ Museums and planetariums *Home Entertainment*	*Simulation and training for:* ▪ Automotive ▪ Flight ▪ Heavy equipment/cranes ▪ Racing ▪ Wellness
Virtual reality for both the Entertainment and the Simulation and Training markets	

7.1 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.

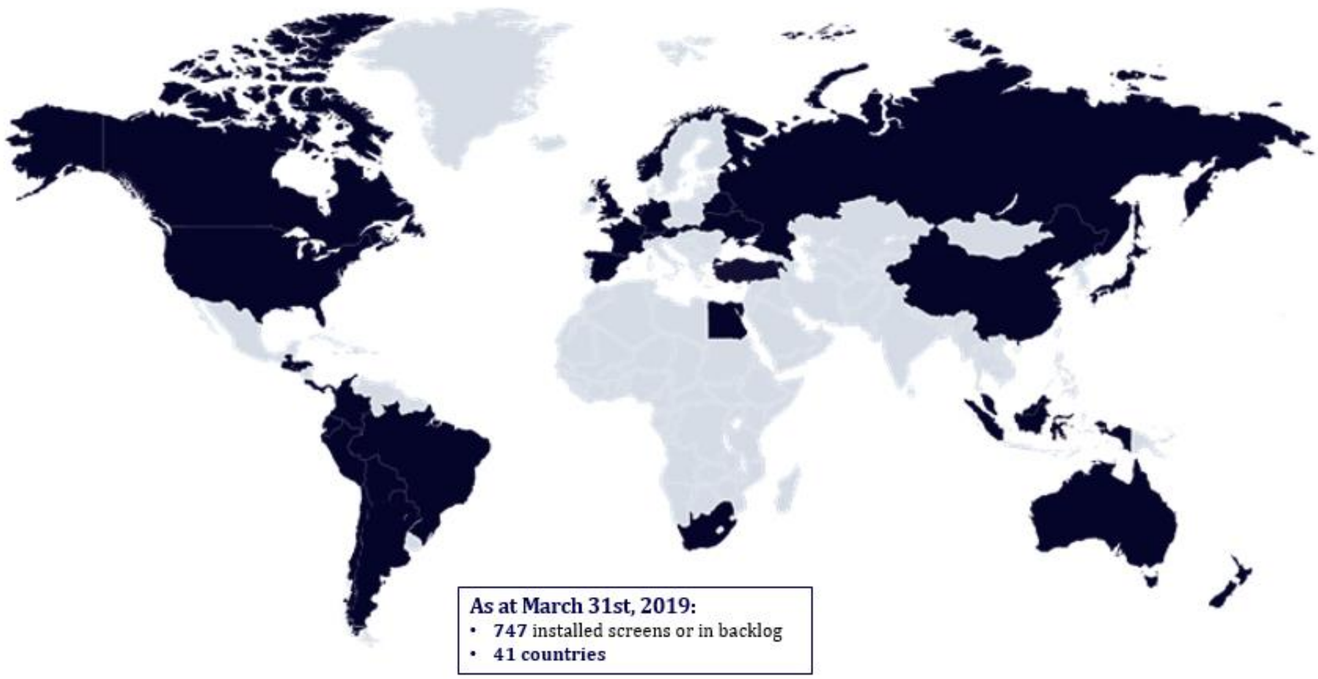
2. Recurring revenues are generated by the licensing of the D-BOX Motion Code in theatrical and commercial entertainment centres equipped with the D-BOX motion systems to view visual content encoded by D-BOX. The Corporation also receives maintenance revenues relating to the use of the motion systems.

3. Sales 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).

7.2 Entertainment Market

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

D-BOX is present in 41 countries around the world



Theatrical Entertainment

The Corporation has established privileged relationships and developed strong credibility with major studios to motion code a wide array of studio content prior to its theatrical release. In order to:

1. Accelerate the deployment of its technology with new commercial theatre exhibitors seeking to add a distinctive draw to their offerings.
2. Facilitate sales or licensing of D-BOX technology to exhibitors looking to equip more than one of their complexes or more than one screen within the same complex.
3. Generate motion system sales in the high-end home entertainment sub-market to allow clients to experience D-BOX in the comfort of their own homes.
4. Showcase the technology to potential customers in the simulation and training market.

As at March 31, 2019, 51 exhibitors had more than one location integrating D-BOX motion systems and 204 locations had more than one screen incorporating our technology within the same complex.

Access to content is a key factor in accelerating D-BOX motion system deployment. The Corporation is constantly expanding its business relationships with new film and gaming content providers.

Reclining cinema seats are a new trend in the theatrical entertainment industry in North America and D-BOX was the leader to offer motion recliner seats.

Business development targeting theatrical entertainment chains is handled by an internal business development team and external partners in certain countries. The Corporation's representatives also attend major trade shows. The Corporation believes the entertainment market to be an excellent venue to showcase its technology to the largest number of people possible. The Corporation generates significant recurring revenue from licensing rights (for the use of its technology based on premiums charged for admission tickets), motion systems rentals, and maintenance rights.

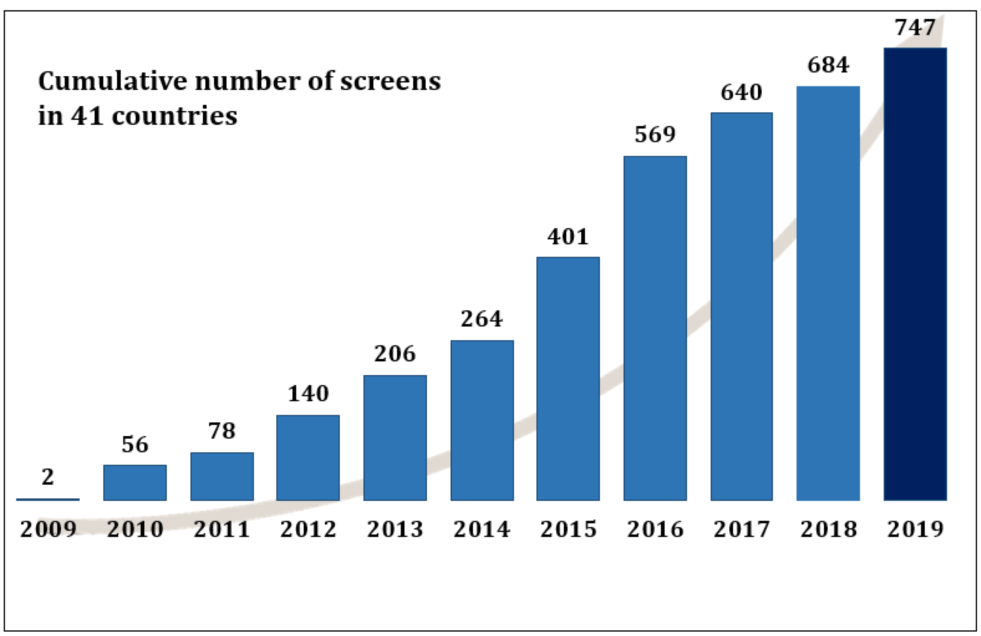
D-BOX has demonstrated that:

- Moviegoers will pay a premium to enjoy a truly immersive and non-distractive motion experience.
- Theatrical operators enhance their profits by utilizing D-BOX products to increase business traffic, stand out from competitors and grow their (i) direct revenue from the sale of tickets in the D-BOX zone and (ii) indirect revenue by stimulating more sales of food and beverages from D-BOX users.
- The D-BOX motion system provides studios with enhanced visibility and an additional revenue stream for each movie encoded by D-BOX.
- D-BOX technology offers a better immersive solution which reduces motion dizziness associated with the VR experience.
- D-BOX technology encourages video game users to buy seats equipped with D-BOX motion system thereby allowing them to add a new level of immersion to their gaming experience.

In measuring achievement of its theatre chain deployment objectives, the Corporation tracks the installed base of its D-BOX motion systems and its backlog. 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.

Total screens installed or in backlog grew 9% to 747 as at March 31, 2019 compared with 684 a year earlier.

Growth of installed screens or in backlog as at March 31



Commercial and High-End Home Entertainment

The Corporation:

1. Sells products under its own brand name and under OEM, integrator and reseller brands.
2. Supplies motion-coded content.
3. Creates products and forms partnerships with strategic players to accelerate market penetration.

7.3 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.

The Corporation sells products under its own brand and OEM labels while leveraging a network of integrators and resellers. It also adapts its products to address specific requests of manufacturers and OEMs to tap into new markets.

8. 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 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) Adjusted EBITDA provides useful and complementary information, which can be used, in particular, to assess profitability and cash flows from operations. It consists of net income (loss) excluding amortization, financial expenses net of income, income taxes, write-offs of property and equipment and intangible assets, shared-based payments, foreign exchange loss (gain) and non-recurring expenses related to restructuring costs.

2) 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 reconciling gross profit to gross profit excluding amortization on page 14).

9. Main Financial Data

The following table shows selected significant financial information for the current fiscal year and fourth quarter ended March 31, 2019 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 Income (Loss) and Comprehensive Loss	Fiscal year ended March 31		Fourth quarter ended March 31	
	2019	**2018**	**2019**	**2018**
Revenues	**34,164**	35,478	**8,308**	9,284
Gross profit excluding amortization*	**20,576**	20,047	**5,048**	5,107
Net Income (loss)	**(1,705)**	(1,761)	**(551)**	12
Adjusted EBITDA*	**2,062**	2,573	**267**	906
Basic and diluted net income (loss) per share	(0.010)	(0.010)	**(0.003)**	0.000

* See the "Non-IFRS measures" section on page 11.

Information from the Consolidated Statements of Cash Flows	Fiscal year ended March 31	
	2019	2018
Cash flows relating to operating activities	**411**	2,719
Goods held for lease	**(88)**	(804)
Additions to property and equipment	**(395)**	(589)
Additions to intangible assets	**(714)**	(815)

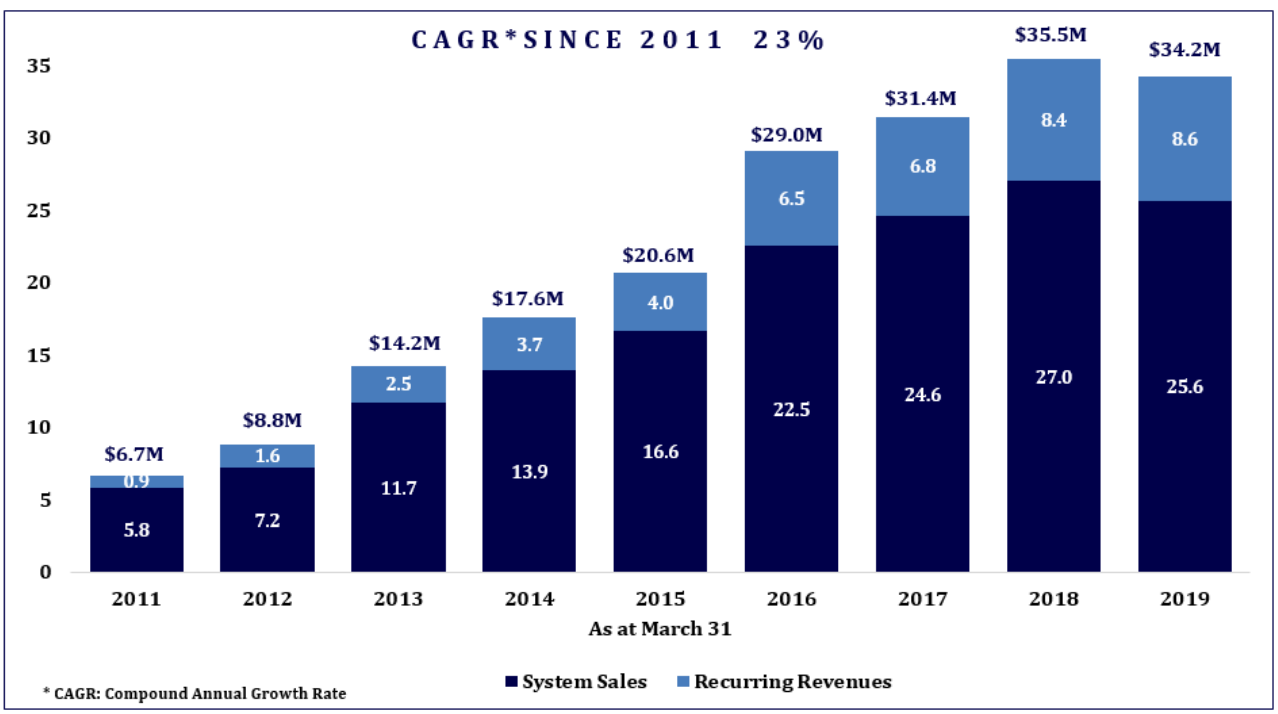
The following table shows certain selected significant financial information from the consolidated balance sheets as at March 31, 2019 and March 31, 2018 (amounts are in thousands of Canadian dollars).

Information from the Consolidated Balance Sheets	As at March 31, 2019	As at March 31, 2018
Cash and cash equivalents	**9,635**	10,141
Inventories	**7,526**	7,761
Working capital	**12,126**	16,648
Total assets	**33,764**	34,354
Total current liabilities	**12,403**	7,003
Total liabilities	**13,241**	12,257
Equity	**20,523**	22,097

10. Operating Results

10.1 Revenues

Revenues for the fiscal year ended March 31, 2019 fell 4% to $34.2 million compared with $35.5 million for the year ended March 31, 2018.



For the entertainment market, revenues consist of D-BOX motion system sales to commercial theatre operators, revenues from rights to 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.

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

During the fiscal year ended March 31, 2019, the entertainment market fell 11% to $26.0 million compared with $29.2 million for fiscal 2018. Revenues from commercial theatres decreased 11% from $18.4 million in 2018 to $16.4 million for 2019. These revenues consisted of: (i) D-BOX motion systems sales, down 22% to $7.8 million in 2019 ($10.0 million in 2018) (ii) the revenues from rights for use, rental and maintenance on the sale of admission tickets in commercial theatres, up 2.0% to $8.6 million in 2019 ($8.4 million in 2018).

Recurring revenues 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 average number of D-BOX motion systems deployed.
- The number of weekly screenings of 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 home entertainment and themed entertainment. Home entertainment revenues fell 71% to $0.9 million for fiscal 2019 from $3.1 million last year.

Themed entertainment systems sales grew 14% to $8.7 million for 2019 from $7.7 million for 2018 on both new and existing-client sales.

Motion system sales in the simulation and training market were up 31% to $8.1 million for the fiscal year ended March 31, 2019 from $6.2 million last year. Sales growth was mainly driven by simulation and training systems sold to customers in automotive, race car and gaming sub-markets.

For the fourth quarter of 2019, revenues decreased 11% to $8.3 million compared with $9.3 million for the corresponding period of the previous year. Entertainment market sales fell 25% to $5.7 million for fourth quarter 2019 compared with $7.7 million for fourth quarter 2018. This resulted primarily from a 23% decrease in commercial entertainment sales from $3.6 million in 2018 to $2.8 million this year, an 83% decrease in home entertainment motion system sales to $0.2 million in 2019 from $0.9 million in 2018. Theatrical entertainment sales were down 19% to $1.0 million in fourth quarter 2019 compared with $1.2 million last year. Revenues from rights for use, rental and maintenance on the sale of admission tickets in commercial theatres were down 7% to $1.8 million for the fourth quarter of 2019 ($2.0 million in 2018).

Simulation and training market sales were up 59% to $2.6 million for the fourth quarter of 2019 compared with $1.6 million, year over year.

10.2 Gross Profit

The following table reconciles gross profit to gross profit excluding amortization (amounts are in thousands of Canadian dollars, unless otherwise noted):

	Fiscal year ended March 31		Fourth quarter ended March 31	
	2019	2018	2019	2018
Revenues	**34,164**	35,478	**8,308**	9,284
Gross profit	**18,740**	18,061	**4,620**	4,549
Amortization related to cost of goods sold	**1,836**	1,986	**428**	558
Gross profit excluding amortization*	**20,576**	20,047	**5,048**	5,107
Gross margin excluding amortization	**60%**	57%	**61%**	55%

See the "Non-IFRS measure" section on page 11.

For the fiscal year period ended March 31, 2019, gross profit grew to $18.7 million (55% of revenues) up 4% from $18.1 million (51% of revenues) for 2018. Excluding amortization related to cost of goods sold, gross profits grew 3% to $20.6 million (60% of revenues) in 2019 from $20 million (57% of revenues) year over year.

For the fourth quarter ended March 31, 2019, gross profit rose 2% to $4.6 million from $4.5 million for the same period year over year. Excluding amortization related to cost of goods sold, gross profit fell 1% to $5.0 million for the fourth quarter ended March 31, 2019 (61% of revenues) from $5.1 million (55% of revenues) for the corresponding period last year.

10.3 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 fiscal year ended March 31, 2019, selling and marketing expenses were $9.8 million, representing 29% of revenues, and were unchanged from previous year.

For the fourth quarter ended March 31, 2019, selling and marketing expenses grew 3% YoY to $2.4 million, representing 29% of revenues, and were up from 25% of revenues for the same period last year.

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

For the fiscal year ended March 31, 2019, administration expenses grew 2% YoY to $6.8 million, representing 20% of revenues, up from 19% of revenues for the same period last year.

For the fourth quarter ended March 31, 2019, administration expenses were down 2% YoY to $1.8 million, representing 22% of revenues, from 20% of revenues for the same period last year.

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 investment tax credits.

For the fiscal year ended March 31, 2019, research and development expenses increased 9% YoY to $3.0 million, representing 9% of revenues up from 8% of revenues for the same period of the previous year. The change resulted from an increase in headcount and lower capitalization of research and development projects.

For the fourth quarter ended March 31, 2019, research and development expenses increased 115% to $0.8 million, representing 9% of revenues, from 4% of revenues for the same period of the previous year. The variation is explained by an increase of the headcount and less capitalization of research and development projects.

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

For the fiscal year ended March 31, 2019, foreign exchange loss amounted $0.3 million compared with a loss of $0.1 million for the previous year.

For the fourth quarter ended March 31, 2019, foreign exchange loss amounted to $40 thousand compared with a gain of $0.2 million 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.

10.4 Financial Expenses

For the fiscal year ended March 31, 2019, financial expenses net of interest were unchanged at $0.5 million compared to the same period last year.

For the fourth quarter ended March 31, 2019, financial expenses net of interest income were unchanged at $0.1 million compared with the same period the previous year.

10.5 Income Taxes

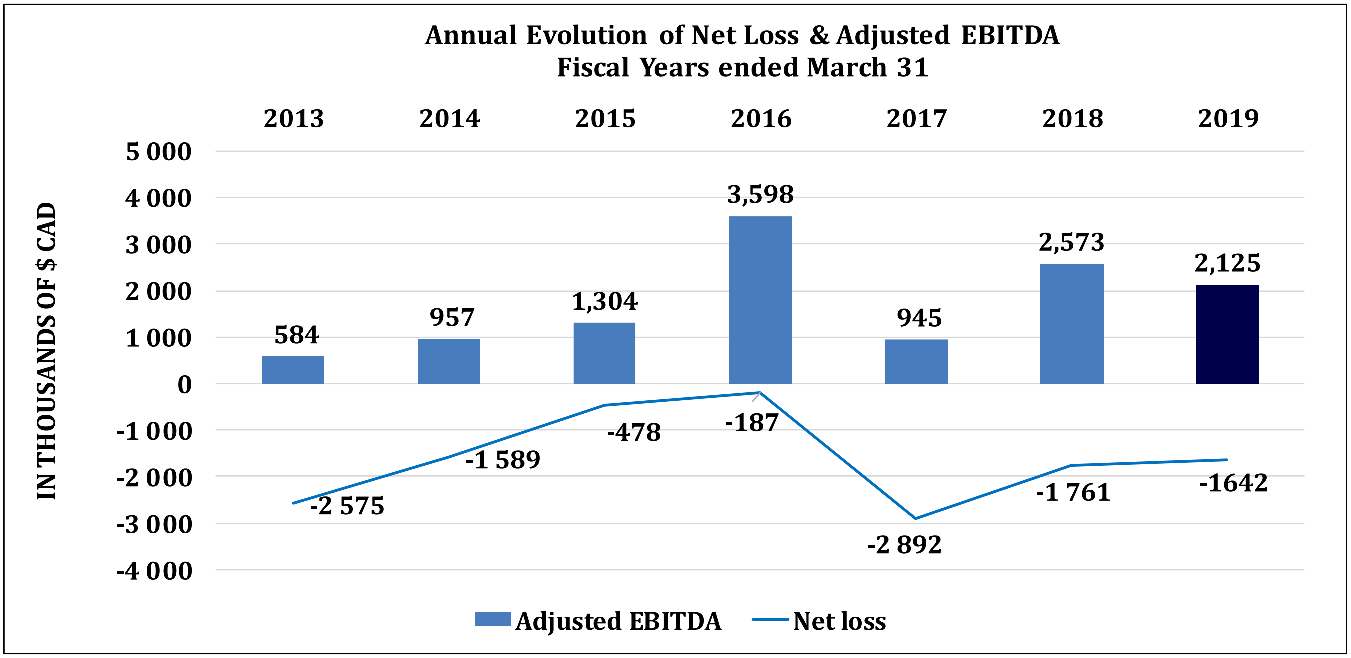
With respect to accounting for future income taxes, the Corporation has concluded that a valuation allowance equal to its future income tax assets should be recorded. Income tax expenses are related to D-BOX international operations in different countries and different foreign rules of taxation.

10.6 Net Loss

For the fiscal year ended March 31, 2019, net loss amounted to $1.7 million (basic and diluted net loss of $0.010 per share) compared with a net loss of $1.8 million (basic and diluted net loss of $0.010 per share) for the same period last year.

Net loss for the fourth quarter ended March 31, 2019, amounted to $551 thousand (basic and diluted net loss of $0.003 per share) compared with a net income of $12 thousand for the same period last year.

11. ADJUSTED EBITDA



* See the "Non-IFRS measure" section on page 11.

For the fiscal year ended March 31, 2019, adjusted EBITDA amounted to $2.1 million compared with $2.6 million for the same period last year.

For the fourth quarter ended March 31, 2019, adjusted EBITDA amounted to $0.3 million compared with $0.9 million for the same period last year.

The following table reconciles adjusted EBITDA to net loss (amounts are in thousands of Canadian dollars).

	Fiscal year ended March 31		Fourth quarter ended March 31	
	2019	2018	**2019**	2018
Net Income (loss)	**(1,705)**	(1,761)	**(551)**	12
Amortization of property and equipment	**1,934**	2,332	**422**	569
Amortization of intangible assets	**800**	748	**198**	261
Amortization of other assets	**3**	5	**1**	2
Financial expenses (income)	**529**	525	**145**	124
Income taxes (recovery)	**10**	5	**(36)**	—
Write-off of property and equipment	—	1	—	1
Write-off of intangible assets	—	145	—	93
Share-based payments	**157**	226	**48**	20
Foreign exchange loss (gain)	**334**	90	**40**	(176)
Restructuring costs	—	257	—	—
Adjusted EBITDA	**2,062**	**2,573**	**267**	**906**

* See the "Non-IFRS measure" section on page 11.

12. Liquidity, Capital Resources and Financing Sources

As at March 31, 2019, current assets amounted to $24.5 million compared with $23.7 million as at March 31, 2018.

Total working capital fell to $12.1 million as at March 31, 2019, compared with $16.6 million as at March 31, 2018 due mainly to the increase of the current portion of long-term debt to $4.9 million. Accounts receivable, consisting primarily of trade accounts receivable, investment tax credits and commodity taxes receivable, rose to $6.5 million from $5.3 million as at March 31, 2018. Inventories decreased 3% to $7.5 million as at March 31, 2019, compared with $7.8 million as at March 31, 2018.

Current liabilities rose to $12.4 million as at March 31, 2019, from $7.0 million as at March 31, 2018. Accounts payable and accrued liabilities, included in current liabilities, were up 4% to $6.6 million as at March 31, 2019 from $6.3 million as at March 31, 2018. Current portion of long-term debt totalled $4.9 million in 2019 compared with nil in 2018.

12.1 Operating Activities

For the fiscal year ended March 31, 2019, cash flows relating to operating activities totalled $0.4 million compared with $2.7 million in cash flows generated from operations for the same period of the previous year. The variance resulted from a $2.1 million increase in cash used by changes in working capital items and by $0.2 million decrease in cash flows from operations.

12.2 Investing Activities

For the fiscal year ended March 31, 2019, cash flows relating to investing activities amounted to $1.1 million compared with $1.4 million for the same period of the previous fiscal year. This variance resulted from a $0.2 million decrease in additions to property and equipment and a $0.1 million decrease in intangible assets.

12.3 Financing Activities

There were no financing activities for the fiscal years ended March 31, 2019 and 2018.

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

For the fiscal year ended March 31, 2019, interest expense on long-term debt charged to loss amounted to $0.5 million compared with $0.5 million in 2018. These amounts include, $160 thousand related to accretion of interest expense compared with $144 thousand in 2018.

It is management's intention to refinance the long term debt before its maturity.

12.4 Equity

Equity decreased $1.6 million to $20.5 million as at March 31, 2019, from $22.1 million as at March 31, 2018. The decrease resulted mainly from the $1.7 million net loss for the fiscal year ended March 31, 2019.

13. 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):

	2019				2018			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues from the entertainment market								
Theatrical entertainment:								
System sales	**999**	1,896	2,688	2,197	1,236	3,537	2,133	3,115
Rights for use, rental and maintenance	**1,831**	2,073	2,102	2,605	1,967	2,482	1,828	2,150
	2,830	3,969	4,790	4,802	3,203	6,019	3,961	5,265
Commercial entertainment system sales	**2,757**	2,140	1,312	2,512	3,561	2,760	903	442
Home entertainment system sales	**151**	146	365	253	905	265	1,211	751
Total revenues from the entertainment market	**5,738**	6,255	6,467	7,567	7,669	9,044	6,075	6,458
Revenues from the simulation and training market	**2,570**	2,003	1,619	1,945	1,615	1,356	1,578	1,683
TOTAL REVENUES	**8,308**	8,258	8,086	9,512	9,284	10,400	7,653	8,141
Adjusted EBITDA*	**267**	515	127	1,157	906	1,114	176	377
Net income (loss)	(551)	(177)	(748)	(229)	12	51	(840)	(984)
Basic and diluted net income (loss) per share	(0.003)	(0.001)	(0.004)	(0.001)	0.000	0.000	(0.004)	(0.006)
(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 on page 11 and the table reconciling adjusted EBITDA to net loss on page 16.

14. 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 (amounts are in thousands of Canadian dollars):

	Leases	Other Commitments
2020	321	34
2021 to 2022	568	34
	889	**68**

The Corporation's operating lease expenses amounted to $567 thousand in 2019 ($551 thousand in 2018) and the Corporation has pledged the office furniture and fixtures, in favour of the lessors.

15. FULLY DILUTED SHARE CAPITAL (JUNE 26, 2019)

	Class A common shares
Class A common shares outstanding	175,950,573
Convertible instruments	
Stock-options outstanding	15,807,100
Warrants	6,500,000
	198,257,673

16. CHANGES IN ACCOUNTING POLICIES

IFRS 9, Financial Instruments

On April 1, 2018, the Corporation adopted IFRS 9, *Financial Instruments*, which 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. IFRS 9 also introduces a new expected loss impairment model that will require timely recognition of expected credit losses. Specifically, entities will be required to account for expected credit losses when financial instruments are first recognized and to recognize full lifetime expected credit losses on a timely basis.

The adoption of IFRS 9 had no impact on the consolidated financial statements of the Corporation.

IFRS 15, Revenue from Contracts with Customers

On April 1, 2018, the Corporation also adopted IFRS 15, *Revenue from Contracts with Customers*, which 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. Accordingly, the Corporation now recognizes a contract with a customer

- The parties to the contract have approved the contract - in writing, orally or in accordance with other customary business practices - and are committed to performing their respective obligations;
- The entity can identify each party's rights regarding the goods or services to be transferred;
- The entity can identify the payment terms for the goods or services to be transferred;
- The contract has commercial substance [i.e. the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract]; and
- It is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

The adoption of IFRS 15 had no impact on the consolidated financial statements of the Corporation.

IFRS 16, Leases

The IASB has issued *IFRS 16, Leases,* which is required to be applied retrospectively for annual periods beginning on or after January 1, 2019. IFRS 16 replaces IAS 17 *Leases* and related interpretation. Under this new standard, which provides a single model for leases abolishing the current distinction between finance leases and operating leases, most leases will be recognized in the consolidated balance sheet. Certain exemptions will apply for short-term leases and for low-value assets.

The Corporation plans to adopt the modified retrospective approach on April 1, 2019 without restatement of the comparative figures and measure the right-of-use asset at its carrying amount as if IFRS 16 had been applied since the adoption date. The Corporation will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms end within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

The Corporation anticipates that the adoption of IFRS 16 will have a material impact on its consolidated financial statements as nearly all operating leases will be capitalized with a corresponding liability, while the rent expense will be replaced by the amortization of the right to use the related assets, and interest accretion expense from the liabilities will be recorded. The Corporation is currently finalizing its assessment of the financial impact of this new standard on its consolidated financial statements.

17. FINANCIAL INSTRUMENTS

Interest Rate Risk

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

The Corporation is exposed to interest rate risk due to fluctuations in interest rates on cash and cash equivalents that earn interest at market rates. The Corporation does not use derivative instruments to reduce its exposure to interest rate risk. On an annual basis, a 1% change in interest rates would have had a net impact of $0.1 million on net loss and comprehensive loss in fiscal 2019 and would be the same impact for fiscal 2018.

The Corporation manages its interest rate risk by maximizing the interest income earned on excess funds while maintaining the necessary liquidity to conduct its day-to-day operations. Cash equivalents consist of money market funds and other instruments with short-term maturities.

Credit Risk

The Corporation is exposed to credit losses arising from payment defaults by third parties. The Corporation evaluates the creditworthiness of its clients in order to limit the amount of credit extended, where appropriate, and establishes an allowance for expected credit loss sufficient to cover probable and reasonably estimated losses. Furthermore, the Corporation generally insures its accounts receivable balances with Export Development Canada. As of March 31, 2019, one client accounted for 14% of total trade accounts receivable and 54% of trade accounts receivable were 90% insured [as of March 31, 2018, one client accounted for 14% of total trade accounts receivable and 46% of trade accounts receivable were 90% insured]. Historically, the Corporation has never written off a significant amount of trade accounts receivable. Outstanding trade accounts receivable over 90 days past due stood at 6% as of March 31, 2019 [18% in 2018]. The allowance for expected credit loss totalled $74 thousand as of March 31, 2019 [$65 thousand as of March 31, 2018]. Accounts receivable include investment tax credits and commodity taxes receivable, which are receivable from the government and are not exposed to significant credit risk. Cash and cash equivalents are mainly contracted with a limited number of Canadian chartered banks.

Maximum exposure to credit risk for financial instruments is equal to their carrying amount as of March 31, 2019 and 2018.

Also, two customers in the entertainment market represented 11% and 10% of total sales, compared with 16% and 11% in 2018.

Foreign Exchange Risk

The Corporation is exposed to foreign exchange risk due to cash and cash equivalents, trade accounts receivable, deposits and accounts payable denominated in U.S. dollars. As of March 31, 2019, financial assets, consisting primarily of cash and cash equivalents, trade accounts receivable and deposits denominated in U.S. dollars, totalled $1.6 million, $3.6 million, and $0.2million respectively [$4.6 million, $3.1 million and $0.1 million respectively, as at March 31, 2018], and financial liabilities denominated in U.S. dollars totalled $1.0 million [$1.0 million as at March 31, 2018]. As of March 31, 2019, a 10% increase or decrease in the exchange rate between the U.S. dollar and the Canadian dollar would have had a $0.6 million impact on net loss and comprehensive loss [$0.8 million as at March 31, 2018].

Moreover, the Corporation uses derivative financial instruments to mitigate foreign exchange risk. The Corporation elected not to apply hedge accounting. However, the Corporation considers that those derivative instruments partially hedge the foreign exchange risk related to those transactions. As at March 31, 2019, the Corporation held foreign exchange contracts with a nominal value of U.S. $14.7 million [$1.9 million as at March 31, 2018], allowing it to sell U.S. currency at a Canadian dollar exchange rate of 1.26 to 1.33 [1.24 as at March 31, 2018] maturing from April 2019 to March 21, 2020 [April and May 2018].

Liquidity Risk

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

As at March 31, 2019, the Corporation's financial liabilities had contractual maturities of under one year and consisted of accounts payable and accrued liabilities, derivative financial instruments and long-term debt amounting to $11.5 million [$6.4 million as at March 31, 2018]. The long-term debt bears interest payable quarterly at a rate of either 7% or 10% and matures on February 5, 2020.

Our ability to raise capital is subject to certain risks and uncertainties (see section "Risks and Uncertainties").

18. RISK AND UNCERTAINTIES

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

19. 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.

For the fiscal year ended March 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.

20. Continuous Information and Additional Disclosure

This MD&A was prepared as at June 26, 2019. Additional information can be found on the SEDAR website at www.sedar.com.

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