



**D-BOX TECHNOLOGIES INC.**  
**(the “Corporation”)**

**ANNUAL INFORMATION FORM**

For the fiscal year ended March 31, 2021

**June 7, 2021**

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## **GENERAL INFORMATION**

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This annual information form is dated June 7, 2021. Unless otherwise indicated, the information contained herein is as of March 31, 2021 and all amounts are expressed in Canadian dollars.

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## **CAUTION REGARDING FORWARD-LOOKING INFORMATION**

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Certain information included in this annual information form may constitute “forward-looking information” within the meaning of applicable Canadian securities legislation. Forward-looking information may include, among others, statements regarding the future plans, activities, objectives, operations, strategy, business outlook, and financial performance and condition of the Corporation, or the assumptions underlying any of the foregoing. In this annual information form, words such as “may”, “would”, “could”, “will”, “likely”, “believe”, “expect”, “anticipate”, “intend”, “plan”, “estimate” and similar words and the negative form thereof are used to identify forward-looking statements. Forward-looking statements should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether, or the times at or by which, such future performance will be achieved. Forward-looking information, by its very nature, is subject to numerous risks and uncertainties and is based on several assumptions which give rise to the possibility that actual results could differ materially from the Corporation’s expectations expressed in or implied by such forward-looking information and no assurance can be given that any events anticipated by the forward-looking information will transpire or occur, including but not limited to the future plans, activities, objectives, operations, strategy, business outlook and financial performance and condition of the Corporation.

Forward-looking information is provided in this annual information form for the purpose of giving information about Management's current expectations and plans and allowing investors and others to get a better understanding of the Corporation's operating environment. However, readers are cautioned that it may not be appropriate to use such forward-looking information for any other purpose.

Forward-looking information provided in this annual information form is based on information available at the date hereof and/or management's good-faith belief with respect to future events and are subject to known or unknown risks, uncertainties, assumptions and other unpredictable factors, many of which are beyond the Corporation's control.

The risks, uncertainties and assumptions that could cause actual results to differ materially from the Corporation's expectations expressed in or implied by the forward-looking information include, but are not limited to: future funding requirements; indebtedness; COVID-19 and similar global health crises; political, social and economic conditions; strategic alliances; access to content; performance of content; distribution network; dependence on suppliers; manufacturing costs; concentration of clients; competition; technology standardization; exchange rate between the Canadian dollar and the U.S. dollar; warranty, recalls and lawsuits; intellectual property; security and management of information; credit risk; reputational risk through social media; and dependence on key personnel and labour relations. These and other risk factors that could cause actual results to differ materially from expectations expressed in or implied by the forward-looking information are discussed under "Risk Factors" in this annual information form. Except as may be required by Canadian securities laws, the Corporation does not intend nor does it undertake any obligation to update or revise any forward-looking information contained in this annual information form to reflect subsequent information, events, circumstances or otherwise.

The Corporation cautions readers that the risks described above are not the only ones that could have an impact on it. Additional risks and uncertainties not currently known to the Corporation or that the Corporation currently deems to be immaterial may also have a material adverse effect on the Corporation's business, financial condition or results of operations.

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## ***CORPORATE STRUCTURE***

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### **NAME, ADDRESS AND INCORPORATION**

D-BOX Audio Inc. ("**D-BOX Audio**") was incorporated on December 15, 1992 pursuant to the *Companies Act* (Québec) under the name 2967-8141 Québec Inc. On February 16, 1994, its Articles were amended to change the corporate name to D-BOX Audio Inc. On September 1, 2000, all of the issued and outstanding shares of D-BOX Audio were acquired by way of a reverse takeover by Altitude Venture Capital Corporation/Corporation de capital de Risque Altitude ("**Altitude**"), a junior capital pool company listed on the TSX Venture Exchange. On April 1, 2011, the Corporation graduated from the TSX Venture Exchange to the Toronto Stock Exchange.

Altitude was incorporated on June 19, 1998 pursuant to the *Canada Business Corporations Act*. Following the reverse takeover of D-BOX Audio, the Articles of Altitude were amended on November 22, 2000 to change the corporate name to D-BOX Technologies Inc./ Technologies D-BOX Inc. D-BOX Audio was dissolved on August 30, 2001 and its assets and operations were transferred to its parent company.

### **INTERCORPORATE RELATIONSHIPS**

The Corporation has two subsidiaries. D-BOX USA Inc. ("**D-BOX USA**") was incorporated under the laws of the State of Delaware on May 16, 2006 and is a wholly-owned subsidiary of the Corporation. D-BOX Entertainment Technology (Shanghai) Co. Ltd. ("**D-BOX China**") was constituted as a wholly foreign-owned company on August 22, 2016 under the laws of the People's Republic of China. Unless the context indicates otherwise, in this annual information form "D-BOX" and the "Corporation" refer collectively to D-BOX Technologies Inc. together with D-BOX USA and D-BOX China.

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## **GENERAL DEVELOPMENT OF THE BUSINESS**

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### **THREE-YEAR HISTORY**

In August 2018, Kit Dalaroy did not seek re-election as a director of the Corporation at the annual and special meeting of shareholders held on August 14, 2018.

In February 2019, Sylvain Lafrance resigned from the Board of Directors of the Corporation and Brigitte Bourque joined the Board of Directors.

The Corporation entered into a loan agreement with National Bank of Canada (the “NBC”) on July 31, 2019 pursuant to which a three-year secured revolving credit facility of \$5.0 million was made available to D-BOX. This credit facility matured three years from July 31, 2019 and bore interest 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%, which interest was payable monthly. The credit facility was secured by a hypothec and security interests on all of the assets of D-BOX and its wholly owned US subsidiary. The amount of the credit facility gradually reduced 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 would be as follows: \$4.5 million dollars 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 \$4M million was fully drawn from the credit facility at closing to reimburse, together with cash available, a \$5 million loan (plus accrued interest) with the Caisse de dépôt et placement du Québec which was maturing on February 5, 2020.

In August 2019, Éleine Cousineau Phénix did not seek re-election as a director of the Corporation at the annual and special meeting of shareholders held on August 7, 2019.

In August 2019, Jean-François Lacroix resigned as Chief Financial Officer of the Corporation.

In January 2020, David Montpetit was appointed as Chief Financial Officer of the Corporation.

In January 2020, the Corporation announced the retirement of Claude Mc Master as President and Chief Executive Officer of the Corporation, effective March 31, 2020, and the appointment of Sébastien Mailhot as President and Chief Executive Officer of the Corporation. Simultaneously with this appointment, Mr. Mailhot became a director of the Corporation and Mr. Mc Master stepped down as director of the Corporation. Sébastien Mailhot joined D-BOX in 2015 as a Senior Vice-President, Strategic Alliances and Corporate Development. He then became Senior Vice President, Corporate Development and Operations, and Chief Operating Officer in 2016. When the Chief Financial Officer of the Corporation, Mr. Jean-François Lacroix, left the Corporation in August 2019, Mr. Mailhot was appointed as interim Chief Financial Officer while retaining his responsibilities as Chief Operating Officer.

In February 2020, Gary M. Collins resigned from the Board of Directors of the Corporation, and Denis Chamberland and Luc Martin joined the Board of Directors.

On March 11, 2020, the World Health Organization made the assessment that a novel strain of coronavirus, later to be renamed COVID-19, could be characterized as a pandemic. The COVID-19 pandemic has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the pandemic continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. While restrictions to control the spread of COVID-19 were applied at different degrees depending on the countries and regions since March 2020, most commercial entertainment venues operated at limited capacity and, in the case of the theatrical market, a significant number of commercial theatres were temporarily closed and those which reopened have been constrained with social distancing rules and local government business restrictions. Consequently, a significant number of blockbuster movies have been postponed to a later date, thereby adversely affecting the demand for the Corporation’s products, activities, revenues, profitability, results of operations and financial condition and the trading price of its securities.

The Corporation continues to actively monitor all aspects of its business and operations in order to minimize the impact of COVID-19 on its operations wherever possible. However, the outbreak of COVID-19 has caused significant disruptions to the Corporation’s ability to generate profitability and cash flows. While the Corporation is cautiously optimistic that the exhibition, amusement and leisure industries will gradually recover over time, the ongoing COVID-19 pandemic and

the events and circumstances resulting from the COVID-19 pandemic could have a material negative impact on its business, financial condition and results of operations for the upcoming quarters of its fiscal year ending March 31, 2022 and potentially through the end of such fiscal year, as compared to pre-COVID-19 financial results for the same periods. Refer to the section of this annual information form entitled “Risk Factors” for a discussion about the risks associated with the COVID-19 pandemic.

In July, 2020, the Corporation entered into a definitive agreement with the NBC related to the availability of a line of credit amounting to \$4 million for the ongoing operations and working capital of the Corporation. This line of credit is renewable annually and bears interest at prime rate plus 3.25%. The line of credit is secured by first-ranking hypothec and security interests on all assets of the Corporation and its U.S. subsidiary, and will replace the three-year secured revolving credit facility with the NBC. In the context of the COVID-19 pandemic and its effects on D-BOX’s businesses, the Corporation did not meet certain financial covenant ratios as at December 31, 2020. The Corporation executed an amendment agreement with the NBC dated January 25, 2021, that provided D-BOX with the suspension of certain financial covenants and the modification of certain financial covenants from December 31, 2020 until March 31, 2021. The Corporation executed a second amendment agreement with the NBC dated April 27, 2021, that provided D-BOX with the suspension of certain financial covenants and the modification of certain financial covenants until March 31, 2022.

Concurrently, the Corporation also entered into a definitive agreement with the Business Development Bank of Canada related to the availability of a working capital commercial loan of \$2 million. This loan bears interest at a variable rate and is payable in 24 monthly instalments of \$33 thousand from June 2021 to May 2023 and by a final payment of \$1.2 million in June 2023. The loan is secured by second-ranking hypothec and security interests on all assets of the Corporation and its U.S. subsidiary.

On September 17, 2020, the Corporation announced the appointment of Denis Chamberland as Chair of the Board of Directors of the Corporation to replace Jean-René Halde who had served as Chair of the Board since January 15, 2018 and did not seek re-election as a director of the Corporation at the annual and special meeting of shareholders held on September 16, 2020.

On November 18, 2020, the Corporation announced the appointment of a new director, Ève Laurier. She is Vice President, Communications, Public Affairs and Marketing at Bombardier where she leads the company’s community engagement, employee and customer outreach, and steward the brand journey internally and externally, around the world. She reports directly to the President and Chief Executive Officer of Bombardier. She has more than 20 years of experience and expertise working with the media and high-level executives. Prior to joining Bombardier, she was General Manager of Edelman Montreal’s communications firm and was also a member of Edelman Canada’s management team. Prior to that, she worked for the accounting and financial consulting firm Richter, as Vice-President, Strategic Relations. In 2020, she was the ‘Revelation’ of the Quebec Association of Women in Finance, as well as a finalist at the Mercuriades for the Women of Exception Award. She holds an EMBA for executives from McGill University and HEC Montreal. She sits on the boards of the Marie-Vincent Foundation and the Metropolitan Orchestra.

On February 12, 2021, the Corporation announced it entered into an agreement with SIMTAG BV, an innovator in developing and building simulators and accessories for simulated racing (“sim racing”), pursuant to which the Corporation will supply SIMTAG with haptic components to be integrated into SIMTAG’s new active brake pedal with integrated FIA-licensed haptic technology. The value of the haptic components to be sold by the Corporation pursuant to this agreement is approximately \$1.17 million (US\$918,000) over the next year.

On March 4, 2021, the Corporation closed a marketed public offering pursuant to which it issued 44,275,000 units at a price of \$0.13 per unit for aggregate gross proceeds of \$5,755,750, including the full exercise of the over-allotment option to purchase an additional 5,775,000 units at the offering price. The offering was led by Canaccord Genuity Corp., as the lead underwriter and sole bookrunner, on behalf of a syndicate of underwriters, including Echelon Wealth Partners Inc. and iA Private Wealth Inc.

On April 26, 2021, the Corporation announced the appointment of Jean-Pierre Trahan as a member of the Board of Directors of the Corporation and its audit committee. Mr. Trahan, CPA, CA, has served as Stingray’s Chief Financial Officer since 2011. He leads a team of seasoned accountants and analysts and is responsible for all financial and accounting activities of the company. Prior to joining Stingray, Mr. Trahan gained extensive experience over 30 years in various positions with Gestion Juste Pour Rire Inc, 20-20 Technologies Inc, Hydro Agri Canada, a division of Norsk Hydro ASA, and Raymond Chabot Grant Thornton LLP. Simultaneously with such announcement, the Corporation announced the resignation of Robert Copple as a member of the Board of Directors of the Corporation and its audit committee.

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## ***DESCRIPTION OF THE BUSINESS***

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### **GENERAL**

The Corporation's headquarters are located at 2172 de la Province Street, Longueuil, Québec, J4G 1R7. On March 31, 2021, D-BOX had 91 employees compared with 126 on March 31, 2020.

A pioneer in its field, the Corporation has been developing and fine-tuning advanced haptic systems for two decades. With its considerable technological capabilities and innovations, D-BOX believes it stands as a global reference in the creation and design of immersive haptic systems for various markets.

D-BOX designs, manufactures and commercializes cutting-edge haptic systems intended for each of the (A) home entertainment segment and the (B) commercial segment (comprised of (i) the commercial entertainment segment, which are projects related to location-based entertainment, theme parks, arcades, museums, planetariums and commercial theatres, as well as (ii) the simulation and training segment).

With its unique and patented technology, D-BOX produces haptic effects specifically programmed for each content that are sent to a haptic system integrated either within a platform, a seat or various other types of equipment. The computer-programmed software haptic effects (the "**D-BOX Haptic Code**" or "**D-BOX HapticCode**", and also formerly referred to as the "**D-BOX Motion Code**") are coded by a team of professional haptic designers located at the Corporation's Montreal headquarters, offices in Burbank, California and offices in Beijing, China. The D-BOX Haptic Code is precisely synchronized with the linear content (such as movies, TV series and recorded music), or it is integrated within the game, application or software when the content is interactive.

According to the market study "*Haptics – Global Market Trajectory & Analytics, July 2020*" by Research and Markets, it is anticipated that the global haptic market will be approximately US\$ 41 billion by 2027, with a global compound annual growth rate of 18% between 2020 and 2027.

### **Home Entertainment Market**

The general haptic experience at home is growing rapidly and major technology companies are starting to look at this market to differentiate their own product offering. D-BOX is well established to support these new players. D-BOX's strategy is to enter into business partnerships with industry leaders in the home entertainment market to integrate the D-BOX haptic experience in their existing products and to commercialize new products and applications for use by consumers. Once integrated, D-BOX intends to continue to derive the haptic experience with these partners in order to develop new products and applications incorporating the D-BOX HapticCode technology.

The Corporation has developed or is developing business relationships with home entertainment partners that operate in the following sub-markets:

- video game peripherals including:
  - video gaming chairs;
  - video game controllers; and
  - sim racing rigs;
- virtual reality ("**VR**") systems; and
- furniture, including recliners and love seats.

In the home entertainment market, the D-BOX actuators, processors and the D-BOX Haptic Code can be used in a wide variety of applications that are well-suited for a haptic experience. The Corporation has been producing haptic effects for movies, television series and computer games for at least fifteen years. With the development of new products and a growing demand for immersive home entertainment experiences, the Corporation has expanded its horizons and started producing haptic effects for music and VR content. It is constantly striving to address new home entertainment markets, such as wellness and relaxation.

According to recent market studies, the home entertainment market was valued at approximately US\$29.1 billion in 2019<sup>12</sup> when combining the: (i) sim racing market size of approximately US\$2.2 billion<sup>1</sup> in 2019; (ii) home recliner market size of approximately US\$25.1 billion<sup>2</sup> in 2019; and (iii) video gaming simulator market size of approximately US\$1.8 billion<sup>1</sup> in 2019. Management of D-BOX estimates the manufacturers' suggested retail price (MSRP) of units sold in these markets to range between: (i) US\$3,000 and US\$25,000 in the sim racing market; (ii) US\$1,500 and US\$10,000 in the home recliner market; and (iii) US\$750 and US\$3,000 in the video gaming seat market. The Corporation's business model to address the home entertainment market will be based on the sale of haptic systems, hardware design licensing and recurring revenue from content subscription.

In November 2020, the Corporation entered into an agreement with Jaymar, one of North America's leaders in upholstered furniture manufacturers, in connection with the launch of DBOX LIFESTYLE by Jaymar Experience, an immersive and haptic recliner which integrates D-BOX haptic technology, providing fans of television series, movies, music and video games with immersive haptic experiences. The recliner is presently being sold in the United States on the Jaymar, Wayfair and Amazon websites, and will be available in Canada in 2021.

In December 2020, the Corporation entered into a memorandum of understanding with Cooler Master, a manufacturer of computer and gaming peripherals based in Asia, pursuant to which D-BOX and Cooler Master agreed to collaborate in the design, manufacturing and commercialization of an innovative video gaming chair, integrating D-BOX whole-body haptic feedback technology. Aimed at gamers of all genres and skill levels, D-BOX believes that this immersive chair will considerably enhance the gaming experience and is expected to be available in the second half of the current calendar year via Cooler Master's global retail platform.

### Commercial Market

The commercial market includes (i) the commercial entertainment segment (which are projects related to location-based entertainment centres, theme parks, arcades, museums, planetariums and commercial theatres) and (ii) the simulation and training segment. In recent years, the growth of family entertainment centres, a sub-segment of the amusement park market, has helped fuel the growth of the commercial entertainment market. D-BOX offers its products and services to the commercial market through channel partners, including original equipment manufacturers ("OEMs"), integrators and value-added resellers.

Commercial Entertainment	Simulation and Training
<p><b>Sub-markets:</b></p> <ul style="list-style-type: none"> <li>▪ Location-based entertainment</li> <li>▪ Theme Parks</li> <li>▪ Arcades</li> <li>▪ Museums</li> <li>▪ Planetariums</li> <li>▪ Commercial Theatres</li> <li>▪ Virtual reality</li> </ul>	<p><b>Sub-markets:</b></p> <ul style="list-style-type: none"> <li>▪ Automobile &amp; Sim Racing</li> <li>▪ Defense</li> <li>▪ Flight</li> <li>▪ Heavy Equipment</li> <li>▪ Wellness</li> <li>▪ Virtual Reality</li> </ul>

According to the market study "2019 Location-Based Virtual Reality Industry Report", dated August 5, 2019 by Greenlight Insight, it is anticipated that the market represented by the commercial entertainment segment will be approximately US\$11.8 billion by 2023, and according to the market study "Operator Training Simulator Market", dated March 28, 2019 by Global Market Insights, Inc., the market represented by the simulation and training segment will be approximately US\$20 billion by 2025.

The Corporation's business strategy to increase sales in the commercial entertainment and simulation and training markets are as follows: (i) increase the number of partnerships, including OEMs, integrators and value-added resellers; (ii) increase the revenue per partner; (iii) find new sectors for its haptic technology; and (iv) develop new products.

<sup>1</sup> Grand View Research, Global Gaming Simulator Market, report dated November 16, 2020. According to this market study, the racing segment dominated the global gaming simulator market with a share of over 55% in 2019 from the global gaming simulator market size valued at US\$4.04 billion in 2019 (US\$2.2 billion), leaving US\$1.8 billion for the video gaming simulator market.

<sup>2</sup> Man Wah Holdings Limited's Annual Report for the fiscal year ended March 31, 2020.

## **Commercial Entertainment**

D-BOX offers its products and services to the theatrical market directly and through distributors.

The Corporation has established privileged relationships and developed strong credibility with major film studios in the United States, India, China and elsewhere that has allowed the Corporation to provide the D-BOX HapticCode to commercial theatres for a wide array of content. D-BOX believes that successful films that are coded by D-BOX have a direct impact on the number of D-BOX tickets sold and the box office revenue per D-BOX equipped theatres.

From 2009 until around 2016, the Corporation mainly offered a fully integrated theatrical seat that incorporated a haptic base into a conventional theatre seat. Those theatrical seats were assembled by D-BOX. Since 2016, the Corporation has concentrated its efforts on adapting the haptic base to various brands of recliners in order to cater to a growing demand by exhibitors to convert conventional auditoriums into VIP recliner-equipped auditoriums. Exhibitors are now able to order recliners from their preferred manufacturers and have the D-BOX haptic systems integrated into those recliners either at the manufacturers' premises or at the auditorium where the D-BOX experience will be offered.

The configuration of the D-BOX seats in an auditorium is fully scalable: they can be installed in a few select rows of an auditorium, to create a VIP section within an auditorium, or the auditorium can be fully equipped with D-BOX seats. Moreover, exhibitors may choose to equip multiple auditoriums within the same complex. It should be noted that each D-BOX seat has a number and is reserved for the patron that purchases a D-BOX ticket.

As of March 31, 2021, a total of 758 screens worldwide were equipped with D-BOX haptic systems in commercial theatres. Based on D-BOX's internal data, 4.6 million movie tickets were sold to moviegoers that experienced D-BOX haptic systems in commercial theatres during calendar year 2019, which was before the COVID-19 pandemic hit the theatrical market (approximately 947,000 D-BOX tickets were sold during calendar year 2020). There were 203,600 cinema screens globally in 2020.<sup>3</sup>

Today, the Corporation prides itself on having established long-lasting business relationships with several major commercial theatre chains around the world such as Cineplex Entertainment (Canada), Cinemark (USA and Latin America), Hoyts Cinemas (Australia and New Zealand), Cinesa, a subsidiary of Odeon Cinemas Group (Spain), PVR (India), Kinopolis (Germany), Golden Screen Cinemas (Malaysia), Golden Harvest (Hong-Kong) and Ambassador Theatres (Taiwan).

In addition to the foregoing, D-BOX offers a VR solution to commercial theatres as well as location-based entertainment centres that want to find alternative ways to attract customers. Prior to the COVID-19 pandemic, the Corporation produced immersive haptic for MajorMega, the developer of the Hyperdeck, who launched a VR platform integrating D-BOX haptic technology that has reached over 2,500 activations in its opening month at Two Bit Circus, a popular Los Angeles-based micro-amusement park. MajorMega also installed two Hyperdeck structures at Hershey Park (Pennsylvania, USA). AmazeVR has installed approximately 20 haptic seats in a coach bus to create a unique VR immersive music show featuring upcoming artists. Although this project was impacted by the pandemic, major players in the music industry have shown interest in this experience. Prior to that, D-BOX produced immersive haptic for the VR game Raving Rabbids: The Big Ride by Ubisoft and LAI Games, and for the short film *Raising a Rukus* by The Virtual Reality Corporation. This sub-market has been severely impacted by the COVID-19 pandemic and is currently at a standstill.

It is also worth noting that a scientific study conducted in 2019 in collaboration with HEC Montreal's Tech3Lab concluded that D-BOX haptic systems help reduce the motion sickness commonly associated with VR, and it increases the sense of presence, memorization and recall.

In April 2021, the Centre de Technologies Avancées de l'Université de Sherbrooke (CTA) unveiled a new and immersive virtual snowmobile technology that simulates the thrill of riding a snowmobile in a virtual environment. This project was brought to fruition by the CTA with the help of BRP, iLLOGIKA and the Corporation.

In the theme park and attraction sub-market, the Corporation continues to provide haptic systems to clients such as Triotech Amusement Inc. ("**Triotech**"), which has acquired CL Corporation from France in January 2020. Triotech is a

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<sup>3</sup> Source : page 38 of the 2020 Theme Report published in March 2021 by the Motion Picture Association and available at <https://www.motionpictures.org/wp-content/uploads/2021/03/MPA-2020-THEME-Report.pdf> .



Quebec company that creates and commercializes attractions that offer immersive and multisensory experiences to theme parks and recreation centres.

Restrictions and economic repercussions related to the COVID-19 pandemic have considerably slowed down this sub-market around the world during fiscal 2021 but prior to the pandemic, D-BOX has provided immersive haptic for (i) *Attention Menhir!*, a short action-packed film presented at Parc Astérix in France in an auditorium of 300 dynamic and sensorial seats supplied by CL Corporation, (ii) The Flyer – San Francisco, the world’s first 3D flying theatre at Pier 39, in collaboration with Triotech, (iii) the biggest 4D dome theatre in the world at the Shinhwa theme park in South Korea, and (iv) the Antibes (France) Marineland 4D cinema with CL Corporation.

The Corporation believes that the commercial entertainment market drives a significant increase in brand awareness and is an excellent venue to showcase its technology to the largest number of people possible. Customers who experience the D-BOX haptic effects in a commercial entertainment venue may want to purchase a home entertainment system to experience the D-BOX haptic effects in the comfort of their homes.

### ***Simulation and Training***

Almost all of the Corporation’s products that are intended for the simulation and training market are sold as standalone products to OEMs and integrators who are in charge of incorporating the D-BOX products into their own products which are then marketed and distributed under their respective brands. D-BOX continues to focus its efforts on developing partnership programs with OEMs.

With its haptic systems that are capable of reproducing textures, velocity, engine vibrations and vehicle dynamics motion, D-BOX has drawn the attention of several racing simulation partners such as VRX, RS Simulation, IMS, Vesaro and Excape who have all chosen to integrate the D-BOX haptic systems into their simulators. In 2019, Porsche, in collaboration with SiFaT, a German-based training simulation provider, unveiled a realistic driving experience using D-BOX haptic systems called the Ultimate Performance Simulator. Also in 2019, D-BOX introduced a third generation of haptic systems specifically designed to address the racing simulation market. More recently, D-BOX, True Course Simulations and Morane Technologies combined their expertise for the delivery of 30 flight simulation Immersive Training Devices (ITD) installed in the U.S. Air Force Academy (USAFA). On October 7, 2020, D-BOX announced the exclusive endorsement and recommendation of D-BOX haptic products by the *Fédération Internationale de l’Automobile* (“**FIA**”), the governing body of motor sport and mobility. On February 12, 2021, the Corporation announced it had entered into an agreement with SIMTAG BV pursuant to which D-BOX will supply SIMTAG with haptic components to be integrated into SIMTAG’s new active brake pedal with integrated FIA-licensed haptic technology.

Over the last 20 years, the Corporation has developed many business partnerships with OEMs and integrators such as Precision Flight Control, CM Labs Simulations, Simformotion, IMS and Ryan Aerospace Australia, who purchase haptic systems to integrate them into their own products, thus expanding D-BOX’s reach into several sub-markets, such as flight simulation, heavy equipment/cranes, driving/racing and others. In addition, the Corporation has developed haptic systems adapted to the needs of other potential sub-markets, such as longer stroke actuators and modular haptic systems with additional degrees of freedom, which allow D-BOX to target a wider array of customers.

### **Products**

The Corporation’s products are all designed at the Corporation’s head office in Montreal, Québec, Canada. The D-BOX actuators, one of the key components of the D-BOX haptic systems, are assembled by D-BOX. Depending on the customer’s needs, some finished products are assembled and branded by D-BOX, and some other finished products are assembled and branded by customers, partners and integrators. The unique D-BOX haptic technology, when combined with images and sound, creates and reinforces an unmatched, realistic and immersive experience. Three components produce haptic effects synchronized with images and sound:

- A. Software haptic effects are programmed as a track, frame by frame, in the case of linear content, or programmed as a library for interactive content based on the content’s specific telemetry.
- B. A haptic processor (or haptic controller) serving as an interface between the content (films, video games, music, wellness, simulation and training, VR experiences) and the D-BOX haptic system. This device is able to recognize the content being used or played, regardless of the source, and associate it with the appropriate D-BOX Haptic Code. It then enables the D-BOX haptic systems to be synchronized with the content.

- C. The D-BOX haptic system, consisting, amongst other things, of proprietary electromechanical actuators (with the maximum stroke ranging from 38.1 mm, 76.2 mm and 152.4 mm) built into a seat, platform, or other type of equipment.

On the strength of 20 years of research and development resulting in vast worldwide expertise, D-BOX believes it has developed a long-standing considerable edge over its competitors by offering to its customers reliable, high-quality and high-fidelity products that are easy to install. D-BOX is accelerating its haptic footprint by developing new products, such as a universal platform that can be used with existing recliners, side-by-side sofas, all office chairs and mountain bikes, as well as products to be integrated with third-party haptic devices to create a full-body haptic experience.

Over the last five years, D-BOX has invested approximately \$20 million in research and development to advance its haptic technologies and to internally develop over 60 applications. In addition, the research and development activities of D-BOX have allowed it to improve content production tools, to increase automation and, by accelerating and maximizing the integration of artificial intelligence in the production tools, to significantly reduce the cost and size of the different components and hardware of its haptic system in the last ten years.

The D-BOX hardware products are directly distributed by D-BOX to its customers. They are also increasingly sold to distributors around the world. By creating such partnerships with local distributors, D-BOX is able to reduce commercialization expenses and benefits from a distributor who knows and understands its local market, and speaks the language of its customers. Many such distributors also provide technical assistance.

### **HapticCode Library**

D-BOX has established privileged relationships and developed strong credibility with major studios, such as Lionsgate, Pixar Animation Studios, Paramount Pictures, Sony Pictures Entertainment, Universal Studio, Walt Disney Studio and Warner Bros Pictures, in the United States, India, China and elsewhere in order to provide a wide array of content to their respective commercial theatres. D-BOX also maintains business ties with several video game studios in the world, which provide content to be coded as required. While doing so, D-BOX provides these studios with Software Development Kits (SDK), allowing the studios to encode their games directly in the gaming engines of their choice such as Unreal and Unity.

D-BOX has developed a strong expertise in producing haptic code that is precisely synchronized with content. D-BOX uses its proprietary deep learning artificial intelligence tool to increase D-BOX HapticCode production and has the ability to program a large variety of content, whether linear, interactive or dynamic. The D-BOX software products, including the D-BOX HapticCode, are either embedded in movies, video games, VR content or other content distributed by a third party, or they are electronically distributed by D-BOX to its customers, depending on the sub-market and the customers' needs.

Over the last ten years, D-BOX has coded a large inventory of content. At present, D-BOX has coded over 2,200 movies, television series, VR experiences, games and songs with its D-BOX Haptic Code. By way of comparison, ten years ago, D-BOX only had 20 movies coded for the theatrical market. The D-BOX content library offers a large array of content across all media platforms. D-BOX can also have a direct link with its consumers via its D-BOX App with data analytics. Movies and television series coded with the D-BOX Haptic Code are available on streaming platforms, such as Disney+, Apple TV, NETFLIX, Prime Video and YouTube. The content already coded with D-BOX HapticCode is compatible with these streaming platforms and is available through its HapticCode library. More than 200 VR experiences, games and songs coded with D-BOX HapticCode are also available. All the D-BOX Haptic Code in the D-BOX HapticCode library is produced in accordance with the D-BOX haptic signature, which is a catalogue of the D-BOX best practices, know-how and parameters that ensure a constant and standardized production of haptic effects.

D-BOX has successfully coded numerous motion pictures in commercial theatres incorporating its technology, which are available in the D-BOX content library, including key franchise movies such as "007" (MGM), "Bad Boys" (Sony Pictures), "Fast and Furious" (Universal), "Harry Potter" (Warner Bros.), "Mission Impossible" (Paramount Pictures), "Jason Bourne" (Universal), Marvel Movies such "Spiderman" (Walt Disney Pictures), "Star Wars" (Walt Disney Pictures) and "The Matrix" (Warner Bros.). D-BOX has also coded the NETFLIX series "Stranger Things" and the "Witcher", and the Prime Video series "Jack Ryan". The D-BOX upcoming titles are comprised of the following blockbuster releases: "James Bond: No Time to Die" (MGM), "Top Gun: Maverick" (Paramount Pictures), "Mission Impossible 7" (Paramount Pictures), the next sequel to "Spider-Man Far From Home" (Marvel Studios), Black Widow (Marvel Studios) and "F9" the next sequel to "Fast and Furious" (Universal Pictures).

On August 27, 2020, the Corporation announced a collaboration with Slightly Mad Studios, a Codemasters company and major game developer, to program D-BOX Haptic Code for the racing simulation game Project CARS 3.

On November 11, 2020, the Corporation announced the upcoming compatibility of D-BOX's haptic technology with the Ubisoft video game "Assassin's Creed – Valhalla".

On January 7, 2021, the Corporation announced that it will collaborate with five independent Québec video gaming studios: 3Mind Games, Breaking Walls, Lucid Dreams Studio, Beyond Fun Studio and Astrolabe Interactive, to integrate D-BOX's haptic technology into certain games under development or currently available.

On January 13, 2021, the Corporation announced that it will collaborate with Audiokinetic, Inc., a global provider of cross-platform audio solutions for the interactive media and gaming industries, to increase the breadth of interactive content offering the D-BOX haptic experience. Interactive content creators will be provided with the ability to create the enhanced immersive D-BOX experience via Audiokinetic's industry standard audio middleware solution Wwise®.

## **Marketing Activities**

In order to promote its products and technology, the Corporation primarily conducts, or will start conducting, the following marketing activities:

1. Deployment of a consumer engagement platform as well as a written and video content strategy to better connect with the end users of the D-BOX haptic experience and generate new corporate leads;
2. Establishment of business relationships with industry partners that can accelerate the development, manufacturing, commercialization and distribution of D-BOX haptic products;
3. Participation at major trade shows and conferences worldwide;
4. Promotion of the Corporation through banners, lighted posters, demonstration units and advertising clips screened in commercial entertainment venues;
5. Organization of promotional events and activations at commercial entertainment venues as well as sports, technology and entertainment events;
6. Use of social media platforms, the Corporation's website and other industry partners' websites to promote the D-BOX experience;
7. Production of market research to gather information on customers' appreciation of the D-BOX experience;
8. Creation of marketing material to promote the D-BOX products or the Corporation's clients' products that integrate the D-BOX products.

## **Revenue Model**

The Corporation's current revenue streams mainly consist of:

1. the sale or lease of D-BOX hardware including haptic seats, haptic bases that are integrated into recliners or seats, haptic controllers and electronic interfaces or servers;
2. the licensing of the D-BOX Haptic Code in commercial theatres and entertainment centres which are equipped with the D-BOX haptic systems to play content encoded by D-BOX. The Corporation also receives maintenance revenue relating to the use of the haptic 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 (known as original equipment manufacturers ("OEMs")).

## Competitive Conditions

In the home entertainment and commercial entertainment markets, the Corporation competes with companies that have developed transducers that produce vibrations and haptic feedback in seating products. It also competes, to a lesser extent, with companies that have developed low-cost haptic vests and body suits even though the Corporation believes that such products are not comparable to a universal haptic platform or actuators that are integrated into seating products, and fall in a different category of products. The Corporation also believes that it could develop business relationships with those companies to supply them with haptic products that could be used in such haptic vests and body suits.

In the theatrical market, the Corporation mainly competes with companies that have developed motion seats that sometimes incorporate other sensory effects such as wind, scents and simulated weather effects. There are also several manufacturers of electro-mechanical actuators around the world that compete with the Corporation, particularly in the simulation and training market.

While the Corporation is constantly striving to develop new and innovative products for the purpose of addressing new markets and trends, it relies heavily on the know-how and expertise it has acquired over the last twenty years. The Corporation is a pioneer that has paved the way for developing immersive products that simulate experiences such as movies, racing and professional training. It prides itself on having created a D-BOX haptic signature that ensures a constant and standardized production of haptic effects regardless of the content.

The Corporation believes that the ultimate differentiator with competitors lies in the quality and realism of the experience. Other companies will emerge and offer new products but very few will possess the specialized skill and knowledge that the Corporation has developed over the years.

## Intellectual Property

D-BOX's technology is protected by one hundred and eighty-seven (187) patent applications filed worldwide, including one hundred and four (104) patent applications that were approved by competent authorities, and eighty-three (83) that are pending. The Corporation files its applications for registration strategically, depending on the jurisdiction of filing, marketing and the patent's dominance.

The patented aspects of D-BOX's technology fall into three distinct families of innovations:

- a. **Electro-mechanical actuators:** optimization of joints; coupling; linear actuators; swivel; ball screws;
- b. **Hardware:** platform attached to a piece of furniture, hubs and chain links between haptic systems; haptic code controller / decoder; LCD screen on theatrical seating products;
- c. **Software / methods:** synchronization of haptic code; use of existing sound signal encoding format to provide haptic signal; distribution of the haptic code to a number of haptic platforms simultaneously; method of selling premium tickets for haptic experience in commercial theatres; method of optimizing the rendering of the haptic experience (theatrical, simulation, training, gaming).

The trademarks D-BOX, HAPTICODE, HAPTISYNC, FEEL IT ALL, MOVE THE WORLD, LIVE THE ACTION, HEMC and D-BOX MOTION CODE, 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.

All aspects of the D-BOX haptic effects are protected by copyright.

## RISK FACTORS

Investors should carefully analyze the following risk factors in addition to the other information contained in this annual information form. These risks and uncertainties are not the only ones that could affect the Corporation. Further risks and uncertainties that are currently unknown or that the Corporation deems immaterial could potentially have an impact on the commercial activities of the Corporation and lower the price of its shares. The materialization of any of the following

risks may have an impact on the activities of the Corporation and a negative impact on its financial position and operating results. In that event, the price of the Corporation's shares may decrease.

### **Future Funding Requirements**

Should the future development and demand grow considerably and in an unplanned manner, the Corporation could require additional capital either from the issuance of shares and the sale of debt or equity securities. Moreover, in light of the significant restrictions on travel, temporary business closures, operating, supply chain and project development delays and disruptions, quarantines and a general reduction in consumer activity, in response to the COVID-19 pandemic, the Corporation may require additional capital to fund its operations. There can be no assurance that the Corporation will be able to raise the required capital to continue growing, developing and marketing its technology. Failure by D-BOX to raise additional capital could adversely affect its activities, revenues, financial position and operating results.

### **Indebtedness**

The level of the Corporation's indebtedness, as well as the restrictive covenants and other limitations imposed under the indebtedness, could have an adverse impact on the Corporation's business including limiting its ability to obtain additional financing, making it difficult to satisfy its obligations, limiting its ability to pursue additional opportunities and making the Corporation more vulnerable to general adverse economic and industry conditions. There can be no assurance that the Corporation will be able to generate sufficient cash flow over the required period to service its indebtedness on a timely basis or at all, particularly in light of the significant restrictions on travel, temporary business closures, operating, supply chain and project development delays and disruptions, quarantines and a general reduction in consumer activity, in response to the COVID-19 pandemic. If the Corporation is unable to service its indebtedness or if an event of default occurs under the loan agreements with the National Bank of Canada and the Business Development Bank of Canada (as described in this annual information form under "Material Contracts"), or other indebtedness, the amounts outstanding could become repayable in full if the Corporation is unable to obtain a waiver or extension. In such an event, the Corporation may not have sufficient cash resources or the ability to obtain additional funds in order to repay these amounts.

### **COVID-19 and similar global health crises**

The COVID-19 pandemic has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the pandemic continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The Corporation's business, operations and financial condition could be materially adversely affected by the COVID-19 pandemic or the outbreak of other epidemics, pandemics or other health crises. As conditions surrounding the pandemic continue to evolve, the Corporation may in the future experience unexpected negative impacts from the COVID-19 pandemic. Such impacts could include, with respect to its operations, its suppliers' operations and its customers' operations, forced closures, mandated social distancing, isolation and/or quarantines, impacts of declared states of emergency, public health emergency and similar declarations and could include other increased government regulations, a material reduction in demand for the Corporation's products, reduced sales, higher costs for new capital, licensing delays, increased operating expenses, delayed performance of contractual obligations, product shipping delays, and potential supply and staff shortages, all of which would be expected to negatively impact the business, financial condition and results of operations of the Corporation and its ability to satisfy its obligations. The risks to the Corporation of such public health crises also include risks to employee health and safety and a slowdown or temporary suspension of operations in the Corporation's facilities or a supplier's facilities. Should an employee or visitor in any of the Corporation's facilities or a supplier's facilities become infected with a serious illness that has the potential to spread rapidly, this could place the Corporation's workforce at risk.

Although the Corporation is now increasingly focusing on the fast-growing home entertainment market, the theatrical market still represents a material source of revenue for the Corporation. The outbreak of the COVID-19 pandemic and the government-imposed restrictions and mandated closures of nonessential businesses in response thereto has had an unprecedented impact on the commercial entertainment market. While restrictions to control the spread of COVID-19 were applied at different degrees depending on the countries and regions since March 2020, most commercial entertainment venues operated at limited capacity and, in the case of the theatrical market, a significant number of commercial theatres were temporarily closed and those which reopened have been constrained with social distancing rules and local government business restrictions. Consequently, a significant number of blockbuster movies have been postponed to a later date, thereby adversely affecting the demand for the Corporation's products, activities, revenues,

profitability, financial condition, results of operations and the trading price of its securities. While the market environment could still change, it is important to note that movie studios have resumed releasing high budget movies since April 2021, and several such movies are scheduled to be released over the summer 2021.

While there are encouraging news, in recent months, about the global vaccination rollout and gradual reopening of entertainment venues around the world, the full impact of the COVID-19 pandemic cannot be quantified at this time because of the significant uncertainty around the timing of the reductions of government-imposed restrictions and mandated closures of nonessential businesses, and the potential long-term effects that COVID-19 may have on commercial entertainment venues. The Corporation cannot predict when these restrictions will be completely lifted or how quickly (i) the businesses of commercial theatres and other venues will be permitted to fully resume operations and (ii) guests will return to commercial theatres and other venues once operations have resumed. The theatrical market may also be impacted by the lack of availability of films in the short or long-term, including as a result of (i) continued delay in film releases, (ii) release of scheduled films on alternative channels or (iii) disruptions or suspensions of film production, which may result in a material adverse effect on the Corporation's business, financial condition, results of operations and the trading price of its securities.

The Corporation continues to actively monitor all aspects of its business and operations in order to minimize the impact of COVID-19 on its operations wherever possible. However, the outbreak of COVID-19 has caused significant disruptions to the Corporation's ability to generate profitability and cash flows. While the Corporation is cautiously optimistic that the exhibition, amusement and leisure industries will gradually recover over time, the ongoing COVID-19 pandemic and the events and circumstances resulting from the COVID-19 pandemic could have a material negative impact on its business, financial condition and results of operations for the upcoming quarters of its fiscal year ending March 31, 2022 and potentially through the end of such fiscal year, as compared to pre-COVID-19 financial results for the same periods.

### **Political, social, and economic conditions**

Active around the world, and relying on consumers' discretionary income in the entertainment market, the Corporation's activities, revenues, financial position and operating results could be adversely affected by certain political, social and economic conditions, such as an economic downturn, political uncertainty, a trade war, new tariff barriers, terrorism, high unemployment, a global pandemic and natural disasters occurring in countries where it is doing business or where its suppliers are located. The global economic impact of COVID-19 has led to record levels of unemployment in certain countries and may lead to lower consumer spending in the near term. The timing of a recovery of consumer behavior and willingness to spend discretionary income on out-of-home entertainment may likely delay the Corporation's ability to generate system sales and royalty revenues until such time as consumer spending recovers.

### **Strategic Alliances**

The rapid deployment of the Corporation's technology as well as its future growth depend in part on its ability to develop alliances with strategic partners. Failure by D-BOX to develop such strategic alliances could adversely affect its activities, revenues, financial position and operating results.

### **Access to Content**

Commercial deployment of the Corporation's products depends, in part, on its ability to obtain content on an ongoing basis. Movie and video game studios as well as content providers in general could limit the access to content that is coded by D-BOX for its customers. Failure by D-BOX to maintain a continuous flow of content could adversely affect its activities, revenues, financial position and operating results.

### **Performance of Content**

The Corporation's success, particularly in the entertainment market, depends upon the performance of the content produced by studios and content providers in general. If D-BOX coded content offerings in any given period fail to generate sufficient interest among customers of such content, or are not presented by commercial theatres and entertainment centres in favour of other non-D-BOX content, this situation could adversely affect the Corporation's activities, revenues,

financial position and operating results. Moreover, the growing popularity of streaming platforms, the gradual shrinking of the time that elapses from the date of a film's theatrical release to the date a film is available to consumers at home, and programming decisions made by exhibitors and studios that can conflict with each other or with programming decisions made by D-BOX, could adversely affect its theatrical customers' activities, revenues, financial position and operating results and, consequently, those of D-BOX.

### **Distribution Network**

Growth in the Corporation's business depends in part on its ability to develop well targeted marketing and distribution channels, increase its number of points of sale and attract new customers worldwide. Failure by D-BOX to do so could adversely affect its activities, revenues, financial position and operating results.

### **Dependence on Suppliers**

Product manufacturing at D-BOX depends largely on the availability of several components and products. Their delivery must be timely and they must correspond to the quality, quantity and cost criteria established by the Corporation. The majority of these are standard components, but some are manufactured by only a few suppliers. The Corporation believes it would be able to be supplied by other manufacturers were the current suppliers to limit or discontinue production of components for its products. However, losing a supplier could adversely affect D-BOX's activities, revenues, financial position and operating results.

### **Manufacturing Costs**

The Corporation is continually seeking out ways to reduce its manufacturing costs, which allows it to further reduce selling prices for its products, increase its business volume thereby improving profit margins. The Corporation's ability to reduce manufacturing costs depends on successful research and development, component purchasing volumes generating economies of scale and fluctuations in material costs.

On the other hand, scarcity or shortage of raw materials and electronic components caused by various factors such as a global pandemic, natural disasters, government restrictions and inconsistent labour productivity may lead to significant increases in manufacturing costs which could adversely affect the Corporation's activities, revenues, financial position and operating results.

### **Concentration of Clients**

While the Corporation is active in multiple markets around the world, it may receive significant orders from a small group of clients in the course of a fiscal year. If these clients were to reduce, postpone or discontinue current or planned purchases of the Corporation's products, such a change could adversely affect the Corporation's activities, revenues, financial position and operating results.

### **Competition**

The D-BOX haptic technology rests on a combination of patents, copyrights, trademarks and other intellectual property protection laws. Other products and technologies have been, and could eventually be, introduced in the marketplace by companies that target some of the same customers as D-BOX. These competitors could have significant financial resources to develop and commercialize their products, which could adversely affect D-BOX's activities, revenues, financial position and operating results.

### **Technology Standardization**

The Corporation has developed and has been commercializing a haptic technology for over twenty years in a market that has been largely untapped for most of that period. No haptic standard has been established and companies that compete with the Corporation are free to develop new technologies without restrictions. A company with extensive financial resources and influence could develop a haptic standard that becomes widely adopted in the haptic market. Such new standard could cause the Corporation's haptic technology to gradually become obsolete, which could adversely affect D-BOX's activities, revenues, financial position and operating results.

## **Exchange Rate between the Canadian Dollar and U.S. Dollar**

Since most of the Corporation's sales are made in U.S. dollars and the majority of its expenses are incurred in Canadian dollars, its revenues and profitability are affected by fluctuations in the exchange rate between the Canadian dollar and the U.S. dollar. The ability for the Corporation to adjust selling prices for its products to reflect exchange rate fluctuations is limited. Accordingly, whenever necessary, the Corporation protects itself partially from exposure to fluctuations in the U.S. dollar by entering into agreements under which it sets a fixed exchange rate relative to the Canadian dollar.

## **Warranty, Recalls and Lawsuits**

The Corporation is exposed to costs related to warranties, product recalls, and potentially lawsuits or other claims, particularly if its products were to prove defective, which would adversely affect the Corporation's business development and reputation. Although the Corporation currently maintains product liability insurance, its obligation to pay a claim under this liability, if the Corporation is found liable, may lead to financial obligations beyond the amount of the insurance coverage or which may be excluded from such insurance coverage, and which may have a material adverse effect on D-BOX's business, revenues, financial position and operating results.

## **Intellectual Property**

The Corporation's intellectual property rights could be incomplete, invalid, skirted, challenged, or rendered unenforceable. In addition, such intellectual property rights in the process of being approved could be denied or not offer the desired protection. Lawsuits could be required to enforce intellectual property rights of D-BOX. These disputes could be very expensive, with no guarantee of success. The loss of an intellectual property right could adversely affect D-BOX's activities, revenues, financial position and operating results.

## **Security and Management of Information**

The integrity, reliability and security of information is critical to the Corporation's strategic operations. The Corporation collects and stores, on a regular basis, sensitive data including intellectual property, proprietary business information and data with respect to suppliers, employees, clients and other partners. The Corporation recognizes that security breaches or other disruptions could expose the Corporation to liability and harm its reputation. Despite important security measures, the Corporation's information technology and infrastructure may be vulnerable to unforeseen attacks by hackers, or breached due to employee error, malfeasance or other disruptions. In response to this risk, the Corporation has employees whose role it is to monitor information technology and processes to ensure this risk is minimized.

## **Credit Risk**

The Corporation is exposed to credit risk to the extent that its customers may experience financial difficulty and be unable to meet their obligations. The Corporation evaluates the solvency of its customers to limit the amount of credit offered and sets if necessary a provision for bad debts. The Corporation currently uses insurance coverage to minimize its risk.

## **Reputational Risk through Social Media**

Social media offers a widely accessible platform to promote the Corporation's activities but possesses inherent risks that can harm its reputation. More specifically, social media and other forums for discussion establish a multilateral mode of communication that allows users to communicate their opinions. Although the Corporation believes that it operates in a manner that is respectful to all stakeholders and that it takes care of protecting its image and reputation, the Corporation does not ultimately have direct control over how it is perceived by others and its reputation can be damaged through negative publicity expressed by other users, whether true or not. Reputation loss may harm investor confidence, increase challenges in developing and maintaining community relations and thereby have a material adverse effect on D-BOX's business, revenues, financial position and operating results.

## **Dependence on Key Personnel and Labour Relations**

D-BOX relies on its ability to attract and retain a highly qualified work force, and to maintain harmonious labour relations with its employees. Failure to recruit and retain qualified staff and key employees, or to maintain harmonious labour



relations with its workforce could have a material adverse effect on D-BOX's business, its sales and the pace and success of product development.

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## ***DIVIDENDS AND DISTRIBUTIONS***

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The Corporation has never paid any dividends and currently intends to reinvest all its future earnings to finance the growth of its business. As a result, the Corporation does not intend to pay dividends in the foreseeable future. Any future determination to pay dividends will be at the discretion of the Board of Directors and will depend on the Corporation's financial condition, operating results and capital requirements as well as on any other factors that the Board of Directors may deem relevant.

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## ***DESCRIPTION OF CAPITAL STRUCTURE***

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The Corporation's authorized share capital consists of an unlimited number of Class A common shares without par value and an unlimited number of Class B preferred shares issuable in series.

The Class A common shares of the Corporation entitle holders thereof to one vote per share at meetings of the Corporation's shareholders. Subject to the prior rights of any other shares ranking senior thereto, holders of Class A common shares are entitled to receive any dividends that may be declared by the Board of Directors of the Corporation and any return of capital in the event of the Corporation's liquidation or dissolution or any other distribution of the Corporation's assets for the purpose of winding up its affairs. At March 31, 2021, a total of 220,225,573 Class A common shares were issued and outstanding.

The Class B preferred shares may be issued in one or more series carrying such rights and subject to such conditions as may be determined by the Board of Directors. There are no voting rights attached to the Class B preferred shares, except as prescribed by law. The Class B preferred shares will rank senior to the Class A common shares with respect to the payment of dividends and the return of capital in the event of the Corporation's liquidation or dissolution or any other distribution of the Corporation's assets for the purpose of winding up its affairs. No Class B preferred shares are currently issued and outstanding.

The Corporation has adopted a long-term incentive compensation program in the form of a stock option plan (the "**Stock Option Plan**") that provides that the total number of Class A common shares reserved for issuance thereunder and under all of the Corporation's other share-based compensation agreements cannot exceed 10% of the issued and outstanding Class A common shares of the Corporation at the time of a grant. The Stock Option Plan is considered to be an "evergreen" plan, since the number of Class A common shares covered by stock options which have been exercised will be available for subsequent grants under the Stock Option Plan and the number of stock options available for grants increases as the number of issued and outstanding Class A common shares of the Corporation increases. At the date hereof, the Corporation has granted a total of 11,461,034 stock options under the Stock Option Plan.

On March 4, 2021, the Corporation issued 46,847,441 Class A common share purchase warrants (including 2,572,441 Class A common share purchase warrants issued to underwriters, the "**Broker Warrants**") in the context of a marketed public offering. Each warrant entitles the holder thereof to purchase one Class A common share of D-BOX at an exercise price of \$0.16 (or \$0.15 in the case of the Broker Warrants) at any time until March 4, 2023.

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## MARKET FOR SECURITIES

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### TRADING PRICE AND VOLUME

The Corporation's Class A common shares are listed on the Toronto Stock Exchange under the symbol "DBO". The Class A common share purchase warrants issued on March 4, 2021 (the "**Warrants**"), are listed on the Toronto Stock Exchange under the symbol "DBO.WT".

The following table sets forth the Class A common shares' highest and lowest sales prices and the trading volume on a monthly basis from April 1, 2020, to June 4, 2021.

Year	Month	Price Range		Volume	
		High (\$)	Low (\$)		
2020	April	0.05	0.03	5,873,457	
	May	0.045	0.03	5,883,673	
	June	0.045	0.035	3,840,462	
	July	0.04	0.03	5,595,499	
	August	0.27	0.03	109,201,168	
	September	0.155	0.075	12,991,493	
	October	0.14	0.075	7,373,158	
	November	0.13	0.09	9,286,006	
	December	0.13	0.10	5,603,686	
	2021	January	0.16	0.10	9,588,743
		February	0.155	0.11	9,853,886
		March	0.12	0.085	20,092,768
April		0.10	0.075	7,814,877	
May		0.11	0.085	4,524,936	
June		0.135	0.10	3,288,575	

The following table sets forth the Warrants' highest and lowest sales prices and the trading volume on a monthly basis from March 4, 2021, to June 4, 2021.

Year	Month	Price Range		Volume
		High (\$)	Low (\$)	
2021	March	0.04	0.02	4,608,465
	April	0.04	0.025	1,290,005
	May	0.04	0.025	2,741,519
	June	0.04	0.025	388,620

### PRIOR SALES

On March 4, 2021, the Corporation closed a marketed public offering pursuant to which it issued 44,275,000 units at a price of \$0.13 per unit for aggregate gross proceeds of \$5,755,750, including the full exercise of the over-allotment option to purchase an additional 5,775,000 units at the offering price. Each unit is comprised of one Class A common share of D-BOX and one Class A common share purchase warrant (a "**Warrant**"). Each Warrant entitles the holder thereof to purchase one Class A common share of D-BOX at an exercise price of \$0.16 at any time until March 4, 2023. The offering was led by Canaccord Genuity Corp., as the lead underwriter and sole bookrunner, on behalf of a syndicate of underwriters, including Echelon Wealth Partners Inc. and iA Private Wealth Inc. (collectively, the "**Underwriters**"). The Underwriters received compensation warrants to purchase up to 2,572,441 Class A shares of D-BOX at a price of \$0.15 per share at any time until March 4, 2023.

The following table sets out all stock options exercisable for Class A Shares granted by the Corporation pursuant to its stock option plan during the twelve-month period prior to the date hereof:

<b>Date</b>	<b>Exercise price per Class A Share</b>	<b>Option expiry date</b>	<b>Number of Class A Shares subject to Option</b>
February 17, 2020	\$0.08	February 17, 2025	2,193,000
March 10, 2021	\$0.09	March 10, 2026	3,382,500

Except for the aforementioned issue of units and stock options, the Corporation has not issued any other securities convertible into Class A Shares in the twelve-month period prior to the date hereof.

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***ESCROWED SECURITIES AND SECURITIES SUBJECT TO  
CONTRACTUAL RESTRICTION ON TRANSFER***

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On March 4, 2021, simultaneously with the closing of a marketed public offering pursuant to which the Corporation issued 44,275,000 units at a price of \$0.13 per unit for aggregate gross proceeds of \$5,755,750 (see “Prior Sales”), the Corporation’s directors and senior officers agreed to sign lock-up agreements that restricted them from completing any transactions of Class A common shares of the Corporation, or other securities convertible into Class A common shares, for a period of ninety (90) days without the prior written consent of Canaccord Genuity Corp.

As at March 31, 2021, the number of Class A common shares of the Corporation that were subject to contractual restriction on transfer was 18,122,547, including Warrants, stock options and deferred share units, representing 8.2% of all issued and outstanding shares of the Corporation as at March 31, 2021.

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***DIRECTORS AND OFFICERS***

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**NAME, OCCUPATION AND SECURITY HOLDING**

**Directors**

At the date hereof, the Board of Directors consists of seven (7) directors. Each director holds office until the end of the next annual meeting of shareholders or until the election or nomination of his successor, unless he or she resigns or his or her office becomes vacant by removal, death or other cause. The following table sets out the name of each of the current directors, their principal occupations and the year in which they first became directors of the Corporation.

<b>Name and Municipality of Residence</b>	<b>Position</b>	<b>Principal Occupation</b>	<b>First Year as Director</b>
Denis Chamberland <sup>(1)</sup> Ville Mont-Royal, Québec, Canada	Chairman of the Board of Directors	Advisor to the President and CEO of Rodeo FX Inc.	2020
Louis Bernier <sup>(2)</sup> Ville Mont-Royal, Québec, Canada	Director	Partner Fasken Martineau DuMoulin LLP	2014
Brigitte Bourque <sup>(2)</sup> Montréal, Québec, Canada	Director	Executive Coach Groupe Pauzé	2019

Name and Municipality of Residence	Position	Principal Occupation	First Year as Director
Eve Laurier <sup>(2)</sup> Outremont, Québec, Canada	Director	Vice President, Communications, Public Affairs and Marketing, Bombardier Inc.	2020
Sébastien Mailhot Boucherville, Québec, Canada	President, Chief Executive Officer and Director	President and Chief Executive Officer of the Corporation	2020
Luc Martin <sup>(1)</sup> Laval, Québec, Canada	Director	Corporate Director	2020
Jean-Pierre Trahan <sup>(1)</sup> Brossard, Québec, Canada	Director	Chief Financial Officer, Stingray Digital	2021

(1) Member of the Audit Committee.

(2) Member of the Compensation and Corporate Governance Committee.

The directors of the Corporation have held the following principal occupations during the last five years:

Denis Chamberland, FCPA, FCA, ICD.D is the holder of a degree in business administration from HEC Montréal and fellow of the Ordre des comptables professionnels agréés du Québec. He has also earned a certificate from the Quebec chapter of the Institute of Corporate Directors, qualifying him for the ICD.D designation. He is advisor to the President and CEO of Rodeo FX Inc., an international visual effects company, involved in projects in the film, television and advertising industry, with studios in Montreal, Quebec City, Munich and Los Angeles. Previously, from 2012 to 2017, he served as the Chief executive officer and Strategic advisor of Ricardo Media Inc., publisher of the single most influential digital platform dedicated to food in Canada, with its own branding of cookware, tableware and kitchen accessories, operating boutiques and cafes, and producing cooking shows. Mr. Chamberland has served as a member of the Board of Société des alcools du Québec (SAQ) since 2018. He has served as Chairman of the board of Gastronomica Aliments fins Inc. since January 2020. He was co-managing partner at Richter/RSM Richter Chamberland where he put his brand development skills to good use from 2009 to 2012. Gifted with a strong entrepreneurial bent, Mr. Chamberland also founded an accounting firm, Chamberland Hodge, focused on providing support services to entrepreneurs, where he was co-CEO from 1985 to 2009. Mr. Chamberland is currently a member of the board of governors of HEC Montréal.

Louis P. Bernier is a partner at Fasken Martineau. He specializes in labour and employment law, providing legal counsel on all employment-related matters and he has also accumulated a vast wealth of experience in all aspects of work organization and operations management, particularly in the course of restructurings and subcontracting, sale and merger transactions. He also specializes in administrative and constitutional law, especially as these relate to extraordinary remedies and issues arising from the charter of rights and freedoms. He frequently advises company directors and officers on strategic matters including ethics issues, compensation matters and corporate governance. Mr. Bernier is often called upon to plead before various organizations and courts of both provincial and federal jurisdiction. He also deals with cases involving personal information protection. He is recognized by The Best Lawyers in Canada as an expert in labour and employment law. He is also recognized by Lexpert in employment law (repeatedly recommended) and labour law (consistently recommended).

Brigitte Bourque has been an executive coach since 2002 and co-founded Pauzé Coaching in 2010. Over the last 17 years, she has coached executives and professionals to help them hone their skills and maximize their potential. She is also specializing in retirement coaching. Her career spans both the public and private sectors. After starting her career as a marketing consultant for Touche Ross, she served as Chief of Staff for the Quebec Environment Minister and Special Advisor for the Quebec Premier's office. She was also Assistant Deputy Minister at the Communications Department from 1989 to 1994. Between 1996 and 2000, she was Vice-President, Corporate Human Resources and Employee Communications at Teleglobe, an international telecommunications carrier. She has served on the boards of Télé-Québec, the Quebec Breast Cancer Foundation, and is currently on the board of Executives Available, a non-profit organization. She is involved as an expert with Femmessor, on organization financing and helping women entrepreneurs. She holds a MBA from Laval University, a diploma in Human Resources Management from the Richard Ivey School of Management and is a professional certified coach (PCC) from the International Coach Federation.

Eve Laurier is Vice President, Communications, Public Affairs and Marketing at Bombardier where she leads the company's community engagement, employee and customer outreach, and steward the brand journey internally and

externally, around the world. She reports directly to the President and Chief Executive Officer of Bombardier. Prior to joining Bombardier, she was General Manager of Edelman Montreal's communications firm and was also a member of Edelman Canada's management team. She has over 20 years of experience in strategic communication and marketing. Prior to that, she worked for Richter, an accounting and finance consulting firm, where she served as Vice President of Strategic Relations. In 2020, she was the 'Revelation' of the Quebec Association of Women in Finance, as well as a finalist at the Mercuriades for the Women of Exception Award. She holds an EMBA for executives from McGill University and HEC Montreal. She sits on the boards of the Marie-Vincent Foundation and the Metropolitan Orchestra.

Sébastien Mailhot served as Chief Executive Officer of Carreaux Céragrès, a privately-held manufacturer and distributor of ceramic, stone and architectural products where he worked to grow the commercial and retail presence beyond Québec. From February 2004 to January 2009, Mr. Mailhot was partner and Vice-President of Capimont Technologies, a venture capital fund dedicated to industrial technologies. Prior to that, Mr. Mailhot was Vice President of Finance and Administration for various technology companies. He was also a financial consultant at Arthur Andersen, providing M&A, financing and strategic services to growing companies. Mr. Mailhot holds both Chartered Accountant (CPA) and Chartered Business Valuator (CBV) designations.

Luc Martin has over 35 years of experience in the field of finance, accounting and business management. From 2002 to November 2014, Mr. Martin was a partner at Deloitte Canada where he held various positions, including managing partner of finance and operations. He was also responsible for external audit services offered to publicly traded and private companies. From 1979 to 2002, Mr. Martin worked at Andersen, where he was a partner from 1990 to 2002. He was a partner offering external audit services to publicly traded and private companies while holding various management positions for Andersen in Canada. Mr. Martin sits on the boards of BTB Real Estate Investment Trust (where he also chairs the audit committee), Richelieu Hardware Ltd. since April 2020 (where he also chairs the audit committee) and Behaviour Interactive Inc. since August 2018. Mr. Martin is a CPA and holds a bachelor's degree in business administration from École des Hautes Études Commerciales (HEC) in Montréal (1979).

Jean-Pierre Trahan has served as Stingray's Chief Financial Officer since 2011. He leads a team of seasoned accountants and analysts and is responsible for all financial and accounting activities of the company. Prior to joining Stingray, Mr. Trahan gained extensive experience over 30 years in various positions with Gestion Juste Pour Rire Inc, 20-20 Technologies Inc, Hydro Agri Canada, a division of Norsk Hydro ASA, and Raymond Chabot Grant Thornton LLP. Mr. Trahan is a CPA, CA and holds a Bachelor of Commerce degree specializing in accounting from the Université du Québec à Trois-Rivières and a Bachelor of Social Science degree specializing in economics from the University of Ottawa. In 2016, he was awarded a prestigious "Ace of Finance" by the Quebec Chapter of FEI Canada in the category of "Financial Leader of a Small or Medium-sized Business".

## Executive Officers

The following table sets out the name of each executive officer, their current position with the Corporation as well as the date at which they first became officers of the Corporation:

<b>Name and Municipality of Residence</b>	<b>Current Position</b>	<b>Executive Officer Since</b>
Sébastien Mailhot Boucherville, Québec, Canada	President, Chief Executive Officer	July 2015
David Montpetit Montréal, Québec, Canada	Chief Financial Officer	January 2020
Robert Desautels Vaudreuil-sur-le-lac, Québec, Canada	Chief Technology Officer	October 2014
Yannick Gemme Longueuil, Québec, Canada	Vice President, Sales	April 2018

**Sébastien Mailhot** served as Chief Executive Officer of Carreaux Céragrès before he was hired by the Corporation in 2015 as Senior Vice-President, Strategic Alliances and Corporate Development. He then became Senior Vice President, Corporate Development and Operations, and Chief Operating Officer in 2016. When the Chief Financial Officer of the Corporation, Mr. Jean-François Lacroix, left the Corporation in August 2019, Mr. Mailhot was appointed as interim Chief Financial Officer while retaining his responsibilities as Chief Operating Officer. He became President and Chief Executive Officer of the Corporation on April 1, 2020. **David Montpetit** was Director of Finance of Immervision from 2016 to 2017, Vice President Finance of Bonlook from 2017 to 2019 and he was appointed as Chief Financial Officer of the Corporation in January, 2020. **Robert Desautels** was Senior Vice-President, Technology, Strategy and Operations of the Corporation from 2014 to 2018, when he became Chief Technology Officer of the Corporation. **Yannick Gemme** served as Director, Home & OEM from 2011 to 2014 when he was appointed successively as Director of Sales, Industrial in 2014 and Vice President Sales, Simulation and Training in 2016. He was appointed as Vice President, Sales of the Corporation as of April 1, 2018.

### **Shareholdings of Directors and Executive Officers**

As of June 7, 2021, the directors and executive officers of D-BOX, as a group, are the beneficial owners of, directly or indirectly, or exercise control or direction over an aggregate of 6,981,292 Class A common shares of the Corporation, representing 3.2% of the 220,225,573 Class A common shares issued and outstanding of the Corporation. None of the directors or executive officers of the Corporation owns or controls voting shares of D-BOX USA or D-BOX China as those two companies are wholly-owned by D-BOX. The information in this paragraph was provided by the relevant directors and executive officers of the Corporation.

### **CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS**

To the knowledge of the Corporation, none of the directors and executive officers of the Corporation:

- (a) is, or within the last ten years has been, a director, chief executive officer or chief financial officer of any company that:
  - (i) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under applicable securities legislation, and which in all cases was in effect for a period of more than 30 consecutive days (an “**Order**”), which Order was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer of such company; or
  - (ii) was subject to an Order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer of such company; or
- (b) is, or within the last ten years has been, a director or executive officer of any company that, while the proposed director was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (c) has, within the last ten years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his assets.

None of the directors and executive officers of the Corporation has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

## **CONFLICTS OF INTEREST**

There are no existing or potential material conflicts of interest between the Corporation or a subsidiary of the Corporation and any director or officer of the Corporation or of a subsidiary of the Corporation.

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## ***INFORMATION REGARDING THE AUDIT COMMITTEE***

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### **AUDIT COMMITTEE CHARTER**

The Audit Committee charter is annexed hereto as Schedule A.

### **COMPOSITION OF THE AUDIT COMMITTEE**

The Audit Committee is currently composed of Luc Martin, Denis Chamberland and Jean-Pierre Trahan. Under *Multilateral Instrument 52-110 Respecting Audit Committees*, a director serving on an audit committee is “independent” if he or she has no direct or indirect material relationship with the issuer, that is, a relationship which could, in the view of the Board of Directors, reasonably be expected to interfere with the exercise of the members’ independent judgment. The Board of Directors has determined that all members of the Audit Committee are independent members.

The Board of Directors has determined that each of the three members of the Audit Committee is “financially literate” within the meaning of Section 1.6 of *Multilateral Instrument 52-110 Respecting Audit Committees*, that is, each member has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation’s financial statements.

### **RELEVANT EDUCATION AND EXPERIENCE**

The education and experience of each member of the Audit Committee that is relevant to his or her responsibilities are set out below.

Luc Martin has over 35 years of experience in the field of finance, accounting and business management. From 2002 to November 2014, Mr. Martin was a partner at Deloitte Canada where he held various positions, including managing partner of finance and operations. He was also responsible for external audit services offered to publicly traded and private companies. From 1979 to 2002, Mr. Martin worked at Andersen, where he was a partner from 1990 to 2002. He was a partner offering external audit services to publicly traded and private companies while holding various management positions for Andersen in Canada. Mr. Martin sits on the boards of BTB Real Estate Investment Trust (where he also chairs the audit committee), Richelieu Hardware Ltd. since April 2020 (where he also chairs the audit committee) and Behaviour Interactive Inc. since August 2018. Mr. Martin is a CPA and holds a bachelor’s degree in business administration from École des Hautes Études Commerciales (HEC) in Montréal (1979).

Denis Chamberland, FCPA, FCA, ICD.D is the holder of a degree in business administration from HEC Montréal and fellow of the Ordre des comptables professionnels agréés du Québec. He has also earned a certificate from the Quebec chapter of the Institute of Corporate Directors, qualifying him for the ICD.D designation. He was co-managing partner at Richter/RSM Richter Chamberland where he put his brand development skills to good use from 2009 to 2012. Gifted with a strong entrepreneurial bent, Mr. Chamberland also founded an accounting firm, Chamberland Hodge, focused on providing support services to entrepreneurs, where he was co-CEO from 1985 to 2009. Mr. Chamberland is currently a member of the board of governors of HEC Montréal.

Jean-Pierre Trahan, CPA, CA, has served as Stingray's Chief Financial Officer since 2011. He leads a team of seasoned accountants and analysts and is responsible for all financial and accounting activities of the company. Prior to joining Stingray, Mr. Trahan gained extensive experience over 30 years in various positions with Gestion Juste Pour Rire Inc, 20-20 Technologies Inc, Hydro Agri Canada, a division of Norsk Hydro ASA, and Raymond Chabot Grant Thornton LLP. In 2016, he was awarded a prestigious "Ace of Finance" by the Quebec Chapter of FEI Canada in the category of "Financial Leader of a Small or Medium-sized Business".

## **PRE-APPROVAL POLICIES AND PROCEDURES**

The Audit Committee has not adopted specific policies and procedures for the engagement of non-audit services. However, the charter of the Audit Committee provides that the provision of any non-audit services by the independent auditors must be pre-approved by the Audit Committee.

## **EXTERNAL AUDITOR SERVICE FEES**

### **Audit Fees**

"Audit fees" consist of fees for professional services for the audit of the Corporation's annual consolidated financial statements, help in preparing the interim financial statements and related matters. Ernst & Young LLP, the Corporation's independent auditors, billed the Corporation \$349,050<sup>4</sup> in audit fees during the fiscal year ended March 31, 2021, and \$101,500 during the fiscal year ended March 31, 2020.

### **Audit-Related Fees**

"Audit-related fees" consist of fees for professional services that are reasonably related to the performance of the audit or review of the Corporation's financial statements and which are not reported under "Audit Fees" above, such as the assistance for implementing the International Financial Reporting Standards. Ernst & Young LLP, the Corporation's independent auditors, billed the Corporation \$13,900 in audit-related fees during the fiscal year ended March 31, 2021, and \$12,600 during the fiscal year ended March 31, 2020.

### **Tax Fees**

"Tax fees" consist of fees for professional services for tax compliance, tax advice and tax planning. Ernst & Young LLP, the Corporation's independent auditors, billed the Corporation \$56,550 in tax fees during the fiscal year ended March 31, 2021, and \$54,250 during the fiscal year ended March 31, 2020.

### **All Other Fees**

"All other fees" consist of fees for services other than the audit fees, audit-related fees and tax fees described hereinabove. These services include translation services. Ernst & Young LLP, the Corporation's independent auditors, billed the Corporation \$10,300 for other services during the fiscal year ended March 31, 2021, and \$6,200 during the fiscal year ended March 31, 2020.

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<sup>4</sup> Such fees include prospectus fees, including fees in respect of comfort and consent letters in the context of the closing of its marketed public offering announced by the Corporation on March 4, 2021.



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## ***LEGAL PROCEEDINGS AND REGULATORY ACTIONS***

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### **LEGAL PROCEEDINGS**

The Corporation is not, and was not during the fiscal year ended March 31, 2021, a party to, nor was its property subject to, legal proceedings that the Corporation believes could have a material adverse effect on its business, financial condition, results of operations or the trading price of its securities. To the knowledge of the Corporation, no such legal proceedings are currently contemplated.

### **REGULATORY ACTIONS**

During the fiscal year ended March 31, 2021, (i) there have been no penalties or sanctions imposed against the Corporation by a court relating to securities legislation or by a securities regulatory authority, (ii) there have been no other penalties or sanctions imposed by a court or regulatory body against the Corporation that would likely be considered important to a reasonable investor in making an investment decision, and (iii) the Corporation has not entered into any settlement agreements before a court relating to securities legislation or with a securities regulatory authority.

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## ***INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS***

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No insiders, directors or executive officers of the Corporation or any of their respective associates has or has had a material interest, direct or indirect, in any material transaction whether proposed or concluded which had or may have an adverse effect on the Corporation or its subsidiaries in the last three completed fiscal years.

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## ***TRANSFER AGENT AND REGISTRAR***

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The transfer agent and registrar for the Class A Shares and Warrants of the Corporation is Computershare Investor Services Inc. at its principal offices in Montreal and Toronto.

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## ***MATERIAL CONTRACTS***

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In July, 2020, the Corporation entered into a definitive agreement with the NBC related to the availability of a line of credit amounting to \$4 million for the ongoing operations and working capital of the Corporation. This line of credit is renewable annually and bears interest at prime rate plus 3.25%. The line of credit is secured by first-ranking hypothec and security interests on all assets of the Corporation and its U.S. subsidiary, and will replace the three-year secured revolving credit facility with the NBC. In the context of the COVID-19 pandemic and its effects on D-BOX's businesses, the Corporation did not meet certain financial covenant ratios as at December 31, 2020. The Corporation executed an amendment agreement with the NBC dated January 25, 2021, that provided D-BOX with the suspension of certain financial covenants and the modification of certain financial covenants from December 31, 2020 until March 31, 2021. The Corporation executed a second amendment agreement with the NBC dated April 27, 2021, that provided D-BOX with the suspension of certain financial covenants and the modification of certain financial covenants until March 31, 2022.

Concurrently, the Corporation also entered into a definitive agreement with the Business Development Bank of Canada related to the availability of a working capital commercial loan of \$2 million. This loan bears interest at a variable rate and is payable in 24 monthly instalments of \$33 thousand from June 2021 to May 2023 and by a final payment of \$1.2 million

in June 2023. The loan is secured by second-ranking hypothec and security interests on all assets of the Corporation and its U.S. subsidiary.

On February 12, 2021, the Corporation announced it entered into an agreement with SIMTAG BV, an innovator in developing and building simulators and accessories for sim racing, pursuant to which the Corporation will supply SIMTAG with haptic components to be integrated into SIMTAG's new active brake pedal with integrated FIA-licensed haptic technology. The value of the haptic components to be sold by the Corporation pursuant to this agreement is approximately \$1.17 million (US\$918,000) over the next year.

On February 18, 2021, the Corporation entered into an underwriting agreement with Canaccord Genuity Corp., Echelon Wealth Partners Inc. and iA Private Wealth Inc. pursuant to which the Underwriters offered to purchase an aggregate of 38,500,000 units from the Corporation on an "overnight marketed" basis at a price of \$0.13 per unit for aggregate gross proceeds of \$5,005,000. The units were offered to the public in each of the provinces of Canada, through the Underwriters or their affiliates. Pursuant to this underwriting agreement, the Corporation agreed to pay the Underwriters a fee in the amount of 6% of the gross proceeds from the sale of the units, and to issue broker warrants to the Underwriters.

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### ***INTERESTS OF EXPERTS***

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Ernst & Young LLP have been the independent auditors of the Corporation since 2004 and accordingly, have signed the auditors' report on the consolidated annual financial statements of the Corporation for the fiscal year ended March 31, 2021.

Ernst & Young LLP have advised the Corporation that they are independent with respect to the Corporation within the meaning of the Code of Ethics of Chartered Professional Accountants of the *Ordre des comptables professionnels agréés du Québec*.

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### ***ADDITIONAL INFORMATION***

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Additional information relating to the Corporation may be found through the Internet on SEDAR, which can be accessed at [www.sedar.com](http://www.sedar.com).

Additional information, including the compensation and indebtedness of directors and senior executives, the principal holders of the Corporation's shares and the shares authorized for issuance under the Stock Option Plan, if any, is contained in the Corporation's management proxy circular for its most recent annual meeting of shareholders where the Corporation's directors have been elected.

Additional financial information is provided in the Corporation's consolidated financial statements and management's discussion and analysis for its fiscal year ended March 31, 2021.

Additional information concerning the Corporation's products can also be found at [www.d-box.com](http://www.d-box.com), the Corporation's website.

**SCHEDULE A**  
**AUDIT COMMITTEE CHARTER OF D-BOX TECHNOLOGIES INC.**

**1. PURPOSE**

Financial reporting and disclosure by D-BOX Technologies Inc. (the “Corporation”) represents one of the most important aspects of the management of the Corporation’s business and affairs. The Board of Directors supervises this financial reporting and disclosure process to gain reasonable assurance that the following objectives are being met:

- (a) that the Corporation complies with the laws, regulations, rules, policies and other requirements of governments, regulatory agencies and stock exchanges relating to financial reporting and disclosure;
- (b) that the accounting policies and practices, significant decisions and information which underlie or are incorporated in the Corporation’s financial statements are the most appropriate in the circumstances;
- (c) that the Corporation’s quarterly and annual financial statements are accurate and present fairly the Corporation’s financial position and performance in accordance with the International Financial Reporting Standards (“IFRS”); and
- (d) that pertinent information concerning the financial position and performance of the Corporation is disseminated to the public in a timely manner.

To assist the Board of Directors in its monitoring of the Corporation’s financial reporting and disclosure process, the Board of Directors has established the Audit Committee.

Although the Audit Committee has the powers and responsibilities set forth in this Charter, its role is one of monitoring. The members of the Audit Committee are not full-time employees of the Corporation and may or may not be accountants or auditors by profession and, in any event, do not serve in such a capacity. Consequently, it is not the duty of the Audit Committee to audit the Corporation’s financial statements and information or to assess whether same are complete and accurate and in compliance with IFRS and applicable rules and regulations. This is the responsibility of management, the independent auditors and other professionals retained by the Corporation.

**2. COMPOSITION AND QUALIFICATION**

The members of the Audit Committee are appointed each year by the Board of Directors. The Committee is composed of a minimum of three (3) independent directors chosen from among the members of the Board of Directors. The members are appointed at the first meeting following the annual meeting of shareholders or at any other meeting if a vacancy arises. Each year, the Board of Directors appoints as chair of the Committee one of the members of the Committee.

All the members of the Audit Committee shall be financially literate and, as such, be able to read and understand financial statements. At least one (1) member of the Audit Committee shall have “accounting or related financial expertise” acquired through previous employment experience in the area of finance or accounting, requisite professional certification in accounting or any other comparable experience or background which allowed him or her to gain such financial expertise, including having been a Chief Executive Officer, Chief Financial Officer or other senior officer with financial oversight responsibilities, and be able to analyze and interpret a complete set of financial statements along with the notes thereto in accordance with IFRS.

In connection with the execution of the obligations of the Audit Committee, each member of the Committee shall be entitled to rely in good faith upon the following documents:

- (a) the financial statements of the Corporation represented to him or her by an officer of the Corporation or in a written report of the independent auditors to present fairly the financial position of the Corporation in accordance with IFRS; and
- (b) any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

In connection with the execution of the obligations of the Audit Committee pursuant to this mandate, each member of the Audit Committee shall be held to the standard of care, diligence and skill that a reasonably prudent person would exercise in similar circumstances. Nothing in this mandate is intended, or may be construed, to impose on any member of the Audit Committee a standard of care or diligence that is in any way more onerous or extensive than the standard

to which the other members of the Board of Directors are subject. The role of the Audit Committee is essentially to monitor and review in order to gain reasonable assurance (but not absolute assurance) that the fundamental accounting and reporting activities are being conducted effectively, that the financial reporting and disclosure objectives are being met and to report thereon to the Board of Directors.

### 3. OPERATING PRINCIPLES AND GUIDELINES

The Audit Committee fulfills its responsibilities within the context of the following principles and guidelines:

- (a) The Committee chair and the other members of the Audit Committee have direct, open and frank communications throughout the year with management, other committee chairs (where applicable) and members of the Board of Directors, the independent auditors and other key committee advisors, as applicable.
- (b) The Committee, together with management and the independent auditors, shall develop annually an audit committee work plan in line with the responsibilities of the Audit Committee as set out in this Charter.
- (c) The Audit Committee, together with management and the independent auditors, shall participate in the examination and review of any important financial issues and emerging standards that have the potential to impact on the Corporation's financial presentation and disclosure.
- (d) The chair of the Committee shall establish the agenda for each meeting of the Audit Committee, with the other members of the Audit Committee, senior management and the independent auditors.
- (e) The Committee shall communicate to management and the independent auditors its expectations with respect to the nature and extent of the information it requires, and the delays to be respected in this regard. The Committee expects to receive from management and the independent auditors all pertinent documentation with respect to any topic on the agenda for a meeting at least one week in advance of such meeting.
- (f) The Committee may, at the expense of the Corporation and after consulting with management, retain the services of one or more persons with specialized knowledge in order to allow the Committee to properly discharge its responsibility.
- (g) At each meeting of the Committee, the members of the Audit Committee meet *in camera* amongst themselves only with (as needed) the independent auditors only and with management only.
- (h) After each meeting of the Audit Committee, the Committee shall report to the Board of Directors at its next regular meeting or earlier if required, through the chair of the Committee.
- (i) As representatives of the shareholders, the independent auditors are ultimately accountable to the Board of Directors and the Audit Committee in the execution of its mandate. The Committee expects that the independent auditors will point out any significant issues or any other issues which may become significant and which result from its relationship with the Corporation.

The Audit Committee meets at least once per quarter, and more frequently if required by the circumstances. It is the responsibility of the Committee to determine the time and place, at which the meeting will take place, convene the meeting and to establish the procedures in light of the following requirements:

- (a) at all meetings of the Audit Committee a majority of the members shall constitute a quorum; and
- (b) any actions on the part of the Audit Committee at a duly constituted meeting require no more than the vote of a majority of the members present and, in all cases, a resolution or other instrument in writing signed by all of the members of the Audit Committee shall be deemed to be an action taken by the Audit Committee.

The senior officer responsible for the finances of the Corporation and the independent auditors usually attends all of the meetings of the Audit Committee.

The minutes of meetings of the Audit Committee are approved by the Committee and made available to the Board of Directors for informational purposes.

Subject to the appointment of another person as secretary of the Audit Committee, the Secretary of the Corporation acts as the secretary of the Audit Committee.

#### **4. RESPONSIBILITIES AND DUTIES**

The Committee is responsible for the following:

##### **4.1 Financial Reporting**

- Review the annual financial statements and the independent auditor's report thereon before they are released and recommend same for the approval of the Board of Directors.
- Review the interim and year-end financial statements, management's discussion and analysis and related news releases before they are released and recommend same for the approval of the Board of Directors.
- Review public disclosure documents, such as a prospectus or the annual information form, containing financial statements of the Corporation before they are released, and recommend same for the approval of the Board of Directors.
- Discuss with management and the independent auditors the pertinence of and compliance with the Corporation's accounting policies.
- Discuss with management any significant variances between comparative reporting periods and across comparable units.

##### **4.2 Accounting Policies**

- Proactively discuss and review the impact of proposed changes in accounting standards or securities polices or regulations relating to accounting policies and the disclosure of financial information.
- Review with management and the independent auditors, any proposed changes in accounting policies, as well as key estimates and decisions that could have a material impact on the Corporation's financial reporting and determine whether the underlying accounting policies, disclosures and key estimates and decisions are considered to be the most appropriate in the circumstances.
- Discuss with management and the independent auditors the clarity and adequacy of the financial information disclosed by the Corporation.

##### **4.3 Risk and Uncertainties**

Recognizing that it is the Board of Directors' responsibility, in conjunction with management, to (1) identify the principal business risks facing the Corporation, (2) determine the Corporation's degree of tolerance to risk, and (3) approve any risk management policies in place, the Audit Committee focuses on the significant financial risks and develops reasonable assurance that such risks are being effectively managed and controlled by management through the implementation of the following methods:

- Acquire reasonable assurance that these significant financial risks are effectively being mitigated and controlled by:
  - (i) Reviewing with management, at least once per quarter, an updated list of such financial risks as well as ongoing or special actions undertaken to manage each one of these identified risks;
  - (ii) Discussing with management its assessment of the residual financial exposure of the Corporation if any, resulting from its management of such financial risks; and
  - (iii) Ensuring with management, that the existing policies, processes and programs are adequate to identify, manage and control such financial risks.
- Review, at least once per year, the adequacy of the insurance policies maintained by the Corporation.
- Review quarterly the list of the Corporation's outstanding contingent liabilities, if any, including legal claims, tax assessments and other, which could have a material effect upon the financial results and

condition of the Corporation and the manner in which these matters are disclosed in the financial statements.

- Review, at least once per year, the adequacy of measures taken by the Corporation to mitigate foreign currency, interest rate and other financial risks, such as the use of derivative financial instruments.
- Review, at least one per year, the policies that require significant existing or potential liabilities, contingent or otherwise, to be reported to the Board of Directors in a timely fashion and compliance with such policies.

#### **4.4 Financial Controls and Deviations**

- Review annually the plans of the independent auditors to gain reasonable assurance that the internal quality-controls procedures are adequate in light of the risks and are comprehensive, coordinated and cost effective.
- Review quarterly, with management, its program relating to the development and updating of internal controls which shows the progress of any planned initiatives as well as any measures taken to control deviations.
- Receive from management, the independent auditors, legal counsel or other persons, regular reports regarding any significant deviations observed, including any detection of fraud, and the methods taken to correct the situation.
- Discuss with management the information used by the Chief Financial Officer to prepare a report, at least once per year, on the effectiveness of the Corporation's internal controls.

#### **4.5 Compliance with Laws and Regulations**

- Review regular reports from management, the independent auditors and legal counsel concerning the Corporation's compliance with tax and financial reporting laws and regulations specifically those requiring the Corporation to make withholdings and which have a material impact on financial statements.
- Establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters.
- Establish procedures for the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

#### **4.6 Relationship with Independent Auditors**

- Recommend annually to the Board of Directors the nomination, the termination or replacement of the independent auditors.
- Approve the remuneration and terms and conditions of the independent auditor's mandate which are set out in its engagement letter.
- Receive a report annually from the independent auditors with respect to its independence, which report shall include disclosure relating to all engagements (including the related fees and costs) for non-audit services rendered to the Corporation.
- Review with the independent auditors the scope of the audit, the areas of special emphasis to be addressed in the audit, the extent to which the independent audit can be coordinated with internal audit activities and the materiality levels which the independent auditors propose to employ.
- Establish effective communication processes with management and the Corporation's independent auditors to allow the Committee to objectively monitor the quality and efficiency of the relationship between the independent auditors, management and the Corporation.
- Resolve disagreements that may occur between management of the Corporation and the independent auditors regarding financial reporting, if any.

- Oversee quality and efficiency of the work performed by the independent auditors for the preparation and delivery of the audit report of the Corporation or any other audit, review or attest services required by the Corporation.
- Receive reports from the independent auditors on the status of the approved audit plan, any important findings, the recommendation letter and the final audit report.
- Meet regularly with the independent auditors in the absence of management.
- Ensure not to request services from the independent auditors that could jeopardize their objectivity and independence.
- Approve, before any mandate is conferred upon the independent auditors, of any non-audit-related services, or services other than audit services, to be provided by the independent auditors.
- Annually review the Corporation's hiring policy limiting the hiring of certain present or former employees of the independent auditors.
- Review reports of the independent auditors relating to the planned rotation of partners assigned to the Corporation's affairs.

#### **4.7 Other Responsibilities and Issues**

- Review and reassess annually the adequacy of this Charter.
- After consulting with the chair and the independent auditors, gain reasonable assurance, at least annually, that the Corporation's accounting and financial personnel is competent and adequately staffed and that any other related resources are sufficient.
- Be kept up to date of any nomination of financial officers with respect to the Corporation.
- Carry out any and all duties that the Board of Directors may delegate, from time to time, to the Committee.