Management's Discussion and Analysis

D-BOX Technologies Inc.
First Quarter ended June 30, 2019

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MANAGEMENT'S DISCUSSION AND ANALYSIS
D-BOX Technologies Inc.
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1. SCOPE OF THE MD&A

This Management's Discussion and Analysis ("MD&A") is intended to provide the reader with a better understanding of D-BOX Technologies Inc.'s activities and of its subsidiaries, as well as key elements of its financial results. In particular, it explains changes in the Corporation's financial position and operating results for the first quarter ended June 30, 2019, by comparing them to the results of the corresponding periods of the previous fiscal year. It also presents a comparison of the balance sheets as at June 30, 2019 and March 31, 2019.

This MD&A has been prepared in accordance with National Instrument Regulation 51-102, respecting Continuous Disclosure Obligations, and should be read in conjunction with the information included in the audited consolidated financial statements and MD&A for the fiscal year ended March 31, 2019, and the unaudited interim condensed consolidated financial statements of the first quarter ended June 30, 2019. Unless otherwise indicated, the terms "Corporation" and "D-BOX" refer to D-BOX Technologies Inc.

The unaudited interim condensed consolidated financial statements for the quarter ended June 30, 2019, and this MD&A have been reviewed by the Audit Committee and approved by the Board of Directors on August 7, 2019. Unless otherwise indicated, all the amounts in this MD&A are in Canadian dollars.

2. FORWARD-LOOKING STATEMENTS

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

3. First quarter highlights

3.1 Financial Highlights

Highlights for the first quarter ended June 30, 2019

Compared with the first quarter ended June 30, 2018:

- Revenues totalled $7.5 million down 21% from $9.5 million.
- Recurring revenues decreased 7% to $2.4 million from $2.6 million.
- Quarterly adjusted EBITDA* amounted to $0.2 million compared with $1.2 million.
- Adjusted EBITDA*/Revenue decreased to 3% from 12%.
- Net loss totalled ($0.6) million compared with ($0.2) million.

First Quarter Ended June 30
(in thousands of dollars, except per share amounts)

	First Quarter	
	2019	**2018**
Revenue	**7,533**	**9,512**
Net loss	**(606)**	**(229)**
Adjusted EBITDA*	**215**	**1,157**
Basic and diluted net loss per share	**(0.003)**	**(0.001)**

Information from the consolidated balance sheets

	As at June 30, 2019	As at March 31, 2019
Cash and cash equivalents	**8,242**	**9,635**

* See the "Non IFRS Measures" section and the reconciliation table of adjusted EBITDA to the net loss on page 7.

3.2 Operational Highlights

- Set a new opening weekend record in D-BOX tickets sold with the Avengers: End Game.
- Grand opening of D-BOX at Cinesa's La Morajela, a subsidiary of Odeon Group, an AMC Entertainment Company.
- Renewed distribution agreement with ECCO Cine Supply, a leading European distributor of cinematic technology services.
- Grand opening of the Parc Astérix theatre in France, featuring 300 D-BOX motion seats.
- LAI Games, a D-BOX partner, sold the 500th unit of the Virtual Reality game Raving Rabbids: The Big Ride.
- RS Simulation, a D-BOX partner, launched a new racing simulator.

4. OUTLOOK

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

Our solution offers a compelling value proposition to movie exhibitors, where we attract moviegoers by providing an immersive experience and enabling exhibitors to earn additional revenue with rapid payback. With about 1% penetration of the motion technology in theatrical auditoriums globally, D-BOX's motion technology has abundant room to grow. While the industry is facing some challenges, we remain optimistic about the long-term potential.

In the themed entertainment and the simulation and training markets, D-BOX's expertise in immersive motion and true-to-life simulation positions the Corporation as an active participant in the growing virtual reality (VR), gaming, car racing simulation, and simulation and training markets.

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

5. CORPORATE PROFILE

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

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

1. D-BOX Motion Code is programming motion effects frame-by-frame based on visual content.
2. A motion controller serving as an interface between the visual content (films, video games, simulation and training, virtual reality experiences) and the D-BOX motion system.
3. The D-BOX motion system, consisting of proprietary electromechanical actuators built into a platform, seat, or other type of equipment.

As of June 30, 2019, D-BOX had 131 employees compared with 134 as of June 30, 2018.

6. CORPORATE STRATEGY

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

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

6.1 Revenue Models

The Corporation's revenue streams consist primarily of:

1. The sale or lease of D-BOX motion systems including motion for seats, motion controllers and electronic interfaces or servers;
2. The recurring revenue is generated by the licensing of the D-BOX Motion Code in theatrical and commercial entertainment centres, which are equipped with the D-BOX motion systems to view visual content encoded by D-BOX. The Corporation also receives maintenance revenue relating to the use of the motion systems; and
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 or OEMs).

6.2 Entertainment Market

Theatrical Entertainment

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

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

As at June 30, 2019, 51 exhibitors had more than one location integrating D-BOX motion systems and 207 locations had more than one screen incorporating our technology within the same complex.

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

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

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

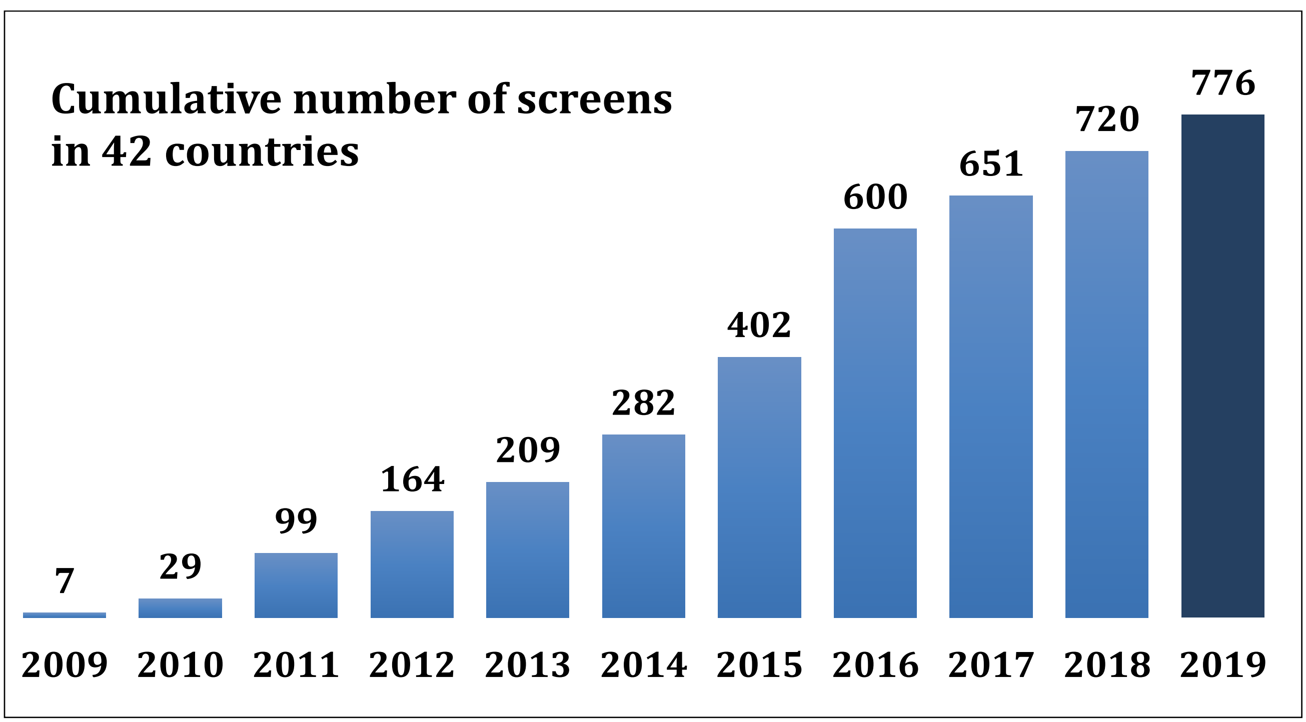
D-BOX has demonstrated that:

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

In measuring the achievement of its theatre chain deployment objectives, the Corporation tracks the installed bases of its D-BOX motion systems and its backlog. The Corporation defines system backlog as follows: a D-BOX motion system commitment or order received as part of a contractual agreement with installation scheduled within a 24-month period.

Total screens installed or in backlog grew 8% to 776 as at June 30, 2019 compared with 720 a year earlier.

Growth of installed screens or in backlog as of June 30



Commercial and High-End Home Entertainment

The commercial entertainment segments include projects related to amusement parks, arcades, museums and planetariums. In the recent years, the growth of Family Entertainment Center ("FEC"), a sub-segment of the amusement park market, have helped fuel the growth of the commercial entertainment segment.

The Corporation's business strategy to increase sales in the Commercial Entertainment Market are the following:

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

6.3 Simulation and Training Market

The Simulation and training market target a diversified group of industries including: automotive, defence, flight, heavy equipment/cranes, racing and wellness. The value propositions of the D-BOX solution are the following:

1. Provide high level of precision of textures and scalable axes of movement to simulate real life scenarios;
2. Achieve maximum readiness by developing their reflexes and muscle memory with a motion-cueing system;
3. Integrate with the curriculum of content providers to allow assessment of the skills, increase readiness and productivity of the trainee, as well as to reduce risk of equipment damage; and
4. Offer a price competitive solution compared to traditional training simulators.

According to Global Market Insights Inc., the Operator Training Simulator market is forecasted to grow at 13% CAGR from 2018 to 2025. One of the drivers is the increasing government regulations to reduce the number of fatalities and injuries. As well, the advancement of new technologies including software, Head Mounted Displays (HMDs) have stimulated demand for simulators.

The Corporation sells products under its own brand and OEM labels while leveraging a network of integrators and resellers. It also adapts its products to address specific manufacturers and OEMs requests to tap into new markets. Currently, the company has over 70 customers in the simulation and training market in more than 30 countries.

7. NON-IFRS MEASURES

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

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

2) Gross profit excluding amortization serves to evaluate the Corporation's capacity to generate funds through product sales by considering the cost of these products while excluding the main non-cash item, namely amortization (see the table reconciling gross profit to gross profit excluding amortization on page 9).

The following table reconciles adjusted EBITDA* to net loss.

	First Quarter Ended June 30 (in thousands of dollars)	
	2019	2018
Net loss	**(606)**	(229)
Amortization of property and equipment	**417**	572
Amortization of intangible assets	**258**	201
Amortization of other assets	**1**	1
Financial expenses	**93**	134
Income taxes	**(7)**	28
Share-based payments	**45**	55
Foreign exchange loss	**14**	395
Adjusted EBITDA	**215**	1,157

8. Main Financial Data

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

Information from the Consolidated Statements of Net Loss and Comprehensive Loss	First Quarter Ended June 30 (in thousands of dollars, except per share data)	
	2019	**2018**
Revenue	**7,533**	9,512
Gross profit excluding amortization*	**4,706**	5,890
Net loss	**(606)**	(229)
Adjusted EBITDA*	**215**	1,157
Basic and diluted net loss per share	**(0.003)**	(0.001)

* See the "Non-IFRS measures" section on page 7.

Information from the Consolidated Statements of Cash Flows	First Quarter Ended June 30 (in thousands of dollars)	
	2019	**2018**
Cash flows relating to operating activities	**(1,065)**	(2,615)
Goods held for Lease	**(75)**	(58)
Additions to property and equipment	**(48)**	(20)
Additions to intangible assets	**(201)**	(176)

The following table shows certain selected significant financial information from the consolidated balance sheets as at June 30, 2019, and March 31, 2019.

Information from the Consolidated Balance Sheets	As at June 30, 2019 (in thousands of dollars)	As at March 31, 2019 (in thousands of dollars)
Cash and cash equivalents	**8,242**	9,635
Inventories	**7,816**	7,526
Working capital	**11,067**	12,126
Total assets	**31,460**	33,764
Total current liabilities	**10,780**	12,403
Total liabilities	**11,412**	13,241
Equity	**20,048**	20,523

9. Operating Results

9.1 Revenue

Revenue for the first quarter ended June 30, 2019, decreased 21% to $7.5 million compared with $9.5 million for the first quarter ended June 30, 2018.

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

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

During the first quarter ended June 30, 2019, the entertainment market revenue fell 30% to $5.3 million compared with $7.6 million for the first quarter last year. Revenue from theatrical entertainment fell 13% to $4.2 million in the current quarter from $4.8 million in the same period last year. These revenues consisted of: (i) D-BOX motion systems sales, down 21% to $1.7 million ($2.2 million in 2018) and (ii) recurring revenue from rights for use, rental and maintenance on the sale of admission tickets in commercial theatres, down 7% to $2.4 million ($2.6 million in 2018).

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

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

As of June 30, 2019, 776 screens were installed and signed (backlog) worldwide, up 8% from 720 screens as of June 30, 2018.

The entertainment market also includes system sales for high-end home entertainment and commercial entertainment. Home entertainment revenues fell 42% to $0.1 million for the first quarter of fiscal 2020 from $0.3 million for the same period last year.

Commercial entertainment system sales fell 60% to $1 million for the current quarter from $2.5 million for 2018 on both new and existing-client sales.

Motion system sales in the Simulation and Training market were up 14% to $2.2 million for the first quarter ended June 30, 2019, from $1.9 million for the same period last year. Sales growth was mainly driven by Simulation and Training systems sold to customers in the automotive, race car and gaming sub-markets.

9.2 Gross Profit

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

	First Quarter ended June 30 (In thousands of dollars)	
	2019	**2018**
Revenue	**7,533**	9,512
Gross profit	**4,253**	5,383
Amortization related to cost of goods sold	**453**	507
Gross profit excluding amortization*	**4,706**	5,890
Gross margin excluding amortization	**62%**	62%

* See the "Non-IFRS measure" section on page 7.

For the first quarter ended June 30, 2019, gross profit fell 21% to $4.3 million from $5.4 million for the same period of the previous year. The gross profit, excluding amortization related to cost of goods sold, was down 20% to $4.7 million for the first quarter of fiscal 2020 (62% of revenues) from $5.9 million (62% of revenues) for the corresponding period last year.

9.3 Operating Expenses

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

For the first quarter ended June 30, 2019, selling and marketing expenses decreased 5% to $2.5 million (34% of revenues) from $2.7 million (28% of revenue) last year.

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

For the first quarter ended June 30, 2019, administration expenses amounted to $1.4 million (19% of revenue) down 12% from $1.6 million (17% of revenue) for the first quarter ended June 30, 2018.

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

For the first quarter ended June 30, 2019, research and development expenses amounted to $0.8 million (11% of revenues) compared with $0.8 million (8% of revenue) for the same period of the previous year.

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

Accordingly, for the first quarter ended June 30, 2019, the foreign exchange loss amounted to $14K compared with a loss of $395K last year. The foreign exchange difference was driven by the volatility of the Canadian dollar relative to the U.S. currency between the periods.

9.4 Financial Expenses

For the first quarter ended June 30, 2019, financial expenses net of interest income amounted to $93K compared with $134K for the same period a year ago.

9.5 Income Taxes

With respect to accounting for future income taxes, the Corporation has concluded that a valuation allowance equal to its future income tax assets should be recorded.

9.6 Net Loss

Net loss for the first quarter ended June 30, 2019, amounted to $0.6 million (basic and diluted net loss of $0.003 per share) compared with a net loss of $0.2 million (basic and diluted net loss of $0.001 per share) in 2018.

10. ADJUSTED EBITDA

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

For the first quarter of fiscal 2020, adjusted EBITDA amounted to $0.2 million compared with $1.2 million for the same period last year.

11. LIQUIDITY, CAPITAL RESOURCES AND FINANCING SOURCES

As at June 30, 2019, current assets amounted to $21.8 million compared with $24.5 million as at March 31, 2019.

Total working capital amounted to at $11.1 million as at June 30, 2019, compared with $12.1 million as at March 31, 2019. Accounts receivable, consisting primarily of trade accounts receivable, investment tax credits and commodity taxes receivable, decreased to $5.0 million from $6.5 million as at March 31, 2019 due to timing of projects delivered during the last month of the quarter. Inventories grew to $7.8 million compared with $7.5 million as at March 31, 2019.

Current liabilities fell $1.6 million to $10.8 million as at June 30, 2019, from $12.4 million as at March 31, 2019. Accounts payable and accrued liabilities, included in current liabilities, were down $1.3 million to $5.3 million from $6.6 million as at March 31, 2019. This decrease was driven primarily by the timing of purchases during the quarter.

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

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

11.1 Operating Activities

For the first quarter ended June 30, 2019, cash flows used by operating activities totalled $1.1 million compared with $2.6 million for the same period of the previous year. This $1.5 million positive change resulted from a $0.6 million decrease in cash generated by operations before changes in working capital items and a $2.1 million decrease in cash used by changes in working capital items.

11.2 Investing Activities

For the first quarter ended June 30, 2019, cash flows used by investing activities amounted to $0.2 million compared with $0.2 million for the same period of the previous fiscal year.

11.3 Financing Activities

Payment of lease liabilities of $64K for the three-month period ended June 30, 2019. There were no financing activities for the first quarter ended June 30, 2018.

As of June 30, 2019, the effective interest rate of long-term debt was 10.7% and the Corporation was in compliance with all debt covenants.

As of June 30, 2019, interest expense on long-term debt charged to income amounted $130K ($126K in 2018) including an amount of $44K related to accretion of interest expense ($38K in 2018).

11.4 Equity

Equity fell $0.5 million to $20.0 million as at June 30, 2019, from $20.5 million as at March 31, 2019. This decrease resulted mainly from the net loss of $0.6 million for the first quarter ended June 30, 2019.

12. Quarterly Data

Operating results for each of the past eight quarters are shown in the table below (in thousands of dollars, except per share data):

	2020	2019				2018		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue from the entertainment market								
Theatrical entertainment: System sales	**1,741**	999	1,896	2,688	2,197	1,236	3,537	2,133
Rights for use, rental and maintenance	**2,434**	1,831	2,073	2,102	2,605	1,967	2,482	1,828
	4,175	2,830	3,969	4,790	4,802	3,203	6,019	3,961
Commercial entertainment system sales	**995**	2,757	2,140	1,312	2,512	3,561	2,760	903
Home entertainment system sales	**147**	151	146	365	253	905	265	1,211
Total revenue from the entertainment market	**5,317**	5,738	6,255	6,467	7,567	7,669	9,044	6,075
Revenue from the simulation and training market	**2,216**	2,570	2,003	1,619	1,945	1,615	1,356	1,578
TOTAL REVENUE	**7,533**	8,308	8,258	8,086	9,512	9,284	10,400	7,653
Adjusted EBITDA*	**215**	267	515	127	1,157	906	1,114	176
Net income (loss)	**(606)**	(551)	(177)	(748)	(229)	12	51	(840)
Basic and diluted net income (loss) per share	**(0.003)**	(0.003)	(0.001)	(0.004)	(0.001)	0.000	0.000	(0.004)
(in thousands) **Weighted average number of common shares outstanding**	**175,951**	175,951	175,951	175,951	175,951	175,951	175,951	175,951

* See the "Non-IFRS Financial Measures" section and the reconciliation Table of adjusted EBITDA to net loss on page 7.

13. Commitments

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

(in thousands of dollars)	Leases	Other Commitments
2019	7	34
2020 to 2022	6	25
	13	**59**

Reflecting IFRS 16, the Corporation's operating lease expenses decreased to $42K for the first quarter of fiscal year 2020 ($129K in 2019). The Corporation has also pledged the office furniture and fixtures, in favour of the lessors.

14. Fully Diluted Share Capital (August 7, 2019)

	Class A common shares
Class A common shares outstanding	175,950,573
Convertible instruments	
Stock-options outstanding	15,760,433
Warrants	6,500,000
	198,211,006

15. New Accounting Standard

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

Impact on transition to IFRS 16:

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

16. Risk and Uncertainties

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

17. Disclosure Controls and Internal Controls Over Financial Reporting

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

During the first quarter ended June 30, 2019, there were no changes in the Corporation's internal control over financial reporting that materially affected, or are likely to materially affect, the Corporation's internal control over financial reporting.

18. CONTINUOUS INFORMATION AND ADDITIONAL DISCLOSURE

This MD&A was prepared as of August 7, 2019. Additional information can be found on the SEDAR website at www.sedar.com.

D-BOX®, D-BOX Motion Code®, LIVE THE ACTION®, MOTION ARCHITECTS®, MOVE THE WORLD® and FEEL IT ALL are trademarks of D-BOX Technologies Inc. Other names are for informational purposes only and may be trademarks of their respective owners.