Management's Discussion and Analysis

D-BOX Technologies Inc.
Second Quarter ended September 30, 2018

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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 the activities of D-BOX Technologies Inc. and its subsidiaries, as well as key elements of its financial results. In particular, it explains changes in the Corporation's financial position and operating results for the second quarter and the six-month period ended September 30, 2018, by comparing them to the results of the corresponding periods of the previous fiscal year. It also presents a comparison of the balance sheets as at September 30, 2018, and March 31, 2018.

This MD&A has been prepared in accordance with Regulation 51-102, respecting Continuous Disclosure Obligations, and should be read in conjunction with the information included in the consolidated financial statements and MD&A for the fiscal year ended March 31, 2018, and the unaudited interim condensed consolidated financial statements of the second quarter and the six-month period ended September 30, 2018. 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 September 30, 2018, and this MD&A were reviewed by the Audit Committee and approved by the Board of Directors on August 14, 2018. 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" 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. SECOND QUARTER HIGHLIGHTS

3.1 Financial Highlights

Highlights for the second quarter ended September 30, 2018

Compared with the second quarter ended September 30, 2017:

- Revenues totalled $8.1 million up 6% from $7.7 million.
- Recurring revenues grew 15% to $2.1 million from $1.8 million.
- Quarterly adjusted EBITDA was $127K compared with $176K.
- Recurring revenues rose to 26% of total revenues from 24%.
- Net loss totalled ($748K) compared with ($840K).

Highlights for the six month period ended September 30, 2018

Compared with the six-month period ended September 30, 2017:

- Revenues totalled $17.6 million up 11% from $15.8 million.
- Recurring revenues grew 18% to $4.7 million from $4.0 million.
- Quarterly adjusted EBITDA was $1.3 million compared with $0.6 million.
- Recurring revenues rose to 27% of total revenues from 25%.
- Net loss totalled ($977K) compared with ($1,824K).

Second quarter and Six-month period ended September 30 (in thousands of dollars, except per share amounts)				
	Second Quarter		**Six-month period**	
	2018	**2017**	**2018**	**2017**
Revenues	**8,086**	7,653	**17,598**	15,794
Net loss	**(748)**	(840)	**(977)**	(1,824)
Adjusted EBITDA*	**127**	176	**1,284**	553
Basic and diluted net loss per share	**(0.004)**	(0.004)	**(0.006)**	(0.010)
Information from the consolidated balance sheet				
	As at September 30,2018		**As at March 31, 2018**	
Cash and cash equivalents	**8,423**		10,141	

* See the "Non IFRS Measures" section and the reconciliation table of adjusted EBITDA to the net loss on page 9.

3.2 Operational Highlights

- D-BOX is celebrating the recent installation of new D-BOX motion seats in several venues across Germany reaching a new milestone in this country of over 100 screens.

- D-BOX will install motion recliner seats in two full auditoriums with Maya theatres. The first installation is slated for November at the Maya Bakersfield Theatre in California. The second installation will start in December at the Maya North Las Vegas Theater and be completed just in time for the highly-anticipated holiday blockbuster season. D-BOX will also be adding recliner seats to a fully-renovated auditorium at the Boulevard Mall Theatre with Galaxy Theatres in Las Vegas and is also working with Galaxy to increase the number of recliner motion seats in their Riverbank Luxury IMAX Theatre in California. Also, D-BOX continues to grow its partnership with Cinemark in the US with the installation of additional D-BOX motion seats in two new screens.

- D-BOX announced the addition of D-BOX seats across five countries for the major US exhibitor Cinemark. This expanded agreement increases the installation of motion seats into theatres in Colombia, Brazil, and Peru in addition to two new screens in Chile and Nicaragua.

- D-BOX continued its expansion in China via a new contract with Link Digital Cinema China Technology (Beijing) Co., Ltd. (Link DC). The Asian company signed an agreement to purchase additional D-BOX motion systems in an effort to capitalize on the growing demand for premium entertainment experiences.

- D-BOX and Secret Location, a content studio for emerging platforms, have signed an agreement making Secret Location the virtual reality {VR} content management platform provider for D-BOX. Under the strategic partnership, Secret Location will be the primary distributor for D-BOX enabled VR content intended for location-based entertainment (LBE) environments. This new agreement will facilitate global distribution and provide insights into consumer behavior and preferences. Ultimately, this collaboration will accelerate adoption and contribute to the overall success of the VR LBE industry.

4. Outlook

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

D-BOX's expertise in immersive motion and true-to-life simulation positions the Corporation to be an active participant in the growing virtual reality (VR) market. The Corporation is actively developing new applications for VR and other related markets. D-BOX proprietary technology may also enhance the expansion of VR by reducing the motion dizziness sometimes associated with VR experiences. D-BOX is particularly focused on this new trend as the size of the virtual and augmented reality markets grow, potentially to billions of dollars in the near future, according to many industry sources.

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 it to collaborate with some of the largest companies in the world to deliver new ways to tell great stories. Whether for movies, video games, virtual reality applications, themed entertainment or professional simulation, D-BOX's mission is to move the world.

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

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

As of September 30, 2018, D-BOX had 138 employees compared with 131 as of September 30, 2017.

6. Corporate Strategy

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

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. Sales or leasing of D-BOX motion systems including motion for seats, motion controllers and electronic interfaces or servers.
2. Recurring revenue is generated by the licensing of the D-BOX Motion Code in theatrical and commercial entertainment centers equipped with the D-BOX motion systems to view visual content encoded by D-BOX. The Corporation also receives maintenance revenue relating to the use of the motion systems.
3. Sale of actuators to resellers, integrators, and equipment or seating manufacturers who incorporate and market the D-BOX technology under their own brands (known as original equipment manufacturers or OEMs).

6.2 Entertainment Market

Theatrical Entertainment

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

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

As of September 30, 2018, 51 exhibitors had more than one location that integrated the D-BOX motion system and 196 locations had more than one screen incorporating our technology within the same complex.

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

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

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

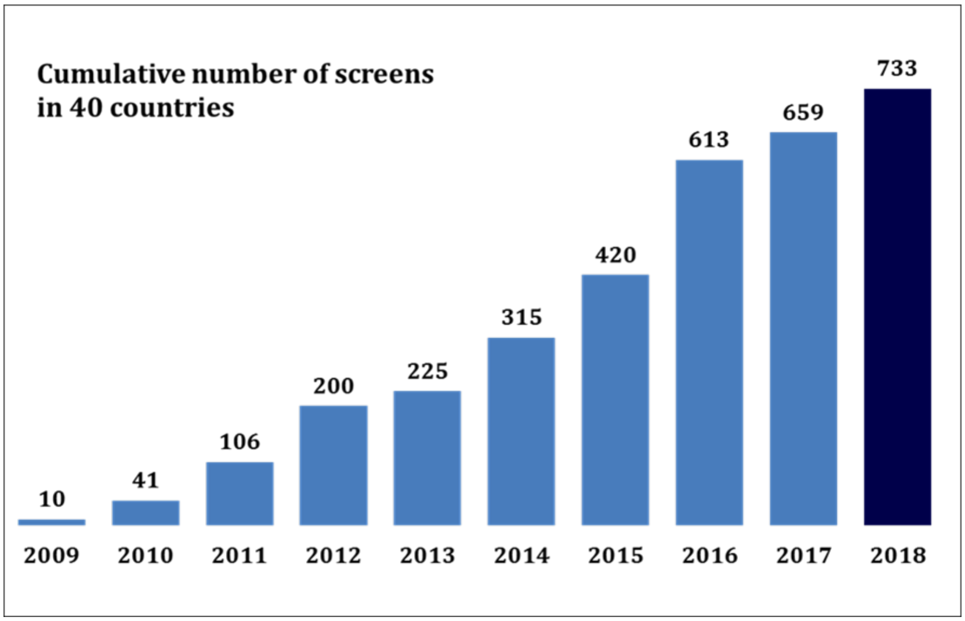
D-BOX has demonstrated that:

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

In measuring achievement of its theatre chain deployment objectives, the Corporation tracks the installed base of its D-BOX motion systems as well as 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 11% to 733 at the end of second quarter ended September 30, 2018 compared with 659 a year earlier.

Growth of installed screens or in backlog as of September 30, 2018



Commercial and High-End Home Entertainment

The Corporation:

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

6.3 Simulation and Training Market

Simulation and training market sales target a diversified group of industries including: automotive, defence, flight, heavy equipment/cranes, racing, and wellness.

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

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

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

   The following table reconciles adjusted EBITDA to net loss.

	Second Quarter ended September 30		Six-month period ended September 30	
	2018	2017	**2018**	2017
Net Income (loss)	**(748)**	(840)	**(977)**	(1,824)
Amortization of property and equipment	**538**	576	**1,110**	1,170
Amortization of intangible assets	**204**	165	**405**	326
Amortization of other assets	**1**	1	**2**	2
Financial expenses	**128**	131	**262**	267
Income taxes	**50**	4	**78**	5
Share-based payments	**38**	80	**93**	136
Foreign exchange loss (gain)	**(84)**	59	**311**	214
Restructuring costs	**—**	—	**—**	257
Adjusted EBITDA	**127**	**176**	**1,284**	**553**

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 13).

8. Main Financial Data

The following table shows selected significant financial information for the Second 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 Other Comprehensive Loss	Second Quarter ended September 30		Six-month period ended September 30	
	2018	**2017**	**2018**	**2017**
Revenue	**8,086**	7,653	**17,598**	15,794
Gross profit excluding amortization*	**4,551**	4,470	**10,441**	9,400
Net loss	**(748)**	(840)	**(977)**	(1,824)
Adjusted EBITDA*	**127**	176	**1,284**	553
Basic and diluted net loss per share	**(0.004)**	(0.004)	**(0.006)**	(0.010)

* See the "Non-IFRS measures" section on page 9.

(Amounts in tables are in thousands of Canadian dollars, except for amounts relating to warrant, options, shares and per-share amounts) Page 10

Information from the Consolidated Statements of Cash Flows	Six-month period ended September 30	
	2018	**2017**
Cash flows relating to operating activities	**(1,240)**	1,115
Goods held for lease	**(58)**	(547)
Additions to property and equipment	**(139)**	(367)
Additions to intangible assets	**(366)**	(417)

The following table shows certain selected significant financial information from the consolidated balance sheets as at September 30, 2018, and March 31, 2018.

Information from the Consolidated Balance Sheets	As at September 30, 2018	As at March 31, 2018
Cash and cash equivalents	**8,423**	10,141
Inventories	**7,415**	7,761
Working capital	**16,979**	16,648
Total assets	**32,365**	34,354
Total current liabilities	**5,603**	7,003
Long-term debt	**4,771**	4,693
Total liabilities	**11,094**	12,257
Equity	**21,271**	22,097

9. Operating Results

9.1 Revenue

Revenue for the second quarter ended September 30, 2018, rose 6% to $8.1 million compared with $7.7 million for the second quarter ended September 30, 2017. For the six-month period ended September 30, 2018, total revenue reached $17.6 million, up 11% from $15.8 million for the same period last year.

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

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

During the second quarter ended September 30, 2018, the entertainment market generated a 6% increase in revenue to $6.5 million from $6.1 million year over year. Revenue from theatrical entertainment rose 21% to $4.8 million for the current quarter from $4.0 million for the same period last year. This revenue consisted of: (i) D-BOX motion systems sales, up 26% to $2.7 million ($2.1 million in 2017) (ii) recurring revenue from rights for use, rental and maintenance on the sale of admission tickets in commercial theatres, up 15% to $2.1 million ($1.8 million in 2017). The increase in motion system sales reflected the change in backlog from the end of the first quarter ended June 30, 2018.

For the six-month period ended September 30, 2018, the entertainment market generated a 12% increase in revenue to $14.0 million compared with $12.5 million for the first half of previous year. Revenue from theatrical entertainment rose 4% to $9.6 million for the current six-month period from $9.2 million for the same period last year. These revenues consisted of: (i) D-BOX motion systems sales, down 7% to $4.9 million ($5.2 million in 2017) (ii) recurring revenue from rights for use, rental and maintenance on the sale of admission tickets in commercial theatres, up 18% to $4.7 million ($4.0 million in 2017).

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

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

As of September 30, 2018, 733 screens were installed and signed (backlog) worldwide, up 11% from 659 screens a year earlier.

The entertainment market also includes system sales for high-end home entertainment and commercial entertainment. Home entertainment revenues fell 70% to $0.4 million for the second quarter ended September 30, 2018 from $1.2 million for the same period last year. For the six-month period ended September 30, 2018, home entertainment revenue fell 69% to $0.6 million from $2.0 million year over year.

Commercial entertainment system sales surged 45% to $1.3 million for the current quarter from $0.9 million for the same period last year on both new and existing-client sales. For the six-month period ended September 30, 2018, Sales jumped 184% to $3.8 million from $1.3 million for the same period last year.

Motion system sales in the Simulation and Training market were up 3% to $1.62 million for the second quarter ended September 30, 2018, from $1.58 million for the same period last year. For the six-month period ended September 30, 2018, sales grew 9% to $3.6 million from $3.3 million for the same period last year. Sales growth was mainly driven by Simulation and Training systems sold to customers in the automotive, race car and gaming sub-markets.

(Amounts in tables are in thousands of Canadian dollars, except for amounts relating to warrant, options, shares and per-share amounts) Page 12

9.2 Gross Profit

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

	Second Quarter ended September 30		Six-month period ended September 30	
	2018	**2017**	**2018**	**2017**
Revenue	**8,086**	7,653	**17,598**	15,794
Gross profit	**4,048**	4,001	**9,431**	8,449
Amortization related to cost of goods sold	**503**	469	**1,010**	951
Gross profit excluding amortization*	**4,551**	4,470	**10,441**	9,400
Gross margin excluding amortization	**56.3%**	58.4%	**59.3%**	59.5%

* See the "Non-IFRS measure" section on page 9.

For the second quarter ended September 30, 2018, gross profit grew 1.2% for the same period year over year. Excluding amortization related to cost of goods sold, gross profit was up 1.8% to $4.6 million for the second quarter ended September 30, 2018 (56.3% of revenues) from $4.5 million (58.4% of revenues) for the corresponding period last year.

For the six-month period ended September 30, 2018, gross profit stood at $9.4 million (54% of revenue) up 12% from $8.4 million (53% of revenue) for 2017. Excluding amortization related to cost of goods sold, gross profits grew 11% to $10.4 million (59.3% of revenue) for the six-month period ended September 2018 from $9.4 million (59.5% of revenue) year over year. This growth was mainly driven by the 11% improvement in sales.

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 second quarter ended September 30, 2018, selling and marketing expenses fell 2% to $2.37 million (29% of revenues) from $2.42 million (32% of revenue) for the same period last year.

For the six-month period ended September 30, 2018, selling and marketing expenses were $5.04 million (29% of revenues) up 2% from $4.94 million (31% of revenue) year over year.

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

For the second quarter ended September 30, 2018, administration expenses amounted to $1.58 million (20% of revenue) up 2% from $1.55 million (20% of revenue) for the corresponding period ended September 30, 2017.

For the six-month period ended September 30, 2018, administration expenses stood at $3.21 million (18% of revenues) down 2% from $3.27 million (21% of revenue) for the same period ended September 2017.

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 second quarter ended September 30, 2018, research and development expenses amounted to $0.75 million (9% of revenues) up 10% from $0.68 million (9% of revenue) for the same period of the previous year.

For the six-month period ended September 30, 2018, research and development expenses totalled $1.51 million (9% of revenues) down 5% from $1.59 million (10% of revenue) for the same period of the previous year.

Foreign Exchange Loss (gain): the 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 second quarter ended September 30, 2018, the foreign exchange gain amounted to $84K compared with a loss of $59K for the corresponding period last year.

For the six-month period ended September 30, 2018, the foreign exchange loss amounted $311K compared with $214K for the first half of the previous 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 second quarter ended September 30, 2018, financial expenses net of interest income amounted to $128K compared with $131K for the same period a year ago.

For the six-month period ended September 30, 2018, financial expenses net of interest reached $262K compared with $267K for the corresponding period last year.

9.5 Income Taxes

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

9.6 Net Loss

Net loss for the second quarter ended September 30, 2018, amounted to $0.75 million (basic and diluted net loss of $0.004 per share) compared with a net loss of $0.84 million (basic and diluted net loss of $0.004 per share) for the same period last year.

For the six-month period ended September 30, 2018, net loss amounted $0.98 million (basic and diluted net loss of $0.006 per share) compared with a net loss of $1.82 million (basic and diluted net loss of $0.010 per share) for the same period last year.

10. Adjusted EBITDA

Adjusted EBITDA provides useful and complementary information which can be used, in particular, to assess profitability and cash flows provided by operations. It consists of net 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 second quarter ended September 30, 2018, adjusted EBITDA amounted to $127K compared with $176K for the same period last year.

For the six-month period ended September 30, 2018, adjusted EBITDA amounted to $1.3 million compared with $0.6 million year over year.

11. Liquidity, Capital Resources and Financing Sources

As at September 30, 2018, current assets amounted to $22.6 million compared with $23.7 million as at March 31, 2018.

Total working capital stood at $16.98 million as at September 30, 2018, compared with $16.65 million as at March 31, 2018. Accounts receivable, consisting primarily of trade accounts receivable, investment tax credits and commodity taxes receivable, rose to $5.9 million from $5.3 million as at March 31, 2018 due to timing of projects delivered during the last month of the quarter. Inventories declined to $7.4 million as at September 30, 2018, from $7.8 million as at March 31, 2018.

Current liabilities fell $1.4 million to $5.6 million as at September 30, 2018, from $7.0 million as at March 31, 2018. Accounts payable and accrued liabilities, included in current liabilities, were down $1.6 million to $4.7 million from $6.3 million as at March 31, 2018.

11.1 Operating Activities

For the six-month period ended September 30, 2018, cash flows used by operating activities totalled $1.2 million compared with $1.1 million in cash flows generated for the same period of the previous year. This $2.3 million negative change resulted from a $1.1 million increase in cash generated by operations before changes in working capital items and a $3.5 million increase in cash used by changes in working capital items.

11.2 Investing Activities

For the six-month period ended September 30, 2018, cash flows used by investing activities amounted to $0.5 million compared with $0.8 million for the same period of the previous fiscal year.

11.3 Financing Activities

There were no financing activities for the six-month periods ended September 30, 2018 and 2017.

As of September 30, 2018, the effective interest rate of long-term debt was 10.7% and the Corporation was in compliance with all debt covenants.

For the second quarter and six-month period ended September 30, 2018, interest expense on long-term debt charged to loss amounted to $127K ($123K in 2017) and $253K ($244K in 2017), respectively, including amounts of $39K ($35K in 2017) and $78K ($70K in 2017) related to accretion of interest expense.

11.4 Equity

Equity fell $0.8 million to $21.3 million as of September 30, 2018, from $22.1 million as at March 31, 2018. This decrease resulted mainly from the net loss of $0.7 million for the second quarter ended September 30, 2018.

12. QUARTERLY DATA

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

	2019	2019	2018	2018	2018	2018	2017	2017
	Q2	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
Revenue from the entertainment market								
Theatrical entertainment:								
System sales	**2,688**	2,197	1,236	3,537	2,133	3,115	3,381	1,254
Rights for use, rental and maintenance	**2,102**	2,605	1,967	2,482	1,828	2,150	1,713	2,076
	4,790	4,802	3,203	6,019	3,961	5,265	5,094	3,330
Commercial entertainment system sales	**1,312**	2,512	3,561	2,760	903	442	1,571	1,356
Home entertainment system sales	**365**	253	905	265	1,211	751	2,006	536
Total revenue from the entertainment market	**6,467**	7,567	7,669	9,044	6,075	6,458	8,671	5,222
Revenue from the simulation and training market	**1,619**	1,945	1,615	1,356	1,578	1,683	1,942	1,581
TOTAL REVENUE	**8,086**	9,512	9,284	10,400	7,653	8,141	10,613	6,803
Adjusted EBITDA*	**127**	1,157	906	1,114	176	377	998	(225)
Net income (loss)	**(748)**	(229)	12	51	(840)	(984)	286	(1,638)
Basic and diluted net income (loss) per share	**(0.004)**	(0.001)	0.000	0.000	(0.004)	(0.006)	0.001	(0.009)
(in thousands) **Weighted average number of common shares outstanding**	**175,951**	175,951	175,951	175,951	175,951	175,951	175,753	175,150

* See the "Non-IFRS Financial Measures" section and the reconciliation Table of adjusted EBITDA to net loss on page 9.

13. COMMITMENTS

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

	Leases	Other Commitments
2019	320	21
2020 to 2022	587	0
	907	**21**

The Corporation's operating lease expenses amounted to $136K for the second quarter ended September 30, 2018 ($152K for 2017) and $265 for the six-month period ended September 2018 ($288K for 2017) and has pledged the office furniture and fixtures, in favour of the lessors.

(Amounts in tables are in thousands of Canadian dollars, except for amounts relating to warrant, options, shares and per-share amounts) Page 16

14. Fully Diluted Share Capital (November 14, 2018)

	Class A common shares
Class A common shares outstanding	175,950,573
Convertible instruments	
Stock-options outstanding	14,926,267
Warrants	6,500,000
	197,376,840

15. Changes in Accounting Policies

On April 1, 2018, the Corporation adopted IFRS 9, Financial Instruments, which simplifies the measurement and classification of financial assets by reducing the number of measurement categories in IAS 39, Financial Instruments: Recognition and Measurement. The new standard also provides for a fair value option in the designation of a non-derivative financial liability and its related classification and measurement, as well as for a new hedge accounting model more closely aligned with risk management activities undertaken by entities. IFRS 9 also introduces a new expected loss impairment model that will require timely recognition of expected credit losses. Specifically, entities will be required to account for expected credit losses when financial instruments are first recognized and to recognize full lifetime expected credit losses on a timely basis.

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

On April 1, 2018, the Corporation also adopted IFRS 15, Revenue from Contracts with Customers, which specifies how and when an entity will recognize revenue as well as requiring such entities to provide users of financial statements with more informative disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. Accordingly, the Corporation now recognizes a contract with a customer only when all of the following criteria are satisfied:

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

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

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 14, 2018, 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 second quarter ended September 30, 2018, 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 November 14, 2018. Additional information can be found on the SEDAR website at www.sedar.com.

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