Management Discussion and Analysis

D-BOX Technologies Inc.

Fiscal Year ended March 31, 2017

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MANAGEMENT DISCUSSION AND ANALYSIS
D-BOX Technologies Inc.
Fiscal Year ended March 31, 2017

1. SCOPE OF THE MD&A

This Management's Discussion and Analysis ("MD&A") is intended to provide the reader with a better understanding of the activities of D-BOX Technologies Inc. and its subsidiaries, as well as key elements of its financial results. In particular, it explains changes in the Corporation's financial position and operating results for the fiscal year ended March 31, 2017 by comparing them to the results of the previous fiscal year. It also presents a comparison of the balance sheets as at March 31, 2017 and March 31, 2016.

This MD&A has been prepared in accordance with *National Instrument 51-102*, *Continuous Disclosure Obligations,* and should be read in conjunction with the information included in the audited consolidated financial statements for the fiscal year ended March 31, 2017 and accompanying notes. Unless otherwise indicated, the terms "Corporation" and "D-BOX" refer to D-BOX Technologies Inc.

The audited consolidated financial statements and this MD&A have been reviewed by the Audit Committee and approved by the Corporation's Board of Directors. Unless otherwise indicated, all the amounts in this MD&A are in thousands of Canadian dollars.

2. FORWARD-LOOKING STATEMENTS

Some of the statements made in this MD&A, including, but not limited to, statements about the opinions, the projects, the objectives, the strategies, the estimates, the intentions and the 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, you 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 herein. 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. MESSAGE TO SHAREHOLDERS

Dear Shareholders,

We are pleased to announce that 2017 was another year of growth for the company. During the last twelve months, D-BOX has developed an important number of new business opportunities and strengthened existing partnerships in both the entertainment and simulation and training markets.

As D-BOX expands its reach and builds the brand, we anticipate the long-term upward trend in revenue to continue as more and more businesses around the world capitalize on the kind of top-tier entertainment and simulation and training experiences that only D-BOX can provide.

On the theatrical side, D-BOX signed significant commercial contracts with clients that has led to a total of 640 screens installed or to be installed as of March 31, 2017. D-BOX also secured new orders from current clients including Cineplex in Canada and Cinemark in the United States and Latin America.

China is a market with significant potential for us. D-BOX has partnered with a Chinese film studio to open our first motion-coding studio in Beijing to play a more central role in the production of Chinese movies. Additionally, D-BOX has signed a distribution agreement and has installed the first full auditorium in China equipped with D-BOX technology.

On the Home Entertainment front, D-BOX signed an important distribution agreement with a subsidiary of Gold Finance Group to distribute and promote our high-end home entertainment motion systems in China. Revenues for that deal are expected to reach approximately $22M US.

These achievements have opened doors for us outside of the theatrical industry and are generating exciting new applications for our motion-coding technology. For example, D-BOX is strategically positioned to capitalize on the unprecedented opportunities in the budding virtual reality (VR) and augmented reality markets. What makes us confident about our future in VR is the fact that our technology has been proven to reduce the motion dizziness sometimes associated with that experience. This could be the missing link that solves one of the main challenges that VR needs to overcome.

To date, D-BOX has already played a key role in a series of successful VR ventures with Ubisoft, Fox Innovation Lab, VRC, HTC Viveland, mk2, Samsung and others. D-BOX is also one of the main attractions at the state-of-the-art IMAX VR Experience Center in Los Angeles. Additionally, D-BOX was recently selected by the National Football League to play a role in their exciting new*, NFL Experience Times Square,* another thrilling state-of-the-art immersive attraction created by Cirque du Soleil which is slated to open in November in the heart of New York City.

On other fronts, D-BOX successfully launched a second generation of actuators (D-BOX Gen II) for the simulation and training market, delivering a dimension of creativity and flexibility that has received rave reviews from key industry players. D-BOX also partnered with ICAR, Canada's largest racing motion simulator centre to provide race fans, gamers and thrill seekers with the ultimate simulated racing experience.

As the world's leading provider of state-of-the-art, cutting edge immersive motion systems and bolstered by a compound annual growth rate of 24.8% over the last seven years, D-BOX is completely focused on the opportunities that lie ahead to generate even more success by reinforcing our position around the globe.

In closing, we want to say thank you to our employees. Know that your commitment and passion are key factors in our continued success.

We would also like to acknowledge the tremendous support of our board of directors. Your ongoing collaboration and encouragement is invaluable to us as we grow our business and create rewarding new opportunities in the coming years.

Jean Lamarre	Claude Mc Master
Chairman of the Board	President and Chief Executive

4. QUARTERLY AND FISCAL YEAR HIGHLIGHTS

4.1 Financial Highlights

- Strong sales results for the fourth quarter and growth in revenue for the fiscal year with:
  - ✓ Quarterly revenue up by 23% to $10,613K, including an increase of 18% to $8,671K for the entertainment market and an increase of 57% to $1,942K for the simulation and training market; and
  - ✓ Annual revenue up by 8% to $31,409K including $18,963K of system sales and $6,813K of recurring revenue for the entertainment market and 30% increase to $5,633K in sales for the simulation and training market.
- Net income of $286K for the quarter compared to a net loss of $406K last year and net loss of $2,892K for the year compared to $187K in 2016.
- Quarterly and fiscal year adjusted EBITDA*:
  - ✓ Adjusted EBITDA of $963K for the fourth quarter compared to $944K last year; and
  - ✓ Adjusted EBITDA of $512K for the fiscal year compared to $3,598K last year.

Fourth quarter and fiscal year ended March 31 (in thousands of dollars, except per share amounts)				
	Fourth Quarter		**Fiscal Year**	
	2017	**2016**	**2017**	**2016**
Revenues	**10,613**	8,612	**31,409**	29,042
Net income (loss)	**286**	(406)	**(2,892)**	(187)
Adjusted EBITDA*	**963**	944	**512**	3,598
Basic and diluted net income (loss) per share	**0.001**	(0.002)	**(0.017)**	(0.001)
Information from the consolidated balance sheet				
	As at March 31,2017		**As at March 31, 2016**	
Cash and cash equivalents	**8,867**		**16,454**	

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

4.2 Operational Highlights

- Continuous development of our entertainment business activities with:
  - ✓ 12% increase in screens installed or in backlog to 640 at year-end including additional screens installed with Cineplex in Canada and with Cinemark in United States and Latin America.
  - ✓ Major developments in China with a first motion coding studio in Beijing, a partnership with State Production Base of China Film Studio, a distribution agreement with Link DC China, and the installation of the first entire auditorium equipped with our technology with Shanghai Bestar Cinemas Management Co. Ltd.
  - ✓ Important distribution agreement with a subsidiary of Gold Finance Group to distribute and promote D-BOX high-end home entertainment motion systems in China for revenues of up to US $22M.
  - ✓ Key role in a series of successful virtual reality (VR) ventures for Ubisoft, Fox Innovation Lab, VRC, HTC Viveland, mk2, Samsung and others. D-BOX also played a role in the state-of-the-art IMAX VR Experience Center in Los Angeles.
  - ✓ Recently selected by the National Football League, *NFL Experience Times Square,* to take part in the creation by Cirque du Soleil of a thrilling state-of-the-art sports-themed immersive attraction in the heart of New York City.
- Developments in the simulation and training market:
  - ✓ Introduction of a second generation of actuators (D-BOX Gen II) for the simulation and training market. This latest evolution of its motion-cueing solutions provides adopters an unprecedented range of creativity and flexibility and will contribute opening new markets for D-BOX.
  - ✓ Partnership with ICAR, Canada's largest racing motion simulator center in Mirabel, Canada's ultimate motorsports complex.

- ✓ Additional orders from John Deere and other existing clients and agreements with the new ones.

5. Outlook

D-BOX focuses on two major development areas: the entertainment market and the simulation and training market which have their respective sub-markets. In light of the business development activities in each of these two markets, D-BOX anticipates the long-term upward trend in revenue to continue. In combination with this expected growth of revenue, D-BOX intends to increase the level of its operating expenses aiming, amongst others, accelerating the Chinese market penetration and support the sales and marketing of technological innovations This strategy will help solidify D-BOX's position in existing sub-markets and will facilitate entering new ones.

With the advent of the VR world and with D-BOX's expertise in immersive motion and true-to-life simulation; D-BOX has actively been developing new applications for VR and other key markets. De facto, D-BOX is well positioned to become a key player in the VR industry given that its technology can reduce motion dizziness sometimes associated with such experiences and may be the missing link that will solve one of the main challenges virtual reality needs to overcome. D-BOX is particularly excited to be part of the new trend as the size of the virtual and augmented reality markets may soon reach billions of dollars according to many industry sources.

6. Corporate Profile

D-BOX designs, manufactures and commercializes cutting-edge motion systems intended for the entertainment and simulation and training markets. This unique and patented technology uses motion effects specifically programmed for each visual content which are sent to a motion system integrated into either a platform, a seat or any other product. The resulting motion is perfectly synchronized with the on-screen action, thus creating an unparalleled realistic immersive experience.

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

1. the creation of motion effects making up the motion code known as D-BOX Motion Code;
2. a motion controller serving as an interface between the optical disk reader or the video server that contains the film and the D BOX motion system; and
3. the D-BOX motion system, amongst other things, consists of electromechanical pistons (actuators) built into a platform, a seat, or another type of equipment.

As at March 31, 2017, D-BOX had 122 employees compared to 100 as at March 31, 2016.

7. Corporate Strategy

The Corporation is a leader with respect to the creation and design of non-distractive immersive motion systems. It is also in a unique position to be part of and to act as a truly differentiating factor for upcoming virtual reality technologies and experiences.

D-BOX continues to develop brand awareness in addition to offering a differentiated asset generating revenue in various business sectors. The Corporation's cutting-edge motion systems target two distinct markets: the entertainment market and the simulation and training market.

Examples of Application

<table>
<tr><th>Entertainment Market</th><th>Simulation and Training Market</th></tr>
<tr><td>• Commercial theatres
• Home Entertainment:
○ Home theatre
○ Video games
• Themed Entertainment:
○ Amusement parks
○ Arcades
○ Museums and planetariums</td><td>• Simulation and training for:
○ Automotive
○ Flight
○ Heavy equipment/cranes
○ Racing
○ Wellness</td></tr>
<tr><td colspan="2">• Virtual reality for the Entertainment and Simulation and Training markets</td></tr>
</table>

7.1 Revenue Models

The Corporation's revenue streams consist mainly of:

1. the sale or lease of D-BOX motion systems including motion controllers and computer servers in the case of larger installations such as commercial theatres;
2. utilization rights (license) for the D-BOX technology on the sale of admission tickets in commercial theatres which are equipped with this technology to view a motion picture encoded by D-BOX. The Corporation also receives system maintenance revenue relating to the use of systems;
3. direct sales of motion systems to a network of specialized resellers, integrators, equipment or seating manufacturers who market the D-BOX technology under their own brands (Original Equipment Manufacturers or OEMs). This marketing method offers the advantage of minimizing sales and marketing costs; and
4. coding rights for visual content.

7.2 Growth Strategy / Entertainment Market

The Corporation is constantly pursuing opportunities with commercial theatre owners to increase the number of venues equipped with its technology.

Concurrently, the Corporation leverages its relationships and credibility established with Hollywood's major studios and some Asian and European studios in order to provide a wide array of content to its commercial theatres. The Corporation believes that an increased offering of motion pictures has a direct impact on the number of equipped venues and that box office revenue for D-BOX motion systems equipped theatres acts as an incentive to:

1. accelerate the deployment of its technology with new commercial theatre exhibitors that want to add a distinctive element to their offering;
2. facilitate the sale of its technology to current exhibitors that may want to equip more than one of their complexes or equip more than one screen within the same complex;
3. generate motion system sales to the high-end home entertainment clientele, who want to experience D-BOX in the comfort of their homes;
4. encourage video game customers to purchase gaming seats equipped with D-BOX motion systems thereby allowing them to add a new level of immersion to their gaming experience; and
5. promote the technology to potential customers in the simulation and training market.

As of March 31, 2017, 38 exhibitors (36% of all exhibitors) had more than one location that integrated the D-BOX motion system and 163 locations (39% of all locations) had more than one screen incorporating our technology within the same complex.

An increase in the number of equipped theatres has a direct impact on the offering of studios which is based on a business model that benefits all parties since they share the new revenue generated by D-BOX.

Access to content is a key factor in accelerating the deployment of D-BOX motion systems. The Corporation is constantly expanding its business relationships with new film and gaming content providers. For instance, over 250 titles, including more than 110 which ranked number 1 at the box office on opening weekend, have been coded so far for presentation in commercial theatres.

The D-BOX experience in commercial theatres will continue to expand significantly through the deployment of its motion systems. This vision is strengthened by the fact that the Corporation has continuously coded content from major studios in addition to coding local content in some countries where D-BOX is now present. Furthermore, it has proven its technical and commercial benefits and has received several awards over the last few years.

However, certain seasonal factors may impact the deployment of new D-BOX motion systems in commercial theatres. The Corporation's growth rate for its commercial theatre business activities is not linear but rather subject to a certain level of volatility when comparing consecutive quarters.

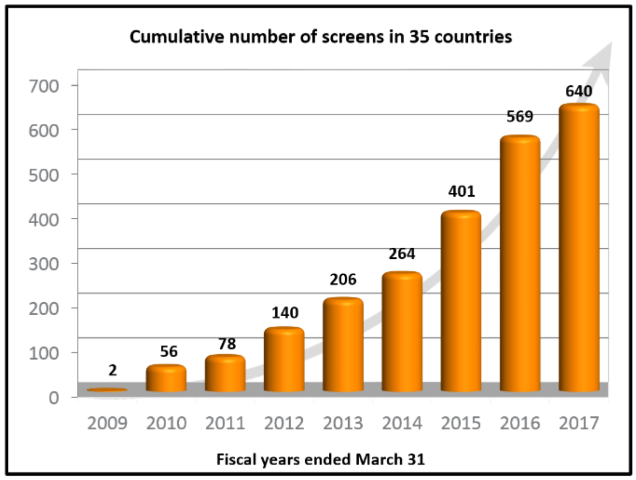
In this respect, the Corporation wishes to remind readers that it remains subject to a number of risks and uncertainties pertaining to its operations (see the "Risks and Uncertainties" section 18).

Business development efforts targeting commercial theatre chains are handled by an internal business development team and a few external partners in certain countries. Moreover, the Corporation's representatives continue to attend major trade shows. The Corporation believes that the entertainment market is an excellent means to demonstrate its technology to the largest number of people possible, and generates significant revenue through utilization rights earned from the use of the technology based on premiums for admission tickets, the sale or rental of motion systems and motion system maintenance contracts. This strategy drives a significant increase in brand awareness.

In measuring achievement of its deployment objectives for theatre chains, the Corporation tracks the installed base of its D-BOX motion systems as well as its backlog. From a practical standpoint, the Corporation defines system backlog as follows: a commitment or an order for D-BOX motion systems received as part of a contractual agreement and for which the installation is scheduled within a twenty-four-month period.

The total screens installed or in backlog increased by 12% and stood at 640 at year-end in comparison with 569 a year ago.

Growth of installed screens or in backlog As at March 31, 2017



With respect to product targeting high-end home entertainment, the Corporation aims to:

1. sell products under its own brand name and under original equipment manufacturers' (OEM), integrators' and resellers' brands;

2. increase the offer of content coded by D-BOX; and

3. create products and form partnerships with strategic players that should accelerate market penetration.

In short, D-BOX has demonstrated so far:

- the willingness of moviegoers to pay a premium on an admission ticket to live a non-distractive motion experience;

- that it generates a new source of business traffic and new revenue for commercial theatre operators allowing them to stand out from competitors and increase their revenue ((i) direct revenue from the sale of tickets in the D-BOX zone and (ii) indirect revenue from the sale of food and beverages);

- that it brings in additional visibility and a new source of revenue for the studios; and

- that it offers a solution to reduce motion dizziness associated with the VR experience.

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

7.3 Growth Strategy/Simulation and Training Market

The simulation and training market contributes significantly to the global awareness of the D-BOX brand thereby sparking consumer interest for the realism and efficiency which can stimulate demand for the D-BOX experience in other sub-markets such as: automotive, defense, flight, heavy equipment/cranes, racing, and wellness. The Corporation is mobilizing resources devoted to the business development of this market with the goal of identifying new partners and meeting their needs.

With respect to products earmarked for simulation and training simulation users, the Corporation is following its mission to sell products under its own brand, under original equipment manufacturers' brands (OEM's) and through a network of integrators and resellers. It is also adapting its products to address specific requests of manufacturers and OEM's to penetrate new markets.

In the last few years, the Corporation has stepped up its presence at commercial and industrial trade shows which raises awareness of D-BOX and its motion technology.

The Corporation recently developed motion systems adapted to the needs of the simulation and training market and their sales should continue to accelerate as newly developed actuators are gaining in acceptance with existing and new customers.

The Corporation will continue dedicating a team to develop and service this market to identify new potential customers and/or distributors and meet their demands adequately. The main selection criteria for new customers and/or distributors include an efficient international distribution network, a well-renowned name in the market and the willingness to invest the necessary effort and resources to generate new and important revenue streams.

8. NON-IFRS MEASURES

In this MD&A, the Corporation uses two measures that are non-compliant with International Financial Reporting Standards (IFRS): 1) the adjusted EBITDA and 2) the 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) The adjusted EBITDA provides useful and complementary information which allows, among other things, the evaluation of profitability and cash flows provided by operations. It is comprised of net income (loss) but excludes items not affecting cash and the following: foreign exchange loss (gain), financial expenses (income) and income taxes.

   The following table explains the reconciliation of adjusted EBITDA to the net loss.

	Fiscal year ended March 31		Fourth Quarter ended March 31	
	2017	**2016**	**2017**	**2016**
Net Income (loss)	**(2,892)**	(187)	**286**	(406)
Amortization of property and equipment	**2,198**	2,333	**343**	528
Amortization of intangible assets	**602**	536	**156**	137
Amortization of other assets	**9**	114	**—**	10
Write-off of property and Equipment	**13**	167	**3**	9
Share-based payments	**132**	224	**38**	46
Foreign exchange loss (gain)	**(26)**	4	**2**	456
Financial expenses (income)	**470**	379	**129**	135
Income taxes	**6**	28	**6**	29
Adjusted EBITDA	**512**	3,598	**963**	944

2) The 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 explaining the reconciliation of gross profit to gross profit excluding amortization on page 9).

(Amounts in tables are in thousands of Canadian dollars, except for amounts relating to warrant, options, shares and per-share amounts) Page 8

9. Main Financial Data

The following tables present selected significant financial data for the current fiscal year and the fourth quarter ended March 31, 2017 by comparing them with the corresponding periods of the previous fiscal year.

Information from the Consolidated Statements of Net Loss and Other Comprehensive Loss	Fiscal year ended March 31		Fourth Quarter ended March 31	
	2017	2016	2017	2016
Revenue	**31,409**	29,042	**10,613**	8,612
Gross profit excluding amortization*	**18,119**	17,055	**6,126**	4,794
Net income (loss)	**(2,892)**	(187)	**286**	(406)
Adjusted EBITDA*	**512**	3,598	**963**	944
Basic and diluted net Income (loss) per share	**(0.017)**	(0.001)	**0.001**	(0.002)

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

Information from the Consolidated Statements of Cash Flows	Fiscal year ended March 31	
	2017	2016
Goods held for Lease	**(2,930)**	(1,086)
Cash flows relating to operating activities	**(5,545)**	1,723
Additions to property and equipment	**(660)**	(968)
Additions to intangible assets	**(1,709)**	(875)
Cash flows relating to financing activities	**293**	9,836

The following table presents certain important financial data of the consolidated balance sheet as at March 31, 2017 and as at March 31, 2016.

Information from the Consolidated Balance Sheets	As at March 31, 2017	As at March 31, 2016
Cash and cash equivalents	**8,867**	16,454
Inventories	**8,334**	5,016
Working capital	**16,707**	21,455
Total assets	**35,031**	37,200
Total current liabilities	**6,623**	6,677
Long-term debt	**4,549**	4,420
Equity	**23,605**	26,103

10. Operating Results

10.1 Revenue

Revenue for the fiscal year ended March 31, 2017 increased by 8% to $31,409K compared to $29,042K for the fiscal year ended March 31, 2016.

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

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 fiscal year ended March 31, 2017, the entertainment market generated a 4 % increase in revenue to $25,776K compared to the $24,725K realized last year. Revenue from commercial theatres decreased by 13% from $19,762K in 2016 to $17,172K this year. These revenues consist of: i) the sale of D-BOX motion systems, which decreased by 22% to $10,359K ($13,238K in 2016) ii) the revenue from rights for use, rental and maintenance on the sale of admission tickets in commercial theatres which increased by 4% to $6,813K ($6,524K in 2016). The decrease in motion system sales comes from the trend in certain markets to install the new recliner concept and causing a delay in the delivery of purchase orders.

It is important to note that revenue from rights for use, rental and maintenance can fluctuate from one period to another based on the following factors:

- the box office performance of the movies that are presented, which can vary significantly from one movie to another;
- the revenue sharing with exhibitors and studios;
- the individual performance of exhibitors;
- the average number of D-BOX motion systems deployed, which is constantly evolving;
- the number of weekly screenings of a D-BOX movie, which can vary based on the country in which a film is presented, or from one exhibitor to another; and
- the number of weeks a movie is played, which can vary based on the country due to different launch dates or the decision made by an exhibitor to present a film for a longer or shorter period of time.

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

As at March 31, 2017, 583 screens were installed around the world compared to 442 screens at the same date last year.

The entertainment market also includes system sales for high-end home entertainment and themed entertainment. Home entertainment revenues increased by 122% to $3,237K ($1,461K last year) and is mainly due to the exclusive distribution agreement announced in November 2016 with Hangzhou JC City Management Investment Group Limited, a wholly-owned subsidiary of Gold Finance Group, to distribute and promote D-BOX's high-end home entertainment motion system in China.

Systems sales from themed entertainment increased by 53% to $5,367K ($3,502K last year) and is explained by sales from new clients as well as additional sales from existing clients.

For the simulation and training market, our development strategy consists of selling our motion system technology to customers so they can integrate it into their products. Sales in this market are driven, among other things, by the attendance at commercial and industrial trade shows which contributes to raising awareness to the D-BOX technology and the presentation in commercial theatres of movies integrating the D-BOX Motion Code, which creates a growing demand for the D-BOX experience in numerous other sub-markets.

Sales of motion systems to customers of the simulation and training market increased by 30 % to $ 5,633K for the fiscal year ended March 31, 2017 compared to $4,317K realized last year. The increase in sales is mainly driven by simulation and training systems sold to customers in heavy equipment/cranes, automotive and gaming sub-markets.

For the fourth quarter of 2017, revenue amounted to $10,613K in comparison to $8,612K for the corresponding quarter of last year. This 23% increase is explained by a 18% increase for the entertainment market to $8,671K ($7,376K in 2016), and a 57% increase to $1,942K for the simulation and training market ($1,236K in 2016). The 18 % variation in the entertainment market is due to an increase in home entertainment motion systems sold (373%) coming from the exclusive distribution agreement announced in November 2016 with Hangzhou JC City Management Investment Group Limited, and the sale of themed entertainment motion systems to new and existing clients (144%). These increases compensate for a 19% reduction in revenues for the commercial theatres as explained above by the new trend in certain markets to install recliners, causing a delay in the delivery of purchase orders. The 57% increase in the simulation and training market mainly comes from systems sold to an integrator in the gaming sector.

10.2 Gross Profit

The following table explains the reconciliation of gross profit to gross profit excluding amortization:

	Fiscal year ended March 31		Fourth Quarter ended March 31	
	2017	**2016**	**2017**	**2016**
Revenue	**31,409**	29,042	**10,613**	8,612
Gross profit	**16,233**	14,842	**5,875**	4,321
Amortization related to cost of goods sold	**1,886**	2,213	**251**	473
Gross profit excluding amortization*	**18,119**	17,055	**6,126**	4,794
Gross margin excluding amortization	**58%**	59%	**58%**	56%

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

For the fiscal year ended March 31, 2017, gross profit increased by 9% to $16,233K in comparison with $14,842K for the previous fiscal year. Excluding amortization related to cost of goods sold, gross profit increased by 6 % to 18,119K in 2017 (58% of revenue) in comparison to the 17,055K (59% of revenue) achieved last year. This 6% increase in gross profit excluding amortization is mainly explained by the 8% sales increase, the mix of margins related to the different products, and additional production costs.

For the fourth quarter ended March 31, 2017, gross profit amounted to $5,875K in comparison with $4,321K for the corresponding period last year. Excluding amortization, gross profit amounted to $6,126K (58% of revenues) in comparison with $4,794K (56% of revenues) last year. This 28% improvement of gross profit is mainly explained by the

23% increase in total sales that contributed to improve the gross margin to 58% this year by absorbing fixed production costs (56% gross margin last year).

10.3 Operating Expenses

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

For the fiscal year ended March 31, 2017, selling and marketing expenses increased by 41% to $10,167K (32% of revenue) compared to $7,230K (25% of revenue) last year. This variation is explained by an increase in employee-related costs, professional fees, promotional costs and other marketing costs. During the year, our selling and marketing efforts were directed to increase awareness in the 35 countries where D-BOX is present for the entertainment market including our recent presence in China.

For the fourth quarter ended March 31, 2017, selling and marketing expenses increased by 53% to $2,993K (28% of revenue) compared with the $1,955K (23% of revenue) spent in the quarter ended March 31, 2016. This increase is mostly explained by the reasons mentioned above.

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

For the fiscal year ended March 31, 2017, administration expenses amounted to $5,672K (18% of revenue) representing a 25% increase compared to the $4,523K (16% of revenue) for the fiscal year ended March 31, 2016. This variation is explained essentially by the increase of employee-related costs, professional fees related to recruiting and patents costs, and director fees.

For the fourth quarter ended March 31, 2017, administration expenses amounted to $1,736K (16% of revenue) which compares to $1,412K (16% of revenue) for the quarter ending March 31, 2016. This 23% increase is mostly explained by the increase of employee-related costs.

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

For the fiscal year ended March 31, 2017, research and development expenses amounted to $2,836K (9% of revenue) and similar to $2,865K (10% of revenue) recorded in the previous fiscal year.

For the fourth quarter ended March 31, 2017, research and development expenses amounted to $723K (7% of revenue) lower than $740K (9% of revenue) realized last year.

Foreign Exchange Gain or Loss: the foreign exchange gain or loss results mainly from the fluctuation of Canadian currency relative to US currency when converting US dollar operations at the prevailing rate on the date of a transaction and the conversion of US dollar monetary assets and liabilities at the end-of-period rate.

Thus, for the fiscal year ended March 31, 2017, the foreign exchange gain amounts to $26K in comparison to a loss of $4K last year. The foreign exchange variation is explained by the volatility of the Canadian currency in comparison to the US currency over the course of the current year.

For the fourth quarter ended March 31, 2017, the foreign exchange loss amounts to $2K which compares to a loss of $456K for the corresponding quarter of 2016. The foreign exchange variation is explained by the volatility of the Canadian currency in comparison to the US currency over the course of each of these two periods.

10.4 Financial Expenses (Income)

For the fiscal year ended March 31, 2017, financial expenses net of interest income amounted to $470K in comparison with a net financial expense of $379K realized last year. The increase in financial expenses comes mainly from the interest expense related to the long-term debt issued on August 5, 2015.

For the fourth quarter ended March 31, 2017, financial expenses net of interest income amounted to $129K in comparison to $135K in 2016.

10.5 Income Taxes

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

As at March 31, 2017, the Corporation had accumulated net operating loss carry-forwards of $32,890K for federal income tax purposes, $32,902K for Quebec income tax purposes and $3,542K for the United States in addition to other unrecognized deferred income tax assets mentioned at note 13 of the consolidated financial statements.

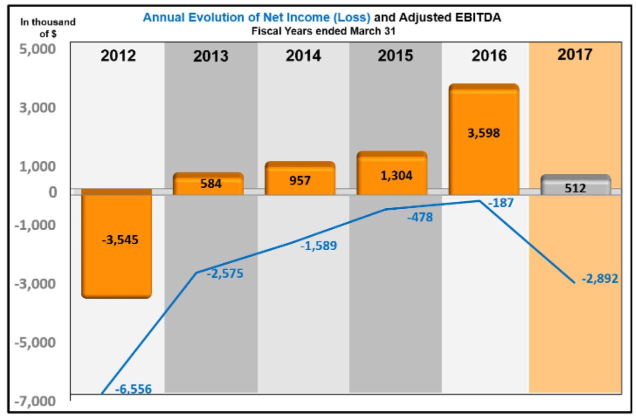
10.6 Net Income (Loss)

The net loss for the 2017 fiscal year amounted to $2,892K (basic and diluted net loss of $0.017 per share) in comparison to a net loss of $187K (basic and diluted net loss of $0.001 per share) in 2016. The increase in the net loss is mainly due to additional sales and marketing expenses related to the Chinese market penetration, the commercial theater deployment, and the support of technical innovations.

For the fourth quarter, the net income amounted to $286K (net income of $0.001 per share), compared with a net loss of $406K (net loss of $0.002 per share) for the same quarter in 2016.

11. Adjusted EBITDA

The adjusted EBITDA is comprised of net income (loss) but excludes items not affecting cash, foreign exchange loss (gain), financial expenses (income) and income taxes. This measure provides useful and complementary information which allows, among other things, the evaluation of profitability and cash flows provided by operations.



Since the 2013 fiscal year, D-BOX maintained a positive adjusted EBITDA. It has remained positive as a result of sustained growth in revenue and a tight control over operating expenses.

Adjusted EBITDA amounted to $512K for the 2017 fiscal year in comparison of $3,598K in the previous fiscal year.

For the fourth quarter, adjusted EBITDA amounted to $963K similar to the adjusted EBITDA of $944K for the same period last year.

12. Liquidity, Capital Resources and Financing Sources

As at March 31, 2017, total assets amounted to $35,031K compared to $37,200K as at March 31, 2016. The variation is mostly explained by the decrease of $7,587K in cash and cash equivalents as explained by operating activities below.

Working capital stood at $16,707K as at March 31, 2017 compared with $21,455K as at March 31, 2016. Accounts receivable, which mostly consist of trade accounts receivable, investment tax credits and commodity taxes receivable, decreased to $5,517K in comparison to $6,159K as at March 31, 2016. Inventories increased to $8,334K in comparison to $5,016K as at March 31, 2016. This increase in inventories is the results of sales growth for both entertainment and simulation and training markets and the trend for the new recliner concept.

Current liabilities decreased by $54K to $6,623K as of March 31, 2017, which compares to $6,677K as at

March 31, 2016. Current liabilities include accounts payable and accrued liabilities which decreased by $1,108K to $5,006K. This decrease is mostly explained by employee compensation accruals at the end of 2017 compared with March 31, 2016.

12.1 Operating Activities

For the fiscal year ended March 31, 2017, cash flows used by operating activities totalled $5,545K in comparison with cash flow generated by operating activities of $1,723K for the previous fiscal year. This variance of $7,268K in used of funds comes mainly from a decrease of $2,369K in cash generated by operations before changes in working capital items, plus cash needed for the working capital items. The variation in cash needed for working capital amounted to $4,899K and comes mainly from accounts payable and accrued liabilities ($3,424K), inventories ($2,454K), goods held for lease ($1,844K), less cash generated by the reduction in accounts receivable ($2,050K).

12.2 Investing Activities

For the fiscal year ended March 31, 2017, cash flows used by investing activities amounted to $2,369K in comparison to $1,843K for the previous fiscal year. Cash flows relating to investing activities include additions to property and equipment which decreased by $308K to $660K ($968K in 2016) and costs associated to the additions of intangible assets which increased by $834K to $1,709K ($875K in 2016).

12.3 Financing Activities

During the year ended March 31, 2017, cash flows generated by financing activities amounted to $293K and was mainly the results of 1,021,667 Class A common shares issued on exercise of stock options for a total cash consideration of $293K. An amount of $215K representing the initial fair value of the stock options was credited to share capital and deducted from share-based payments reserve.

During the year ended March 31, 2016, cash flows generated by financing activities amounted to $9,836K and was mainly the results of the following:

Long-term debt issue: On August 5, 2015, the Corporation issued a loan and 4,500,000 warrants for proceeds of $4,869K, net of financing fees of $131K. Each warrant entitles its holder to purchase one Class A common share at $0.50 per share for a 48-month period ending August 5, 2019. The loan bears interest under specific conditions at a rate of either 7% or 10% and matures on February 5, 2020. Interests are payable quarterly and the principal can be reimbursed at any time by the Corporation and is payable in full on the maturity date. The loan is secured and contains certain restrictions, including limitations on the Corporation's ability to incur additional indebtedness, pay dividends and make other distributions. The loan is guaranteed by a general pledge and security agreement against the assets (except for the intellectual property) of the Corporation and its subsidiaries.

An amount of gross proceeds of $527K, net of financing fees, was allocated to the warrants. Financing fees related to long-term debt are capitalized in reduction of long-term debt and amortized using the effective interest rate method. Financing fees related to warrants are capitalized in reduction of equity.

On March 31, 2017 and 2016, the effective interest rate of long-term debt was 10.7% and the Corporation was in compliance with all debt covenants.

Shares issue: On December 18, 2015, the Corporation issued 11,111,111 Class A common shares and 8,333,333 warrants for gross proceeds of $5,000K. Each warrant entitles the holder to purchase one Class A common share at $0.60 for an 18-month period ending June 18, 2017. The gross proceeds were allocated to the shares and warrants proportionately to their respective estimated fair values. As a result, $435K was allocated to warrants and $4,565K was added to share capital. The issue costs of $40K were allocated to shares and warrants proportionately to their respective estimated fair values. Accordingly, $37K was deducted from share capital and $3K was deducted from warrants.

Also during the year ended on March 31, 2016, the Corporation also issued 33,333 Class A common shares for a total cash consideration of $7k on exercise of stock options. An amount of $4K representing the initial fair value of the stock options, was credited to share capital and deducted from the share-based payments reserve.

12.4 Equity

Equity decreased by $2,498K to $23,605K as at March 31, 2017, compared with $26,103K as at March 31, 2016. This decrease comes mainly from the net loss of $2,892K realized during the year.

13. Quarterly Data

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

	2017				2016			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Revenue from the entertainment market								
Commercial theatres:								
- System sales	3,381	1,254	2,508	3,216	4,880	3,586	2,208	2,564
- Rights for use, rental and maintenance	1,713	2,076	1,384	1,640	1,427	1,628	1,193	2,276
	5,094	3,330	3,892	4,856	6,307	5,214	3,401	4,840
Home entertainment system sales	2,006	536	285	410	424	472	233	332
Themed entertainment system sales	1,571	1,356	1,320	1,120	645	1,466	663	728
Total revenue Entertainment market	**8,671**	**5,222**	**5,497**	**6,386**	**7,376**	**7,152**	**4,297**	**5,900**
Revenue from the Simulation and training market	**1,942**	**1,581**	**834**	**1,276**	**1,236**	**1,069**	**724**	**1,288**
TOTAL REVENUE	**10,613**	**6,803**	**6,331**	**7,662**	**8,612**	**8,221**	**5,021**	**7,188**
Adjusted EBITDA*	963	(595)	(295)	439	944	1,371	132	1,151
Net income (loss)	286	(1,638)	(1,114)	(426)	(406)	397	(208)	30
Basic and diluted net income (loss) per share	0.001	(0.009)	(0.007)	(0.002)	(0.002)	0.002	(0.001)	0.000
(in thousands) Weighted average number of common shares outstanding	175,753	175,150	175,021	174,977	174,929	165,509	163,791	163,784

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

The fluctuation of revenue during the last eight quarters is explained, among other reasons, by the uneven growth of the entertainment and simulation and training markets. More specifically, for the entertainment market, revenue fluctuated mostly as per the performance of films presented.

(Amounts in tables are in thousands of Canadian dollars, except for amounts relating to warrant, options, shares and per-share amounts) Page 14

14. COMMITMENTS

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

	Leases	Other Commitments
2018	309	37
2019 to 2022	906	29
	1,215	**66**

The Corporation's operating lease expenses amounted to $451K in 2017 ($317K in 2016) and has pledged the universality of movable property, both present and future, in favour of the lessors.

15. FULLY DILUTED SHARE CAPITAL (JUNE 19, 2017)

	Class A common shares
Class A common shares outstanding	175,950,573
Convertible instruments	
Stock-options outstanding	14,095,845
Warrants	6,500,000
	196,546,418

16. SIGNIFICANT JUDGMENTS AND ESTIMATES AND NEW ACCOUNTING PRONOUNCEMENTS

Significant Judgments and Estimates

The preparation of consolidated financial statements requires the Corporation's management to make judgments, estimates and assumptions that could affect the amounts of assets and liabilities at the balance sheet date and the amounts of revenues and expenses.

Judgments

In connection with the application of the Corporation's accounting policies, management made the following judgments which had a material impact on the carrying amount of assets and liabilities reported in the consolidated financial statements.

The Corporation is involved in the rental of motion systems as a lessor. The Corporation has determined, based on its assessment of the terms and conditions of agreements, such as lease term, that it retains substantially all the risks and rewards of ownership of the systems. Accordingly, the Corporation has accounted for these agreements as operating leases.

Estimates

The underlying estimates and assumptions are based on past experience and other factors deemed reasonable in view of the circumstances. Accordingly, they provide a basis for judgments made in determining the carrying amounts of assets and liabilities.

The final amounts appearing in the Corporation's future consolidated financial statements may differ from the amounts currently estimated. These estimates and assumptions are reviewed on an ongoing basis. The main estimates used concern the recognition of deferred tax assets and tax credits.

For further information, see note 2.3 "Significant judgments and estimates" of the audited consolidated financial statements for the fiscal year ended March 31, 2017.

New accounting pronouncements

Standards issued but not yet effective

The Corporation has not yet completed its assessment of the impact of the adoption of these pronouncements on its consolidated financial statements:

- IFRS 9, *Financial Instruments,* is required to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted. IFRS 9 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 15, *Revenue from Contracts with Customers* is required to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted. IFRS 15 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.

- IFRS 16, *Leases,* is required to be applied retrospectively for annual periods beginning on or after January 1, 2019, with early adoption permitted provided that the IFRS 15 has been applied or is applied at the same time as IFRS 16. IFRS 16 sets out the new principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The standard provides lessees with a single accounting model for all leases, with certain exemptions. In particular, lessees will be required to report most leases on their balance sheets by recognizing right-of-use assets and related financial liabilities.

17. FINANCIAL INSTRUMENTS

Interest Rate Risk

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

The Corporation is exposed to interest rate risk due to fluctuations in interest rates on cash and cash equivalents that earn interest at market rates. The Corporation does not use derivative instruments to reduce its exposure to interest rate risk. On an annual basis, a 1% change in interest rates would have had a net impact of $89K on net loss and comprehensive loss [$165K as at March 31, 2016].

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

Credit Risk

The Corporation is exposed to credit losses arising from payment defaults by third parties. The Corporation evaluates the creditworthiness of its clients in order to limit the amount of credit extended, where appropriate, and establishes an allowance for doubtful accounts sufficient to cover probable and reasonably estimated losses. Furthermore, the Corporation generally insures its accounts receivable balances with Export Development Canada. As at March 31, 2017, one client accounted for 9% of total trade accounts receivable and 40% of trade accounts receivable were 90% insured [as at March 31, 2016, one client accounted for 42% of total trade accounts receivable and 60% of trade accounts receivable were 90% insured]. Historically, the Corporation has never written off a significant amount of trade accounts receivable. Outstanding trade accounts receivable over 90 days stood at 7% as at March 31, 2017 [2% in 2016]. The allowance for doubtful accounts totalled $33K as at March 31, 2017 [$7K as at March 31, 2016]. Accounts receivable include investment tax credits and commodity taxes receivable, which are receivable from the government and are not exposed to significant credit risk. Cash and cash equivalents are mainly contracted with a limited number of Canadian chartered banks.

Maximum exposure to credit risk for financial instruments is equal to their carrying amount as at March 31, 2017 and 2016.

The Corporation also sold 15% of its entertainment market sales to one client [13% to one entertainment market client in 2016] and sold 16% of its simulation and training market sales to one client [16% to one simulation and training client in 2016].

Foreign Exchange Risk

The Corporation is exposed to foreign exchange risk due to cash and cash equivalents, trade accounts receivable, deposits and accounts payable denominated in U.S. dollars. As at March 31, 2017, financial assets, consisting primarily of cash and cash equivalents, trade accounts receivable and deposits denominated in U.S. dollars, totalled $1,553K, $2,346K, and $200K respectively [$1,974K, $4,223K and $201K respectively, as at March 31, 2016], and financial liabilities denominated in U.S. dollars totalled $1,030K [$1,937K as at March 31, 2016]. As at March 31, 2017, a 10% increase or decrease in the exchange rate between the U.S. dollar and the Canadian dollar would have had a $414K impact on net loss and comprehensive loss [$585K as at March 31, 2016].

Moreover, the Corporation uses derivative financial instruments to mitigate foreign exchange risk. The Corporation elected not to apply hedge accounting. However, the Corporation considers that those derivative instruments partially hedge the foreign exchange risk related to those transactions. As at March 31, 2017, the Corporation held foreign exchange contracts with a nominal value of US $2,000K [$3,200K as at March 31, 2016], allowing it to sell U.S. currency at Canadian dollar exchange rate of 1.3130 to 1.3116 [1.2938 to 1.3180 as at March 31, 2016] maturing from June 30 to September 30, 2017 [June 30 to December 31, 2016].

Liquidity Risk

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

As at March 31, 2017, the Corporation's financial liabilities had contractual maturities of under one year and consisted of accounts payable and accrued liabilities and derivative financial instruments, amounting to $4,980K [$6,057K as at March 31, 2016]. The loan bears interest payable quarterly at a rate of either 7% or 10% and matures on February 5, 2020.

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

18. RISK AND UNCERTAINTIES

We are active in an industry which presents many risks and uncertainties. These risks and uncertainties are described in the Annual Information Form (AIF) dated June 19, 2017 which is available on www.sedar.com.

19. DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

In accordance with National Instrument 52-109 Respecting Certification of Disclosure in Issuers' Annual and Interim Filings, the Corporation has filed certifications signed by the President and Chief Executive Officer and the Chief Financial Officer that, among other things, report on the design and effectiveness of disclosure controls and procedures, and the design and effectiveness of internal control over financial reporting.

Management has designed disclosure controls and procedures to provide reasonable assurance that material information relating to the Corporation is made known to the President and Chief Executive Officer and the Chief Financial Officer, particularly during the period in which annual filings are being prepared. The President and Chief Executive Officer and the Chief Financial Officer evaluated the effectiveness of the Corporation's disclosure controls and procedures and concluded, based on their evaluation, that such disclosure controls and procedures were effective as of March 31, 2017.

Management has also designed internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The President and Chief Executive Officer and the Chief Financial Officer evaluated the effectiveness of the Corporation's internal control over financial reporting and concluded, based on their evaluation, that such internal control over financial reporting was effective as of March 31, 2017.

Finally, there has been no change in the Corporation's internal control during the financial period beginning January 1, 2017 and ending March 31, 2017 that materially affected, or is likely to materially affect, the Corporation's internal control over financial reporting.

20. Continuous Information and Additional Disclosure

This MD&A was prepared as at June 19, 2017. Additional information can be found on the SEDAR website at www.sedar.com.

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