Management Discussion and Analysis

D-BOX Technologies Inc.

Second quarter ended September 30, 2014

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MANAGEMENT DISCUSSION AND ANALYSIS

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1. Scope of the MD&A

This Management's Discussion and Analysis ("MD&A") is intended to provide the reader with a better understanding of the activities of D-BOX Technologies Inc. and its subsidiary, and key elements of its financial results. In particular, it explains changes in the Corporation's financial position and operating results for the quarter and six-month period ended September 30, 2014 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, 2014 and March 31, 2014.

This MD&A has been prepared in accordance with National Instrument 51-102, Continuous Disclosure Obligations, and should be read in conjunction with the information included in the audited consolidated financial statements and management discussion and analysis for the fiscal year ended March 31, 2014 and the unaudited interim condensed consolidated financial statements of the second quarter and six-month period ended September 30, 2014. Unless otherwise indicated, the terms "Corporation" and "D-BOX" refer to D-BOX Technologies Inc.

The unaudited interim condensed consolidated financial statements for the second quarter ended September 30, 2014 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 enter into new commercial agreements in the entertainment and industrial 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 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. Quarterly Highlights

3.1 Financial Highlights

- Quarterly revenues of $4,354 k, similar to those of the previous fiscal year, made up of $998 k (a 49% decrease) in the industrial market and of $3,356 k (a 33% increase) in the entertainment market.
- Over the last year, 32% increase in the number of theatres equipped of D-BOX MFX systems to 266 screens installed worldwide. As of September 30, 2014, the total number of screens either installed or in backlog totaled 315.
- 10% increase of the quarterly gross margin excluding amortization representing 54% of revenues (49% in 2013).
- Due amongst others to a favorable evolution of exchange rates, the company records a quarterly net income of $192 k compared to a net loss of $675 k last year.
- Adjusted EBITDA* of $372 k for the quarter representing a tenth consecutive positive adjusted EBITDA.
- Cash flows from operations before changes in working capital items of $314 k for the first six months of the fiscal year.

Second quarter and six-month period ended September 30
(in thousands of $CA, except per share amounts)

	Second quarter		Six months	
	2014	2013	2014	2013
Revenues	4,354	4,495	8,914	7,994
Adjusted EBITDA*	372	229	391	242
Net Income (Net Loss)	192	(675)	(1,013)	(1,194)
Basic and diluted net (income) loss per share	0.0012	(0.0041)	(0.0062)	(0.0073)

Information from the consolidated balance sheet

	As at Sept. 30, 2014	As at June 30, 2014	As at March 31, 2014
Cash and cash equivalents	5,038	4,057	6,717

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

3.2 Operational Highlights

- D-BOX continues its deployment with commercial theatre exhibitors signing amongst others a new agreement with Cineplex (Canada) calling for the installation of 20 new screens and an increase in the number of installed systems in five existing theatres. Also, after the end of the quarter, D-BOX announces the installation of its first three screens in China, one of the countries showing the strongest growth in the sector worldwide, on top of the 9 screens already installed in Hong-Kong.
- D-BOX has just been awarded a yellow ribbon as one of three "up and coming" companies in KMI Media Group's 2014 Top 100 Simulation and Training Companies chart, as featured in the September 2014 issue of Military Training Technologies magazine. The yellow ribbon designates a company that is quickly rising in the simulation and training industry.

4. Outlook

D-BOX focuses on two major development areas: the entertainment market and the industrial market which have their respective sub-markets.

In light of the business development activities in each of these two markets as well as investments related to new products launched recently or that will soon be launched, D-BOX expects to maintain the upward trend in revenue.

In conjunction with the anticipated growth in revenue, D-BOX expects to gradually increase the level of its operating expenses related to sales and marketing and research and development that will support amongst others the commercialization of new products. In general, the Corporation aims, however, to maintain a positive adjusted EBITDA and intends to manage its operations based on attaining this objective.

5. Corporate Profile

D-BOX Technologies Inc. designs, manufactures and commercializes cutting-edge motion systems intended for the entertainment and industrial 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 motion synchronized 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, consisting amongst other things of electromechanical pistons (actuators) built into a platform, a seat, or another type of equipment.

The entertainment experience provided by the Corporation's technology essentially targets two distinct markets: the entertainment market and the industrial market which each have their respective sub-markets. As at September 30, 2014, D-BOX had 77 employees compared to 66 as at September 30, 2013.

6. Corporate Strategy

The Corporation is establishing itself as the global reference with respect to the creation and design of immersive motion systems. It is developing brand awareness in addition to offering a differentiated asset generating revenues in various business sectors. The Corporation's cutting-edge motion systems target two distinct markets: the entertainment market and the industrial market.

Examples of Applications

Entertainment Market	Industrial Market
• Commercial theatres • Home entertainment	• Simulation and training • Amusement parks, arcades, museums and planetariums • Casinos • Therapeutic care

6.1 Revenue Models

The Corporation's revenue streams mainly consist of:

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

6.2 Growth Strategy / Entertainment Market

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

Concomitantly, the Corporation relies on the contacts and credibility established with Hollywood's major studios and some Asian and European studios in order to obtain more content. The Corporation believes that an increase in the offer of motion pictures has a direct impact on the number of equipped venues and that box office revenue for D-BOX MFX 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 film 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 clientele of the home entertainment sub-market, who wishes being able watching coded movies in the comfort of their homes;
4. entice video game customers in purchasing gaming seats equipped with D-BOX actuators thereby allowing them to feel all the action that can be brought by a specific game.

As of September 30, 2014, over 30 or so exhibitors had more than one site that integrated the D-BOX technology and more than 40 installed sites 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 because it is based on a business model in which all parties involved benefit since they share the new revenues generated by the technology.

Access to content is a key factor in rapidly deploying the D-BOX technology. As of today, the Corporation has developed business relations with many content providers either for movies or gaming. For instance, over 130 titles, including more than 60 which ranked no 1 at the box office on opening weekend, have been coded for presentation in commercial theatres.

The D-BOX experience in movie theatres will continue to expand significantly through the deployment of its technology. 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 merits and has received several awards over the last few years.

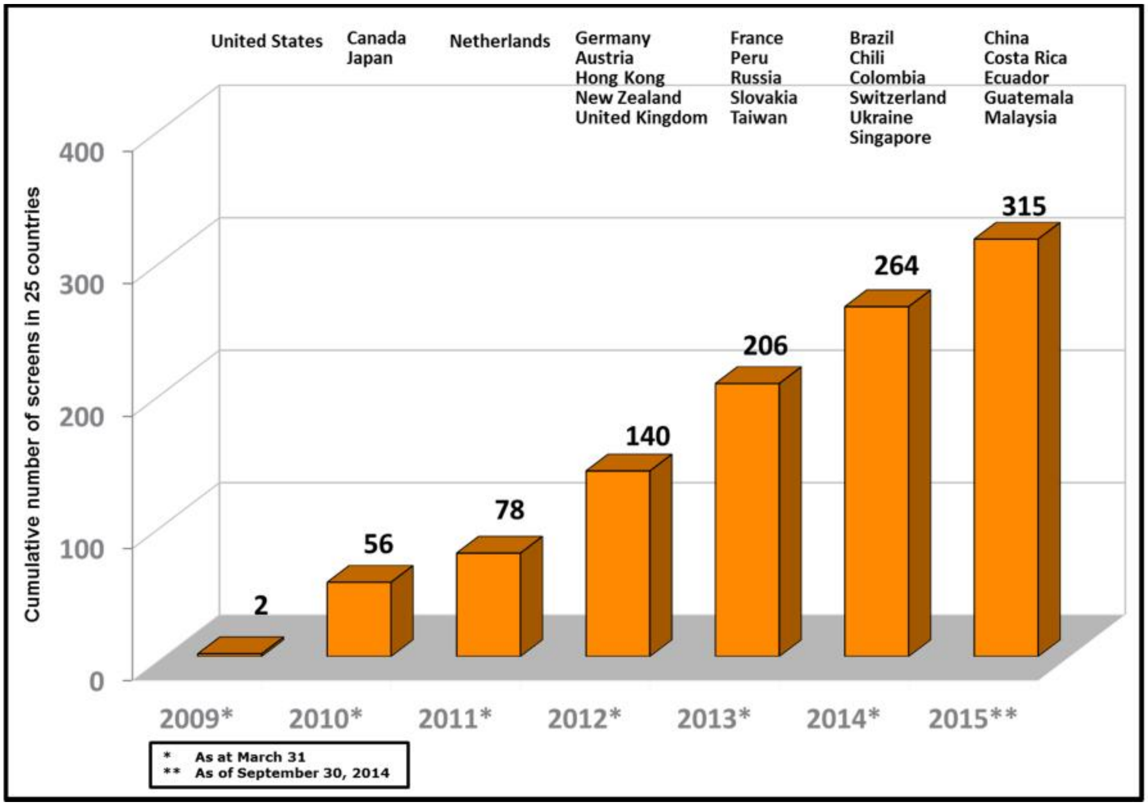
However, certain seasonal factors may impact the deployment of new D-BOX MFX systems in commercial theatres. The Corporation’s growth rate for its commercial theatre business activities will not necessarily be linear but rather subject to a certain level of volatility when comparing consecutive quarters. With respect to markets outside of North America, it is worth noting that the launch dates of movies are not necessarily the same in different geographical markets.

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).

Business development efforts targeting movie 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, in addition to being an excellent showcase for the demonstration of its technology to the largest number of people possible, generates increasing revenues 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 MFX systems as well as its backlog. From a practical standpoint, the Corporation defines systems backlog as follows: an order for D-BOX MFX systems received as part of a contractual agreement and for which the installation is scheduled within a twelve-month period of date of its most recent financial statements. As at September 30, 2014, the total installed or in backlog screens stood at 315 at the end of the quarter in comparison to 282 as at June 30, 2014.

**Worldwide growth of installed screens or in backlog
As at September 30, 2014**



With respect to products targeting 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;
3. create products and form partnerships with strategic players who allow for progressive penetration of mass markets.

In short, D-BOX has demonstrated so far:

- the willingness of moviegoers to pay a premium on an admission ticket to experience immersive Audio Video Motion (AVM);
- that it generates a new source of business traffic and new revenues for movie theatre operators allowing them to stand out from competitors and increase their revenues ((i) direct revenues from the sale of tickets in the D-BOX zone and (ii) indirect revenues from the sale of food and beverages); and
- that it brings in additional visibility and a new source of revenues for the studios.

6.3 Growth Strategy / Industrial Market

The industrial market contributes significantly to the global awareness of the D-BOX brand thereby sparking consumer interest for the Audio Video Motion (AVM) experience which can stimulate demand for the D-BOX experience in other sub-markets, such as: industrial simulation, arcades, casinos, therapeutic care, virtual training, museums and planetariums.

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

The Corporation is mobilizing resources devoted to the business development of this market with the goal of identifying new eventual partners, properly satisfying their needs and meeting their demands.

With respect to products earmarked for industrial 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 has contributed raising awareness of D-BOX and its motion technology.

The Corporation recently developed motion systems adapted to the needs of new business segments within the industrial market and the sale of these systems should accelerate over the course of the next few quarters.

The Corporation dedicates a team to develop and service this market and to identify new potential customers and adequately meet their demands. The main selection criteria for new customers 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.

7. Non-IFRS Measures

In this MD&A, the Corporation uses two measures that are non-compliant with 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 allows to evaluate the Corporation's profitability and its capacity to generate funds from its operating activities. It designates the net income (net loss) before items not affecting cash, the foreign exchange gain or loss, financial expenses, interest income and income taxes.

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

	Second quarter ended September 30		Six-month period ended September 30	
	2014	2013	2014	2013
Net income (Net loss)	192	(675)	(1,013)	(1,194)
Amortization of property, plant and equipment	477	449	992	1,037
Amortization of intangible assets	121	74	197	144
Amortization of other assets	15	7	36	30
Write-off of property, plant and equipment	18	21	72	37
Gain on disposal of property, plant and equipment	—	—	(36)	—
Share-based payment expense	105	124	220	291
Foreign exchange loss (gain)	(564)	218	(93)	(126)
Financial results (financial expenses and interest income)	8	11	11	17
Income taxes	—	—	5	6
Adjusted EBITDA	372	229	391	242

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

2) The gross profit excluding amortization also allows 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 depreciation (See the table explaining the reconciliation of gross profit to gross profit excluding amortization on page 10).

8. Main Financial Data

The following tables present selected significant financial data for the second quarter and six-month period ended September 30, 2014 by comparing them with the corresponding periods of the previous fiscal year.

Information from the Consolidated Statements of Operations and Comprehensive Income (Loss)	Second quarter ended September 30		Six-months ending September 30	
	2014	2013	2014	2013
Revenues	4,354	4,495	8,914	7,994
Gross profit excluding amortization*	2,370	2,207	4,936	4,407
Adjusted EBITDA*	372	229	391	242
Net income (loss)	192	(675)	(1,013)	(1,194)
Basic and diluted net income (loss) per share	0.0012	(0.0041)	(0.0062)	(0.0073)

* See the "Non-IFRS measures" section.

Information from the Consolidated Statements of Cash Flows	Six-months ending September 30	
	2014	2013
Goods held for lease	(117)	(116)
Cash flows relating to operating activities	(805)	1,039
Additions to property, plant and equipment	(300)	(157)
Additions to intangible assets	(633)	(180)

The following table presents certain important financial data of the consolidated balance sheet as at September 30, 2014 and as at March 31, 2014.

Information from the Consolidated Balance Sheets	As at September 30, 2014	As at March 31, 2014
Cash and cash equivalents	5,038	6,717
Inventories	5,195	4,389
Working capital	10,968	11,502
Total assets	22,709	24,204
Total liabilities	2,586	3,264
Equity	20,123	20,940

9. Operating Results

9.1 Revenues

Revenue for the second quarter ended September 30, 2014 amounted to $4,354 k, a decrease of 3% compared to the $4,495 k achieved in the quarter ended September 30, 2013. Revenues include motion system sales to customers in the industrial market who sell the D-BOX technology under their own brand names and system sales to customers in the entertainment market. The entertainment market consists of D-BOX MFX system sales to commercial theatre operators, revenues from utilization rights, rental and maintenance fees with respect to admission tickets sold in commercial theatres and system sales to home entertainment customers.

For the industrial market, our development strategy consists of selling our motion system technology to customers so they can integrate it into their products. Industrial market sales are driven by, 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 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 industrial market amounted to $998 k for the quarter ended September 30, 2014 representing a 49% decrease compared to $1,964 k for the same quarter ended on September 30, 2013. The decrease in sales in the industrial market is explained amongst others from a change of strategy of our customer in the casino sub-market following the sale of its business to a new operator. Also, one of our main customers experienced delays in the launch of new projects which had a direct impact on our motion system sales.

During the second quarter, revenue generated by the entertainment market amounted to $3,356 k, representing a 33% increase compared to the $2,531 k realized last year. Revenue from commercial theatre exhibitors increased 31% from $2,387 k in the second quarter of 2013 to $3,118 k in the second quarter of this year. These revenues consist of: i) the sale of D-BOX MFX systems which remained stable at $1,880 k ($1,889 k for the corresponding quarter in 2013) and ii) revenue from utilization rights, rental and maintenance fees due to the sale of admission tickets in commercial theatres which increased by 149% to $1,238 k ($498 k in 2013).

It is important to remember that revenues from utilization rights, rental and maintenance fees can fluctuate from one period to another based on the following factors:

- the box office performance of the movies that are presented, which can fluctuate significantly;
- the individual performance of exhibitors;
- the average number of D-BOX MFX 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;
- 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 shares and per-share amounts) Page 10

As at September 30, 2014, 6,776 D-BOX MFX systems were installed in 266 auditoriums around the world compared to 5,306 D-BOX MFX systems installed in 202 auditoriums at the same date last year.

The entertainment market also includes system sales for home entertainment which increased by 65% to $238 k in comparison to $144 k last year. This result comes from an increased attendance by D-BOX at industrial trade shows.

For the six-month period ended September 30, 2014, revenues amounted to $8,914 k in comparison to $7,994 k for the corresponding period of last year. This 12% increase is explained by a 31% decrease of sales in the industrial market which amounted to 2,314 k in comparison to $3,367 k and by a 43% increase of revenues in the entertainment market. The increase of sales in the entertainment market is explained by a 49% increase of D-BOX MFX sales which amounted to $3,758 k and by a 35% increase of revenues from utilization rights, rental and maintenance fees which amounted to $2,381 k. Sales of systems for the home entertainment market amounted to $461 k representing an increase in comparison to the $355 k realized in the corresponding period last year.

9.2 Gross Profit

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

	Second quarter ended September 30		Six-months ending September 30	
	2014	2013	2014	2013
Revenues	4,354	4,495	8,914	7,994
Gross profit	1,957	1,839	4,067	3,526
Amortization related to cost of goods sold	413	368	869	881
Gross profit excluding amortization *	2,370	2,207	4,936	4,407
Gross margin excluding amortization	54 %	49 %	55 %	55 %

* See the "Non-IFRS measure" section.

For the second quarter ended September 30, 2014, gross profit increased by 1% amounting to $1,957 k in comparison to $1,839 k for the corresponding quarter of the previous fiscal year. Excluding amortization related to cost of goods sold, gross profit increased by 7% and amounted to $2,370 k (54% of revenues) in comparison to the $2,207 k (49% of revenues) achieved last year. The increase in the gross margin from 49% to 54% is mainly explained by the favorable impact of the margin for revenues from utilization rights, rental and maintenance representing 11% of total revenues for the second quarter of last year compared to 28% this year.

For the six-month period ended September 30, 2014, gross profit amounted to $4,067 k in comparison to $3,526 k for the corresponding period of the previous fiscal year. Excluding amortization, gross profit amounted to $4,936 k (55% of revenues) in comparison to $4,407 k (55% of revenues) last year. This 12% improvement of gross profit is explained by the important increase in revenues from utilization rights, rental and maintenance as compared to overall revenues and that generate a higher gross margins.

9.3 Operating Expenses

Selling and Marketing Expenses: Selling and marketing expenses consist primarily of salaries paid to staff including share-based payment expenses, professional fees, advertising and point-of-sales material expenses and attendance at industrial trade shows targeting the industrial and entertainment markets. They also include expenses related to motion coding and other marketing expenses.

For the quarter ended September 30, 2014, selling and marketing expenses totaled $1,211 k (28% of revenues) representing a 6% decrease in comparison to $1,289 k (29% of revenues) for the corresponding quarter of the previous fiscal year. This decrease in expenses is explained for the most part by a reduction of employee-related costs and professional fees.

For the six-month period ended September 30, 2014, selling and marketing expenses amounted to $2,756 k (31% of revenues) which compares to $2,650 k (33% of revenues) for the six-month period ending September 30, 2013. This 4% increase is mostly explained by an increase in employee-related costs.

Administrative Expenses: Administrative expenses consist primarily of costs related to employee compensation including share-based payment expenses, professional fees as well as other general and administrative expenses.

For the quarter ended September 30, 2014, administrative expenses amounted to $698 k (16% of revenues) representing a 2% increase compared to the $686 k (15% of revenue) for the quarter ended September 30, 2013.

For the six-month period ended September 30, 2014, administrative expenses amounted to $1,613 k (18% of revenues) which compares to $1,541 k (19% of revenues) for the six-month period ending September 30, 2013. This 5% increase is mostly explained essentially by employee-related costs.

Research and Development Expenses: Research and development expenses mainly include costs related to employees, others costs associated with existing product enhancement, cost reduction initiatives and the cost of adapting products to various international standards, less investment tax credits.

For the quarter ended September 30, 2014, research and development expenses increased to $412 k (9% of revenues) which compares to $310 k (7% of revenues) for the corresponding quarter of the previous fiscal year. The 33% increase is mostly explained by employee-related costs including the hiring of qualified resources responsible for the improvement and cost reduction of existing products as well as the amortization of patents and the newly-developed products.

For the six-month period ended September 30, 2014, research and development expenses increased 25% to $788 k (9% of revenues) compared to $632 k (8% of revenues) for the same period last year. This increase is explained by the same above-mentioned elements.

Foreign Exchange gain or loss: The foreign exchange gain or loss mainly results 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 quarter ended September 30, 2014, the foreign exchange gain amounts to $564 k in comparison to a foreign exchange loss of $218 k for the corresponding quarter last year. The quarterly foreign exchange gain is explained by the strong fluctuation of the

Canadian currency in comparison to the US currency over the course of the period in comparison to the same quarter last year.

For the six-month period ended September 30, 2014, the foreign exchange gain amounts to $93 k which compares to a gain of $126 k for the corresponding quarter of the previous fiscal year. The foreign-exchange gain is explained by the fluctuation of the Canadian currency in comparison to the US currency over the course of each of these two periods.

9.4 Financial Results

The financial results include financial expenses and interest income. For the second quarter ended September 30, 2014, financial results amounted to a net expense of $8 k in comparison to a net expense of $11 k for the corresponding quarter of the previous fiscal year. For the six-month period ended September 2014, net expense amounted to $11 k compared to $17 k in 2013.

9.5 Income Taxes

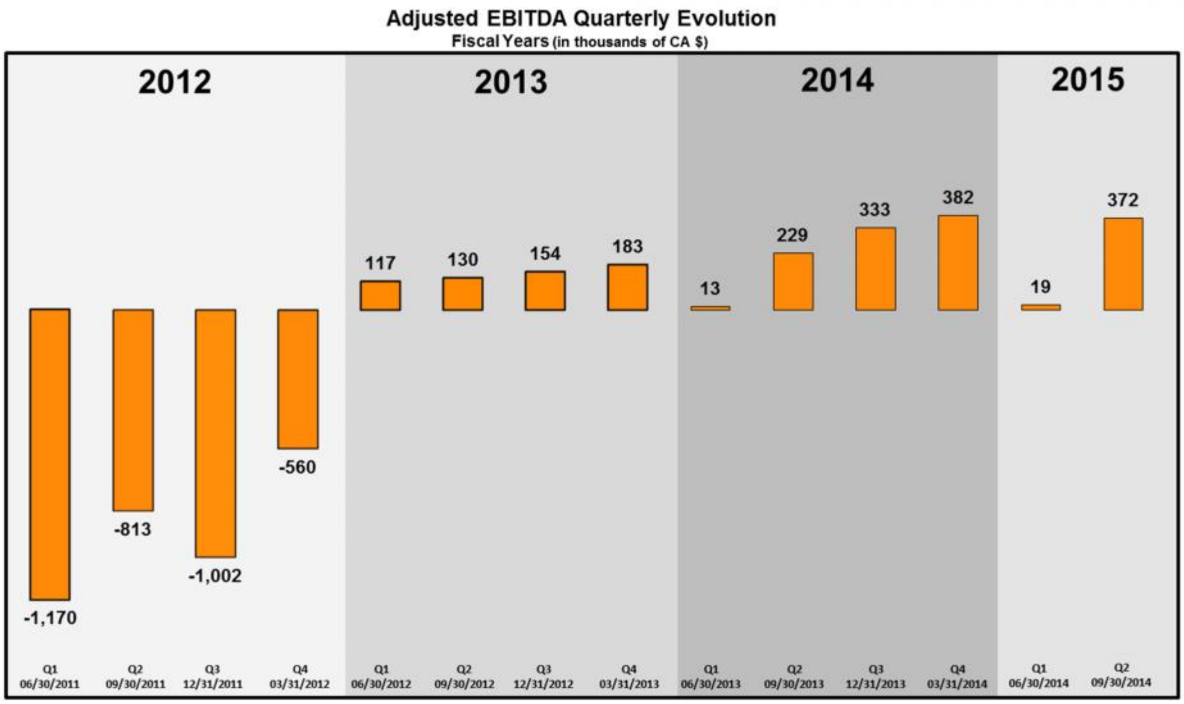
With respect to accounting for future income taxes, the Corporation has concluded that a valuation allowance equal to its future income tax assets should be recorded.

9.6 Net Income (Net Loss)

Given the aforementioned facts, but more specifically given the $564 k foreign exchange gain, the net income for second quarter ended September 30, 2014 amounted to $192 k ($0.0012 per share) in comparison to a net loss of $675 k ($0.0041 per share) in 2013. For the six-months period ended September 30, 2014, the net loss amounted to $1,013 k ($0.0062 per share), lower than the $1,194 k net loss ($0.0073 per share) in 2013.

10. Adjusted EBITDA

The adjusted EBITDA designates net loss before items not affecting cash, the foreign exchange gain or loss, financial expenses, interest 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.



In the second quarter, D-BOX achieved an adjusted positive EBITDA of $372 k in comparison to a positive adjusted EBITDA of $229 k last year. A positive adjusted EBITDA was achieved in the Corporation's ten previous quarters. This result was due to strategies developed over the course of the last few years for the industrial and entertainment markets which translated into much higher revenues and gross profit in combination with a tight control over operating expenses.

11. Liquidity, Capital Resources and Financing Sources

As at September 30, 2014, total assets amounted to $22,709 k compared to $24,204 k as at March 31, 2014. The reduction in total assets is mostly explained by the decrease in cash and cash equivalents as explained below in the operating and investing activities section.

Working capital stood at $10,968 k as at September 30, 2014 compared with $11,502 k as at March 31, 2014. Accounts receivable, which mostly consists of trade accounts receivable, investment tax credits and commodity taxes receivable, decreased by $544 k to $2,803 k as at September 30, 2014 in comparison to $3,347 k as at March 31, 2014. The decrease is explained by the payment upon delivery of a larger number of customers in comparison to the previous quarter. Inventories increased by $806 k from $4,389 k as at March 31, 2014 to $5,195 k as at September 30, 2014. Inventories increased to take into account work in progress at the end of the quarter and available inventory for new products.

Short-term liabilities decreased by $678 k to $2,586 k as of September 30, 2014 which compares to $3,264 k as at March 31, 2014. Short-term liabilities include accounts payable and accrued liabilities which as a whole decreased by $712 k to $2,359 k compared to $3,071 k as at March 31, 2014. This decrease in accounts payable and accrued liabilities is mostly explained by accounts payable relating to inventory purchases and higher other accrued expenses as at March 31, 2014.

11.1 Operating Activities

For the six-month period ended September 30, 2014 cash flows used by operating activities totalled $805 k compared to an inflow of $1,039 k for the corresponding period of the previous fiscal year. Operating activities, excluding working capital items generated $314 k of cash compared to $494 k for the quarter ended September 30, 2013. Working capital items other than cash and cash equivalents used $1,119 k of liquidities, mainly from the decrease in accounts payable and accrued liabilities for $1,005 k.

11.2 Investing Activities

For the six-month period ended September 30, 2014, cash flows used by investment activities amounted to $894 k in comparison to $337 k for the corresponding quarter of the previous fiscal year. The increase is explained primarily by the acquisition costs of intangible assets for $633 k ($180 k for the same period in 2013) including an amount of $484 k representing the cost of internally-developed products that will be brought to market within the next few quarters.

11.3 Financing Activities

For the second quarter and the six-month period ended September 30, 2014 and 2013, cash flows generated by financing activities amounted to $1 k as a result of the exercise of stock options. There were no financing activities during the same periods of 2013.

11.4 Equity

Equity amounted to $20,123 k as at September 30, 2014, compared with $20,940 k as at March 31, 2014. This $817 k decrease mainly results from the net loss for the six-month period ended September 30, 2014 in the amount of $1,013 k less the share-based payment expense of $220 k accounted to the share-based payment expense reserve account.

(Amounts in tables are in thousands of Canadian dollars, except for amounts relating to shares and per-share amounts) Page 15

12. Quarterly Data

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

	2015		2014				2013	
	T2	T1	T4	T3	T2	T1	T4	T3
Revenues from the industrial market	998	1,316	1,779	1,857	1,964	1,403	1,735	1,322
Revenues from the entertainment market								
Commercial theatre exhibitors:								
- System sales	1,880	1,878	2,120	1,499	1,889	625	1,097	1,115
- Utilization rights, rental & maintenance	1,238	1,143	815	1,081	498	1,260	542	484
	3,118	3,021	2,935	2,580	2,387	1,885	1,639	1,599
System sales for home entertainment	238	223	266	182	144	211	211	471
Total revenues Entertainment market	3,356	3,244	3,201	2,762	2,531	2,096	1,850	2,070
TOTAL REVENUES	4,354	4,560	4,980	4,619	4,495	3,499	3,585	3,392
Adjusted EBITDA *	372	19	382	333	229	13	183	154
Net income (loss)	192	(1,205)	(43)	(352)	(675)	(519)	(508)	(273)
Basic and diluted net income (loss) per share	0.0012	(0.007)	(0.001)	(0.002)	(0.004)	(0.003)	(0.003)	(0.002)
Weighted average number of common shares outstanding	163,783,665	163,781,129	163,781,129	163,781,129	163,781,129	163,781,129	163,781,129	163,781,129

* See the "Non-IFRS Financial Measures" section.

The fluctuation of revenue during the last eight quarters is explained, among other reasons, by the uneven growth of the industrial and entertainment markets. More specifically, for the entertainment market, revenues fluctuated based on the number of systems sold, the average number of systems installed, the number of systems leased, seasonality, the performance of presented films and the performance of commercial theatre exhibitors.

13. Commitments

Future minimum payments under long-term contracts, mainly leases for the rental of the Corporation's premises, are as follows for future fiscal years.

Fiscal years	In thousands of $
2015 (for the next six months)	111
2016	107
2017	3
	221

The Corporation has pledged the universality of movable and personal property, both present and future, as collateral in favour of the lessor up to a maximum of $120 k.

14. Outstanding Share Capital (November 10, 2014)

	Class A common shares
Class A common shares outstanding	163,784,462
Convertible instruments	
Stock options outstanding	14,910,011
	178,694,473

15. 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 10, 2014 which is available on www.sedar.com

16. Disclosure Controls and Internal Controls over Financial Reporting

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

During the quarter ended September 30, 2014, 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.

17. Continuous Information and Additional Disclosure

This MD&A was prepared as at November 10, 2014. Additional information can be found on the SEDAR website at www.sedar.com.

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