



Management Discussion and Analysis

D-BOX Technologies Inc.
First quarter ended June 30, 2016

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MANAGEMENT DISCUSSION AND ANALYSIS

D-BOX Technologies Inc.

First quarter ended June 30, 2016

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 first quarter ended June 30, 2016 by comparing them to the results of the first quarter of the previous fiscal year. It also presents a comparison of the balance sheets as at June 30, 2016 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 and MD&A for the fiscal year ended March 31, 2016 and the unaudited interim condensed consolidated financial statements for the first quarter ended June 30, 2016. Unless otherwise indicated, the terms "Corporation" and "D-BOX" refer to D-BOX Technologies Inc.

The unaudited interim condensed consolidated financial statements for the first quarter ended June 30, 2016 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 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 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 increase in revenues:
 - Quarterly revenues increased by 7% to \$7,662 k, including \$6,022 k of system sales and \$1,640 k of revenues from rights for use, rental and maintenance in the entertainment market.
- Quarterly net loss of \$426 k compared to net income of \$30 k last year.
- Adjusted EBITDA* of \$439 k compared to \$1,151 k last year.
- Cash and cash equivalents of \$13,111 k as at June 30, 2016 compared to \$16,454 k as at March 31, 2016.

First quarter ended June 30 (in thousands of dollars, except per share amounts)		
	2016	2015
Revenues	7,662	7,188
Adjusted EBITDA*	439	1,151
Net income (loss)	(426)	30
Basic and diluted net income (loss) per share	(0.002)	0.000
Information from the consolidated balance sheet		
	As at June 30, 2016	As at March 31, 2016
Cash and cash equivalents	13,111	16,454

* See the "Non IFRS Measures" section and the reconciliation table of adjusted EBITDA to the net income (loss) on page 5.

3.2 Operational Highlights

- Growth of 49% of screens installed or in backlog from 402 as at June 30, 2015 to 600 as at June 30, 2016.
- Continuous development of our entertainment business activities in China with the hiring of local sales and marketing resources and the opening of a Beijing office.
- 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 The Virtual Reality Company (VRC) to collaborate on numerous upcoming projects. VRC is a Los Angeles-based virtual reality (VR) content studio production company. Through this partnership, D-BOX will be part of movie-creating process and will hold a better position in the value creation chain surrounding the production of new content.

4. 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, to support the sales and marketing of technological innovations that will help solidify D-BOX's position in existing sub-markets and will facilitate entering new ones. Generally speaking, the Corporation aims to maintain a positive adjusted EBITDA and intends to manage its operations accordingly.

With the advent of the VR world and with D-BOX expertise in immersive motion and true-to-life simulation, D-BOX has actively been developing new applications for VR and other key markets. D-BOX is well-positioned to become a key player in the VR industry given that its technology can remove motion sickness sometimes associated with such experiences and may be the missing link that will solve one of the main challenges virtual reality needs to overcome. This new and upcoming market will bring significant changes to the entertainment sub-markets (i.e. home and commercial theatres), in addition to obvious immediate applications for simulation and training. 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.

5. 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 motion synchronized 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, consisting amongst other things of electromechanical pistons (actuators) built into a platform, a seat, or another type of equipment.

As at June 30, 2016, D-BOX had 113 employees compared to 91 as at June 30, 2015.

6. 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 Applications

Entertainment Market	Simulation and Training Market
<ul style="list-style-type: none"> • Commercial theatres • Home Entertainment: <ul style="list-style-type: none"> ○ Home theatre ○ Video games • Themed Entertainment: <ul style="list-style-type: none"> ○ Amusement parks ○ Arcades ○ Museums and planetariums 	<ul style="list-style-type: none"> • Simulation and training for: <ul style="list-style-type: none"> ○ Automotive ○ Flight ○ Heavy equipment/cranes ○ Racing ○ Wellness
<ul style="list-style-type: none"> • Virtual reality for the Entertainment and Simulation and Training markets 	

6.1 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.

6.2 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 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 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 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 June 30, 2016, 38 exhibitors had more than one location that integrated the D-BOX motion system and more than 125 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 system. The Corporation is constantly expanding its business relationships with new film and gaming content providers. For instance, over 200 titles, including more than 95 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.

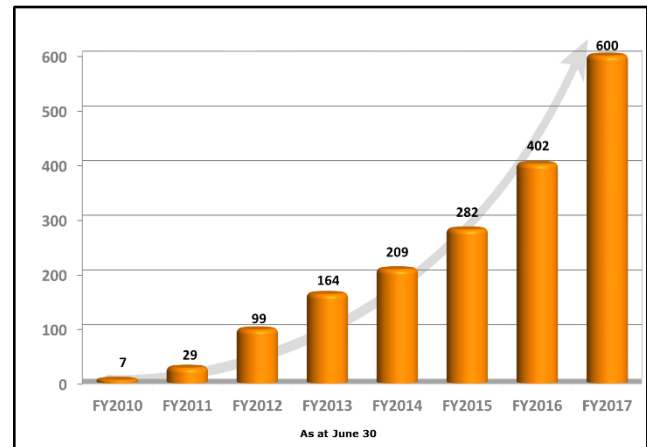
In this respect, the Corporation wishes to remind readers that it remains subject to a number of risks and uncertainties pertaining to its operations (see the "Risks and Uncertainties" section).

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 a really good way 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 49% and stood at 600 at the end of the quarter in comparison with 402 a year ago.

**Growth of installed screens
or in backlog in 32 countries
As at June 30, 2016**



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; and
3. create products and form partnerships with strategic players that should accelerate mass 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); and
- that it brings in additional visibility and a new source of revenue for the studios.

6.3 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 accelerate over the course of the next few quarters. This trend has been observed since the quarter ended December 31, 2015 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.

7. 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 the following: items not affecting cash, foreign exchange loss (gain), financial expenses (income) and income taxes.

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

	First quarter ended June 30	
	2016	2015
Net income (loss)	(426)	30
Amortization of property and	579	599
Amortization of intangible assets	151	130
Amortization of other assets	2	63
Write-off of property and equipment	—	90
Share-based payments	41	57
Foreign exchange loss (gain)	(14)	159
Financial expenses (income)	106	12
Income taxes	—	11
Adjusted EBITDA	439	1,151

- 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 6).

8. MAIN FINANCIAL DATA

The following tables present selected significant financial data for the first quarter ended June 30, 2016 by comparing them with the corresponding period of the previous fiscal year.

Information from the Consolidated Statements of Net Income (Loss) and Other Comprehensive Income (Loss)	First quarter ended June 30	
	2016	2015
Revenue	7,662	7,188
Gross profit excluding amortization*	4,514	4,470
Net income (loss)	(426)	30
Adjusted EBITDA*	439	1,151
Basic and diluted net income (loss) per share	(0.002)	0.000

* See the "Non-IFRS measures" section on page 5.

Information from the Consolidated Statements of Cash Flows	First quarter ended June 30	
	2016	2015
Cash flows relating to operating activities	(2,894)	111
Goods held for lease	(1,654)	(362)
Additions to property and equipment	(194)	(367)
Additions to intangible assets	(269)	(203)

The following table presents certain important financial data of the consolidated balance sheet as at June 30, 2016 and as at March 31, 2016.

Information from the Consolidated Balance Sheets	As at June 30, 2016	As at March 31, 2016
Cash and cash equivalents	13,111	16,454
Inventories	5,549	5,016
Working capital	19,738	21,455
Total assets	35,195	37,200
Total current liabilities	5,000	6,677
Long-term debt	4,451	4,420
Equity	25,744	26,103

9. OPERATING RESULTS

9.1 Revenue

Revenue for the first quarter ended June 30, 2016 increased by 7% to \$7,662 k compared to \$7,188 k for the first quarter ended June 30, 2015.

For the entertainment market, revenue consists of D-BOX motion system sales to commercial theatre operators, revenue from rights 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 first quarter ended June 30, 2016, the entertainment market generated an 8% increase in revenue to \$6,386 k compared to the \$5,900 k realized last year. Revenue from commercial theatres increased slightly from \$4,840 k in 2015 to \$4,856 k this year. These revenues consist of: i) the sale of D-BOX motion systems which increased by 25% to \$3,216 k (\$2,564 k in 2015) and ii) revenue from rights for use, rental and maintenance on the sale of admission tickets in commercial theatres which decreased by 28% to \$1,640 k (\$2,276 k in 2015). This decrease is mainly due to the performance of movies at the box office as last year, the first quarter presented an exceptional slate of D-BOX movies.

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.

As at June 30, 2016, 506 screens were installed around the world, an increase of 42% compared with 357 screens at the same date last year.

The entertainment market also includes system sales for home entertainment and themed entertainment. Home entertainment increased by 23% to \$410 k (\$332 k last year) and is explained for the most part by the new HEMC controller (Home Entertainment Motion Controller) launched last year. Systems sales from themed entertainment increased by 54% to \$1,120 k (\$728 k last year) and is explained by sales from a new client in the amusement parks sub-market.

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 amounted to \$1,276 k for the first quarter ended June 30, 2016 compared to \$1,288 k for the quarter ended June 30, 2015.

9.2 Gross Profit

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

	First quarter ended June 30	
	2016	2015
Revenue	7,662	7,188
Gross profit	4,001	3,845
Amortization related to cost of goods	513	625
Gross profit excluding amortization*	4,514	4,470
Gross margin excluding amortization	59%	62%

* See the "Non-IFRS measure" section on page 5.

For the first quarter ended June 30, 2016, gross profit amounted to \$4,001 k in comparison with \$3,845 k for the corresponding period last year. Excluding amortization, gross profit amounted to \$4,514 k (59% of revenues) in comparison with \$4,470 k (62% of revenues) last year.

9.3 Operating Expenses

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

For the first quarter ended June 30, 2016, selling and marketing expenses increased by 34% to \$2,242 k (29% of revenue) compared with the \$1,667 k (23% of revenue) spent in the quarter ended June 30, 2015. This variation is mostly explained by an increase in 1) employee-related costs, 2) professional fees related to our new presence in China, 3) trade shows and various marketing expenses.

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

For the first quarter ended June 30, 2016, administration expenses amounted to \$1,325 k (17 % of revenue) which compares to \$991 k (14% of revenue) for the quarter ending June 30, 2015. This 34% increase is also explained essentially by the increase of employee-related costs and professional fees.

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 first quarter ended June 30, 2016, research and development expenses decreased by 21% to \$768 k (10% of revenue) compared to \$975 k (14% of revenue) for the same quarter of last year. This decrease is mainly explained by a reduction of investment tax credits received for an amount of 356 k \$ accounted for in 2015 following reception from the relevant tax authorities of an assessment project related to a previous fiscal year.

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.

For the first quarter ended June 30, 2016, the foreign exchange gain amounts to \$14 k which compares to a loss of \$159 k for the corresponding quarter of 2015. 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 period.

9.4 Financial Expenses (Income)

For the first quarter ended June 30, 2016, financial expenses net of interest income amounted to \$106 k in comparison to \$12 k in 2015. The increase in financial expenses comes mainly from the interest expense related to the long-term debt issued in August last year.

9.5 Income Taxes

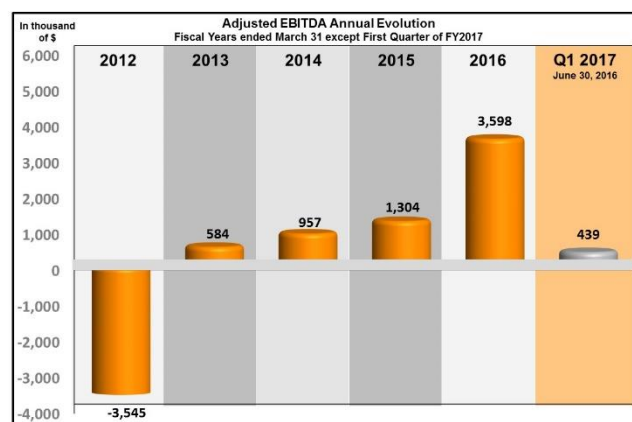
With respect to accounting for future income taxes, the Corporation has concluded that a valuation allowance equal to its future income tax assets should be recorded.

9.6 Net Income (Loss)

Given the aforementioned facts, the net loss for the first quarter ended June 30, 2016 amounted to \$426 k (basic and diluted net loss of \$0.002 per share) in comparison to a net income of \$30 k (basic and diluted net income of \$0.000 per share) in 2015.

10. 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 achieved a positive adjusted EBITDA. On an annual basis, it has remained positive and has been trending upwards ever since as a result of sustained growth in revenue and a tight control over operating expenses.

For the first quarter ended June 30, 2016, adjusted EBITDA amounted to \$439 k in comparison to the adjusted EBITDA of \$1,151 k for the same period last year.

11. LIQUIDITY, CAPITAL RESOURCES AND FINANCING SOURCES

As at June 30, 2016, total assets amounted to \$35,195 k compared to \$37,200 k as at March 31, 2016. The variation in total assets is mainly explained by the decrease in cash and cash equivalents as explained by operating activities below.

Working capital decreased by \$1,717 k to \$19,738 k as at June 30, 2016 compared with \$21,455 k as at March 31, 2016 and is mainly attributable to the decrease of \$3,343 k in cash and cash equivalents less the decrease of \$1,351 k in accounts payable and accrued liabilities. This decrease in accounts payable and accrued liabilities is mostly explained by employee compensation accruals and payables to suppliers as at March 31, 2016 compared with June 30, 2016.

11.1 Operating Activities

For the first quarter ended June 30, 2016, cash flows used by operating activities totalled \$2,894 k compared with cash flows generated by operating activities of \$111 k for the corresponding quarter of the previous fiscal year.

This variance is mainly due to cash flows needed by working capital items, mainly the reduction of accounts payable and accrued liabilities (\$1,362 k) and additions to goods held for lease (\$1,654 k) which amounted to \$3,326 k (\$988 k in 2015). Cash flows generated by operations before changes in working capital items amounted to \$432 k compared to \$1,099 k last year.

11.2 Investing Activities

For the first quarter ended June 30, 2016, cash flows used by investment activities amounted to \$463 k in comparison to \$570 k for the first quarter ended June 30, 2015. Cash flows relating to investing activities include additions to property and equipment of \$194 k (\$367 k in 2015) and costs associated to the additions of intangible assets of \$269 k (\$203 k in 2015).

11.3 Financing Activities

During the first quarter ended June 30, 2016, the Corporation issued 75,000 Class A common shares for a total cash consideration of \$24 k on exercise of stock options. An amount of \$16 k representing the initial fair value of the stock options, was credited to share capital and deducted from the share-based payments reserve.

There were no financing activities for the first quarter ended June 30, 2015.

11.4 Equity

Equity amounted to \$25,744 k as at June 30, 2016, compared with \$26,103 k as at March 31, 2016.

12. QUARTERLY DATA

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

	2017	2016				2015		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue from the entertainment market								
<i>Commercial theatres:</i>								
System sales	3,216	4,880	3,586	2,208	2,564	4,418	2,150	1,880
Rights for use, rental and maintenance	1,640	1,427	1,628	1,193	2,276	658	991	1,238
	4,856	6,307	5,214	3,401	4,840	5,076	3,141	3,118
<i>Home entertainment system sales</i>								
	410	424	472	233	332	254	309	238
<i>Themed entertainment system sales</i>								
	1,120	645	1,466	663	728	440	441	405
Total revenue Entertainment market	6,386	7,376	7,152	4,297	5,900	5,770	3,891	3,761
Revenue from the Simulation and training market	1,276	1,236	1,069	724	1,288	910	1,103	593
TOTAL REVENUE	7,662	8,612	8,221	5,021	7,188	6,680	4,994	4,354
Adjusted EBITDA*	439	944	1,371	132	1,151	713	200	372
Net income (loss)	(426)	(406)	397	(208)	30	850	(315)	192
Basic and diluted net income (loss) per share	(0.002)	(0.002)	0.002	(0.001)	0.000	0.005	(0.002)	0.001
(in thousands) Weighted average number of common shares outstanding	174,977	174,929	165,509	163,791	163,784	163,784	163,784	163,784

* See the "Non-IFRS Financial Measures" section on page 5.

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 presented films.

13. COMMITMENTS

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

	Leases	Other Commitments
Next twelve months	272	34
Following four years	635	52
Five years and	95	—
	1,003	86

The Corporation's operating lease expenses amounted to \$110 k in in the first quarter ended June 30, 2016 (\$122 k in 2015) and has pledged the universality of movable property, both present and future, in favour of the lessors.

14. FULLY DILUTED SHARE CAPITAL (AUGUST 11, 2016)

	Class A common shares
Class A common shares outstanding	175,003,906
Convertible instruments	
Stock options outstanding	15,251,845
Warrants	14,833,333
	205,089,084

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 21, 2016 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 June 30, 2016, 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 August 11, 2016. Additional information can be found on the SEDAR website at www.sedar.com.

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