Management's Discussion and Analysis

D-BOX Technologies Inc.
Three- and nine-month periods ended December 31, 2022

Table of Contents

MANAGEMENT'S DISCUSSION AND ANALYSIS
D-BOX Technologies Inc.
Three- and nine-month periods ended December 31, 2022

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 three- and nine-month periods ended December 31, 2022, by comparing them to the results of the corresponding period of the previous fiscal year. It also presents a comparison of the balance sheets as at December 31, 2022 and March 31, 2022.

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, 2022 and accompanying notes and the unaudited interim condensed consolidated financial statements of the three and nine months ended December 31, 2022. Unless otherwise indicated, the terms "Corporation" and "D-BOX" refer to D-BOX Technologies Inc.

The unaudited interim condensed consolidated financial statements for the three and nine months ended December 31, 2022, and this MD&A have been reviewed by the Audit Committee and approved by the Board of Directors of the Corporation on February 9, 2023. Unless otherwise indicated, all the amounts in this MD&A are in Canadian dollars.

2. FORWARD-LOOKING STATEMENTS

Certain information included in this MD&A may constitute "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information may include, among others, statements regarding the future plans, activities, objectives, operations, strategy, business outlook, and financial performance and condition of the Corporation, or the assumptions underlying any of the foregoing. In this MD&A, words such as "may", "would", "could", "will", "likely", "believe", "expect", "anticipate", "intend", "plan", "estimate" and similar words and the negative form thereof are used to identify forward-looking statements. Forward-looking statements should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether, or the times at or by which, such future performance will be achieved. Forward-looking information, by its very nature, is subject to numerous risks and uncertainties and is based on several assumptions which give rise to the possibility that actual results could differ materially from the Corporation's expectations expressed in or implied by such forward-looking information and no assurance can be given that any events anticipated by the forward-looking information will transpire or occur, including but not limited to the future plans, activities, objectives, operations, strategy, business outlook and financial performance and condition of the Corporation.

Forward-looking information is provided in this MD&A for the purpose of giving information about Management's current expectations and plans and allowing investors and others to get a better understanding of the Corporation's operating environment. However, readers are cautioned that it may not be appropriate to use such forward-looking information for any other purpose.

Forward-looking information provided in this MD&A is based on information available at the date hereof and/or management's good-faith belief with respect to future events and are subject to known or unknown risks, uncertainties, assumptions and other unpredictable factors, many of which are beyond the Corporation's control.

The risks, uncertainties and assumptions that could cause actual results to differ materially from the Corporation's expectations expressed in or implied by the forward-looking information include, but are not limited to: dependence on suppliers; indebtedness; future funding requirements; global health crises and COVID-19; political, social and economic conditions; strategic alliances; access to content; performance of content; distribution network including inflation and interest rates; concentration of clients; competition; technology standardization; exchange rate between the Canadian dollar and the U.S. dollar; warranty, recalls and lawsuits; intellectual property; security and management of information; credit risk; reputational risk through social media; and dependence on key personnel and labour relations. These and other risk factors that could cause actual results to differ materially from expectations expressed in or implied by the forward-looking information are discussed under "Risk Factors" in the Corporation's annual information form for the fiscal year ended March 31, 2022, a copy of which is available on SEDAR at www.sedar.com. Except as may be required by Canadian securities laws, the Corporation does not intend nor does it undertake any obligation to update or revise any forward-looking information contained in the annual information form to reflect subsequent information, events, circumstances or otherwise.

The Corporation cautions readers that the risks described above are not the only ones that could have an impact on it. Additional risks and uncertainties not currently known to the Corporation or that the Corporation currently deems to be immaterial may also have a material adverse effect on the Corporation's business, financial condition or results of operations.

3. CORPORATE PROFILE

D-BOX creates and redefines haptic and immersive entertainment experiences by moving the body and sparking the imagination through motion, vibration and textures. D-BOX has collaborated with some of the best companies in the world to deliver new ways to enhance great content. Whether its movies, TV series, video games, virtual reality, music, themed entertainment or professional simulation, D-BOX's technology creates a feeling of presence that makes life resonate like never before.

Thanks to its unparalleled mastery of haptics, D-BOX offers the best possible synchronization of body movements with images and sound.

Three components produce unparalleled synchronized motion in perfect harmony with the images and sounds:

1. Software haptic effects are programmed as a track, frame by frame, in the case of linear content, or programmed as a library for interactive content based on the content's specific telemetry.
2. A haptic processor (or haptic controller) serving as an interface between the content (films, video games, music, wellness, simulation and training, VR experiences) and the D-BOX haptic system. This device is able to recognize the content being used or played, regardless of the source, and associate it with the appropriate D-BOX Haptic Code. It then enables the D-BOX haptic systems to be synchronized with the content.
3. The D-BOX haptic system, consisting, amongst other things, of proprietary electromechanical actuators built into a seat, platform, or other type of equipment.

As at December 31, 2022, D-BOX had 96 employees compared with 90 employees as at December 31, 2021.

4. FINANCIAL AND OPERATING HIGHLIGHTS

4.1 Financial Highlights

Highlights for the three-month period ended December 31, 2022

- Total revenues increased 87% from $5.6 million to $10.5 million compared to the previous year.
- Rights for use, rental and maintenance revenues decreased 4% from $2.1 million to $2.0 million compared to the previous year.
- Revenues related to system sales increased 143% from $3.5 million to $8.4 million compared to the previous year.
- Net loss decreased from $0.3 million to $0.1 million compared to the previous year.
- Adjusted EBITDA* increased from $0.4 million to $0.5 million compared to the previous year.
- Cash and cash equivalent decreased from $3.9 million as at March 31, 2022 to $3.3 million as at December 31, 2022.

Highlights for the nine-month period ended December 31, 2022

- Total revenues increased 65% from $14.3 million to $23.7 million compared to the previous year.
- Rights for use, rental and maintenance revenues increased 65% from $4.0 million to $6.6 million compared to the previous year.
- Revenues related to system sales increased 66% from $10.3 million to $17.1 million compared to the previous year.
- Net loss decreased from $2.1 million to $0.8 million compared to the previous year.
- Adjusted EBITDA* increased from $(0.1) million to $1.1 million compared to the previous year.

Three- and nine-month periods ended December 31
(in thousands of dollars, except per share amounts)

	Three-month periods		Nine-month periods	
	2022	2021	**2022**	2021
Revenues	**10,455**	5,578	**23,710**	14,341
Net loss	**(110)**	(340)	**(823)**	(2,105)
Adjusted EBITDA*	**491**	402	**1,128**	(52)

	As at December 31, 2022	As at March 31, 2022
Cash and cash equivalents	**3,341**	3,937

* See the "Non-IFRS Financial Performance Measures" in section 8.

5. OPERATING RESULTS

The following table shows selected significant financial information for the three- and nine-month periods ended December 31, 2022, compared with the corresponding periods of the previous fiscal year:

(Amounts are in thousands of Canadian dollars, except per-share data)

	Three-month periods ended December 31		Nine-month periods ended December 31	
	2022	2021	**2022**	2021
Revenues	**10,455**	5,578	**23,710**	14,341
Gross profit excluding amortization*	**4,982**	3,578	**12,568**	8,285
Net loss	**(110)**	(340)	**(823)**	(2,105)
Adjusted EBITDA*	**491**	402	**1,128**	(52)

* See the "Non-IFRS Financial Performance Measures" in section 8.

5.1 Revenues

The following table presents the revenue information for the three- and nine-month periods ended December 31, 2022, compared with the corresponding periods of the previous fiscal year:

(Amounts are in thousands of Canadian dollars)

	Three-month periods ended December 31				Nine-month periods ended December 31			
	2022	2021	Var. ($)	Var. (%)	2022	2021	Var. ($)	Var. (%)
Revenues from								
System sales								
Commercial	**6,585**	2,369	4,216	178%	**13,040**	7,335	5,705	78%
Home entertainment	**1,861**	1,111	750	68%	**4,098**	3,012	1,086	36%
Total System sales	**8,446**	3,480	4,966	143%	**17,138**	10,347	6,791	66%
Rights for use, rental and maintenance	**2,009**	2,098	(89)	(4%)	**6,572**	3,994	2,578	65%
TOTAL REVENUES	**10,455**	5,578	4,877	87%	**23,710**	14,341	9,369	65%

Three-month period ended December 31, 2022

For the three-month period ended December 31, 2022, revenue increased 87% to $10.5 million compared with $5.6 million for the same period last year. The increase was due to an increase in system sales revenue.

Systems sales revenue increased 143% to $8.4 million compared with $3.5 million for the same period last year. The increase was driven by growth in commercial entertainment which includes sales to theatrical exhibitors and themed entertainment.

Rights for use, rental and maintenance revenues decreased 4% to $2.0 million compared with $2.1 million for the same period last year.

Nine-month period ended December 31, 2022

For the nine-month period ended December 31, 2022, revenue increased 65% to $23.7 million compared with $14.3 million for the same period last year. This variation, and many of the variations throughout the operating results section, is explained by the reduction of government regulatory measures affecting entertainment venues in North American and European markets during the nine-month period ended December 31, 2022, as compared to the nine-month period ended December 31, 2021. The absence of government-mandated forced closures and social distancing measures for entertainment venues during the period, allowed business operations to return to pre-pandemic levels.

Systems sales revenue increased 66% to $17.1 million compared with $10.3 million for the same period last year. The increase was driven mainly by the growth in commercial entertainment which includes sales to theatrical exhibitors and themed entertainment.

Rights for use, rental and maintenance revenues increased 65% to $6.6 million compared with $4.0 million for the same period last year. This growth is explained by the reopening of theaters and the release of major films in the first quarter ended June 30, 2022.

5.2 Gross Profit

The following table reconciles gross profit to gross profit excluding amortization for the three- and nine-month periods ended December 31, 2022, and 2021:

(Amounts are in thousands of Canadian dollars)

	Three-month periods ended December 31		Nine-month periods ended December 31	
	2022	**2021**	**2022**	**2021**
Revenues	**10,455**	5,578	**23,710**	14,341
Gross profit	**4,592**	3,237	**11,490**	7,308
Amortization related to cost of goods sold	**390**	341	**1,078**	977
Gross profit excluding amortization*	**4,982**	3,578	**12,568**	8,285
Gross margin excluding amortization	**48%**	64%	**53%**	58%

* See the "Non-IFRS Financial Performance Measures" in section 8.

Three-month period ended December 31, 2022

For the three-month period ended December 31, 2022, gross profit increased to $4.6 million from $3.2 million for the same period last year. The increase is explained by the increase in revenues.

For the three-month period ended December 31, 2022, gross profit excluding amortization related to cost of goods sold increased to $5.0 million from $3.6 million for the same period last year. Gross margin excluding amortization decreased to 48% from 64%. The decrease in gross margin is due to the higher proportion (market mix) of sales to theatrical exhibitors and themed entertainment system sales over the two periods. Theatrical exhibitor and themed entertainment system sales were more heavily impacted by transportation cost increases during the current period as compared to the same period last year. Theatrical exhibitor and themed entertainment system sales accounted for 54% of total system sales for the three-month period ended December 31, 2022, compared to 29% for the same period last year.

Nine-month period ended December 31, 2022

For the nine-month period ended December 31, 2022, gross profit increased to $11.5 million from $7.3 million for the same period last year.

For the nine-month period ended December 31, 2022, gross profit excluding amortization related to cost of goods sold increased to $12.6 million from $8.3 million for the same period last year. Gross margin excluding amortization decreased to 53% from 58% for the same period last year. The decrease is explained by the higher proportion (market mix) of sales to theatrical exhibitors and themed entertainment system sales over the two periods, offset by the growth of rights for use, rental and maintenance revenues that generate a higher margin.

5.3 Operating Expenses

(Amounts are in thousands of Canadian dollars)

	Three-month periods ended December 31			Nine-month periods ended December 31		
	2022	2021	Variation (%)	2022	2021	Variation (%)
Selling and marketing	**1,863**	1,365	36%	**4,721**	3,726	27%
% of Revenues	18%	24%		20%	26%	
Administration	**1,711**	1,484	15%	**4,753**	3,586	33%
% of Revenues	16%	27%		20%	25%	
Research and development	**1,145**	538	113%	**2,716**	1,676	62%
% of Revenues	11%	10%		11%	12%	
Foreign exchange loss (gain)	**(165)**	(48)	244%	**(70)**	(50)	43%
% of Revenues	(2%)	(1%)		0%	0%	

Government assistance: For the three- and nine-month periods ended December 31, 2022, the Corporation recognized government assistance from various governmental entities in the amount of $0.3 million and $0.7 million respectively ($nil and $1.1 million for the same periods last year). Government assistance received on capital expenditures and deducted from the carrying amount of the internally generated intangible asset, D-BOX motion technology, amounted to $0.02 million and $0.06 million for the three- and nine-month periods ended December 31, 2022 ($nil and $0.1 million for the same periods last year).

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

For the three-month period ended December 31, 2022, selling and marketing expenses increased by 36% to $1.9 million (18% of revenues) compared with $1.4 million (24% of revenues) for the same period last year. The increase is a result of business recovery. Trade shows, travel and headcount increased because of reduced government regulations.

For the nine-month period ended December 31, 2022, selling and marketing expenses increased by 27% to $4.7 million (20% of revenues) compared with $3.7 million (26% of revenues) for the same period last year. The increase is a result of business recovery. Trade shows, travel and headcount increased because of reduced government regulations during the nine-month period ended December 31, 2022 as compared to the same period last year.

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

For the three-month period ended December 31, 2022, administration expenses increased by 15% to $1.7 million (16% of revenues) from $1.5 million (27% of revenues) for the same period last year. The increase is a result of increased headcount for the period ended December 31, 2022 as compared to the same period last year.

For the nine-month period ended December 31, 2022, administration expenses increased by 33% to $4.8 million (20% of revenues) from $3.6 million (25% of revenues) for the same period last year. The variance is due to increased headcount as well as decreased government assistance received for the period ended December 31, 2022 as compared to the same period last year.

Research and Development: Research and development expenses mainly include costs related to employees including share-based payments, amortization of property and equipment and intangible assets, other costs associated with enhancements to existing products, and the cost of adapting products to various international standards, less investment tax credits.

For the three-month period ended December 31, 2022, research and development expenses increased by 113% to $1.1 million (11% of revenues) from $0.5 million (10% of revenues) for the same period last year. The increase is a result of projects related to the next generation of actuators and software development.

For the nine-month period ended December 31, 2022, research and development expenses increased by 62% to $2.7 million (11% of revenues) from $1.7 million (12% of revenues) for the same period last year. The increase is a result of projects related to the next generation of actuators and software development.

Impairment (reversal): For the three- and nine-month periods ended December 31, 2022, the Corporation recognized an impairment reversal due to an assessment of the recoverable amounts of the goods held for lease related to motion systems for commercial theatres. The Corporation determined that the recoverable amount exceeded the carrying amount of a given group of assets, resulting in the recognition of an impairment reversal of $0.2 million compared to an impairment charge of $0.2 million for the same period last year.

Foreign Exchange Gain: Foreign exchange loss (gain) results primarily from the fluctuation of the Canadian dollar relative to the U.S. currency when translating U.S. dollar operations at the prevailing rate on the date of a transaction and the translation of U.S. dollar monetary assets and liabilities at the end-of-period rate. Foreign exchange loss (gain) includes the change in fair value of derivative financial instrument related to foreign exchange.

For the three- and nine-month periods ended December 31, 2022, foreign exchange gain amounted to $0.2 million and $0.1 million respectively compared with $0.05 million and $0.05 million, respectively, for the corresponding period last year. The foreign exchange difference was driven by the volatility and weakening of the Canadian dollar relative to the U.S. currency between the periods.

5.4 Financial Expenses

For the three- and nine-month periods ended December 31, 2022, financial expenses net of interest income amounted to $0.1 million and $0.4 million respectively compared with $0.1 million and $0.3 million, respectively, for the same period last year. The increase is a result of increases to bank prime rates for the Corporation's variable interest debts, as well as issuances of new debts in the prior year for which interest was incurred throughout the periods ended December 31, 2022 and not for the same period last year.

5.5 Income Taxes

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

5.6 Profit (Loss)

Net loss for the three- and nine-month periods ended December 31, 2022, amounted to $0.1 million and $0.8 million respectively (basic and diluted net loss of $0.000 and $0.004 per share respectively) compared with $0.4 million and $2.2 million respectively (basic and diluted net loss of $0.002 and $0.010 per share respectively) for the same period last year.

6. QUARTERLY DATA

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

(Amounts are in thousands of Canadian dollars, except number of shares and per-share data)

	FY 2023			FY 2022				FY 2021
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Rights for use, rental and maintenance	**2,009**	1,771	2,792	1,579	2,098	1,284	612	308
System sales	**8,446**	4,371	4,321	5,392	3,480	4,317	2,551	2,628
TOTAL REVENUES	**10,455**	6,142	7,113	6,971	5,578	5,601	3,163	2,936
Adjusted EBITDA*	**491**	38	605	972	402	150	(598)	(1,592)
Profit (loss)	**(110)**	(743)	29	238	(340)	(421)	(1,344)	(2,523)
Basic and diluted profit (loss) per share	**(0.000)**	(0.003)	0.000	0.001	(0.002)	(0.002)	(0.006)	(0.014)
(in thousands) **Weighted average number of common shares outstanding**	**220,226**	220,226	220,226	220,226	220,226	220,226	220,226	179,226

* See the "Non-IFRS Financial Performance Measures" in section 8.

7. LIQUIDITY, CAPITAL RESOURCES AND FINANCING SOURCES

The following table shows certain selected significant financial information from the consolidated balance sheets as at December 31, 2022 and March 31, 2022:

(Amounts are in thousands of Canadian dollars)

Information from the Consolidated Balance Sheets	As at December 31, 2022	As at March 31, 2022
Cash and cash equivalents	**3,341**	3,937
Inventories	**7,830**	5,163
Working capital	**8,710**	9,178
Total assets	**25,783**	22,350
Current liabilities	**11,790**	7,183
Long-term debt	**3,583**	3,451
Total liabilities	**14,792**	10,516
Equity	**10,991**	11,834

As at December 31, 2022, working capital decreased to $8.7 million from $9.2 million as at March 31, 2022. This decrease is due to an increase in inventory and accounts receivable of $2.7 million and $2.0 million respectively, offset by increases in current liabilities.

Current liabilities increased $4.6 million to $11.8 million as at December 31, 2022. The increase is attributable to increases in accounts payable of $3.4 million, deferred revenues of $1.1 million and derivative financial instruments of $0.3 million as of December 31, 2022. This variation also explains the variation of total liabilities which increased $4.3 million to $14.8 million as at December 31, 2022.

As at December 31, 2022, long-term debt, including the current portion, stood at $3.6 million, versus $3.5 million as at March 31, 2022. In addition, the Corporation was using $0.5 million of an available line of credit of $4.0 million.

Equity decreased $0.8 million to $11.0 million as at December 31, 2022, from $11.8 million as at March 31, 2022. The decrease resulted mainly from the $0.8 million net loss for the nine-month period ended December 31, 2022.

The following table shows selected significant financial information for the nine-month period ended December 31, 2022, compared with the corresponding period of the previous fiscal year:

(Amounts are in thousands of Canadian dollars).

Information from the Consolidated Statements of Cash Flows	Nine-month periods ended December 31	
	2022	2021
Cash flows provided by (used in) operating activities	**994**	(1,923)
Cash flows used in investing activities	**(1,010)**	(824)
Cash flows used in financing activities	**(662)**	(1,238)

7.1 Operating Activities

For the nine-month period ended December 31, 2022, cash flows provided by operating activities totaled $1.0 million compared with cash flows used in operating activities of $2.0 million for the same period last year. This $3.0 million variance is mainly attributable to the $0.3 million in positive changes in working capital items, as compared to $1.6 million in negative changes in working capital items for the same period last year. The largest cash increases during the period ended December 31, 2022 came from accounts payable and accrued liabilities ($3.4 million as compared to $1.0 million) and deferred revenues ($1.1 million as compared to $0.4 million), which were offset by cash injections in inventories ($2.7 million as compared to $0.3 million) and accounts receivable ($2.0 million as compared to $2.2 million) during the period. The remaining variance is attributable to $0.7 million cash provided by operations before working capital investments as compared to $0.3 used in operations last year.

7.2 Investing Activities

For the nine-month period ended December 31, 2022, cash flows used in investing activities amounted to $1.0 million compared with $0.8 million last year. This variance is explained by an offsetting increase to investments in additions to property and equipment of $0.4 million and a decrease to investments in additions to intangible assets of $0.3 million.

7.3 Financing Activities

For the nine-month period ended December 31, 2022, cash flows used in financing activities amounted to $0.7 million compared to $1.2 million last year. The $0.5 million variance in cash flows from financing activities is mainly attributable to the $1.8 million decrease in repayment of the credit facility as compared to last year, offset by the $1.1 million decrease in proceeds received from a new long-term debt as compared to last year.

As at December 31, 2022, the effective interest rate of variable interest long-term debt was between 8.20% and 9.70% (4.55% as at December 31, 2021). For the nine-month period ended December 31, 2022, the interest expense on long-term debt charged to profit (loss) amounted to $0.2 million compared with $0.1 million for the same period last year.

8. NON-IFRS FINANCIAL PERFORMANCE MEASURES

The Corporation uses two non-IFRS financial performance measures in its MD&A and other communications. The non-IFRS measures do not have any standardized meaning prescribed by IFRS and are unlikely to be comparable to similarly titled measures reported by other companies. Readers are cautioned that the disclosure of these metrics is meant to add to, and not to replace, the discussion of financial results determined in accordance with IFRS. Management uses both IFRS and non-IFRS measures when planning, monitoring and evaluating the Corporation's performance. The two non-IFRS performance measures are described as follow:

1) Adjusted EBITDA provides useful and complementary information, which can be used, in particular, to assess profitability and cash flows from operations. It consists of net loss excluding amortization, financial expenses net of income, income taxes (recovery), impairment charges, if any, share-based payments, foreign exchange (gain) loss and non-recurring expenses related to restructuring costs, if any. The following table reconciles adjusted EBITDA to profit (loss):

(Amounts are in thousands of Canadian dollars)

	Three-month periods ended December 31		Nine-month periods ended December 31	
	2022	**2021**	**2022**	**2021**
Net loss	**(110)**	(340)	**(823)**	(2,105)
Amortization of property and equipment	**315**	271	**871**	846
Amortization of intangible assets	**263**	232	**749**	638
Financial expenses	**147**	59	**402**	296
Foreign exchange (gain) loss	**(165)**	(48)	**(70)**	(50)
Accretion of interest expense	—	5	—	5
Gain (loss) on disposal of assets	—	—	**(5)**	—
Impairment (reversal)	—	179	**(223)**	179
Income taxes (recovery)	**1**	—	**19**	—
Share-based payments	**40**	44	**208**	144
Adjusted EBITDA	**491**	402	**1,128**	(47)

2) Gross profit excluding amortization is used 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 reconciliation table in section 5.2).

9. FULLY DILUTED SHARE CAPITAL (FEBRUARY 9, 2023)

	Class A common shares
Class A common shares outstanding	220,225,573
Convertible instruments	
Stock-options outstanding	9,444,208
Warrants	46,847,441
	276,517,222

10. ENVIRONMENTAL, SOCIAL, AND GOVERNANCE ("ESG") STRATEGY

The Corporation is committed to conducting its business in an ethical, legal and socially responsible manner, with an ever more responsible approach by promoting, accelerating, and facilitating the integration of sustainable development principles into its business model.

ESG matters are interwoven with each other and must be addressed by all responsible corporate citizens. The Corporation recognizes that ESG has gained a greater importance among investors, policymakers, and other key stakeholders because it is seen as a way to safeguard businesses from future risks. The three pillars of ESG for D-BOX are as follows:

> *'E' or Environmental* pertains to the Corporation's energy use, waste, pollution, and natural resource conservation;
>
> *'S' or Social* looks at how the Corporation interacts with communities where it operates, and the Corporation's internal policies related to labour, diversity and inclusion policies, among others;
>
> *'G' or Governance* relates to internal practices and policies that lead to effective decision making and legal compliance. ESG facilitates the Corporation's top-line growth in the long run, attracts talent, reduces costs, and forge a sense of trust amongst consumers.

D-BOX has taken a proactive approach by adopting policies and behaviours pertaining to environment and sustainability, wellbeing, diversity and ethics. These policies and behaviours are described in the Annual Information Form (AIF) dated June 2, 2022, which is available on www.sedar.com.

11. RISK AND UNCERTAINTIES

For a detailed description of risk factors associated with the Corporation, please refer to the "Risk Factors" section of the Corporation's Annual Information Form (the "**AIF**") dated June 2, 2022, which is available on www.sedar.com. The following update should be read together with such risk factors described in the 2022 AIF, which are hereby incorporated by reference.

Dependence on Suppliers Update (Supply Chain Disruptions)

The overall demand environment continues to improve but remains impacted by industry-wide supply constraints which have contributed to a challenging supply chain environment. Supply chain issues for the three- and nine-month period ended December 31, 2022 were exacerbated by pandemic related lockdowns in China and increasing inflationary pressures, which are driving up material and logistics costs. These supply chain constraints have elevated costs and delayed certain unit shipments, resulting in a higher level of backlog and related inventory at the end of the period. We expect this trend to continue in the near term.

12. DISCLOSURE CONTROLS AND INTERNAL CONTROL 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 three- and nine-month period ended December 31, 2022, 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.

13. OUTLOOK

Although there is much uncertainty related to geopolitical, economic and supply chain risks, and although historically the Corporation's revenues have been cyclical, the Corporation expects its growth to carry into the fourth quarter of Fiscal 2023.

From a macro perspective, according to a 2022 report by Research and Markets,[1] the global haptics market is expected to reach US$28.1 billion by 2026. That represents a compound annual growth rate of 12.7%. While traditional end-user markets for haptics continue to support demand, significant growth is expected to come from esports, sim racing automotive and metaverse applications.

With robust fundamentals for the commercial entertainment market, a resilient and growing simulation and training market, D-BOX is poised for growth across multiple key markets.

Theatrical and Themed Entertainment

The size and growth potential for the commercial entertainment market, including the theatrical and themed entertainment sub-markets, are large and are expected to expand as consumers continue to return to entertainment venues. Consumers are eager to get entertained with an enhanced and immersive experience as validated by the strong box office receipts from North American theatrical exhibitors which grew 349% YoY. With several highly anticipated movies being released in the fourth quarter (Ant-Man and the Wasp: Quantumania, Shazam: Fury of the Gods, John Wick: Chapter 4, and Dungeons and Dragons: Honor Among Thieves), the outlook for the theatrical market is promising for the remainder of the year. For the themed entertainment market, a recent market study from Polaris Market Research[2] forecasts that global location-based entertainment market to grow 34% CAGR to reach US$21.4 billion by 2028.

D-BOX is renowned for the premium haptic theatrical experience that they offer moviegoers around the world. The Corporation is focused on strengthening its leadership position in this market and expanding its theatrical footprint by more than 20% to 1,000 screens within the next two to three years.

Simulation and Training

For the Simulation and Training segment, the market size is estimated to grow 10% per annum to US$20 billion by 2027.[3] The business fundamentals for simulators remain strong driven by safety and prevention measures, increased skills and productivity, lower environmental footprint, and cost savings compared to training on planes, heavy equipment trucks or automobiles.

---

[1] "Haptics – Global Market Trajectory & Analytics", Research and Markets, February 7, 2022.
[2] "Location-based Entertainment Market Size Worth $21.42 Billion by 2028 | CAGR: 34.2%", Polaris Market Research, 2022.
[3] "Operator Training Simulator Market", Global Market Insights, Inc., November 2021.

Sim Racing

Over the last few years, sim racing has become more prevalent as it has transitioned from a niche game to a legitimate esport. Rising adoption of virtual training solutions for racing drivers to improve their driving skills is expected to be a key driver in the demand for racing simulators.

With its haptic systems that are capable of reproducing textures, velocity, engine vibrations and vehicle dynamics motion, D-BOX has drawn the attention of several leading racing simulation partners who have chosen to integrate the D-BOX haptic systems into their simulators. Two examples expected to factor into the near-to-medium term outlook for D-BOX in this market, are the recent licensing agreement to commercialize a Mercedes-Benz and Mercedes-AMG multipurpose motion platform (announced on January 17, 2023) and the rollout of 30 officially sanctioned F1 Arcade sim racing centres over the next five years. Under the recent licensing agreement with Mercedes-Benz and Mercedes-AMG, the first product to be commercialized is a modular motion platform, which is expected to be available for purchase before the end of February 2023. With regards to F1 Arcade, the first sim racing centre outfitted with 60 simulator rigs (created by cockpit manufacturers Vesaro and equipped with D-BOX haptic feedback) opened in late calendar 2022 in London, England.

Video Gaming

With approximately three billion gamers around the world,[4] video gaming is an attractive market and could eventually become an important revenue contributor for D-BOX as its haptic products are integrated into video game and streaming hardware, of which the market is estimated to grow at over 20% CAGR between 2020 and 2024 to about $45 billion by 2024 according to Jon Peddie Research.[5] Gamers have long adopted basic haptics technology, with rumbles on video game controllers. Haptic cues enhance the emotional gaming experience and immersion, while improving the performance of gamers, opening a plethora of opportunities for D-BOX.

14. CONTINUOUS INFORMATION AND ADDITIONAL DISCLOSURE

This MD&A was prepared as at February 9, 2023. Additional information can be found on the SEDAR website at www.sedar.com.

The trademarks D-BOX, HAPTICODE, HAPTISYNC, FEEL IT ALL, MOVE THE WORLD, LIVE THE ACTION, HEMC and D-BOX MOTION CODE, whether in text or graphical form, are owned by the Corporation and in most cases are registered or in the process of being registered in Canada and in the countries or territories in which these trademarks are used.

All aspects of the D-BOX haptic effects are protected by copyright.

[4] "Number of video gamers worldwide 2017-2027", Statista, November 11, 2022.
[5] "The Worldwide PC Gaming Hardware Market report", Jon Peddie Research, July 13, 2021.