Management's Discussion and Analysis

D-BOX Technologies Inc.
Three-month period ended June 30, 2024

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MANAGEMENT'S DISCUSSION AND ANALYSIS
D-BOX Technologies Inc.
Three-month period ended June 30, 2024

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-month period ended June 30, 2024, 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 June 30, 2024 and March 31, 2024.

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, 2024 and accompanying notes and the unaudited interim condensed consolidated financial statements of the three-month period ended June 30, 2024. 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-month period ended June 30, 2024, and this MD&A have been reviewed by the Audit Committee and approved by the Board of Directors of the Corporation on August 13, 2024. 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; concentration of clients; indebtedness; future funding requirements; access to content; global health crises; performance of content; distribution network; strategic alliances; competition; political, social and economic conditions; 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, 2024, 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 OVERVIEW

D-BOX is a leader in the design of haptic and immersive experiences. 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 industry leaders in entertainment and simulation and training companies to deliver new ways to enhance great content. Whether it's movies, TV series, video games, virtual reality, music, themed entertainment or professional simulation, D-BOX's motion 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 serving as an interface between the content and the D-BOX haptic system can recognize the content being 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, consists, amongst other things, of proprietary electromechanical actuators built into a seat, platform, or other type of equipment.

The Corporation's current revenue streams mainly consist of:

i. the sale or lease of D-BOX hardware including haptic actuators and haptic bases that are integrated by resellers, integrators, and equipment or seating manufacturers (known as original equipment manufacturers ("OEMs")) into chairs, recliners, seats, haptic controllers and electronic interfaces or servers, and market the D-BOX technology under their own brands;

ii. the licensing of the D-BOX Haptic Code in theatres and entertainment centres which are equipped with the D-BOX haptic systems to play content encoded by D-BOX. The Corporation also receives maintenance revenue relating to the use of the haptic systems.

As at June 30, 2024, D-BOX had 102 employees compared with 100 employees as at June 30, 2023.

3.1 Business Strategy

The Corporation engages in business activities within a single operating segment. D-BOX sells its products to original equipment manufacturers ("OEMs") including integrators, resellers and distributors. As it relates specifically to system sales revenues, the Corporation analyzes and discusses performance across two markets, the entertainment market and the simulation and training market. D-BOX distributes the same products in both markets; however, it considers that these markets have a disproportionate effect on revenue, and therefore discuss them separately.

The entertainment market includes customers in theatrical entertainment, location-based entertainment centres (theme parks, arcades, museums, planetariums, etc.), simulation video game peripherals (which includes sim racing and other simulation gaming customers), and virtual reality ("VR") systems. The simulation and training market includes customers in the automobile, transportation logistics, aviation and construction industries, as well as certain military customers.

Key components of the Corporation's business strategy in these markets are as follows:

- Continue to enhance and develop D-BOX's haptic motion technology in order to maintain our presence as a leader in immersive seated haptic experiences;
- Enter into business partnerships with market leaders in these markets to integrate the D-BOX haptic experience in their products and to commercialize new products and applications;
- Expand, drive growth and scale in existing markets by extending existing capabilities and infrastructure;
- Focus on operational excellence by controlling costs while continuing to provide leading haptic experiences.

4. FINANCIAL AND OPERATING HIGHLIGHTS

Highlights for the three-month period ended June 30, 2024

- Total revenues decreased 16% to $8.8 million compared with $10.5 million in the previous year.
- Rights for use, rental and maintenance revenues decreased 19% to $2.4 million compared with $3.0 million in the previous year.
- Revenues related to system sales decreased 15% to $6.3 million compared with $7.5 million in the previous year.
- Net income decreased to a $0.3 million net loss compared with a $0.5 million net income in the previous year.
- Adjusted EBITDA* decreased 79% to $0.3 million compared with $1.3 million in the previous year.
- Cash and cash equivalent was $1.7 million as at June 30, 2024 compared with $2.9 million as at March 31, 2024.

(Amounts are in thousands of Canadian dollars)

	Three-month periods ended June 30	
	2024	2023
Revenues	**8,762**	10,491
Net (loss) income	**(316)**	496
Adjusted EBITDA*	**263**	1,257

	As at June 30, 2024	As at March 31, 2024
Cash and cash equivalents	**1,695**	2,916

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

5. OPERATING RESULTS

The following table shows selected significant financial information for the three-month period ended June 30, 2024, compared with the corresponding period of the previous fiscal year:

(Amounts are in thousands of Canadian dollars)

	Three-month periods ended June 30	
	2024	2023
Revenues	**8,762**	10,491
Gross profit excluding amortization*	**4,807**	5,620
Net (loss) income	**(316)**	496
Adjusted EBITDA*	**263**	1,257

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

5.1 Revenues

The following table presents the revenue information for the three-month period ended June 30, 2024, compared with the corresponding period of the previous fiscal year:

(Amounts are in thousands of Canadian dollars)

	Three-month periods ended June 30			
	2024	2023	**Variation ($)**	**Variation (%)**
Revenues from				
System sales				
Entertainment	**4,232**	4,543	(311)	(7%)
Simulation and training	**2,094**	2,937	(843)	(29%)
Total System sales	**6,326**	7,480	(1,154)	(15%)
Rights for use, rental and maintenance	**2,436**	3,011	(575)	(19%)
TOTAL REVENUES	**8,762**	10,491	(1,729)	(16%)

Three-month period ended June 30, 2024

For the three-month period ended June 30, 2024, revenue decreased 16% to $8.8 million compared with $10.5 million for the corresponding period in the previous year. The decrease was due to decreases in both system sales revenues and rights for use, rental and maintenance revenues. Simulation and training system sales decreased by 29% to $2.1 million from $2.9 million for the corresponding period in the previous year. The decrease was driven by timing differences in orders from automotive customers which are expected to be filled during the year. Entertainment system sales decreased by 7% to $4.2 million from $4.5 million for the corresponding period in the previous year. The decrease is primarily due to only 4 net new theatre installations during the current period compared to 46 for the corresponding period in the previous year. These installations during the three-month period ended June 30, 2024, bring the total number of active D-BOX screens to 933. The decrease in theatrical customer revenues was compensated by a $1.1 million increase in sim racing customer revenues, which is attributable to traction of our haptic product offerings among our existing customers in their respective products.

Rights for use, rental and maintenance revenues decreased 19% to $2.4 million compared with $3.0 million for the corresponding period in the previous year. The decrease is primarily due to an exceptionally strong slate of D-BOX encoded titles in the corresponding period in the previous year with no comparable blockbusters in the current period. The corresponding period in the previous year saw titles like *The Super Mario Bros. Movie*, *Fast X* and *Guardians of the Galaxy Vol. 3* perform exceptionally well in D-BOX, compared with titles like *Inside Out 2*, *Kingdom of the Planet of the Apes* and *Godzilla x Kong: The New Empire*, which did not generate the same level of public interest.

5.2 Gross Profit

The following table reconciles gross profit to gross profit excluding amortization for the three-month periods ended June 30, 2024, and 2023:

(Amounts are in thousands of Canadian dollars)

	Three-month periods ended June 30	
	2024	**2023**
Revenues	**8,762**	10,491
Gross profit	**4,551**	5,321
Amortization related to cost of goods sold	**256**	299
Gross profit excluding amortization*	**4,807**	5,620
Gross margin excluding amortization*	**55%**	54%

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

For the three-month period ended June 30, 2024, gross profit decreased to $4.6 million from $5.3 million for the corresponding period in the previous year. The decrease is explained by the decrease of revenues for the period ended June 30, 2024.

For the three-month period ended June 30, 2024, gross profit excluding amortization related to cost of goods sold decreased to $4.8 million from $5.6 million for the corresponding period in the previous year. Gross margin excluding amortization increased to 55% from 54% for the corresponding period in the previous year. The increase in gross margin excluding amortization is due to the higher proportion (market mix) of simulation and training, and sim racing system sales versus theatrical revenues during the period as compared to the corresponding period in the previous year. System sales to theatrical customers generally have a slightly lower margin due to rights for use, rental and maintenance revenues generated in the years following the system sale.

5.3 Operating Expenses

(Amounts are in thousands of Canadian dollars)

	Three-month periods ended June 30		
	2024	**2023**	**Variation (%)**
Selling and marketing	**1,830**	1,763	4%
% of Revenues	21%	17%	
Administration	**1,767**	1,603	10%
% of Revenues	20%	15%	
Research and development	**1,111**	1,160	(4%)
% of Revenues	13%	11%	
Foreign exchange loss	**72**	132	(45%)
% of Revenues	1%	1%	

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 June 30, 2024, selling and marketing expenses increased by 4% to $1.8 million (21% of revenues) compared with $1.8 million (17% of revenues) for the corresponding period in the previous year. The increase due primarily to an increase in employee salaries and benefits, as well as an increase in marketing initiatives and participation in trade shows and travel focused on the entertainment market.

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

For the three-month period ended June 30, 2024, administration expenses increased by 10% to $1.8 million (20% of revenues) from $1.6 million (15% of revenues) for the corresponding period in the previous year. The increase is primarily due to a $0.1 million increase in expected credit loss charges related to accounts receivables. The remaining increase is due to IT infrastructure upgrade costs.

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 June 30, 2024, research and development expenses decreased by 4% to $1.1 million (13% of revenues) from $1.2 million (11% of revenues) for the corresponding period in the previous year. The decrease is due to an increase in government assistance received during the period, as compared to the corresponding period in the previous year.

Foreign Exchange Loss: Foreign exchange loss results primarily from the fluctuation of the Canadian dollar relative to the U.S. dollar 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 includes the change in fair value of derivative financial instrument related to foreign exchange.

For the three-month period ended June 30, 2024, foreign exchange loss remained stable at $0.1 million compared with the corresponding period in the previous year.

Government assistance: For the three-month period ended June 30, 2024, the Corporation recognized government assistance from various governmental entities in the amount of $0.1 million, compared to $0.04 million for the corresponding period in the previous year.

5.4 Financial Expenses

For the three-month period ended June 30, 2024, financial expenses net of interest income amounted to $0.1 million compared with $0.2 million for the corresponding period in the previous 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, when incurred, are related to D-BOX's international operations in different countries and different foreign rules of taxation.

5.6 Net (loss) income

Net loss for the three-month period ended June 30, 2024, amounted to $0.3 million (basic and diluted net loss of $0.001 per share) compared with a net income of $0.5 million (basic and diluted net income of $0.002 per share) for the corresponding period in the previous 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 2024 Q1	Q4	FY 2024 Q3	Q2	Q1	Q4	FY 2023 Q3	Q2
System sales	**6,326**	8,053	6,657	8,708	7,480	8,482	8,446	4,371
Rights for use, rental and maintenance	**2,436**	2,126	1,418	2,144	3,011	1,930	2,009	1,771
TOTAL REVENUES	**8,762**	10,179	8,075	10,852	10,491	10,412	10,455	6,142
Adjusted EBITDA*	**263**	619	90	1,092	1,257	648	491	38
Net (loss) income	**(316)**	620	(425)	402	496	(115)	(110)	(743)
Basic and diluted net (loss) income per share	**(0.001)**	0.003	(0.002)	0.002	0.002	(0.001)	(0.000)	(0.003)
Weighted average number of common shares outstanding (in thousands)	**220,227**	220,227	220,227	220,227	220,227	220,226	220,226	220,226

* 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 June 30, 2024 and March 31, 2024:

(Amounts are in thousands of Canadian dollars)

Information from the Consolidated Balance Sheets	As at June 30, 2024	As at March 31, 2024
Cash and cash equivalents	**1,695**	2,916
Inventories	**7,360**	7,188
Total assets	**20,547**	20,936
Total current liabilities	**6,873**	6,820
Total liabilities	**8,734**	8,806
Equity	**11,813**	12,130

Working capital decreased $0.2 million to $9.8 million as at June 30, 2024, from $10.0 million as at March 31, 2024. This is due to a decrease in current assets during the period.

Current liabilities increased $0.1 million to $6.9 million as at June 30, 2024. The variation is attributable to the increase of the derivative financial instruments of $0.1 million. The decrease to accounts payable and accrued liabilities of $0.7 million was offset by the increase in the credit facility of $0.5 million and deferred revenues of $0.2 million. Total liabilities decreased $0.1 million due in large part to the repayment of long-term debt during the period in the amount of $0.1 million. As at June 30, 2024, long-term debt, including the current portion, stood at $2.4 million, versus $2.5 million as at March 31, 2024.

Equity decreased $0.3 million to $11.8 million as at June 30, 2024, from $12.1 million as at March 31, 2024. The decrease resulted mainly from the $0.3 million net loss for the three-month period ended June 30, 2024.

The following table shows selected significant financial information for the three-month period ended June 30, 2024, 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	Three-month periods ended June 30	
	2024	**2023**
Cash flows used in operating activities	**(1,417)**	(655)
Cash flows used in investing activities	**(100)**	(241)
Cash flows provided by financing activities	**338**	1,669

For the three-month period ended June 30, 2024, net change in cash and cash equivalents totaled $1.2 million cash used compared to $0.8 million cash generated for the corresponding period in the previous year.

7.1 Operating Activities

For the three-month period ended June 30, 2024, cash flows used in operating activities totaled $1.4 million compared with $0.7 million for the corresponding period in the previous year. This $0.7 million variance in cash flow from operating activities is mainly attributable to the non-cash impact of the change in fair value of the derivative financial instruments and the increase in accounts receivable balances as at June 30, 2024. The increase in accounts receivable balances is a matter of timing.

7.2 Investing Activities

For the three-month period ended June 30, 2024, cash flows used in investing activities amounted to $0.1 million compared with $0.2 million for the corresponding period in the previous year.

7.3 Financing Activities

For the three-month period ended June 30, 2024, cash flows provided by financing activities amounted to $0.3 million compared with $1.7 million for the corresponding period in the previous year. The variance is due to less use of the credit facility in the current period, as compared to the previous year.

As at June 30, 2024, the effective interest rate of long-term debt was 6.95% (6.95% as at June 30, 2023). For the three-month period ended June 30, 2024, the interest expense on long-term debt charged to net (loss) income amounted to $0.04 million compared with $0.07 million for the corresponding period in the previous year.

8. NON-IFRS FINANCIAL PERFORMANCE MEASURES

The Corporation uses three 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 three non-IFRS performance measures are described as follow:

1) EBITDA represents earnings before interest and financing, income taxes and depreciation and amortization. Adjustments to EBITDA are for items that are not necessarily reflective of the Corporation's underlying operating performance. As there is no generally accepted method of calculating EBITDA, this measure is not necessarily comparable to similarly titled measures reported by other issuers. Adjusted EBITDA provides useful and complementary information, which can be used, in particular, to assess profitability and cash flows from operations. The following table reconciles adjusted EBITDA to net (loss) income:

(Amounts are in thousands of Canadian dollars)

	Three-month periods ended June 30	
	2024	**2023**
Net (loss) income	**(316)**	496
Amortization of property and equipment	**259**	255
Amortization of intangible assets	**142**	191
Financial expenses	**77**	167
Income taxes	**10**	–
Share-based payments	**19**	16
Foreign exchange loss	**72**	132
Adjusted EBITDA	**263**	1,257

2) Gross profit excluding amortization and gross margin excluding amortization are both 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 (AUGUST 13, 2024)

	Class A common shares
Class A common shares outstanding	220,226,573
Convertible instruments	
Stock-options outstanding	8,227,500
Restricted/deferred share units outstanding	601,083
	229,055,156

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 May 30, 2024, which is available on www.sedarplus.ca.

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 May 30, 2024, which is available on www.sedarplus.ca. The following update should be read together with such risk factors described in the 2024 AIF, which are hereby incorporated by reference.

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-month period ended June 30, 2024, 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

Entertainment

Theatrical customers

The theatrical industry continues to captivate audiences globally. The theatrical industry was valued at USD$ 69.7 billion in 2023 and is anticipated to register a CAGR of 5.1% between 2024 and 2032[1]. Technological advancements and premium experiences like the D-BOX experience contribute significantly to this industry's growth. These innovations provide audiences with a more immersive cinematic experience they can't get anywhere else. D-BOX continues to expand its footprint domestically in North America as well as abroad. The Corporation is focused on strengthening its leadership position in this market and expanding its global theatrical footprint to 1,000 screens within the next 15 months.

The popularity of blockbuster releases also plays a pivotal role in the theatrical industry's success. The Corporation remains encouraged by the content being announced by both major and non-traditional studios. Compelling D-BOX encoded titles continue to provide a premium, added value, to our exhibitor customers, as well as strengthen consumer enthusiasm for the theatrical movie-going experience. The Corporation remains optimistic looking forward to fiscal 2025, as blockbuster releases such as *Deadpool & Wolverine*, *Borderlands* and *Transformers One* are all part of the D-BOX encoded offerings.

Studios appear to be focusing on a lower volume, higher impact approach to their theatrical productions. We believe this strategy aligns very well with the Corporation's value proposition in the theatrical industry. We recognize that there could be a gap between the time the studios' vision is realized and upcoming theatrical releases, but we are optimistic of the long-term outlook in this sector.

Sim racing customers

Over the last few years, sim racing has transitioned from a niche game to a legitimate e-sport. 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 dynamic vehicle 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.

With continued rollouts of F1 Arcade locations by Kindred Concepts ongoing, and the launch of the Mercedes-Benz and Mercedes-AMG multipurpose motion platform expected during the coming fiscal year, sim racing presents to be a promising customer group going forward.

Simulation and Training

Simulation and training through haptics allows for the unique opportunity to improve safety by allowing operators to learn and practice new skills in a controlled environment without the risk of accidents, injuries, costly damage to expensive machinery and less environmental impact in many cases. The construction, automotive and military industries are three sectors in which the Corporation sees growth potential in simulation and training through haptics, and these sectors are reacting positively to the D-

[1] Per Global Market Insights (GMI): www.gminsights.com

BOX haptic experience. Simulation and training revenues have grown steadily for D-BOX over the last three years, and market analysts' expectations for the overall industry are that it continue to grow.

14. CONTINUOUS INFORMATION AND ADDITIONAL DISCLOSURE

This MD&A was prepared as at August 13, 2024. Additional information can be found on the SEDAR website at www.sedarplus.ca.

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.