*A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in each of the provinces of Canada, but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.*

*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and only by persons permitted to sell these securities in those jurisdictions. The securities offered under this short form prospectus have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or any state securities laws, and may not be offered or sold to, or for the account or benefit of, persons in the United States of America, its territories and possessions, any state of the United States or the District of Columbia (collectively, the "**United States**") or "U.S. persons," as such term is defined in Regulation S under the U.S. Securities Act ("**U.S. Persons**"), unless exemptions from the registration requirements of the U.S. Securities Act and applicable state securities laws are available. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby to, or for the account or benefit of, persons in the United States or U.S. Persons. See "Plan of Distribution".*

***Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada.*** *Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of D-BOX Technologies Inc. at 2172 de la Province Street, Longueuil, Québec J4G 1R7, Canada and are also available electronically at www.sedar.com.*

**PRELIMINARY SHORT FORM PROSPECTUS**

*New Issue* February 17, 2021

# D-BOX TECHNOLOGIES INC.

# $●
# ● Units

This short form prospectus qualifies the distribution (the "**Offering**") by D-BOX Technologies Inc. (the "**Corporation**", "**we**", "**us**" or "**our**") of ● units (the "**Units**") at a price of $● per Unit (the "**Offering Price**").

Each Unit is comprised of one of our Class A common share (a "**Unit Share**") and one Class A common share purchase warrant (a "**Warrant**"). Each Warrant entitles its holder to purchase one Class A common share (a "**Warrant Share**") at an exercise price of $● for a period of 24 months from the closing date of the Offering (the "**Closing Date**"). The Units will separate into Unit Shares and Warrants immediately upon the Closing Date. The Warrants will be governed by a warrant indenture (the "**Warrant Indenture**") to be entered into on or before the Closing Date between us and Computershare Trust Company of Canada, as warrant agent. **The Warrants are non-voting securities of the Corporation and carry no right to participate in earnings of the Corporation and, on liquidation or winding up of the Corporation, in its assets.** See "Description of Securities Being Distributed" and "Plan of Distribution".

The Units are being issued and sold pursuant to an underwriting agreement dated ●, 2021 (the "**Underwriting Agreement**") between the Corporation and a syndicate of underwriters led by Canaccord Genuity Corp. (the "**Lead Underwriter**") acting as sole bookrunner, and including Echelon Wealth Partners Inc. and iA Private Wealth Inc. (collectively with the Lead Underwriter, the "**Underwriters**"). The Offering Price has been determined by arm's length negotiation between us and the Lead Underwriter, on behalf of the Underwriters. See "Plan of Distribution".

Our outstanding Class A common shares (the "**Class A Shares**") are listed on the Toronto Stock Exchange (the "**TSX**") under the symbol "DBO". On February 16, 2021, the last trading day prior to the announcement of the Offering, the closing price of our Class A Shares on the TSX was $0.135. We have applied to list the Unit Shares, Warrant Shares, Over-Allotment Unit Shares, Over-Allotment Warrant Shares, Broker Shares (as such terms are defined herein) and Warrants distributed under this short form prospectus to be issued pursuant to the Offering on the TSX. Listing will be subject to our fulfilling all the listing requirements of the TSX.

**An investment in the Units is subject to certain risks. There is currently no market through which the Warrants may be sold and purchasers may not be able to resell the securities purchased under this short form prospectus. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the Warrants, and the extent of issuer regulation. Prospective investors should carefully consider the risks described under "Risk Factors".**

## Price: $● per Unit

| | Price to the public[1] | Underwriters' Fee[2] | Net proceeds[3] |
|---|---|---|---|
| Per Unit .................................................................. | $ ● | $ ● | $ ● |
| Total [4] .................................................................. | $ ● | $ ● | $ ● |

(1) The Offering Price was determined by arm's length negotiation between us and the Lead Underwriter, on behalf of the Underwriters.
(2) In connection with the Offering, we have agreed to pay the Underwriters a cash commission equal to 6% of the gross proceeds from the sale of the Units (the "**Underwriters' Fee**"), including in respect of any gross proceeds raised on the exercise of the Over-Allotment Option (as defined herein), being $● per Unit, except that such Underwriters' Fee shall be reduced to 3% in respect of any sales of Units to purchasers on a president's list provided by the Corporation to the Underwriters (the "**President's List**"). In addition to the Underwriters' Fee, we will issue at the closing of the Offering, as additional compensation, compensation warrants ("**Broker Warrants**") to the Underwriters, or as they may direct, to purchase such number of Class A Shares that is equal to 6% of the total number of Units issued and sold pursuant to the Offering (including those Over-Allotment Units, Over-Allotment Warrants and Over-Allotment Unit Shares issued and sold pursuant to the exercise of the Over-Allotment Option (as defined below)). Each Broker Warrant shall entitle the holder to acquire one Class A Share (a "**Broker Share**") at a price of $● per Broker Share at any time until 5:00 p.m. (eastern time) on the date that is 24 months after the Closing Date. See "Plan of Distribution". This short form prospectus qualifies the distribution of the Broker Warrants and the distribution of the Broker Shares underlying such Broker Warrants.
(3) Before deducting expenses of the Offering estimated at $520,000, which will be paid by us.
(4) We have granted the Underwriters an option (the "**Over-Allotment Option**"), exercisable in whole or in part at any time not later than 30 days following the Closing Date, to purchase from us (i) up to ● additional Units (the "**Over-Allotment Units**"), representing 15% of the number of Units offered under the Offering at the Offering Price, (ii) up to such additional number of additional Warrants (the "**Over-Allotment Warrants**") as is equal to 15% of the number of Warrants comprising the Units sold under the Offering at a price of $● per Over-Allotment Warrant; (iii) up to such additional number of additional Unit Shares (the "**Over-Allotment Unit Shares**") as is equal to 15% of the number of Unit Shares comprising the Units sold under the Offering at a price of $● per Over-Allotment Unit Share; or (iv) combination of Over-Allotment Units, Over-Allotment Warrants and Over Allotment Unit Shares, so long as the aggregate number of Over-Allotment Units, Over-Allotment Warrants and Over-Allotment Unit Shares does not exceed ● Over-Allotment Units, Over-Allotment Unit Shares or Over-Allotment Warrants, solely to cover over-allotments, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the total "Price to the public", "Underwriters' Fee" and "Net proceeds" will be $●, $● and $● (assuming no sales to purchasers on the President's List and before deducting the estimated expenses of the Offering of $520,000), respectively. This short form prospectus qualifies the grant of the Over-Allotment Option and the distribution of the Over-Allotment Units, Over-Allotment Unit Shares and Over-Allotment Warrants to be issued and sold upon exercise of the Over-Allotment Option. A purchaser who acquires Units forming part of the Underwriters' over-allocation position acquires those securities under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "Plan of Distribution". Each Over-Allotment Unit consists of one Over-Allotment Unit Share and one Over-Allotment Warrant. Each Over-Allotment Warrant will entitle the holder thereof to acquire, subject to adjustment in accordance with the Warrant Indenture, one Class A Share (an "**Over-Allotment Warrant Share**") at a price of $● per Over-Allotment Warrant Share at any time until 5:00 p.m. (eastern time) on the date that is 24 months after the Closing Date.

The following table sets out the number of our securities that may be offered by us pursuant to the Over-Allotment Option and the Broker Warrants:

| Underwriters' position | Maximum number of securities | Exercise period | Exercise price |
|---|---|---|---|
| Over-Allotment Option | ● Units | For a period of 30 days after the Closing Date | $● per Over-Allotment Unit |
| Broker Warrants | ● Broker Warrants (up to ● if the Over-Allotment Option is exercised in full) | For a period of 24 months from Closing Date | $● per Broker Warrant |

Unless the context otherwise requires, when used herein, all references to the "**Offering**", the "**Units**", the "**Unit Shares**", the "**Warrants**" and the "**Warrant Shares**" shall include the Over-Allotment Option, the Over-Allotment Units, the Over-Allotment Unit Shares, the Over-Allotment Warrants and the Over-Allotment Warrant Shares, respectively, and all references to our "**Class A common shares**" are to our Class A shares, which are common shares.

The Underwriters, as principals, conditionally offer the Units offered hereby, subject to prior sale, if, as and when issued and delivered by us and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement as described under "Plan of Distribution".

Subject to applicable laws, the Underwriters may, in connection with the Offering, over-allot or effect transactions which stabilize or maintain the market price of our Class A Shares at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time. After the Underwriters have made reasonable efforts to sell the Units at the Offering Price, the Underwriters may offer the Units to the public at prices lower than the Offering Price. Any such reduction will not affect the proceeds of the Offering to be received by us. See "Plan of Distribution".

Subscriptions for the Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The closing of the Offering is expected to occur on or about ●, 2021, or such other date as may be agreed to between us and the Underwriters, but in no case later than ●, 2021.

It is expected that the Corporation will arrange for the instant deposit of the Units under the book-based system of registration, to be registered to CDS Clearing and Depository Services Inc. ("**CDS**") or its nominee and deposited with CDS on the Closing Date, or as may otherwise be agreed to among the Corporation and the Underwriters. No certificates evidencing the Units and the underlying Unit Shares and Warrants are expected to be issued, except in certain limited circumstances. CDS will record the CDS participants who hold Unit Shares or Warrants included in the Units on behalf of owners who have purchased them in accordance with the book-based system. A purchaser of the Units will receive only a customer confirmation from the Underwriters or other registered dealer or broker which is a CDS participant from or through whom a beneficial interest in the Units is purchased. See "Plan of Distribution".

Certain legal matters relating to Canadian law with respect to the Offering will be passed upon on our behalf by Fasken Martineau DuMoulin LLP and on behalf of the Underwriters by Osler, Hoskin & Harcourt LLP.

Our head and registered office is at 2172 de la Province Street, Longueuil, Québec J4G 1R7, Canada.

Mr. Robert Copple, one of our directors, resides outside of Canada. He has appointed us as agent for service of process at 2172 de la Province Street, Longueuil, Québec J4G 1R7, Canada. Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person who resides outside of Canada, even if the party has appointed an agent for service of process. See "Enforcement of Judgments Against Foreign Persons".

You should rely only on the information contained in or incorporated by reference into this short form prospectus. We have not authorized anyone to provide you with different information. We are not offering to sell these securities in any jurisdiction where the offer and sale are not permitted. You should not assume that the information contained in this short form prospectus is accurate as of any date other than the date on the front of this short form prospectus.

Prospective purchasers are advised to consult their own tax advisors regarding the application of Canadian federal income tax laws to their particular circumstances, as well as any provincial, foreign and other tax consequences of acquiring, holding or disposing of the Units, including the Canadian federal income tax consequences applicable to a foreign-controlled Canadian corporation that acquires the Units.

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## GENERAL MATTERS

In this short form prospectus, unless otherwise indicated or the context otherwise requires, the terms "D-BOX", "Corporation", "we", "us" and "our" are used to refer to D-BOX Technologies Inc. together with its subsidiaries.

The financial statements incorporated by reference in this short form prospectus, are reported in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board. The Corporation does not undertake to update the information contained or incorporated herein by reference, except as required by the applicable securities laws.

The Units being offered for sale under this short form prospectus may only be sold in those jurisdictions in which offers and sales of the Units are permitted. This short form prospectus is not an offer to sell or a solicitation of an offer to buy the Units in any jurisdiction where it is unlawful to do so. The information contained in this short form prospectus is accurate only as of the date of this short form prospectus, regardless of the time of delivery of this short form prospectus or of any sale of the Units.

## CURRENCY PRESENTATION AND EXCHANGE RATE INFORMATION

Unless otherwise indicated, all references in this short form prospectus to "$" or "dollars" are to Canadian dollars. All references to "US$" or "U.S. dollars" are to the currency of the United States. In addition, and unless otherwise indicated, the disclosure in this short form prospectus assumes that the Over-Allotment Option has not been exercised by the Underwriters.

The following table sets forth, for the periods indicated, the high, low, average and period-end indicative rates of exchange for United States dollars expressed in Canadian dollars, as provided by the Bank of Canada.

| | Nine months ended December 31, 2020 | Year ended March 31, 2020 |
|---|---|---|
| | CAD $ | CAD $ |
| End of period ...................... | 1.2732 | 1.4187 |
| High................................... | 1.4496 | 1.4496 |
| Low ................................... | 1.2718 | 1.2970 |
| Average .............................. | 1.3415 | 1.3449 |

On February 16, 2021, the last trading day prior to the filing of this short form prospectus, the daily average rate of exchange posted by the Bank of Canada for conversion of U.S. dollars into Canadian dollars was US$1.00 = $1.2684.

## NON-IFRS FINANCIAL PERFORMANCE MEASURES

This short form prospectus and the documents incorporated by reference herein contain references to certain measures that are not defined under IFRS. The Corporation uses two non-IFRS financial performance measures in its communications: adjusted EBITDA and gross profit excluding amortization. These 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. 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 below:

(a) Adjusted EBITDA provides useful and complementary information which can be used, in particular, to assess profitability and cash flows from operations. We define Adjusted EBITDA as net income (loss) excluding amortization, financial expenses net of income, income taxes, impairment charges, share-based payments, foreign exchange loss (gain) and non-recurring expenses related to restructuring costs. See the table reconciling Adjusted EBITDA in section 12 entitled "Adjusted EBITDA" of our Annual MD&A (as defined below) and section 11 entitled "Adjusted EBITDA" of our Interim MD&A (as defined below).

(b) 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 table reconciling gross profit to gross profit excluding amortization in section 11.2 of our Annual MD&A and section 10.2 of our Interim MD&A.

## FORWARD-LOOKING STATEMENTS AND FINANCIAL OUTLOOK INFORMATION

This short form prospectus and documents incorporated by reference herein contain certain statements which may constitute "forward-looking information" or "forward-looking statements" (collectively, "**forward-looking information**") under applicable Canadian securities laws, including management's financial outlook. All statements other than statements of historical fact contained in this short form prospectus and in documents incorporated by reference herein may constitute "forward-looking information", including, but not limited to, statements with respect to the Corporation's future financial position and results of operations, strategy, plans, objectives, goals and targets. In certain cases, forward-looking information for matters that are not historical facts can be identified by the use of words such as "may", "would", "should", "could", "expect", "intend", "estimate", "anticipate", "plan", "foresee", "believe", or "continue", the negative of these terms and similar terminology, including references to assumptions, although not all forward-looking information contains these terms and phrases.

In particular, and without limiting the generality of the foregoing, forward-looking information in this short form prospectus includes statements related to the Corporation's business plans and strategies; addressable markets for the Corporation's products; the Corporation's competitive position; Corporation's objective over a five year period, the Corporation's ability to develop products and content, scale production, control costs and quality and manage growth.

Forward-looking information involves known and unknown risks and uncertainties and other factors, including those described under the heading "Risk Factors" herein and under the heading "Risk Factors" in the AIF (as defined below) and in documents incorporated by reference herein, which may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. Specifically, these risk factors include, but are not limited to: risks related to future funding requirements, indebtedness, public health and the COVID-19 pandemic, political, social and economic conditions, strategic alliances, access to content, performance of content, our distribution network, exchange rates, manufacturing costs, competition, concentration of clients, credit risk, dependence on suppliers, warranty, recalls and lawsuits, intellectual property, security and management of information, reputational risk through social media, dependence on key personnel and labour relations, negative operating cash flow, discretion in the use of proceeds, market for the Warrants, dilution of our outstanding Class A Shares and potential volatility of the price and trading price of our Class A Shares and Warrants, if any.

Although the forward-looking information contained or incorporated by reference herein is based upon what we believe are reasonable assumptions, investors are cautioned against placing undue reliance on this information since actual results may vary from the forward-looking information. Certain assumptions were made in preparing the forward-looking information, including the availability of capital resources, business performance, market conditions and customer demand.

Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. The Corporation undertakes no obligation to publicly update or revise any forward-looking information, whether as a result of new information, future events or otherwise, other than where a duty to update such information or provide further disclosure is imposed by applicable law.

This short form prospectus also contains financial outlook information regarding the Corporation's prospective markets, and estimated annual sales of D-BOX haptic products in the home entertainment market for the fiscal year ending March 31, 2026, which is subject to the same assumptions, risk factors, limitations, and qualifications as set forth in the above. Market estimates contained in this short form prospectus were made by the Corporation's management as of the date hereof and were provided for the purpose of describing anticipated changes in the market, and are not an estimate of profitability or any other measure of financial performance. Investors are cautioned that the financial outlook information should not be used for purposes other than for which it is disclosed herein.

## MARKET AND INDUSTRY DATA

Unless otherwise indicated, information contained in this short form prospectus, and the documents incorporated herein by reference, concerning the Corporation's industry and the markets in which it plans to operate or seeks to operate, including its general expectations and market position, market opportunities and market share, is based on management studies and estimates, information from independent industry organizations and consultants, and other third-party sources (including industry publications, surveys and forecasts). These reports are subjective and speak as of their original publication dates, which in some cases may be prior to changes in market conditions resulting from the COVID-19 pandemic, and not as of the date of this short form prospectus. The opinions and market data expressed in these reports are subject to change without notice. While management believes the information pertaining to market position, market opportunity and market share information included in this short form prospectus and the documents incorporated herein by reference is generally reliable, such information is inherently imprecise. In addition, projections, assumptions and estimates of future performance and the future performance of the industry and markets in which the Corporation plans to operate are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described under the headings "Forward-Looking Statements and Financial Outlooks" and "Risk Factors".

## TRADEMARKS AND TRADE NAMES

This short form prospectus and the documents incorporated herein by reference include references to the trademarks and trade names of the Corporation, such as D-BOX, HaptiCode, HaptiSync, FEEL IT ALL and MOVE THE WORLD, some of which may be protected under applicable intellectual property laws of one or more countries and which the Corporation believes is its property. Solely for convenience, the Corporation's trademarks referred to in this short form prospectus, and the documents incorporated herein by reference, may appear without the TM or ® symbols, but such references are not intended to indicate, in any way, its rights in such marks or that the Corporation will not assert, to the fullest extent under applicable law, its rights to these trademarks and trade names. All other trademarks and trade names referenced in this short form prospectus and the documents incorporated herein by reference are the property of their respective owners. The use or display of these third parties' trademarks is not intended to, and does not imply, a relationship with the Corporation, or an endorsement or sponsorship by or of the Corporation.

## DOCUMENTS INCORPORATED BY REFERENCE

**Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from our Corporate Secretary, 2172 de la Province Street, Longueuil, Québec J4G 1R7, Canada, telephone: (450) 442-3003 and are also available electronically at www.sedar.com.

The following documents, filed by us with the securities commissions or similar authorities in each of the provinces of Canada, are specifically incorporated by reference into, and form an integral part of, this short form prospectus:

(a) our audited consolidated financial statements, the notes thereto and the auditor's report thereon for the fiscal years ended March 31, 2019 and 2020;

(b) our management's discussion and analysis for the fiscal year ended March 31, 2020, as amended and refiled on SEDAR on December 16, 2020 (the "**Annual MD&A**");

(c) our annual information form dated July 3, 2020 for the fiscal year ended March 31, 2020 (the "**AIF**");

(d) our management proxy circular dated August 3, 2020 prepared in connection with our annual and special meeting of shareholders held on September 16, 2020;

(e) our unaudited interim condensed consolidated financial statements and the notes thereto for the three-month and nine-month periods ended December 31, 2020 and 2019;

(f) our management's discussion and analysis for the three-month and nine-month periods ended December 31, 2020 (the "**Interim MD&A**"); and

(g) the material change report dated January 26, 2021 regarding the refiling of the Corporation's unaudited interim condensed consolidated financial statements for the three and six-month periods ended September 30, 2020 and the amended management's discussion and analysis for the period ended September 30, 2020 to reflect certain adjustments resulting from the reversal of a $414,000 restructuring provision previously taken which is no longer required.

Any documents of the type required by National Instrument 44-101 – *Short Form Prospectus Distributions* filed by the Corporation with a securities commission or similar regulatory authority in Canada after the date of this short form prospectus and before completion or withdrawal of the Offering, will be deemed to be incorporated by reference into this short form prospectus.

**Any statement contained in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for the purposes of this short form prospectus to the extent that a statement contained in this short form prospectus or in any subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded will not constitute a part of this short form prospectus, except as so modified or superseded. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of such a modifying or superseding statement will not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.**

## MARKETING MATERIALS

Any "template version" of "marketing materials" (as such terms are defined in National Instrument 41-101 – *General Prospectus Requirements*) will be incorporated by reference in the final short form prospectus. However, such template version of marketing materials will not form part of the final short form prospectus to the extent that its contents are modified or superseded by a statement contained in the final short form prospectus. Any template version of the marketing materials filed by the Corporation with a securities commission or other similar authority in Canada after the date of the final short form prospectus and before the termination of the distribution of the Units will be deemed to be incorporated by reference into the final short form prospectus.

## ELIGIBILITY FOR INVESTMENT

In the opinion of Fasken Martineau DuMoulin LLP, our counsel, and Osler, Hoskin & Harcourt LLP, counsel to the Underwriters, based on the provisions of the *Income Tax Act* (Canada) and the regulations thereunder (the "**Tax Act**") in force as of the date hereof, the Unit Shares, Warrants and Warrant Shares will be qualified investments under the Tax Act at the time of their acquisition by a trust governed by a registered retirement savings plan ("**RRSP**"), registered retirement income fund ("**RRIF**"), registered disability savings plan ("**RDSP**"), registered education savings plan ("**RESP**") or tax-free savings account ("**TFSA**") (each a "**Registered Plan**") or a deferred profit sharing plan ("**DPSP**"), each as defined in the Tax Act, provided that at such time the Unit Shares, the Warrants and the Warrant Shares are listed on a "designated stock exchange" within the meaning of the Tax Act (which currently includes the TSX).

Notwithstanding the foregoing, if the Unit Shares, Warrants or Warrant Shares are a "prohibited investment" within the meaning of the Tax Act for a Registered Plan, the holder of a TFSA or RDSP, the subscriber under an RESP or the annuitant under an RRSP or RRIF, as the case may be, will be subject to penalty taxes under the Tax Act. The Unit Shares, Warrants and Warrant Shares will generally be a "prohibited investment" if the holder of a TFSA or RDSP, the subscriber under an RESP or the annuitant of an RRSP or RRIF, as the case may be, does not deal at arm's length with the Corporation for the purposes of the Tax Act or such holder, subscriber or annuitant has a "significant interest" (as defined in the Tax Act) in the Corporation or a corporation, partnership or trust that does not deal at arm's length with the Corporation for the purposes of the Tax Act. In addition, the Unit Shares and Warrant Shares will generally not be a "prohibited investment" if such securities are "excluded property" (as defined in the Tax Act for the purposes of the "prohibited investment" rules) for the Registered Plan.

**Prospective investors who intend to hold Unit Shares, Warrants or Warrant Shares in a Registered Plan or a DPSP should consult their own tax advisors with regard to the application of these rules in their particular circumstances.**

## THE CORPORATION

D-BOX Audio Inc. ("**D-BOX Audio**") was incorporated on December 15, 1992 pursuant to the *Companies Act* (Québec) under the name 2967-8141 Québec Inc. On February 16, 1994, its Articles were amended to change the corporate name to D-BOX Audio Inc. On September 1, 2000, all of the issued and outstanding shares of D-BOX Audio were acquired by way of a reverse takeover by Altitude Venture Capital Corporation/Corporation de capital de Risque Altitude, a junior capital pool company listed on the TSX Venture Exchange. On April 1, 2011, the Corporation graduated from the TSX Venture Exchange to the Toronto Stock Exchange.

The Corporation has two subsidiaries. D-BOX USA Inc. was incorporated under the laws of the State of Delaware on May 16, 2006 and is a wholly-owned subsidiary of the Corporation. D-BOX Entertainment Technology (Shanghai) Co. Ltd. was constituted as a wholly foreign-owned company on August 22, 2016 under the laws of the People's Republic of China.

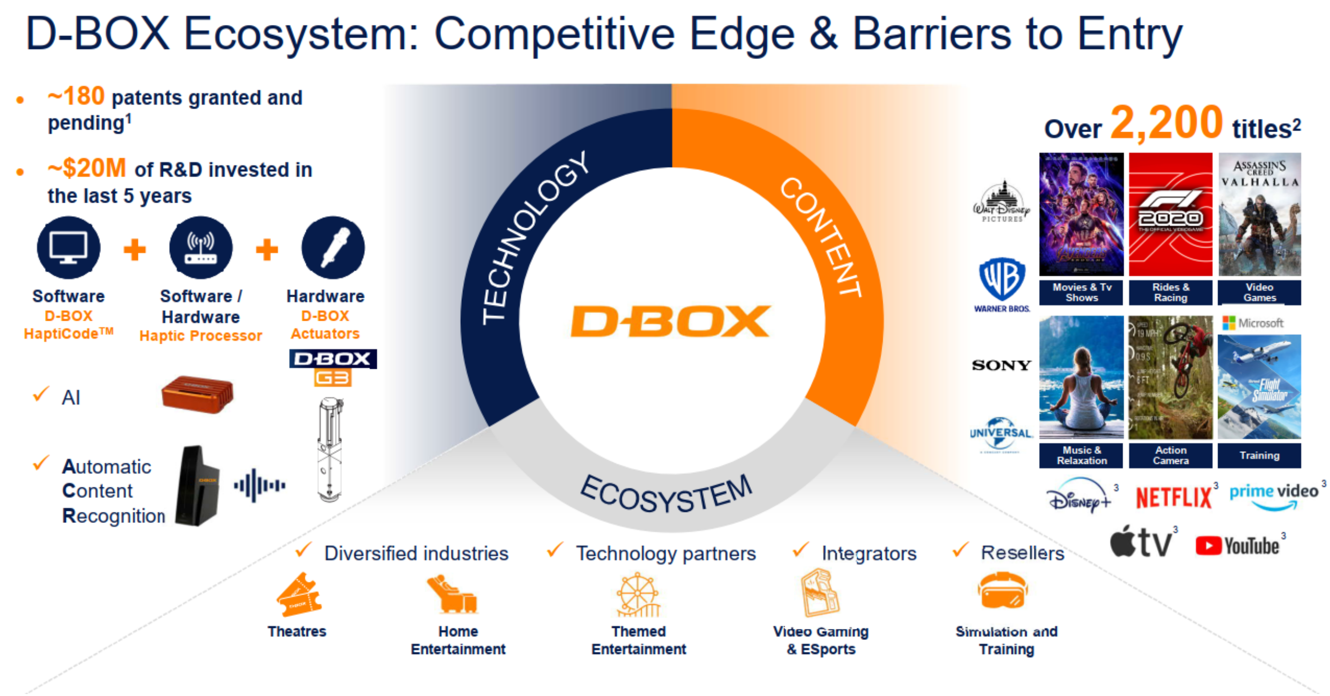
## OUR BUSINESS

A pioneer in its field, the Corporation has been developing and fine-tuning advanced haptic systems for two decades. With its considerable technological capabilities and innovations, D-BOX believes it stands as a global reference in the creation and design of immersive haptic systems for various markets. D-BOX designs, manufactures and commercializes cutting-edge haptic systems intended for each of the (i) home entertainment segment, (ii) commercial segment (comprised of (A) the commercial entertainment segment, which are projects related to location-based entertainment, theme parks, arcades, museums, planetariums and movie theatres, as well as (B) the simulation and training segment). With its unique and patented technology, D-BOX produces haptic effects specifically programmed for each visual content that are sent to a haptic system integrated either within a platform, a seat or various other types of equipment. The computer-programmed software haptic effects (the "**D-BOX Haptic Code**" and also formerly referred to as "**D-BOX Motion Code**") are coded by a team of professional haptic designers located at the Corporation's Montreal headquarters, offices in Burbank, California and offices in Beijing, China. The D-BOX Haptic Code is precisely synchronized with the on-screen visual, thus creating a unique, realistic and immersive experience.

D-BOX has developed a strong global brand in the commercial market, with a significant leadership position in (i) the entertainment segment (theatrical (commercial theaters), sim racing, and location-based entertainment found in commercial amusement parks), and (ii) the professional simulation and training segment. Owing to its technological progress over the last 20 years, the versatility of its haptic platform and its expanding global fan base, D-BOX is now pursuing the fast-growing home entertainment market.

According to the market study "*Haptics – Global Market Trajectory & Analytics, July 2020*" by Research and Markets, it is anticipated that the global haptic market will be approximately US$ 41 billion by 2027, with a global compound annual growth rate of 18% between 2020 and 2027.

As indicated in the image below, D-BOX, with more than 20 years of experience in haptic systems and its cutting-edge haptic technology, is well positioned to benefit from the fast-growing haptic global market and has a competitive edge over its actual and future competitors.




1. Titles include movies, TV series, virtual reality experiences, games and songs.
2. The D-BOX HaptiCodeTM is compatible with the content available on these streaming platforms which were already coded by D-BOX.
3. As of February 15, 2021.

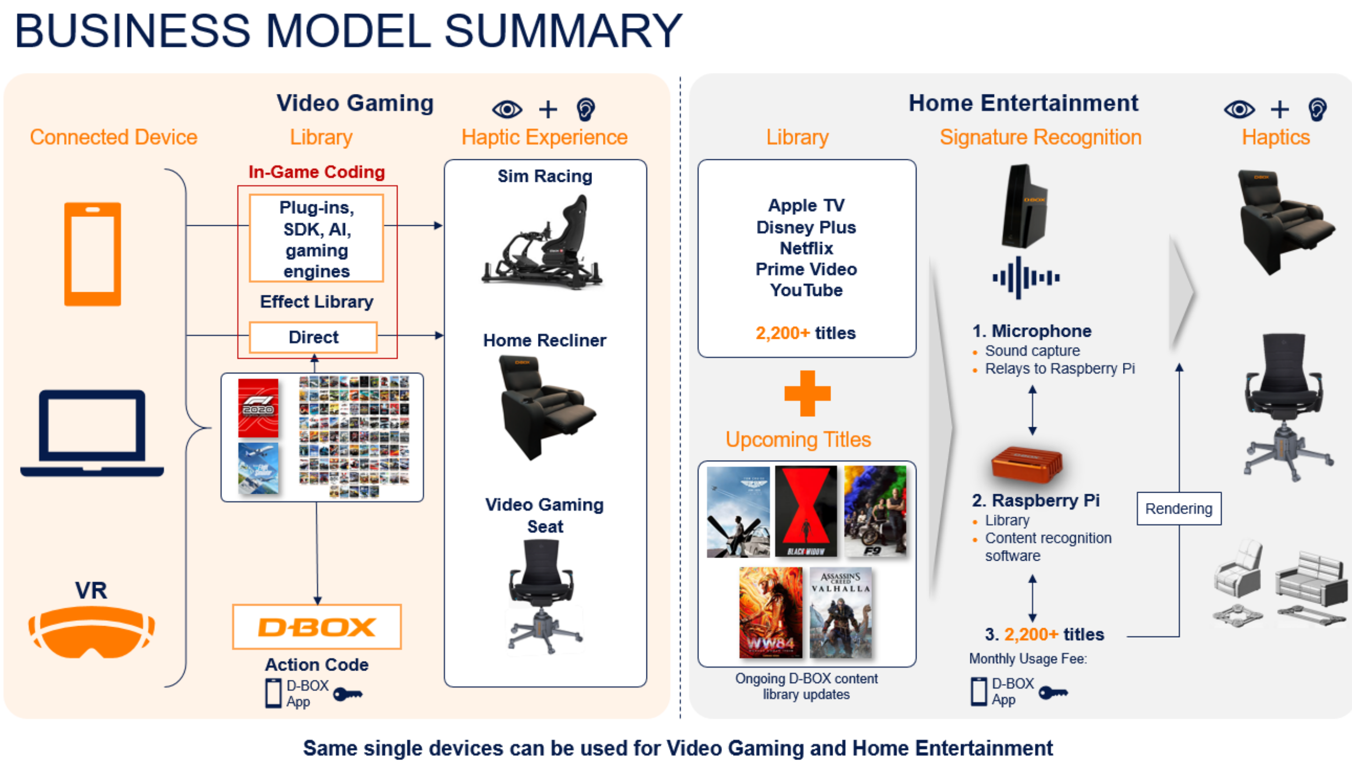
**Home Entertainment Market**

The haptic experience at home is growing rapidly and major technology companies are starting to look at this market to differentiate their own product offering. D-BOX is well established to support these new players. D-BOX's strategy is to enter into business partnerships with leaders in the home entertainment market to integrate the D-BOX haptic experience in their existing products and to commercialize new products and applications for use by consumers. Once integrated, D-BOX intends to continue to develop the haptic experience with these partners in order to develop new products and applications incorporating the D-BOX HaptiCode technology.

The home entertainment market is comprised of a number of sub-markets, such as:

- video game peripherals such as:
    - Video gaming chairs;
    - Various video game controllers; and
    - Video game racing rigs;
- virtual reality systems; and
- furniture manufacturers.

The business model of the Corporation for the home entertainment market is summarized in the picture below.




*The Home Entertainment Market Opportunity*

According to recent market studies, the home entertainment market was valued at approximately US$29.1 billion in 2019[1] when combining the: (i) simulated racing ("**sim racing**") market size of approximately US$2.2 billion[1] in 2019; (ii) home recliner market size of approximately US$25.1 billion[2] in 2019; and (iii) video gaming simulator market size of approximately US$1.8 billion[1] in 2019. Management of D-BOX estimates the manufacturers' suggested retail price (MSRP) of units sold in these markets to range between: (i) US$3,000 and US$25,000 in the sim racing market; (ii) US$1,500 and US$10,000 in the home recliner market; and (iii) US$750 and US$3,000 in the video gaming seat market. The Corporation's business model to address the home entertainment market will be based on the sale of haptic systems, hardware design licensing and recurring revenue from content subscription.

In November 2020, the Corporation entered into an agreement with Jaymar (the "**Jaymar Agreement**"), one of North America's leading furniture manufacturers, in connection with the launch of DBOX LIFESTYLE by Jaymar Experience, an immersive and haptic recliner which integrates D-BOX haptic technology, providing fans of television series, movies, music and video games with immersive haptic experiences. The recliner is presently being sold in the United States on the Jaymar, Wayfair and Amazon websites, and will be available in Canada in 2021.

In December 2020, the Corporation entered into a memorandum of understanding ("**MOU**") with Cooler Master, a leading manufacturer of computer and gaming peripherals based in Asia, pursuant to which D-BOX and Cooler Master agreed to collaborate in the design, manufacturing and commercialization of an innovative video gaming chair, integrating D-BOX whole-body haptic feedback technology. Aimed at gamers of all genres and skill levels, D-BOX believes that this immersive chair will significantly enhance the gaming experience and is expected to be available in the second half of the current calendar year via Cooler Master's global retail platform.

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1 Grand View Research, Global Gaming Simulator Market, report dated November 16, 2020. According to this market study, the racing segment dominated the global gaming simulator market with a share of over 55% in 2019 from the global gaming simulator market size valued at US$4.04 billion in 2019 (US$2.2 billion), leaving US$1.8 billion for the video gaming simulator market.

2 Man Wah Holdings Limited's Annual Report for the fiscal year ended March 31, 2020.

D-BOX management estimates that annual sales of D-BOX haptic products in the home entertainment market could reach up to $120 million for the fiscal year ending March 31, 2026. This estimate is based on (i) internal projections prepared by D-BOX management using a progressive rollout of D-BOX haptic products, (ii) extensive discussions held between D-BOX management and several leading home entertainment industry players, including significant gaming chair, furniture and device manufacturers, and (iii) extrapolation of future sales under the MOU and the Jaymar Agreement.

**Commercial Market**

The commercial market includes (i) the commercial entertainment segment (which are projects related to location-based entertainment, theme parks, arcades, museums, planetariums and movie theatres) and (ii) the simulation and training segment. In recent years, the growth of family entertainment centres, a sub-segment of the amusement park market, has helped fuel the growth of the commercial entertainment market. D-BOX offers its products and services to the commercial market through channel partners, including original equipment manufacturers ("**OEMs**"), integrators and value-added resellers.

| Commercial Entertainment | Simulation and Training |
|---|---|
| **Sub-markets:**<br>▪ Location-based entertainment<br>▪ Theme Parks<br>▪ Arcades<br>▪ Museums<br>▪ Planetariums<br>▪ Theatrical | **Sub-markets:**<br>▪ Automobile & Racing<br>▪ Defense<br>▪ Flight<br>▪ Heavy Equipment<br>▪ Wellness |
| **Virtual Reality for both the Commercial Entertainment and the Simulation and Training Market Segments** | |

According to the market study *"2019 Location-Based Virtual Reality Industry Report*", dated August 5, 2019 by Greenlight Insight, it is anticipated that the market represented by the commercial entertainment segment will be approximately US$11.8 billion by 2023, and the market represented by the simulation and training segment will be approximately US$20 billion by 2025 according to the market study *"Operator Training Simulator Market",* dated March 28, 2019 by Global Market Insights, Inc.

Based on D-BOX's internal data, during the fiscal year ended March 31, 2020, over 10 million users utilized D-BOX products or equipment from a third-party integrating D-BOX's haptic technology.

The Corporation's business strategy to increase sales in the commercial entertainment and simulation and training segments are as follows: (i) increase the number of partnerships, including OEMs, integrators and value-added resellers; (ii) increase the revenue per partner; (iii) find new sectors for its haptic technology; and (iv) develop new products.

***Commercial Entertainment***

The Corporation has established privileged relationships and developed strong credibility with major studios, such as Lionsgate, Pixar Animation Studios, Sony Pictures Entertainment, Universal Studio, Walt Disney Studio and Warner Bros Pictures, in the United States, India, China and elsewhere in order to provide a wide array of content to their respective commercial theatres. D-BOX believes that successful haptic pictures have a direct impact on the number of D-BOX tickets sold and the box office revenue per D-BOX equipped theatres.

D-BOX offers its products and services to the theatrical market directly and through partners. There were 195,282 cinema screens globally in 2019. In the last three fiscal years, the Corporation has expanded its commercial theatre offering by installing full auditoriums of D-BOX haptic system recliners (or seats) with certain exhibitors such as with Bergen Kino (Norway), Cinemark (Chile), Shanghai Bestar Cinemas Management (China), Ster-Kinekor (South Africa) and Maya Cinemas (USA). D-BOX has also installed its equipment in a significant number of auditoriums with major exhibitors such as Cinemark (US and Latin America), Cineplex (Canada), Cinesa (a subsidiary of Odeon Group, an AMC Entertainment Company, in Spain), PVR (India), Hoyts Cinemas (Australia) and Kinopolis (Germany).

By developing a recliner haptic base that can be integrated into several different brands of recliners, D-BOX was able to provide a product that caters to a new trend of moviegoers who want to experience D-BOX haptic systems in a VIP auditorium. At the present time, most exhibitors purchase their own preferred brand of recliners and then purchase haptic systems from D-BOX which are then integrated into the recliners.

As of December 31, 2020, a total of 764 screens worldwide were equipped with D-BOX haptic systems or in backlog in commercial theatres. The Corporation defines system backlog as follows: a D-BOX haptic system commitment or order received as part of a contractual agreement with an installation scheduled within a 24-month period. Based on D-BOX's internal data as of March 31, 2020, during 2019, 4.6 million movie tickets were sold to moviegoers that experienced D-BOX haptic systems in commercial theatres (approximately 947,000 in 2020).

D-BOX offers a virtual reality ("**VR**") solution to commercial theatres as well as location-based entertainment centres that want to find alternative ways to attract customers. Recently, the Corporation produced immersive haptic for MajorMega, the developer of the Hyperdeck, who has launched a virtual reality platform integrating D-BOX haptic technology that has reached over 2,500 activations in its opening month at Two Bit Circus, a popular Los Angeles-based micro-amusement park. Previously, D-BOX produced immersive haptic for the VR game Raving Rabbids: The Big Ride by Ubisoft and LAI Games, and for the short film *Raising a Rukus* by The Virtual Reality Corporation.

It is also worth noting that a scientific study conducted in 2019 in collaboration with HEC Montreal's Tech3Lab concluded that D-BOX haptic systems help reduce the motion sickness commonly associated with VR, and it increases the sense of presence, memorization and recall. This study also demonstrated a 91% customer satisfaction rate for the D-BOX haptic experience and that 95% of the customers who used a product integrating the D-BOX haptic technology would recommend the D-BOX haptic experience.

In the theme park and attraction sub-market, the Corporation provided immersive haptic for (i) *Attention Menhir!*, a short action-packed film presented at Parc Astérix in France in an auditorium of 300 dynamic and sensorial seats supplied by CL Corporation, (ii) The Flyer – San Francisco, the world's first 3D flying theatre at Pier 39, in collaboration with Triotech, (iii) the biggest 4D dome theatre in the world at the Shinhwa theme park in South Korea, and (iv) the Antibes (France) Marineland 4D cinema with CL Corporation.

Since the beginning of the fiscal year ended March 31, 2019, D-BOX haptic systems were integrated in commercial entertainment products or applications used by more than 300 customers or end users in 70 countries, such as Cinemark, Cineplex Entertainment, Europa Park, Triotech and Universal Studios.

***Simulation and Training***

Almost all of the Corporation's products that are intended for the simulation and training segment are sold as standalone products to OEMs and integrators who are in charge of incorporating the D-BOX products into their own products which are then marketed and distributed under their respective brands. D-BOX continues to focus its efforts on developing partnership programs with OEMs.

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 racing simulation partners such as VRX, RS Simulation, IMS, Vesaro and Excape who have all chosen to integrate the D-BOX haptic systems into their simulators. In 2019, Porsche, in collaboration with SiFaT, a German-based training simulation provider, unveiled a realistic driving experience using D-BOX haptic systems called the Ultimate Performance Simulator. Also in 2019, D-BOX introduced a third generation of haptic systems specifically designed to address the racing simulation market. More recently, D-BOX, True Course Simulations and Morane Technologies combined their expertise for the delivery of 30 flight simulation Immersive Training Devices (ITD) installed in the U.S. Air Force Academy (USAFA). On October 7, 2020, D-BOX announced the exclusive endorsement and recommendation of D-BOX haptic products by the *Fédération Internationale de l'Automobile* ("**FIA**"), the governing body of motor sport and mobility. On February 12, 2021, the Corporation announced it had entered into an agreement with SIMTAG BV pursuant to which D-BOX will supply SIMTAG with haptic components to be integrated into SIMTAG's new active brake pedal with integrated FIA-licensed haptic technology. See "*Recent Developments*".

With respect to industrial simulation users, the Corporation continues to fulfil its mission to sell products under its own banner and OEM brands while leveraging a network of integrators and resellers. It is also adapting its products to address specific requests of manufacturers and OEMs to tap into new markets. As such, since the beginning of the fiscal year ended March 31, 2019, D-BOX haptic systems were integrated in products or applications used by more that 70 customers or end users in 30 countries, such as Caterpillar, the FIA, John Deere, Honda, NASA, the United States Department of Defense and Porsche.

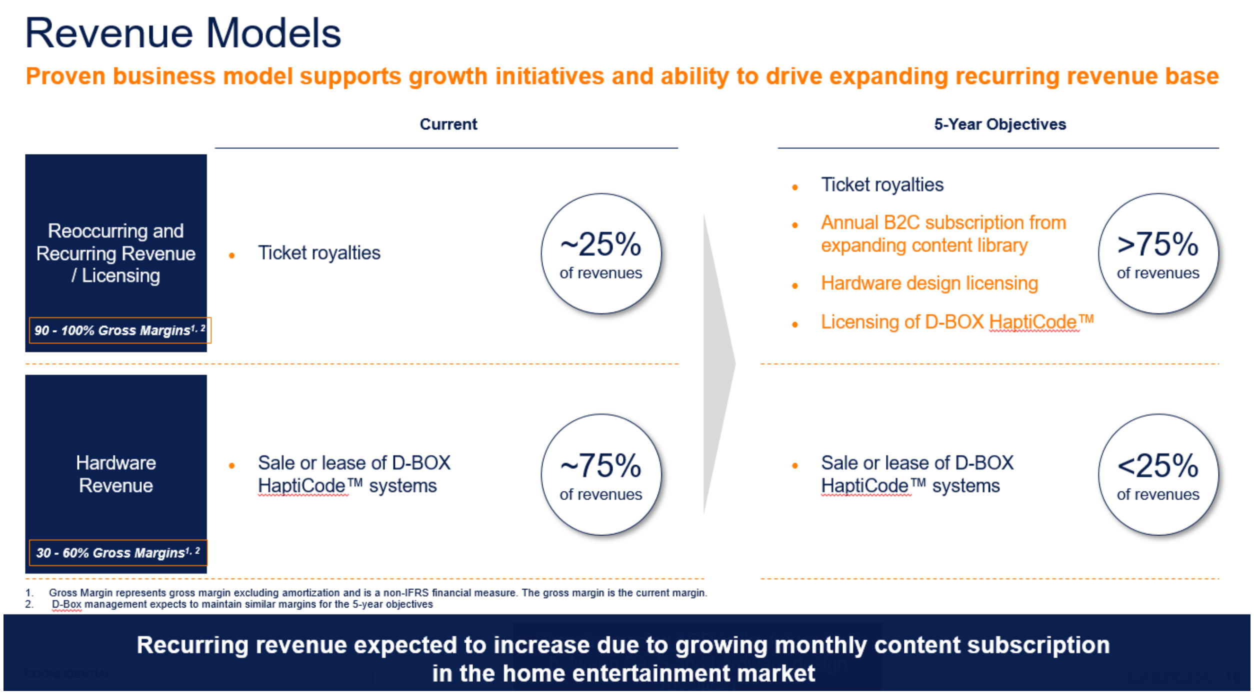
Over the last 20 years, the Corporation has developed many business partnerships with OEMs and integrators such as Precision Flight Control, CM Labs Simulations, Simformotion, IMS and Ryan Aerospace Australia, who purchase haptic systems to integrate them into their own products, thus expanding D-BOX's reach into several sub-markets, such as flight simulation, heavy equipment/cranes, driving/racing and others. In addition, the Corporation has developed haptic systems adapted to the needs of other potential sub-markets, such as longer stroke actuators and modular haptic systems with additional degrees of freedom, which allow D-BOX to target a wider array of customers.

The simulation and training segment of the Corporation advanced at a 19% revenue CAGR between 2015 and 2020.

**Revenue Model**

Reference is made to section 7.1 entitled "Revenue Models" of our Interim MD&A.

The recurring revenues of the Corporation are expected to increase due to the growing monthly content subscription in the home entertainment market. The picture below provides an overview of the current and five-year objectives of the Corporation in growing the percentage of revenues from (i) recurring revenues and licencing, and (ii) hardware revenues.




**Outlook**

After the difficult year 2020 due to the COVID-19 pandemic and the continuing slowdown experienced so far in 2021, D-BOX expects its commercial entertainment segment to recover for the fiscal year ended March 31, 2023.

Revenues from the Simulation and Training segment were consistent year over year and the Corporation expects continued growth from this segment.

In 2021, D-BOX expects to accelerate the penetration of the home entertainment market with its new consumer products and subscriptions from its expanding content library, with the help of well-established industry players. A ramp-up is expected in 2022.

D-BOX believes that its lower cost haptic systems will improve theater, simulation and training economics and the total addressable market (TAM) for D-BOX's products and services over the next five years.

D-BOX management believes that its current revenue model is well-suited to support the Corporation's growth initiatives and ability to drive the expansion of the recurring revenue base. D-BOX is working toward expanding its recurring revenue base over the next five years from the current 25% of revenues (comprised primarily of ticket royalties) to 75% of revenues by focusing on (i) subscriptions from its expanding content library, (ii) licensing its hardware designs; and (iii) licensing of the D-BOX HaptiCode™, in addition to ticket royalties.

Management believes that the foregoing is achievable based upon industry comparable gross margins.

**Content Library**

D-BOX has established privileged relationships and developed strong credibility with major studios, such as Lionsgate, Pixar Animation Studios, Sony Pictures Entertainment, Universal Studio, Walt Disney Studio and Warner Bros Pictures, in the United States, India, China and elsewhere in order to provide a wide array of content to their respective commercial theatres. D-BOX also maintains business ties with the largest video game studios in the world, which provide content to be coded as required. While doing so, D-BOX provides these studios with Software Development Kits (SDK), allowing the studios to encode their games directly in the gaming engines of their choice such as UnReal and Unity.

D-BOX has strong content development expertise. D-BOX uses its proprietary deep learning artificial intelligence tool to increase content production and has the ability to program a large variety of content, whether linear, interactive or dynamic. The D-BOX software products, including the D-BOX HaptiCode™, are either embedded in video games, virtual reality content or other content distributed by a third party, or they are electronically distributed by D-BOX to its customers, depending on the sub-market and the customers' needs.

In the home entertainment market, D-BOX introduced a Home Entertainment Motion Controller (HEMC™) that can handle any content regardless of the source. D-BOX introduced the same technology for the theatrical market.

Over the last ten years, D-BOX has coded a large inventory of content. At present, D-BOX has coded over 2,200 movies, television series, virtual reality experiences, games and songs with its D-BOX Haptic Code. By way of comparison, ten years ago, D-BOX only had 20 movies coded for the theatrical market. The D-BOX content library offers a large array of content across all media platforms. D-BOX can also have a direct link with its consumers via its D-BOX App with data analytics. More than 2,000 movies and television series coded with the D-BOX Haptic Code are available on all over-the-top (OTT) streaming platforms, such as Disney +, Apple TV, NETFLIX, Prime Video and YouTube. The content already coded with D-BOX HaptiCode™ is compatible with these streaming platforms and is available through its content library. More than 200 VR experiences, games and songs coded with D-BOX HaptiCode™ are also available. All the content in the D-BOX content library is encoded in line with the D-BOX haptic signature.

D-BOX has successfully coded a significant number of motion pictures in commercial theatres incorporating its technology, which are available in the D-BOX content library, including key franchise movies such as "007" (MGM), "Bad Boys" (Sony Pictures), "Fast and Furious" (Universal), "Harry Potter" (Warner Bros.), "Mission Impossible" (Paramount Pictures), "Jason Bourne" (Universal), Marvel Movies such "Spiderman" (Walt Disney Pictures), "Star Wars" (Walt Disney Pictures) and "The Matrix" (Warner Bros.). D-BOX has also coded the NETFLIX series "Stranger Things" and the "Witcher", and the Prime Video series "Jack Ryan". The D-BOX upcoming titles are comprised of the following blockbuster releases: "James Bond: No Time to Die" (MGM), "Top Gun: Maverick" (Paramount Pictures), "Mission Impossible 7" (Paramount Pictures), the next sequel to "Spider-Man Far From Home" (Marvel Studios), "WW84 – Wonder Woman 1984" (Warner Bros.), Black Widow (Marvel Studios) and "F9" the next sequel to "Fast and Furious" (Universal Pictures).

D-BOX is also in the process of coding the video game "Assassins Creed – Valhalla" (Ubisoft).

**Products**

The Corporation's products are all designed at the Corporation's head office in Montreal, Québec, Canada. The D-BOX actuators, one of the key components of the D-BOX haptic systems, are assembled by D-BOX. Depending on the customer's needs, some finished products are assembled and branded by D-BOX, and some other finished products are assembled and branded by customers, partners and integrators. The unique D-BOX haptic technology, when combined with images and sound, creates and reinforces an unmatched, realistic and immersive experience. Three components produce motion synchronized with images and sound:

1. Software haptic effects are programmed, frame by frame, based on visual content, using the D-BOX HaptiCode™;

2. A haptic processor (motion controller) serving as an interface between the visual content (films, video games, simulation and training, virtual reality experiences) and the D-BOX haptic system; and

3. The D-BOX haptic system, consisting, amongst other things, of proprietary electromechanical actuators (with the maximum stroke ranging from 38.1 mm, 76.2 mm and 152.4 mm) built into a platform, seat, or other type of equipment.

D-BOX offers a truly immersive experience which is scientifically and commercially validated. The D-BOX haptic systems are capable of over 65,000 motion waves which generate a very complex effect rendering that empowers a sense of presence based on what the user sees, hears and feels.

On the strength of twenty years of research and development resulting in vast worldwide expertise, D-BOX believes it has developed a long-standing significant edge over its competitors by offering to its customers reliable, high-quality and high-fidelity products that are easy to install. D-BOX is accelerating its haptic footprint by developing new products, such as a Multifunction Haptic Platform, that is a universal platform that can be used with existing recliners, side-by-side sofas, all office chairs and mountain bikes, as well as products to be integrated with third-party haptic devices to create a full-body haptic experience.

Over the last five years, D-BOX has invested approximately $20 million in research and development to advance its haptic technologies and to internally develop over 40 applications. In addition, the research and development activities of D-BOX have allowed it to improve content production tools, to increase automation and, by accelerating and maximizing the integration of artificial intelligence in the production tools, to significantly reduce the cost and size of the different components and hardware of its haptic system in the last ten years.

## RECENT DEVELOPMENTS

The following is a summary of developments in our business since December 31, 2020, the date of our most recently completed interim period.

On November 9, 2020, the Corporation announced the appointment of Stéphane Vidal, as Vice-President Marketing and Communications of the Corporation. Mr. Vidal has more than three decades of experience in product marketing and communication and he will be responsible for all activities related to the D-BOX brand identity, the Corporation's communications and will oversee the execution of the Corporation's global marketing strategy. Prior to joining the Corporation, Mr. Vidal served as Vice-President of Marketing and Communications at XMedius Solutions, where he led the transformation from the traditional marketing strategy to a digital strategy. Previously, he worked as Vice-President of Marketing and Communications at MaisonBrison, a communications firm specializing in investor relations. Mr Vidal also held various executive positions in high-tech product development and management on the international scale.

On January 7, 2021, the Corporation announced that it will collaborate with five independent Québec video gaming studios: 3Mind Games, Breaking Walls, Lucid Dreams Studio, Beyond Fun Studio and Astrolabe Interactive, to integrate D-BOX's haptic technology into certain games under development or currently available.

On January 13, 2021, the Corporation announced that it will collaborate with Audiokinetic, Inc., a leading global provider of cross-platform audio solutions for the interactive media and gaming industries, to increase the breadth of interactive content offering the D-BOX haptic experience. Interactive content creators will be provided with the ability to create the enhanced immersive D-BOX experience via Audiokinetic's industry standard audio middleware solution Wwise®.

On February 12, 2021, the Corporation announced it entered into an agreement with SIMTAG BV, an innovator in developing and building simulators and accessories for Sim Racing, pursuant to which the Corporation will supply SIMTAG with haptic components to be integrated into SIMTAG's new active brake pedal with integrated FIA-licensed haptic technology. The value of the haptic components to be sold by the Corporation pursuant to this agreement is approximately $1.17 million (US$918,000) over the next year.

## USE OF PROCEEDS

The net proceeds to be received by the Corporation from the Offering, after deducting the Underwriters' Fee of $● and the expenses of the Offering, which are estimated to be approximately $520,000, will be approximately $● (assuming no sales to purchasers on the President's List).

If the Over-Allotment Option is exercised in full, the net proceeds to be received by the Corporation from the Offering, after deducting the Underwriters' Fee of $● and the expenses of the Offering, which are estimated to be approximately $520,000, will be approximately $● (assuming no sales to purchasers on the President's List).

The Corporation intends to use the net proceeds of the Offering as follows: (i) $● (36%) to accelerate the commercialization and the deployment of its haptic systems experience for the gaming industry and home seated experience with large scale-partnerships; (ii) $● (36%) to make content acquisition, improve and deploy productivity tools for content production; (iii) $● (7%) for the opening of the D-BOX haptic ecosystem to accelerate the development of external devices and gaming peripherals; and (iv) the balance $● (21%) for working capital and general corporate purposes (including salary, professional fees and marketing, sales expenses and to support operating cash). In the event that the Over-Allotment Option is exercised, we will use the net proceeds thereof for the same purposes.

The Corporation believes that it is prudent to strengthen its balance sheet at this time, in light of uncertainty surrounding eventual re-opening of the economy following the ongoing COVID-19 pandemic. Such circumstances could require additional capital expenditures or other financial needs that this Offering could support.

The actual allocation of the net proceeds may vary depending on future developments in the Corporation's business or unforeseen events. Pending such application of the net proceeds of the Offering, the Corporation may elect to invest such funds, in whole or in part, in short-term investment-grade securities or bank deposits. The Corporation intends to use the net proceeds as stated in this short form prospectus; however there may be circumstances where, for sound business reasons, a reallocation of proceeds may be deemed prudent or necessary. See "Risk Factors – Risks Relating to the Offering – Discretion in the use of Proceeds".

## CONSOLIDATED CAPITALIZATION

There has been no material change in the share and loan capital of the Corporation, on a consolidated basis, since December 31, 2020, being the date of the most recently-filed unaudited interim condensed consolidated financial statements of the Corporation. The following table sets out the Corporation's consolidated capitalization as at (i) December 31, 2020, and (ii) December 31, 2020, as adjusted to give effect to this Offering, assuming no exercise of the Over-Allotment Option. The table should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Corporation for the three- and nine-month periods ended December 31, 2020 and 2019, along with the related notes thereto and the associated management's discussion and analysis incorporated by reference in this short form prospectus.

| | **December 31, 2020** | **December 31, 2020 after giving effect to the Offering** |
|---|---|---|
| | (unaudited)<br>(in thousands of CAD $) | |
| Long-term debt (including current portion) | 2,034 | 2,034 |
| Lease liabilities (including current portion) | 1,094 | 1,094 |
| Equity: | | |
| Share capital | 62,762 | ● |
| Share-based payments reserves | 2,164 | 2,164 |
| Foreign currency translation reserve | (162) | (162) |
| Deficit | (53,667) | (53,667) |

During the fiscal year ended March 31, 2020, the Corporation had negative cash flow from operating activities. Since the beginning of its last completed fiscal year, the Corporation has had positive cash flow from operating activities. As at December 31, 2020, the Corporation's cash and cash equivalents were approximately $4,811,000. Since the beginning of its last completed fiscal year, the Corporation has had an average quarterly positive cash flow from operations of approximately $19,000. Based on its current plans, the Corporation anticipates a significant negative cash flow from operations for the next three quarters and anticipates a return to positive cash flow for the subsequent quarters; however, there can be no guarantee that this will be the case. To the extent that the Corporation has negative cash flow in any future period, the net proceeds from the Offering may be used, in part, to fund such negative cash flow.

## DESCRIPTION OF SECURITIES BEING DISTRIBUTED

### Offering

The Offering consists of Units, each of which is comprised of one Unit Share and one Warrant. The Units will separate into Unit Shares and Warrants immediately upon the closing of the Offering. The Units are offered at the Offering Price of $●.

Our authorized share capital consists of an unlimited number of Class A Shares without par value and an unlimited number of Class B preferred shares issuable in series. See "Capital Structure of the Corporation – Description of Capital Structure" in the AIF.

### Class A Shares

The Unit Shares, Warrant Shares and Broker Shares are Class A Shares in our share capital.

We are authorized to issue an unlimited number of Class A Shares without nominal or par value, of which 175,950,573 Class A Shares are issued and outstanding as of the date hereof. In addition, options to acquire 12,581,622 Class A Shares and warrants to acquire 2,000,000 Class A Shares are issued and outstanding as of the date of this short form prospectus.

The holders of Class A Shares are entitled to receive notice of and attend all meetings of shareholders with each Class A Share held entitling its holder to one vote. The holders of Class A Shares are entitled to dividends if, as and when declared by our board of directors. The Class A Shares are entitled, upon our liquidation, dissolution or winding up, to receive our remaining assets available for distribution to shareholders.

### Warrants

The following is a summary of the principal attributes of the Warrants and refers to the Warrant Indenture mentioned hereunder. Such summary does not purport to be complete and is qualified in its entirety by reference to the provisions of the Warrant Indenture in the form to be agreed upon by the parties. A copy of the Warrant Indenture may be obtained on request from our Corporate Secretary and will be available electronically at www.sedar.com.

Each whole Warrant will be transferable and entitles its holder, upon the payment of the exercise price of $●, to acquire one Warrant Share for a period of 24 months from the Closing Date, subject to adjustment in certain customary events, after which period each such Warrant will expire. Certificates representing the Warrants will be issued to subscribers for Units through a book-based system. See "Plan of Distribution".

The Warrants will be governed by the Warrant Indenture. We will designate Computershare Trust Company of Canada, at its principal offices in Montreal and Toronto, as agent for the Warrants where the Warrants can be surrendered for exercise, transfer or exchange. Prior to the closing of the Offering, we may name any other agent with respect to the Warrants. Under the Warrant Indenture, the Corporation may, subject to applicable law, purchase by private contract or otherwise, any of the Warrants then outstanding, and any Warrants so purchased will be cancelled.

The Warrant Indenture will provide for adjustment in the number of Warrant Shares issuable upon the exercise of the Warrants and/or the exercise price per Warrant Share upon the occurrence of certain events, including:

(i) the issuance of our Class A Shares or securities exchangeable for or convertible into Class A Shares to all or substantially all of the holders of our Class A Shares by way of a stock dividend or other distribution (other than a dividend paid in the ordinary course or a distribution of Class A Shares upon the exercise of any outstanding warrants or options);

(ii) the subdivision, redivision or change of the outstanding Class A Shares into a greater number of shares;

(iii) the consolidation, reduction or combination of the outstanding Class A Shares into a lesser number of shares;

(iv) the issuance to all or substantially all of the holders of the Class A Shares of rights, options or warrants under which such holders are entitled, during a period expiring not more than 45 days after the record date for such issuance, to subscribe for or purchase the Class A Shares, or securities exchangeable for or convertible into the Class A Shares, at a price per share to the holder (or at an exchange or conversion price per share) of less than 95% of the "Current Market Price", as defined in the Warrant Indenture, of the Class A Shares on such record date; and

(v) the issuance or distribution to all or substantially all of the holders of the Class A Shares of the securities, including rights, options or warrants to acquire shares of any class or securities exchangeable or convertible into any such shares or property or assets and including evidence of indebtedness, or any property or other assets.

The Warrant Indenture will also provide for adjustment in the class and/or number of securities issuable upon the exercise of the Warrants and/or exercise price per security in the event of the following additional events:

(i) the reclassification of the Class A Shares;

(ii) our consolidation, amalgamation, arrangement or merger with or into any other corporation or other entity (other than a consolidation, amalgamation, arrangement or merger which does not result in any reclassification of the outstanding Class A Shares or a change of the Class A Shares into other shares); or

(iii) the transfer of our undertakings or assets as an entirety or substantially as an entirety to another corporation or other entity.

No adjustment in the exercise price or number of Warrant Shares will be required to be made unless the cumulative effect of such adjustment or adjustments would result in a change of at least 1% in the exercise price or a change in the number of Warrant Shares issuable upon exercise by at least one one-hundredth ($1/100^{th}$) of a Warrant Share, as the case may be.

We will covenant in the Warrant Indenture that, during the period in which the Warrants are exercisable, we will give notice to the agent and the Warrant holders of certain stated events, including events that would result in an adjustment to the exercise price for the Warrants or the number of Warrant Shares issuable upon exercise of the Warrants, at least 14 days prior to the record date or effective date, as the case may be, of such event, if any.

No fraction of a Warrant Share will be issued upon the exercise of a Warrant and no cash payment will be made in lieu thereof. Warrant holders are not entitled to any voting rights or pre-emptive rights or any other rights conferred upon a person as a result of being a holder of Class A Shares of the Corporation.

The Warrant Indenture will provide that, from time to time, we may amend or supplement the Warrant Indenture for certain purposes, without the consent of the holders of the Warrants, including curing defects or inconsistencies or making any change that does not prejudice the rights of any holder. Any amendment or supplement to the Warrant Indenture that would prejudice the interests of the holders of Warrants may only be made by "extraordinary resolution", which will be defined in the Warrant Indenture as a resolution either: (i) passed at a meeting of the holders of Warrants at which there are holders of Warrants present in person or represented by proxy representing of at least 25% of the aggregate number of the then outstanding Warrants (unless such meeting is adjourned to a prescribed later date due to the lack of quorum) and passed by the affirmative vote of the holders of Warrants present in person or by proxy, and passed by the affirmative vote of the holders of Warrants representing not less than 66 2/3% of the aggregate number of all the then outstanding Warrants represented at the meeting and voted on the poll upon such resolution; or (ii) adopted by an instrument in writing signed by the holders of Warrants representing not less than 66 2/3% of the aggregate number of all the then outstanding Warrants.

The Warrants will not be exercisable by or on behalf of a person in the United States or a U.S. Person, nor will certificates representing the Warrant Shares issuable upon exercise of the Warrants be registered or delivered to an address in the United States, unless an exemption from registration under the U.S. Securities Act and any applicable state securities laws is available and we have received an opinion of counsel of recognized standing to such effect in form and substance reasonably satisfactory to us; provided however, that a "qualified institutional buyer," as such term is defined in Rule 144A under the U.S. Securities Act (a "**Qualified Institutional Buyer**") who is also an "accredited investor," within the meaning of Rule

501(a) of Regulation D ("**Regulation D**") under the U.S. Securities Act, that purchased Units pursuant to the Offering in the United States or who was a U.S. Person at the time of the purchase of Units pursuant to the Offering and who remains a Qualified Institutional Buyer will not be required to deliver an opinion of counsel in connection with the exercise of the Warrants underlying those Units.

## PLAN OF DISTRIBUTION

### Underwriting Agreement

Pursuant to the terms and conditions of the Underwriting Agreement, the Corporation has agreed to issue and sell, and the Underwriters have agreed to jointly (the notion equivalent to "severally" in common law) (and not solidarily, nor jointly and severally) purchase on the Closing Date, subject to compliance with all necessary legal requirements and to the terms and conditions contained in the Underwriting Agreement, an aggregate of ● Units at the Offering Price, payable in cash to the Corporation against delivery of the Units, for gross proceeds to the Corporation of $●. The Units are being offered to the public in each of the provinces of Canada, through the Underwriters or their affiliates who are registered to offer and sell the Units in such provinces and such other registered dealers as may be designated by the Underwriters.

The obligations of the Underwriters under the Underwriting Agreement are subject to certain closing conditions, and may be terminated at its discretion upon the occurrence of certain stated events. The termination provisions in the Underwriting Agreement include customary "proceedings to restrict distribution out", "disaster out", "material change out", "market out" and "non-compliance with conditions out" clauses. The Underwriters are, however, jointly (the notion equivalent to "severally" in common law) (and not solidarily, nor jointly and severally) obligated to take up and pay for all of the Units if any Units are purchased under the Underwriting Agreement. Subject to the terms of the Underwriting Agreement, the Corporation has also agreed to indemnify the Underwriters and their directors, officers, employees, agents and controlling persons against certain liabilities, including civil liabilities under Canadian securities legislation, or to contribute to any payments the Underwriters may be required to make in respect thereof. The Underwriters are offering the Units qualified under this short form prospectus, subject to prior sale, when, as and if issued to and accepted by it, subject to approval of legal matters by their counsel and other conditions contained in the Underwriting Agreement, such as the receipt by the Underwriters of officers' certificates and legal opinions. The Underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Pursuant to the Underwriting Agreement, the Corporation has agreed to pay the Underwriters the Underwriters Fee in the amount of 6% of the gross proceeds from the sale of the Units, including in respect of any gross proceeds raised on the exercise of the Over-Allotment Option, being $● per Unit, except that such Underwriters' Fee shall be reduced to 3% in respect of any sales of Units to purchasers on the President's List. The aggregate Underwriters' Fee will be $● (assuming no sales to purchasers on the President's List). In addition to the Underwriters' Fee, the Corporation will issue at the closing of the Offering, as additional compensation, Broker Warrants to the Underwriters, or as it may direct, to purchase such number of Class A Shares that is equal to 6% of the total number of Units issued and sold pursuant to the Offering (including those Over-Allotment Units, Over-Allotment Warrants and Over-Allotment Unit Shares issued and sold pursuant to the exercise of the Over-Allotment Option). Each Broker Warrant shall entitle the holder to acquire one Broker Share at a price of $● per Broker Share at any time until 5:00 p.m. (eastern time) on the date that is 24 months after the Closing Date. This short form prospectus qualifies the distribution of the Broker Warrants and the distribution of the Broker Shares underlying such Broker Warrants.

The Corporation has granted to the Underwriters the Over-Allotment Option, exercisable in whole or in part and at any time up to 30 days following the closing of this Offering to purchase from the Corporation (i) up to ● Over-Allotment Units, as is equal to 15% of the number of Units offered under the Offering at the Offering Price, (ii) up to such additional number of Over-Allotment Warrants as is equal to 15% of the number of Warrants comprising the Units sold under the Offering at $● per Over-Allotment Warrant; (iii) up to such additional number of Over-Allotment Unit Shares as is equal to 15% of the number of Unit Shares comprising the Units sold under the Offering at $● per Over-Allotment Unit Share; or (iv) combination of Over-Allotment Units, Over-Allotment Warrants and Over-Allotment Unit Shares, so long as the aggregate number of Over-Allotment Units, Over-Allotment Warrants and Over-Allotment Unit Shares does not exceed ● Over-Allotment Units, Over-Allotment Unit Shares or Over-Allotment Warrants, solely to cover over-allotments, if any, and for market stabilization purposes.

Each Over-Allotment Unit consists of one Over-Allotment Unit Share and one Over-Allotment Warrant. Each Over-Allotment Warrant will entitle the holder thereof to acquire, subject to adjustment in accordance with the Warrant

Indenture, one Over-Allotment Warrant Share at a price of $● per Over-Allotment Warrant Share at any time until 5:00 p.m. (eastern time) on the date that is 24 months after the Closing Date.

**The Underwriters propose to offer the Units initially at the Offering Price. After the Underwriters have made a reasonable effort to sell all of the Units at such price, the Offering Price may be decreased.** Should the Underwriters sell Units below the Offering Price, the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by purchasers for the Units is less than the aggregate Offering Price paid by the Underwriters to the Corporation.

This short form prospectus qualifies the grant of the Over-Allotment Option and the distribution of the Over-Allotment Units, Over-Allotment Unit Shares and Over-Allotment Warrants to be issued and sold upon the exercise of the Over-Allotment Option. A purchaser who acquires Units forming part of the Underwriters' over-allocation position acquires those Units under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

In connection with the Offering, the Underwriters or other registered dealers may distribute this short form prospectus electronically.

Subscriptions for the Units will be received subject to rejection or allotment in whole or in part, and the right is reserved to close the subscription books at any time without notice. The Units will be issued as non-certificated book-entry securities registered in the name of CDS or its nominee and no certificates representing Units will be issued to purchasers of Units and registration of such Units will be made through the depository services of CDS. Upon a purchase of any Unit, the owner of such Unit will receive only the customary confirmation from the Underwriters or the registered dealer from or through whom a beneficial interest in the Units is purchased and who is a CDS participant. The Units must be purchased or transferred through a CDS participant and all rights of holders of Units must be exercised through, and all payments or other property to which such holder is entitled will be made or delivered by, CDS or the CDS participant through which the holder of Units holds such Units.

The Corporation has applied to list the Unit Shares, Warrant Shares, Over-Allotment Unit Shares, Over-Allotment Warrant Shares, Broker Shares and Warrants distributed under this short form prospectus to be issued pursuant to the Offering on the TSX. Listing will be subject to our fulfilling all the listing requirements of the TSX. On February 16, 2021, the last trading day prior to the date hereof, the closing price of the Class A Shares on the TSX was $0.135.

Pursuant to the Underwriting Agreement, the Corporation has agreed to cause its directors and senior officers and their respective associated to enter into agreements with and an in form and substance satisfactory to the Lead Underwriter on or before closing of this Offering pursuant to which they will agree not to, for a period commencing on the closing of this Offering and ending on the date that is 90 days following the Closing Date, directly or indirectly offer, sell, contract to sell, lend, swap, or enter into any other agreement to transfer the economic consequences of, or otherwise dispose of or deal with, or publicly announce any intention to offer, sell, contract to sell, grant or sell any option to purchase, hypothecate, pledge, transfer, assign, purchase any option or contract to sell, lend, swap, or enter into any agreement to transfer the economic consequences of, or otherwise dispose of or deal with, whether through the facilities of a stock exchange, by private placement or otherwise, or announce any intention to do any of the foregoing, any Class A Shares or other securities of the Corporation held by them, directly or indirectly, other than pursuant a take-over bid or similar transaction involving a change of control of the Corporation.

Pursuant to the Underwriting Agreement, the Corporation has agreed during the period commencing on the date of the Underwriting Agreement and ending 90 days following the Closing Date, not to, without the prior written consent of the Lead Underwriter (not to be unreasonably withheld), on behalf of the Underwriters, directly or indirectly issue, offer, pledge, sell, contract to sell, contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer, lend or dispose of directly or indirectly, any Class A Shares or securities convertible into or having the right to acquire Class A Shares or enter into any agreement or arrangement under which the Corporation would acquire or transfer to another, in whole or in part, any of the economic consequences of ownership of Class A Shares, or agree to become bound to do so, or disclose to the public any intention to do so; provided that, notwithstanding the foregoing, the Corporation may (i) grant options or other securities pursuant to the Corporation's employee stock option plan or other equity compensation plans, and issue Class A Shares upon the exercise of such options or vesting of such securities, (ii) issue equity securities pursuant to the exercise or conversion, as the case may be, of any warrants or other convertible securities of the Corporation outstanding on the of the Underwriting Agreement, and (iii) issue securities in connection with any existing contractual obligations of the Corporation.

**Price Stabilization, Short Positions and Passive Market Making**

In connection with the Offering, the Underwriters may over-allocate or effect transactions which stabilize or maintain the market price of the Class A Shares at levels other than those which otherwise might prevail on the open market, including stabilizing transactions, short sales, purchases to cover positions created by short sales, imposition of penalty bids, and syndicate covering transactions.

Stabilizing transactions consist of bids or purchases made for the purpose of preventing or delaying a decline in the market price of the Class A Shares while the Offering is in progress. These transactions may also include making over-allocating or short sales of the Class A Shares, which involve the sale by the Underwriters of a greater number of Class A Shares than they are required to purchase in the Offering. Short sales may be "covered short sales", which are short positions in an amount not greater than the number of Over-Allotment Unit Shares or "naked short sales", which are short positions in excess of the number of Class A Shares that the Underwriters are required to purchase under the Offering. The Underwriters may close out any covered short position either by exercising the Over-Allotment Option, in whole or in part, or by purchasing Class A Shares in the open market. In making this determination, the Underwriters will consider, among other things, the price of Class A Shares available for purchase in the open market compared with the Offering Price at which it may purchase Over-Allotment Units through the Over-Allotment Option. The Underwriters must close out any naked short position by purchasing Class A Shares in the open market. A naked short position is more likely to be created if the Underwriters are concerned that there may be downward pressure on the price of the Class A Shares in the open market that could adversely affect investors who purchase Units in the Offering.

In addition, pursuant to policy statements and/or rules of the relevant securities commissions or similar regulatory authorities, the Underwriters may not, throughout the period of distribution, bid for or purchase Class A Shares. The foregoing restriction is subject to certain exceptions, on the condition that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising, the price of the Class A Shares. These exceptions include: (i) a bid or purchase permitted under the *Universal Market Integrity Rules* of the Investment Industry Regulatory Organization of Canada relating to market stabilization and passive market making activities; and (ii) a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of the distribution.

As a result of these activities, the price of the Class A Shares may be higher than the price that otherwise might exist in the open market. Those transactions, if commenced, may be interrupted or discontinued by the Underwriters at any time. The Underwriters may carry out these transactions on any stock exchange on which the Class A Shares are listed (including the TSX), in the over-the-counter market, or otherwise.

**Compliance with United States Securities Law**

This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the Units to, or for the account or benefit of, persons in the United States or U.S. Persons. The Units, the Unit Shares, the Warrant and the Warrant Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws, and may not be offered or sold to, or for the account or benefit of, persons in the United States or U.S. Persons, except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws.

The Underwriters have agreed that, except as permitted by the Underwriting Agreement and as expressly permitted by applicable laws of the United States, they will not offer or sell the Units at any time to, or for the account or benefit of, persons in the United States or U.S. Persons. The Underwriting Agreement permits the Underwriters to offer and sell the Units to, or for the account or benefit of persons in the United States and U.S. Persons through its registered U.S. broker-dealer affiliates in transactions that comply with exemptions from the registration requirements of the U.S. Securities Act and applicable state securities laws. In particular, the Underwriting Agreement permits the Underwriters to re-offer and re-sell the Units that they have acquired pursuant to the Underwriting Agreement to, or for the account or benefit of, persons in the United States or U.S. Persons to Qualified Institutional Buyers in compliance with Rule 144A under the U.S. Securities Act and in compliance with applicable state securities laws. The Underwriting Agreement further provides that the Underwriters will offer and sell the Units outside the United States to non-U.S. Persons in accordance with Rule 903 of Regulation S under the U.S. Securities Act. The Units, the Unit Shares and the Warrants that are offered or sold to, for the account of benefit of persons, in the United States or U.S. Persons will be "restricted securities" within the meaning of Rule 144 under the U.S. Securities Act and will be subject to the re-sale and transfer restrictions.

Until 40 days after the commencement of the Offering, any offer or sale of the Units, to, or for the account of benefit of, persons in the United States or U.S. Persons by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an available exemption under the U.S. Securities Act.

## PRIOR SALES

For the twelve-month period prior to the date of this short form prospectus, the Corporation has not issued any Class A Shares, or securities convertible into Class A Shares, other than stock options. The following table sets out all stock options exercisable for Class A Shares granted by the Corporation pursuant to its stock option plan during the twelve-month period prior to the date of this short form prospectus:

| Date | Exercise price per Class A Share | Option expiry date | Number of Class A Shares subject to Option |
|---|---|---|---|
| February 17, 2020 | $0.08 | February 17, 2025 | 2,193,000 |

## TRADING PRICE AND VOLUME

Our Class A Shares are listed and posted for trading on the TSX under the trading symbol “DBO”. The following table sets out the price range and trading volume of the Class A Shares as reported by the TSX for the periods indicated.

| Calendar Period | Monthly High Price | Monthly Low Price | Monthly Volume |
|---|---|---|---|
| **2020** | | | |
| February | $0.095 | $0.07 | 2,630,108 |
| March | $0.085 | $0.025 | 12,264,142 |
| April | $0.05 | $0.03 | 5,873,457 |
| May | $0.045 | $0.03 | 5,883,673 |
| June | $0.045 | $0.035 | 3,840,462 |
| July | $0.04 | $0.03 | 5,595,499 |
| August | $0.27 | $0.03 | 109,201,168 |
| September | $0.155 | $0.075 | 12,991,493 |
| October | $0.14 | $0.075 | 7,373,158 |
| November | $0.13 | $0.09 | 9,286,006 |
| December | $0.13 | $0.10 | 5,603,686 |
| **2021** | | | |
| January | $0.16 | $0.10 | 9,588,743 |
| February (until February 16) | $0.14 | $0.115 | 4,063,785 |

## CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Fasken Martineau DuMoulin LLP, counsel to the Corporation, and Osler, Hoskin & Harcourt LLP, counsel to the Underwriters, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to the acquisition, holding and disposition of Unit Shares, Warrants and Warrant Shares. This summary is applicable to a holder who acquires, as beneficial owner, Units pursuant to the Offering and who, for purposes of the Tax Act and at all relevant times: (i) holds the Unit Shares and Warrants issued under the Offering and the Warrant Shares issuable pursuant to the Warrants as capital property, (ii) deals at arm’s length with the Corporation and the Underwriters, and (iii) is not affiliated with the Corporation, the Underwriters or a subsequent purchaser of the Unit Shares, Warrants or Warrant Shares (a “**Holder**”). The Unit Shares, Warrants and Warrant Shares will generally be considered capital property to a Holder unless either the Holder holds such Unit Shares, Warrants or Warrant Shares in the course of carrying on a business of buying and selling securities or the Holder has acquired the Unit Shares, Warrants or Warrant Shares in a transaction or series of transactions considered to be an adventure or concern in the nature of trade.

This summary does not apply to a Holder: (i) that is a “specified financial institution” as defined in the Tax Act; (ii) that is, for purposes of certain rules (referred to as the mark-to-market rules), a “financial institution”, as defined in the Tax Act; (iii) an interest in which is a “tax shelter investment” within the meaning of the Tax Act; (iv) that has elected to report its “Canadian tax results”, as defined in the Tax Act, in a currency other than Canadian currency; (v) that has entered or will enter into a “synthetic disposition arrangement” or a “derivative forward agreement”, each as defined in the Tax Act, with respect to such Unit Shares, Warrants or Warrant Shares, (vi) that is exempt from tax under Part I of the Tax Act; (vii) that is a partnership, or (viii) that receives dividends on Unit Shares or Warrant Shares under or as part of a "dividend rental arrangement", as defined in the Tax Act. Additionally, this summary does not address the deductibility of interest by a Holder who has borrowed money or otherwise incurred debt in connection with the acquisition of Units. Such Holders should consult their own tax advisors.

Additional considerations, not discussed herein, may be applicable to a Holder that is a corporation resident in Canada and is, or becomes, or does not deal at arm's length with a corporation resident in Canada for purposes of the Tax Act that is, or becomes, as part of a transaction or event or series of transactions or events that includes the acquisition of the Units, controlled by a non-resident person or a group of non-resident persons that do not deal with each other at arm's length (within the meaning of the Tax Act) for purposes of the "foreign affiliate dumping" rules in section 212.3 of the Tax Act. Such Holders should consult their tax advisors with respect to the consequences of acquiring the Units.

This summary is based on the current provisions of the Tax Act in force as of the date hereof, and specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Proposals**") and counsels' understanding of the current administrative policies and assessing practices of the Canada Revenue Agency (the "**CRA**") published in writing prior to the date hereof. No assurance can be given that the Proposals will be enacted as proposed, if at all. This summary does not take into account or anticipate any other changes in law, whether by legislative, regulatory, administrative or judicial decision or action or changes in the administrative policies or assessing practices of the CRA, is not exhaustive of all Canadian federal income tax considerations and does not take into account other federal tax considerations or provincial, territorial or foreign income tax legislation or considerations which may differ significantly from the Canadian federal income tax considerations discussed in this summary.

**This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder. This summary is not exhaustive of all Canadian federal income tax considerations applicable to a Holder acquiring Units pursuant to the Offering. Prospective Holders should consult their own tax advisors with respect to the income tax consequences of investing in Units based on the Holder's particular circumstances.**

***Allocation of the Offering Price***

The total Offering Price to a Holder must be allocated on a reasonable basis between the Unit Share and the Warrant comprising the Unit to determine the cost of each for purposes of the Tax Act. The Corporation intends to allocate $● of the Offering Price as consideration for the issue of each Unit Share and $● of the Offering Price as consideration for the issue of each Warrant. Although the Corporation believes that its allocation is reasonable, it is not binding on the CRA or the Holder. Counsels express no opinion with respect to such allocation.

***Adjusted Cost Base of Unit Shares***

The Holder's adjusted cost base of the Unit Share comprising a part of each Unit will be determined by averaging the cost allocated to the Unit Share with the adjusted cost base to the Holder of all of the Class A Shares of the Corporation (determined immediately before the acquisition of the Unit Share) owned by the Holder as capital property immediately prior to such acquisition.

***Exercise or Expiry of Warrants***

No gain or loss will be realized by a Holder upon the exercise of a Warrant to acquire a Warrant Share. When a Warrant is exercised, the Holder's cost of the Warrant Share acquired thereby will be the aggregate of the Holder's adjusted cost base of such Warrant and the exercise price paid for the Warrant Share. The Holder's adjusted cost base of the Warrant Share so acquired will be determined by averaging such cost with the adjusted cost base to the Holder of all of the Class A Shares of the Corporation (determined immediately before the acquisition of the Warrant Share) owned by the Holder as capital property immediately prior to such acquisition.

The expiry of an unexercised Warrant will generally result in a capital loss to the Holder equal to the adjusted cost base of the Warrant to the Holder immediately before its expiry. The tax treatment of capital losses is discussed in greater detail below under the subheading "Residents of Canada - Taxation of Capital Gains and Capital Losses".

**Residents of Canada**

The following section of this summary applies to a Holder (a "**Canadian Holder**") who, for the purposes of the Tax Act and any applicable income tax treaty or convention, is or is deemed to be resident in Canada at all relevant times. A Canadian Holder whose Unit Shares might not otherwise constitute capital property may make, in certain circumstances, an irrevocable election permitted by subsection 39(4) of the Tax Act to have the Unit Shares and Warrant Shares, and all other "Canadian securities" as defined in the Tax Act, held by such Canadian Holder in the year of the election and in all subsequent taxation years deemed to be capital property. This election does not apply to Warrants. Canadian Holders should consult their own tax advisors regarding this election.

***Dispositions of Unit Shares, Warrants and Warrant Shares***

A Canadian Holder who disposes of or is deemed to dispose of Unit Shares, Warrants (other than a disposition arising on the exercise or expiry of a Warrant) or Warrant Shares generally will realize a capital gain (or a capital loss) equal to the amount by which the Canadian Holder's proceeds of disposition, net of any reasonable costs of disposition, exceed (or are exceeded by) the aggregate of the adjusted cost base of such Unit Shares, Warrants or Warrants Shares, as the case may be, to the Canadian Holder immediately before the disposition. The taxation of capital gains and losses is described below under the subheading "Taxation of Capital Gains and Capital Losses".

***Taxation of Capital Gains and Capital Losses***

Generally, one-half of any capital gain (a "**taxable capital gain**") realized by a Canadian Holder must be included in income for the taxation year of disposition and one-half of any capital loss (an "**allowable capital loss**") realized by a Canadian Holder is generally required to be deducted against any taxable capital gains realized in the same taxation year. Any excess of allowable capital losses over taxable capital gains for the year of disposition is generally deductible against net taxable capital gains realized in any of the three prior taxation years or in any subsequent taxation year in the circumstances and to the extent described in the Tax Act.

The amount of any capital loss realized on the disposition or deemed disposition of a Unit Share or Warrant Share by a Canadian Holder that is a corporation may be reduced by the amount of dividends received or deemed to be received by the Canadian Holder on such Unit Share or Warrant Share or a share substituted for such share in the circumstances and to the extent prescribed by the Tax Act. Similar rules may apply where a corporation is, directly or through a trust or partnership, a member of a partnership or a beneficiary of a trust which owns Unit Shares or Warrant Shares.

A Canadian Holder that is throughout the relevant taxation year a "Canadian-controlled private corporation" (as defined in the Tax Act) may be subject to an additional refundable tax in respect of its "aggregate investment income" (which is defined in the Tax Act to include an amount in respect of taxable capital gains).

***Dividends***

Dividends received or deemed to be received by a Canadian Holder on the Unit Shares or Warrant Shares will be included in computing the Canadian Holder's income for purposes of the Tax Act. The gross-up and dividend tax credit rules normally applicable to taxable dividends paid by taxable Canadian corporations will apply to dividends received by an individual (other than certain trusts). An enhanced gross-up and dividend tax credit will be available to individuals in respect of "eligible dividends" designated by the Corporation to the Canadian Holder in accordance with the provisions of the Tax Act. Dividends received by a corporation will normally be deductible in computing its taxable income. There may be limitations on the ability of the Corporation to designate dividends or deemed dividends as eligible dividends.

A corporation that is a "private corporation" or a "subject corporation" for purposes of the Tax Act generally will be liable to pay a refundable tax on dividends received or deemed to be received on the Unit Shares or Warrant Shares to the extent that such dividends are deductible in computing the corporation's taxable income.

In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received or deemed to be received by a Canadian Holder that is a corporation on Unit Shares or Warrant Shares as proceeds of disposition or a capital gain. Canadian Holders that are corporations should consult their own tax advisors having regard to their own circumstances.

***Alternative Minimum Tax***

Capital gains realized and dividends received by a Canadian Holder that is an individual or a trust, other than certain specified trusts, may give rise to alternative minimum tax under the Tax Act. Canadian Holders should consult their own tax advisors with respect to the application of alternative minimum tax.

**Non-Residents of Canada**

The following section of this summary is generally applicable to a Holder who, at all relevant times, (i) for the purposes of the Tax Act and any applicable income tax treaty or convention, is not resident or deemed to be resident in Canada at any time while the Holder holds the Unit Shares, Warrants or Warrant Shares; and (ii) does not use or hold and is not deemed to use or hold the Unit Shares, Warrants or Warrant Shares in carrying on a business or part of a business in Canada (a "**Non-Resident Holder**"). Special rules, which are not discussed in this summary, may apply to a Non-Resident Holder that is an insurer carrying on business in Canada and elsewhere or an "authorized foreign bank" as defined in the Tax Act.

***Dispositions of Unit Shares, Warrants and Warrant Shares***

Generally, a Non-Resident Holder will not be subject to tax under the Tax Act in respect of any capital gain realized on the disposition of Unit Shares, Warrants or Warrant Shares unless such securities constitute, or are deemed to constitute, "taxable Canadian property" to the Non-Resident Holder for purposes of the Tax Act and the gain is not exempt from tax pursuant to the terms of an applicable income tax treaty or convention between Canada and the country in which the Non-Resident Holder is resident.

Provided that the Unit Shares and Warrant Shares are then listed on a "designated stock exchange" within the meaning of the Tax Act (which includes the TSX), the Unit Shares, Warrants and Warrant Shares will generally not constitute taxable Canadian property of the Non-Resident Holder unless at any time during the 60-month period immediately preceding their disposition or deemed disposition, the following two conditions are met: (a) one or any combination of (i) the Non-Resident Holder, (ii) persons with whom the Non-Resident Holder did not deal at arm's length for the purposes of the Tax Act, and/or (iii) partnerships in which the Non-Resident Holder or a person described in (ii) held a membership interest (either directly or indirectly through one or more partnerships), owned 25% or more of the issued shares of any class or series of shares of the Corporation's capital stock, and (b) at such time, more than 50% of the fair market value of the Corporation's securities was derived directly or indirectly from one, or any combination of, real or immovable property situated in Canada, Canadian resource properties (as defined in the Tax Act), timber resource properties (as defined in the Tax Act) or an option in respect of, or an interest in, or for civil law a right in, such property. Certain provisions of the Tax Act may deem property to be "taxable Canadian property" of a Non-Resident Holder in specific circumstances.

Even if a Unit Share, Warrant or Warrant Share is taxable Canadian property to a Non-Resident Holder, any capital gain realized upon the disposition of such securities may not be subject to tax under the Tax Act if such capital gain is exempt from Canadian tax pursuant to the provisions of an applicable income tax treaty or convention.

A Non-Resident Holder's capital gain (or capital loss) in respect of Unit Shares, Warrants or Warrant Shares that constitute or are deemed to constitute taxable Canadian property (and are not "treaty-protected property" as defined in the Tax Act) will generally be computed in the manner described above under the subheadings "Residents of Canada – Dispositions of Unit Shares, Warrants and Warrant Shares" and "Residents of Canada – Taxation of Capital Gains and Capital Losses".

**Non-Resident Holders whose Unit Shares, Warrants or Warrant Shares are taxable Canadian property should consult their own tax advisors.**

***Dividends***

Dividends paid or credited or deemed to be paid or credited to a Non-Resident Holder on the Unit Shares or Warrant Shares will generally be subject to Canadian withholding tax at a rate of 25%, subject to reduction under the provisions of an applicable income tax treaty or convention between Canada and the country in which the Non-Resident Holder is resident.

For example, where a Non-Resident Holder is a resident of the United States for the purpose of the *Canada-United States Tax Convention (1980)*, beneficially owns the dividend and is fully entitled to the benefits under such treaty, the applicable rate of Canadian withholding tax is generally reduced to 15% of the gross amount of the dividend (or 5% in the case of a resident of the United States that is a corporation beneficially owning at least 10% of the Corporation's voting shares). Non-Resident Holders should consult their own tax advisors.

## RISK FACTORS

An investment in the Units offered hereby is subject to certain risks. In addition to the other information contained in this short form prospectus, reference is made to the section entitled "Risk Factors" at pages 10 to 14 of the AIF, which is incorporated herein by reference. The Corporation considers these risks to be the most significant to potential investors in the Corporation, but do not represent all of the risks associated with an investment in securities of the Corporation. If any of these risks materialize into actual events or circumstances or other possible additional risks and uncertainties of which the board of directors of the Corporation are currently unaware or which they consider not to be material in relation to the Corporation's business, actually occur, the Corporation's assets, liabilities, financial condition, results of operations (including future results of operations), business and business prospects are likely to be materially and adversely affected. Such risks discussed below also include forward-looking information and the Corporation's actual results may differ substantially from those discussed in these forward-looking statements. See "Forward-Looking Information and Financial Outlook".

### Risks Relating to the Corporation

#### *Negative Operating Cash Flow*

The Corporation had negative operating cash flow from operating activities for the fiscal year ended March 31, 2020. The Corporation has had positive cash flow from operating activities since the beginning of its last completed fiscal year and anticipates it will have a significant negative cash flow from operations for the next three quarters following which the Corporation anticipates a return to positive cash flow from operating activities for the subsequent quarters, there can be no guarantee that this will be the case. If the Corporation has negative operating cash flow into the future, its finances may need to be allocated to fund this negative operating cash flow. The Corporation may require additional financing to fund its operations to the point where it is generating positive operating cash flows. Continued negative operating cash flow may restrict the Corporation's ability to pursue its business objectives.

#### *Forward-looking information and financial outlook*

The forward-looking information included in and incorporated by reference into this short form prospectus relating to, among other things, the Corporation's future results, performance, achievements, prospects, intentions, opportunities or the markets in which the Corporation operates, including the estimation that the annual sales of D-BOX haptic products in the home entertainment market could reach up to $120 million for the fiscal year ending March 31, 2026 is based, on opinions, assumptions and estimates made by management in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that it believes are appropriate and reasonable in the circumstances, including, on the internal projections prepared by D-BOX management using a progressive rollout of D-BOX haptic products, extensive discussions held between D-BOX management and several leading home entertainment industry players, including significant gaming chair, furniture and device manufacturers, extrapolation of future sales under the MOU and the Jaymar Agreement. However, there can be no assurance that such estimates and assumptions will prove to be correct. Actual results in the future may vary significantly from the historical and estimated results and those variations may be material. The Corporation makes no representation that its actual results in the future will be the same, in whole or in part, as those included in this short form prospectus. See "Forward-Looking Statements and Financial Outlook".

#### *COVID-19 and similar global health crises*

The COVID-19 pandemic has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the pandemic continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The Corporation's business, operations and financial condition could be materially adversely affected by the COVID-19 pandemic or the outbreak of other epidemics, pandemics or other health crises. However, as conditions surrounding the pandemic continue to evolve, the Corporation may in the future experience unexpected negative impacts from the COVID-19 pandemic. Such impacts could include, with respect to its operations, its suppliers' operations and its customers' operations, forced closures, mandated social distancing, isolation and/or quarantines, impacts of declared states of emergency, public health emergency and similar declarations and could include other increased government regulations, a material reduction in demand for the Corporation's products, reduced sales, higher costs for new capital, licencing delays, increased operating expenses, delayed performance of contractual obligations, product shipping delays, and potential supply and staff shortages, all of which would be expected to negatively impact the business, financial condition and results of operations of the Corporation and its ability to satisfy its obligations. The risks to the Corporation of such public health crises also include risks to employee health and safety and a slowdown or temporary suspension of operations in the Corporation's facilities or a supplier's facilities. Should an employee or visitor in any of the Corporation's facilities or a supplier's facilities become infected with a serious illness that has the potential to spread rapidly, this could place the Corporation's workforce at risk.

**Risks Relating to the Offering**

***Discretion in the Use of Proceeds***

We will have discretion concerning the use of proceeds of the Offering as well as the timing of expenditures. As a result, investors will be relying on our judgment as to the application of the proceeds of the Offering. We may use the net proceeds of the Offering in ways that an investor may not consider desirable. The results and effectiveness of the application of the proceeds are uncertain. If the proceeds are not applied effectively, it may have a negative effect on our results of operations.

***Market for the Warrants***

There is currently no market through which the Warrants may be sold and there is no guarantee that an active trading market will develop. Accordingly, purchasers may not be able to resell Warrants purchased under this short form prospectus. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading prices and the liquidity of the Warrants. There can be no assurance that an active trading market will develop for the Warrants after the Offering, or if developed, the prices at which the Warrants will trade.

***Dilutive Effects on Holders of our Class A Shares***

We will issue Warrant Shares upon the exercise, if any, of the Warrants. Accordingly, holders of our Class A Shares may suffer dilution. Holders of Class A Shares may be subject to dilution resulting from future offerings of Class A Shares by the Corporation. The Corporation may raise additional funds in the future by issuing Class A Shares or securities convertible into, or exercisable or exchangeable for, Class A Shares. Holders of Class A Shares will have no pre-emptive rights in connection with such further issues. The board of directors has the discretion to determine if an issuance of Class A Shares or securities convertible into, or exercisable or exchangeable for, Class A Shares is warranted, the price at which such issuance is effected and the other terms of issue of such securities.

***Volatility of Market Price of our Class A Shares and Warrants***

The market price of our Class A Shares and of the Warrants (if any) may be volatile. This volatility may affect the ability of holders of Units to sell their securities at an advantageous price. Market price fluctuations in the Class A Shares and Warrants (if any) may be due to our operating results failing to meet expectations of securities analysts or investors in any quarter, downward revision in securities analysts' estimates, adverse changes in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by us or our competitors, along with a variety of additional factors. These broad market fluctuations may adversely affect the market price of our Class A Shares and the market price, if any, of the Warrants.

***Loss of Entire Investment***

An investment in the Units is speculative and may result in the loss of an investor's entire investment. Only potential investors who are experienced in high-risk investments and who can afford to lose their entire investment should consider an investment in the Corporation.

***The price at which the Units are sold by the Underwriters may be less than the Offering Price***

The Underwriters propose to offer the Units initially at the Offering Price. After the Underwriters have made a reasonable effort to sell all of the Units at such price, the Offering Price may be decreased. The sale by the Underwriters of the Units at a price lower than the Offering Price could adversely affect the prevailing market prices for the Class A Shares.

**If any of the foregoing events, or other risk factor events not described herein occur, the Corporation's business, financial condition or results of operations could suffer. In that event, the market price of the Corporation's securities could decline and investors could lose all or part of their investment.**

## AUDITORS, TRANSFER AGENT AND REGISTRAR

Our auditors are Ernst & Young LLP, which have advised us that they are independent with respect to the Corporation within the meaning of Code of Ethics of Chartered Professional Accountants of the *Ordre des comptables professionnels agréés du Québec*.

The transfer agent and registrar for our Class A Shares is Computershare Investor Services Inc. at its principal offices in Montreal and Toronto.

## LEGAL MATTERS

Certain legal matters in respect of the Offering, including the matters referred to under "Eligibility for Investment" and "Certain Federal Income Tax Considerations", will be passed upon on our behalf by Fasken Martineau DuMoulin LLP and on behalf of the Underwriters by Osler, Hoskin & Harcourt LLP. As at February 17, 2021, the partners and associates of Fasken Martineau DuMoulin LLP, as a group, and the partners and associates of Osler, Hoskin & Harcourt LLP, as a group, each beneficially owned, directly or indirectly, less than one percent of our outstanding Class A Shares.

## PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment thereto. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some provinces, revisions of the price or damages if the short form prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

In an offering of Units, investors are cautioned that the statutory right of action for damages for a misrepresentation contained in the prospectus is limited, in certain provincial securities legislation, to the price at which the Unit is offered to the public under the prospectus offering. This means that, under the securities legislation of certain provinces, if the purchaser pays additional amounts upon exercise of Warrants forming part of the Units, those additional amounts may not be recoverable under the statutory right of action for damages that applies in those provinces. The purchasers should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of this right of action for damages or consult with a legal adviser.

## ENFORCEMENT OF JUDGMENTS AGAINST FOREIGN PERSONS

Mr. Robert Copple is a director of the Corporation and resides outside of Canada. He has appointed us as agent for service of process at 2172 de la Province Street, Longueuil, Québec J4G 1R7, Canada. Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person who resides outside of Canada, even if the party has appointed an agent for service of process.

## CERTIFICATE OF THE CORPORATION

February 17, 2021

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada.

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|---|---|
| (signed) Sébastien Mailhot<br>President and Chief Executive Officer | (signed) David Montpetit<br>Chief Financial Officer |

On behalf of the Board of Directors

| | |
|---|---|
| (signed) Denis Chamberland<br>Director | (signed) Luc Martin<br>Director |

## CERTIFICATE OF THE UNDERWRITERS

February 17, 2021

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada.

CANACCORD GENUITY CORP.

*(signed) Pierre Fleurent*

*Senior Advisor*

| ECHELON WEALTH PARTNERS INC. | IA PRIVATE WEALTH INC. |
| --- | --- |
| *(signed) Asad Said* | *(signed)* John Rak |
| Managing Director, Co-Head Capital Markets | Managing Director, Investment Banking |