EXO U Inc.

Management's Discussion and Analysis

For the three- and nine-month periods ended December 31, 2014

(Q3 – 2015)

Forward-Looking Information

This management's discussion and analysis ("MD&A") contains forward-looking information or statements. Often, but not always, forward looking statements can be identified by the use of words such as "plans", "expects", "estimates", "intends", "anticipates", or "believes", or variations of such words and phrases (or the negative form thereof) or state that certain actions, events or results "may", "could", "would", "might", or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of EXO U Inc. ("EXO U" or the "Company") to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements. Examples of such statements include, but are not limited to: (A) anticipated revenues and costs of operations; (B) the intention to grow the business and operations of EXO U in current and future markets; and (C) effects of competition on the business of EXO U. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such forward looking statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to: the ability of EXO U to obtain necessary financing; the economy generally; consumer interest in the services and products of EXO U; competition; the capacity for EXO U to fully develop and commercialize its products, and anticipated and unanticipated costs. While EXO U anticipates that subsequent events and developments may cause its views to change, the Company specifically disclaims any obligation to update these forward-looking statements. These forward-looking statements should not be relied upon as representing EXO U's views as of any date subsequent to the date of this MD&A. Although EXO U has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in this forward-looking statements section, there may be other factors not identified, anticipated, estimated or intended that could materialize. There can be no assurance that forward-looking statements will prove to be accurate. Actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect EXO U. Additional factors are noted under the "Risks and Uncertainties" section at the end of this MD&A.

Background

This MD&A of EXO U should be read in conjunction with the unaudited interim condensed consolidated financial statements of EXO U and the related notes there to for the three- and nine-month periods ended December 31, 2014 and 2013 as well as in conjunction with the audited consolidated financial statements for fiscal years ended March 31, 2014 and 2013. This MD&A is prepared as at February 26, 2015 and is current to that date unless otherwise stated. The unaudited interim condensed consolidated financial statements of EXO U and extracts of those financial statements provided within this MD&A were prepared in Canadian dollars and in accordance with International Accounting Standards 34, *Interim Financial Reporting*.

The unaudited interim condensed consolidated financial statements of EXO U and the MD&A have been reviewed by the Audit Committee and approved by the Board of Directors of the Company.

Overview

EXO U, with its head office located in Montréal, Québec, is a company continued under the Canada Business Corporations Act. EXO U develops an innovative software platform which enables businesses and educational institutions to securely mobilize and manage their mobile workforce and students by delivering engaging experiences spanning desktop and mobile applications.

At the core of EXO U's platform is the smart and agnostic EXOengine that unifies multiple software platforms, allowing devices to interact and communicate seamlessly together. It enables true mobility for businesses and educational organizations by solving important mobility issues such as security, privacy, collaboration, and management of application and content. EXO U's technology agnostic framework delivers to end users a safe, reliable, and intuitive smart workspace designed for connecting with people, accessing services, and sharing information and digital content, while requiring minimal infrastructure and optional Internet connectivity. It simplifies management of the entire application lifecycle, freeing the organizations to focus on building engaging apps that work across different operating systems and form factors, thus increasing productivity for developers and reducing total cost of ownership for organizations. By offering an engaging and exceptional user experience on all computing devices, without compromising security or protected information, the EXO U enterprise and education solutions allow organizations to embrace consumerization and enjoy all the benefits of mobile.

EXO U commercialized in 2011 one of the first touch-based user interfaces running atop the Windows 7 tablet with an online applications store. EXO U generated revenues from the selling of both the hardware and the user interface, and stopped the commercialization of such during Fiscal 2013. The Company has now evolved to selling software licenses, consultation and post customer services.

EXO U's head office and much of the development team is located at its Montréal headquarters. It also operates an office in Palo Alto, California, which has key business development and product management as well as a higher number of development staff compared to the same periods of last year. The Palo Alto office is a continuity of the Montreal operations.

The common shares of the Company are traded on the TSX Venture Exchange under the ticker symbol "EXO.V".

Corporate Strategy

The Company business model is based on recurring revenue model from licensing the solution to central and local governments and enterprises, and on a fixed fee for service components such as application development, deployment and management. The licensing model used is a fee per user per year. Moreover, in order to increase its market competitiveness, EXO U strives to select local qualified partners to be able to increase the value of its overall offering to customers and able to support end users with installation, customer support and other software related issues. Partnerships are sought in order to discover and take advantage of opportunities. To this end, the Company can expand its solution capabilities and value by partnering with value added resellers (VARs), original equipment manufacturers (OEMs), publishers and technology companies in order to add content, applications, and new features.

Going Concern

The unaudited interim condensed consolidated financial statements of the Company for the three- and nine-month periods ended December 31, 2014 have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The continuation of the Company as a going concern is dependent upon, among other things, the Company's ability to generate future profitable operations by securing contracts and growing its revenue base, and its ability to obtain additional financing in order to meet its obligations arising from normal business operations.

As at December 31, 2014, the Company had not yet achieved profitable operations and has accumulated losses of $19,746,437 since inception, including the net loss of $7,169,495 for the nine-month period ended as at the same date. The Company expects to continue to incur further operating losses and negative cash flows from operating activities in the development of its business, and these material uncertainties cast significant doubt upon the Company's ability to continue as a going concern. Whether and when the Company can attain profitability and positive cash flows from operating activities is uncertain.

Although there are no assurances that management's plans will be realized, management has reasonable expectation that the Company will be able to continue operations in the future, considering, among other things, the reduction of the Company's current operating costs and the possibility of obtaining financing.

Accordingly, the unaudited interim condensed consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Highlights for the Quarter

- 10-year agreement in United States dollars with the Institute of Economics and Management, a university located in the Russian Federation, for the deployment, following a successful pilot phase, of 2,360 licenses;
- As at December 31, 2014, the Company had a $6,239,283 cash balance;
- The Company generated $3,544,309 of cash from the exercise of warrants and stock options during the nine-month period;
- Tight cost control translates to expense decrease of $90,997 compared to the previous quarter ended September 30, 2014;
- Net loss amounted to $2,929,508 ($7,169,495 for the nine-month period).

Other Financial Measures

Management uses net loss as presented in the unaudited interim consolidated statement of loss and comprehensive loss as well as loss before financing expenses (income), income taxes, depreciation of property and equipment, and amortization of intangible assets (including impairment charge) ("Negative EBITDA") and Adjusted Negative EBITDA as measures to assess the performance of the Company. Negative EBITDA and Adjusted Negative EBITDA are other financial measures and are reconciled to net loss determined in accordance with International Financial Reporting Standards ("IFRS") on page 11.

Negative EBITDA represents an indication of the Company's capacity to generate income from operations before taking into account management's financing decisions, cost of depreciation of property and equipment, amortization of intangible assets as well as income taxes.

Adjusted Negative EBITDA represents an indication of the Company's capacity to generate income from operations before taking into account certain non-cash transactions. Adjusted Negative EBITDA is a measure used by the Company to make strategic decisions, forecast future results and evaluate performance. Adjusted Negative EBITDA is Negative EBITDA excluding stock-based compensation expenses, foreign exchange gains (losses), and other one-time and unusual items.

Neither Negative EBITDA nor Adjusted Negative EBITDA represent the actual cash provided by operating activities, nor are they recognized measures of financial performance under IFRS. EXO U's definition of Negative EBITDA and Adjusted Negative EBITDA may differ from that used by other companies. Investors are cautioned that Negative EBITDA and Adjusted Negative EBITDA should not be considered as an alternative to net loss determined in accordance with IFRS or indicators of the Company's performance.

Qualifying Transaction

On June 13, 2013, Aumento Capital III Corporation ("Aumento"), now the Company, acquired 100% of the issued and outstanding shares of EXO U, a private company, from EXO U's shareholders, in exchange of 24,425,530 common shares of Aumento. Immediately prior to the Qualifying Transaction (the "Transaction"), Aumento completed a share consolidation which resulted in a reduction of the number of common shares issued and outstanding before the Transaction from 4,346,000 to 1,358,123. The Transaction constituted a Qualifying Transaction of Aumento as such term is defined in Policy 2.4 of the TSX Venture Exchange. The effect of the Transaction resulted in the shareholders of EXO U becoming the controlling shareholders of Aumento.

Although the Transaction resulted in EXO U becoming a wholly-owned subsidiary of Aumento, the Transaction constitutes a reverse takeover of Aumento and has been accounted for as a reverse takeover transaction in accordance with guidance provided in IFRS 2, *Share-based Payment* ("IFRS 2"). As Aumento did not qualify as a business according to the definition in IFRS 3, *Business Combinations*, this reverse takeover transaction does not constitute a business combination; rather, it is treated as an issuance of shares by EXO U for the net assets of Aumento, followed by a recapitalization of EXO U. As a result, the Transaction is accounted for as a capital transaction, with EXO U being identified as the accounting acquirer and the equity consideration provided by EXO U being measured at fair value. The resulting consolidated statement of financial position was presented as a continuance of EXO U operations and comparative figures presented in the unaudited interim condensed consolidated financial statements after the Transaction are those of EXO U. The results of operations, the cash flows and the assets and liabilities of Aumento have been included in the unaudited interim condensed consolidated financial statements since June 13, 2013, the acquisition date.

The 1,358,123 common shares owned by the shareholders of Aumento as at the Transaction date were considered a deemed issue of common shares by EXO U to acquire Aumento's net assets and were measured on the basis of the fair value of the common shares issued considering the price per share of private placements closed concurrently with the Transaction. In accordance with IFRS 2, any excess of the fair value of the deemed shares issued by EXO U over the value of the net assets of Aumento is recognized in the unaudited interim consolidated statement of loss and comprehensive loss, as listing costs. Moreover, as options and agent options granted prior to the Transaction by Aumento remain exercisable after the completion of the Transaction, the fair value of these options at the Transaction date are also included as part of the consideration transferred.

The Company incurred legal and accounting fees directly related to the Transaction in the amount of $251,995. In addition, the Company paid a finders' fee through the issuance of 1,221,276 common shares on August 14, 2013, representing an amount of $977,021 and issued 8,000 common shares valued at $6,400 to a consultant. The expense related to the finders' fee payment, and the legal and accounting fees are included in the listing costs in the unaudited interim consolidated statement of loss and comprehensive loss for the nine-month period ended December 31, 2013.

The fair value of the consideration provided by EXO U is as follows:

	$
Deemed issuance of 1,358,123 common shares of EXO U to the former shareholders of Aumento	1,086,500
Options and warrants deemed granted to the former officers and directors of Aumento and agent options	95,614
	1,182,114

The total listing costs for the nine-month period ended December 31, 2013 is as follows:

	$
Total fair value of the consideration provided by EXO U	1,182,114
Less: net assets of Aumento	(37,199)
	1,144,915
Legal and accounting fees	251,995
Finders' fee	977,021
Common share issued to a consultant	6,400
	2,380,331

Pursuant to a private placement (the "Private Placement"), Aumento issued an aggregate of 6,500,750 units (the "Units") at a price of $0.80 per Unit, for aggregate gross proceeds of $5,200,600. Each Unit consisted of one common share of Aumento and one half of one common share purchase warrant of Aumento, each whole common share purchase warrant entitling its holder to purchase one common share at a price of $1.20 until June 13, 2014. The Private Placement was subscribed by accredited investors and other exempt purchasers as well as certain officers, directors and major shareholders of the Company.

On June 21, 2013, Aumento announced that the Exchange had accepted for filing the Transaction and had issued its final bulletin. As a result, trading on the common shares of the Company resumed at the opening of markets on Monday, June 24, 2013.

On August 1, 2013, Aumento and EXO U completed a short-form amalgamation pursuant to the Canada Business Corporations Act. As a result, the name of the Company was changed from "Aumento Capital III Corporation" to "EXO U Inc.".

Results of Operations

The Company has been in operation for approximately four years. Its results are impacted by both the revenue mix between software, material sales and services rendered as well as the lead times involved in the implementation phase of software products and the impact of large contract wins which could cause large variations in quarterly and annual revenues. The impact of up-front costs, continuing and increasing research and development expenses, business development costs, and lower margins to achieve ongoing licence revenue in future periods will impact the business moving forward. Up to large contract wins, the Company's objective is to reduce its hiring to a limited level to support its current and future growth.

The following table sets forth a summary of the Company's results of operations for the three- and nine-month periods ended December 31, 2014 and compares them with the corresponding periods of the previous fiscal year.

(in Canadian dollars)	**Three months ended December 31, 2014**	Three months ended December 31, 2013	**Nine months ended December 31, 2014**	Nine months ended December 31, 2013
Revenues	–	–	**815,923**	73,307
Cost of Revenues	**2,279**	–	**132,472**	–
Gross Margin	**(2,279)**	–	**683,451**	73,307
Expenses	**2,933,798**	1,333,802	**7,869,033**	6,089,158
Financial Expenses (Income), net	**(6,569)**	(664)	**(16,087)**	14,312
Net Loss	**(2,929,508)**	(1,333,138)	**(7,169,495)**	(6,030,163)
Basic and Diluted Net Loss per share	**(0.07)**	(0.04)	**(0.17)**	(0.20)

Operating Results

Revenues

There was no revenue for the third quarter ended December 31, 2014 and 2013, while revenues for the nine-month period ended December 31, 2014 were $815,923 compared to $73,307 in the previous year. Revenues of Fiscal 2015 represent the three digital classrooms, consisting of 21 electronic desks each, delivered to Panama while revenues of Fiscal 2014 were totally related to an analysis report sold to a corporate shareholder during the first quarter of Fiscal 2014 (see "Inter-company and Related-party Transactions" section). This report related to the educational environment of a country in Latin America.

As at December 31, 2014, the Company has $386,925 of deferred revenues recorded on the unaudited interim consolidated statement of financial position. These deferred revenues are related to a contract signed with the Government of Panama to deliver, upon other services, licenses of EXO U's solution. As of December 31, 2014, the Company did not recognize any revenue from this license agreement as the revenue recognition criteria were not fully fulfilled (see "Financial Situation" section). While attempting to continue performance of its obligations under this license agreement contract, due to an extension requested by the former government of Panama to provide the content that they are required to provide and a subsequent change in government in Panama, the Company believes there is a risk that complete implementation and roll-out will not occur in the current fiscal year.

Gross margin

Gross margin is obtained by subtracting cost of revenues from revenues. The cost of revenues includes primarily the cost of good sold and the employees' expenses related to services provided.

For the nine-month period ended December 31, 2014, the cost of revenues relates entirely to the cost of the components of the digital classrooms delivered, including shipping costs, and some of these components were purchased from a corporate shareholder (see "Inter-company and Related-party Transactions" section).

The gross margin for the nine-month period ended December 31, 2014 increased by $610,144 to $683,451. The entire gross margin relates to the digital classrooms delivered since the beginning of this Fiscal year while last year's gross margin was totally related to the analysis report delivered.

Expenses

Research and development ("R&D") expense amounted to $1,185,188 in the third quarter, an increase of $780,249 compared to last year third quarter's R&D expense. For the first nine months of Fiscal 2015, the R&D expense amounted to $2,656,531 compared to $1,066,447 a year earlier. For the three- and nine-month periods ended December 31, 2014, the increased R&D expense compared to the same periods of Fiscal 2014 is mainly explained by an increase in the employees' total remuneration of $768,788 and $1,538,702, respectively reflecting the Company's objective to further the development of EXO Education Solution capabilities. The main development areas are the back-end ("server") side, the strengthening of the solution's cross-platform capabilities over different operating systems as well as applications for the product offering. For the three- and nine-month periods ended December 31 2014 and 2013, all R&D expenses were recorded on the unaudited interim consolidated statement of loss and comprehensive loss.

Selling, general and administrative expenses for the third quarter were $1,129,766, up $508,210 from that incurred in the same period last year while the year-to-date expenses amounted to $3,473,067 as compared to last year's $1,732,676 for the same period. The increase in both periods compared to Fiscal 2014 is explained by the Company's decision at the beginning of this fiscal year to continue to ramp up hiring in relation with the marketing and sales efforts, which are in line with the Company's objectives, as well as increased expenditures in compensation, travel, professional fees and business development. The establishment of its Palo Alto facility and the higher loss on foreign exchange also contributed to higher expenses in fiscal 2015 compared to fiscal 2014.

Stock-based compensation increased year over year to $563,788 from $281,191 for the third quarter while on a year-to-date basis, the Fiscal 2015 expense amounted to $1,654,404, an increase of $797,537, compared to the $856,867 stock-based compensation expense recorded in the nine-month period ended December 31, 2013. The increased expense for both the quarter and year-to-date reflects the issuance of stock options to a growing employee base over the last twelve months, to independent members of the Board of Directors and to third-parties.

Listing costs of $2,380,331 were recorded in fiscal 2014 in connection with the Transaction.

Financial expenses (income)

Financial expenses are related to bank charges and to other miscellaneous financial expenses while interest income was mainly earned on the Company's cash balance. For the three-month period ended December 31, 2014, net financial income was up $5,905 to $6,569 compared to the same quarter last year, while on a year-to-date basis, net financial income amounted to $16,087 compared to a net financial expense of $14,312 for the same period of fiscal 2014. Last year's net financial expense for the nine-month period was mainly related to interest paid to a corporate shareholder (see "Inter-company and Related-party Transactions" section) in relation to a bridge loan the Company obtained while waiting for the cash inflow generated by the June 2013 private placement.

Net Loss

As a result of the activities described above, the net loss for the quarter and the nine-month period ended December 31, 2014 were $2,929,508 and $7,169,495 respectively which represent increases of $1,596,370 and $1,139,332 compared to the previous year's net loss of $1,333,138 and $6,030,163, respectively for the same periods.

Negative EBITDA[1] and Adjusted Negative EBITDA[1]

(in Canadian dollars)	**Three months ended December 31, 2014**	Three months ended December 31, 2013	**Nine months ended December 31, 2014**	Nine months ended December 31, 2013
Net Loss	(2,929,508)	(1,333,138)	(7,169,495)	(6,030,163)
Financials expenses (income), net	(6,569)	(664)	(16,087)	14,312
Depreciation of property & equipment	15,827	10,247	43,901	30,011
Amortization of intangible assets	37,065	36,524	111,197	109,572
Negative EBITDA[1]	**(2,883,185)**	**(1,287,031)**	**(7,030,484)**	**(5,876,268)**
Stock-based compensation	563,788	281,191	1,654,404	856,867
Net loss on foreign exchange	55,056	26,116	85,031	52,837
Listing costs	—	—	—	2,380,331
Adjusted Negative EBITDA[1]	**(2,264,341)**	**(979,724)**	**(5,291,049)**	**(2,586,233)**

(1) See definition in the “Other Financial Measures” section.

Quarterly performance

The Company's revenues and particularly its new software license revenues are difficult to forecast and, as a result, its quarterly operating results can fluctuate substantially. Moreover, much of the future revenue of the Company will be subject to a lengthy sales cycle. In addition, upfront revenue could be low in relation to the total revenue stream based on the terms of the sales contract and the business target of developing an ongoing and recurring revenue stream in future periods. Also, the continuing development of the Company's solution as well as its corporate strategy to earn revenues from international operations will increase the Company's cost structure. As a result, quarterly results could be highly volatile until a large enough base of business is established.

The following table indicates the Company's operating performance for the last eight quarters.

(in Canadian dollars)	**Fiscal 2015**			**Fiscal 2014**				**Fiscal 2013**
	Q3	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Revenues	**—**	**312,734**	**503,189**	65,667	—	—	73,307	77,380
Adjusted Negative EBITDA[1]	**(2,264,341)**	**(1,890,961)**	**(1,135,747)**	(1,342,693)	(979,724)	(1,044,336)	(562,173)	(497,509)
Net Loss	**(2,929,508)**	**(2,754,921)**	**(1,485,066)**	(1,640,416)	(1,333,138)	(1,610,652)	(3,086,373)	(768,122)
Basic and Diluted Net Loss per share	**(0.07)**	**(0.07)**	**(0.04)**	(0.05)	(0.04)	(0.05)	(0.13)	(0.04)
Weighted-average number of common shares outstanding	**41,831,421**	**41,659,819**	**39,476,920**	35,189,715	33,687,671	33,037,403	23,151,567	21,300,000

(1) See definition in the "Other Financial Measures" section.

Liquidity and Capital Resources

In the course of its operations, the Company will continue to use its cash resources in the short-term and this situation will continue until EXO U establishes a large enough base of business, which is not expected in the near future. The timing of cash inflows from customers is difficult to estimate. Furthermore, even if the Company is claiming scientific research and experimental development ("SR&ED") tax credits related to the development of its solution, the cash receipts of these may take several months. Therefore, the Company will need to inject funds in its working capital in the short- and mid-term due to the timing difference between the cash disbursement of the R&D expenses and the cash receipt of the refundable SR&ED tax credits. Also, timing of cash receipts related to the revenue stream may not be simultaneous with cash outflows resulting from expenses, which are largely related to employees' remuneration. Finally, the Company's corporate strategy of international expansion (see "Corporate strategy" section) may also require cash flow injections which will not be funded through operations in the short-term.

As a result of the above, even if the only long term commitments relate to its leased facilities in Montréal and Palo Alto, and that it does not have any long term debt obligation, the Company expects to raise additional funds in the future, and will seek additional forms of debt, government grant or equity financing, but cannot provide assurance that it will be successful in doing so, in order to fulfill its cash flow requirements (see "Going concern" section).

As of December 31, 2014, the Company held cash of $6,239,283. This represents a decrease of $747,172 from the position it had as at March 31, 2014. Below is a summary of the cash flows provided by (used in) operating, investing and financing activities for the periods indicated:

(in Canadian dollars)	**Nine months ended December 31, 2014**	Nine months ended December 31, 2013
Net cash flows used in operating activities	**(4,180,210)**	(3,700,620)
Net cash (used in) provided by investing activities	**(111,271)**	17,292
Net cash provided by financing activities	**3,544,309**	4,835,779
Net (decrease) increase in cash	**(747,172)**	1,152,451
Cash (beginning of period)	**6,986,455**	123,359
Cash (end of period)	**6,239,283**	1,275,810

Net cash used in operating activities

Net cash used in operating activities for the nine-month period ended December 31, 2014 was $4,180,210, an increase of $479,590 from that used in the same period last year. Before the net changes in non-cash working capital balances related to operations, the Company used $2,454,616 more than in the same period of the previous year. This is largely due to higher R&D, selling, general and administrative expenses, partly offset by higher revenues and no listing costs ($251,995 listing costs were paid in cash in Fiscal 2014) (see "Operating results" section). To offset the higher use of cash before the net changes in non-cash working capital balances related to operations, the Company benefited from lower working capital requirements in the first nine months of this fiscal year compared to the same period last year. While the first nine months of fiscal 2015 generated $1,179,783, the Company's working capital requirements were $795,243 in the corresponding period last year. Therefore, the Company generated higher inflow of $1,975,026 compared to last year from its working capital. This increase in inflows is mainly due to lower accounts receivables and investment tax credits receivable, and higher accounts payable and accrued liabilities.

Net cash (used in) provided by investing activities

Net cash used in investing activities for the nine-month period ended December 31, 2014 was $111,271 versus an inflow of $17,292 recorded last year. Fiscal 2015 acquisitions of property and equipment mainly relates to furnitures and fixtures, and to computer equipment ($48,938 and $59,455 respectively). Last year's inflow resulted from the net cash of $50,397 acquired from the Transaction partly offset by the acquisition of property and equipment, and by the acquisition of intangible assets totalling $24,968 and $8,137 respectively. Fiscal 2015 acquisitions of property and equipment of $111,271 is higher than last year's acquisitions by $86,303 due to the increased number of employees in the R&D department and to the Company's decision at the beginning of this fiscal year to continue to staff up the selling and administrative departments to bring the business to the next level.

Net cash provided by financing activities

Net cash provided by financing activities for the nine months ended December 31, 2014 amounted to $3,544,309, compared to $4,835,779 in the previous year. The amount generated during this fiscal year mainly resulted from the exercise of warrants while last year's inflow was due to the issuance of common share and warrants pursuant to the June 13, 2013 private placement as well as the exercise of warrants.

Contractual Obligations

EXO U is engaged in operating leases for its premises in Montreal and Palo Alto (California). Since March 31, 2014, the Company's contractual obligations increased due to a lease extension in Palo Alto. As of December 31, 2014, contractual obligations for operating leases amounted to $919,441. The leases extend over various periods up to August 2019.

Financial Situation

Assets

The total assets as at December 31, 2014 were $7,644,149, compared to $9,164,018 as at March 31, 2014, a decrease of $1,519,869. This decrease was mainly due to a decrease in cash of $747,172 following the use of cash in the operating and investing activities as described above partly offset by the cash generated from the exercise of warrants and stock options since the beginning of this fiscal year, and to a decrease in trade and other receivable of $616,353 following cash receipts.

As at December 31, 2014, the Company's major assets recorded on the unaudited interim consolidated statement of financial position consisted of its cash on hand of $6,239,283 and of its investment tax credit receivables of $763,597.

Liabilities

As at December 31, 2014, total liabilities were $2,644,064, compared to $2,193,151 as at March 31, 2014, an increase of $450,913. This increase was due to an increase in accounts payable and accrued liabilities and, more specifically, related to employees' remuneration.

As at December 31, 2014, the deferred revenue of $386,925 recorded on the unaudited interim consolidated statement of financial position is entirely related to the sale agreement signed with the Government of Panama during fiscal 2014. At the end of the first quarter of fiscal 2015, the Government of Panama requested a delay in the final implementation and roll-out of EXO U's solution. Therefore, the Company has not recorded any revenue yet and will start recognizing revenues related to this license agreement only when the Company will have persuasive evidence that the complete implementation and roll-out has occurred and that collection of the amounts yet to be billed under the contract is reasonably assured. While attempting to continue performance of its obligations under this license agreement contract, due to an extension requested by the former government of Panama to provide the content that they are required to provide and a subsequent change in government in Panama, the Company believes there is a risk that complete implementation and roll-out will not occur in the current fiscal year.

Shareholders' Equity

Shareholders' equity totalled $5,000,085 as at December 31, 2014 compared to $6,970,867 as at March 31, 2014, a decrease of $1,970,782. This decrease is largely due to the Company's net loss of $7,169,495, partly offset by a $3,544,309 cash inflow due to the issuance of 2,952,320 common shares upon the exercised of warrants and stock options.

During the first nine months of fiscal 2015, 264,858 and 15,619 broker warrants issued in connection with the June 13, 2013 and March 6, 2014 private placements, respectively, were exercised for a total cash consideration of $236,095. Also, 2,040,816 and 327,080 warrants issued pursuant to the same private placements were exercised for a total cash consideration of $3,086,786. Finally, during the nine-month period ended December 31, 2014, the Company issued 303,947 common shares upon the exercise of stock options for a total cash consideration of $221,428.

During the first three quarters of fiscal 2015, employees of the Company, independent members of the Board of Directors and some third-parties were granted an aggregate of 1,251,500 stock options under the Company's stock option plan at an exercise price between $1.55 and $4.29 per share (weighted-average exercise price of the stock options granted in the three first quarters of fiscal 2015 is $2.72). The stock options vest 25% after one year from the grant date between May 6, 2015 and December 1, 2015 with the balance vesting ratably each month for the subsequent 36 months. The stock options were valued at a weighted-average amount of $1.64 per stock option using the Black-Scholes option-pricing model with the following weighted-average assumptions: expected life of 5.7 years, interest risk free rate of 1.84%, expected dividend yield of 0%, expected volatility of 84.9%, weighted-average share price on the market of $2.59 per share at the time the stock options were granted and a forfeiture rate of 8%.

The following table shows the number of securities of the Company outstanding as at February 26, 2015.

Type of Securities	Number of Issued and Outstanding
Common shares	41,834,051
Stock options to purchase common shares	3,762,436
Warrants to purchase common shares	2,176,117

Inter-company and Related-party Transactions

Inter-company transactions and balances between the Company and its subsidiary are eliminated upon consolidation.

The Company had, in the normal course of operations, the following transactions with related parties for the three- and nine-month periods ended December 31, 2014 and 2013:

- The Company sold services to a corporate shareholder. Such transactions amounted to nil in 2014 (2013 – nil and $73,307, respectively).
- The Company purchases goods, including shipping costs to Panama, from a corporate shareholder. Such transactions amounted to $2,279 and $116,651 and were recorded as cost of revenues (2013 – $3,725 for the nine-month period for goods capitalized as property and equipment).
- Stock-based compensation includes $55,852 and $238,767 respectively (2013 – $98,491 and $251,366, respectively) of non-cash expenses related to stock options granted to members of the Board of Directors while selling, general and administrative expenses include $21,250 and $58,750, respectively of Board fees (2013 – $18,750 and $37,500, respectively).

- Selling, general and administrative expenses include nil and $19,561 respectively of license, office and other miscellaneous expenses paid to a corporate shareholder (2013 – $2,438 and $10,988, respectively).

- Interest and bank charges within financial expenses include no interest paid to a corporate shareholder in 2014 (2013 – nil and $14,219, respectively related to the bridge loan obtained and repaid in the first quarter of fiscal 2014).

These transactions, except for the stock-based compensation expense, were measured at the exchange amount, which is the amount of consideration established and agreed to by the parties. The corporate shareholder mentioned above and the Company are associated to each other as this term is defined in IAS 28, *Investments in Associates and Joint Ventures*.

Business Development

In line with its corporate strategy (see the "Corporate Strategy" section), the Company announced on December 23, 2014 that it has entered into its first contract in Europe when signing an agreement in United States dollars with the Institute of Economics and Management, a university located in the Russian Federation. The 10-year contract provides that after a successful pilot phase in the spring of 2015, the customer will approve the deployement of the Company's eductional software to 2,360 users.

Financial Risk Management

In the normal course of business, the Company is engaged in operating and financing activities that generate risks. During the course of the last quarter, these financial risks have not materially changed. For a complete description of the Company's financial risks, please refer to the "Financial Risk Management" section of its MD&A for the years ended March 31, 2014 and 2013.

Critical Accounting Estimates and Judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. During the course of the last quarter, these critical accounting estimates and judgements have not materially changed. For a complete description of the Company's critical accounting estimates and judgements, please refer to the "Critical Accounting Estimates and Judgements" section of its MD&A for the years ended March 31, 2014 and 2013.

Risks and Uncertainties

There are a number of inherent risks associated with the business of the Company and the markets in which EXO U currently competes are very competitive and change rapidly. Therefore, new risks may emerge and management may not be able to predict all of them, or be able to predict how they may cause actual results to be different from those contained in any forward-looking statements. The reader should not rely upon forward-looking statements as a prediction of future results.

During the last quarter, the Company's risks and uncertainties have not materially changed. For a complete description of the Company's risks and uncertainties, see the "Risks and Uncertainties" section of its MD&A for the three- and six-month periods ended September 30, 2014.

Accounting Matters

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") and uses the historical-cost basis. All significant accounting policies applied by the Company are presented in note 3 to the audited consolidated financial statements for the year ended March 31, 2014.

Accounting standards issued but not yet applied

IFRS 9 – *Financial Instrument* ("IFRS 9")
IFRS 9 was issued by the IASB in November 2009 and will replace IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. In addition, the IASB also issued additions to IFRS 9 to address the problem of volatility in profit or loss arising from an issuer choosing to measure its own debt at fair value. With the new requirements, an entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to change in the entity's own credit risk in the other comprehensive income section of the income statement. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

IFRS 15 – *Revenue from Contracts with Customers* ("IFRS 15")
IFRS 15 was issued by IASB in May 2014 and will replace IAS 18, *Revenue*. IFRS 15 provides new requirements for recognizing revenue through a five step model framework as a core principal and improves guidance for multiple-element arrangements. IFRS 15 also enhanced disclosures surrounding revenue. This standard is effective for annual period beginning on or after January 1, 2017.

The Company has not yet assessed the impact of these new standards on its consolidated financial statements.