EXO U Inc.

Management's Discussion and Analysis

For the three-and-nine-month periods ended December 31, 2015

(Q3 – 2016)

Forward-Looking Information

This Management's Discussion and Analysis ("MD&A") contains forward-looking information or statements within the meaning of applicable Canadian securities laws concerning the business, operations and financial performance of condition of EXO U Inc. ("EXO U" or the "Company"). 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 information in this MD&A includes, but is not limited to information relating to: anticipated revenues and costs of operations; the intention to grow the business and operations of EXO U in current and future markets; and the effects of competition on the business of EXO U. Although the Company believes that the expectations reflected in such forward-looking information are reasonable, undue reliance should not be placed on forward-looking information because the Company can give no assurance that such expectations will prove to be correct.

Forward-looking information is based on a number of assumptions and factors that, if untrue, could cause the actual results, performances or achievements of EXO U to be materially different from those expressed or implied by the forward-looking information contained in this MD&A. Forward-looking information is based on a number of assumptions and factors, 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.

The forward-looking information contained herein is based on EXO U's current expectations, estimates and projections, and is subject to a number of significant risks and uncertainties that could cause actual results, performance or achievements of EXO U to be materially different from any future results, performance, or achievements expressed or anticipated. Such risks and uncertainties include, among others, general business and economic conditions; the overall performance of stock markets; actions of competitors and partners; the regulatory environment; the corporate governance environment; the Company's ability to generate sufficient cash flow from operations to meet its current and future obligations; and the Company's ability to access external sources of financing. 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 information section, there may be other factors not identified, anticipated, estimated or intended that could materialize. New risk factors may arise from time to time and it is not possible for management of the Company to predict all of those risk factors or the extent to which any factor or combination of factors may cause actual results, performance or achievements of the Company to be materially different from those expressed or implied in such forward-looking information. The factors identified above are not intended to represent a complete list of the factors that could affect EXO U. Additional factors are referenced under the *"Risks and Uncertainties"* section at the end of this MD&A and in documents filed with the securities regulatory authorities.

There can be no assurance that forward-looking information will prove to be accurate. Actual results and future events could differ materially from those anticipated in such forward-looking information. Accordingly, readers should not place undue reliance on forward-looking statements. Forward-looking information is presented as of the date hereof and, while EXO U anticipates that subsequent events and developments may cause its views to change, the Company does not intend or undertake to publicly update any forward-looking information that is included in this document, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws.

Background

This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements of EXO U and the related notes thereto for the three and nine-month periods ended December 31, 2015 and 2014 as well as in conjunction with the audited consolidated financial statements and the MD&A for fiscal years ended March 31, 2015 and 2014. 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* as issued by the International Accounting Standards Board. The unaudited interim condensed consolidated financial statements of EXO U and this MD&A have been reviewed by the Company's Audit Committee and approved by the Board of Directors of the Company (the "Board"). Additional information relating to the Company is available under the Company's profile on SEDAR at www.sedar.com.

This MD&A is prepared as at February 29**,** 2016 and is current as of that date, unless otherwise stated.

This MD&A contains references to certain financial performance measures such as Negative EBITDA and Adjusted Negative EBITDA, which do not have any standardized meaning prescribed by Canadian Generally Accepted Accounting Principles ("GAAP") and International Financial Reporting Standards ("IFRS") and may not be comparable to similar measures presented by other entities. These non-GAAP and non-IFRS measures should be viewed as a supplement to, and not a substitute for, the Company's results of operations reported under IFRS. These measures are identified and defined in the "*Other Financial Measures*" section of this MD&A.

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 Ormi software platform ("Ormi") is the smart and operating system 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 organizations to focus on building engaging applications 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 generates revenues from the selling of software licenses, consultation and post-customer services as well as from the selling of certain hardware components.

EXO U's head office and much of the development team is located at its Montréal headquarters.

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

Corporate Strategy

The Company's business model is based on recurring revenues from licensing the solution to the education market as well as to central and local governments, and based on fixed fees for service components such as application development, deployment and management. The licensing model used involves a set fee per user per year. In order to increase its market competitiveness, EXO U strives to select local, qualified partners to increase the value of its overall offering to customers and support end users with installation, customer-support and other software-related issues. To this end, the Company seeks to expand its solution capabilities and value proposition by partnering with value added resellers ("VARs"), original equipment manufacturers, 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, 2015 have been prepared on a going concern basis, which implies the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities and its commitments in the normal course of business.

As at December 31, 2015, the Company had not yet achieved profitable operations nor positive cash flows from operating activities and has accumulated losses of $26,833,957 since inception, including the net loss of $5,062,183 for the nine-month period ended December 31, 2015. The Company used $4,182,578 of cash from its operating activities for the nine-month period ended December 31, 2015. 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.

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. The Company may continue to seek additional sources of financing in the form of equity and/or debt financing and could pursue joint venture or other partnership agreements; however, no assurance can be given that any such additional financing, joint venture or partnership will be available generally or on terms favourable to the Company.

As a result of the recent financing completed by the Company, management of the Company has a reasonable expectation that the Company will be able to continue operations in the future. Whether and when the Company can obtain additional financing or attain profitability and positive cash flows from operating activities is uncertain, in particular as a result of current market conditions and the length of time required to generate positive cash flows from new customer or partner agreements.

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.

Other Financial Measures

This MD&A contains references to certain financial measures that do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other entities. These non-GAAP financial performance measures should be viewed as a supplement to, and not a substitute for the Company's results of operations reported under IFRS. These financial measures are identified and defined below.

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 ("Negative EBITDA") and Adjusted Negative EBITDA as measures to assess the performance of the Company. Negative EBITDA and Adjusted Negative EBITDA are non-GAAP financial measures and are reconciled to net loss determined in accordance with IFRS in the "*Negative EBITDA and Adjusted Negative EBITDA*" section of this MD&A.

Negative EBITDA represents an indication of the Company's capacity to generate income from operations, excluding the impact of management's financing activities, cost of depreciation of property and equipment, amortization of intangible assets as well as income taxes.

"Adjusted Negative EBITDA" is a further refinement of Negative EBITDA to exclude stock-based compensation expenses and foreign exchange gains (losses). 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.

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 definitions of Negative EBITDA and Adjusted Negative EBITDA may differ from those 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 other indicators of the Company's performance.

Third Quarter and Subsequent Event Highlights

- On February 26, 2016, the Company announced that it successfully completed a private placement (the "February 2016 Private Placement") for gross proceeds totalling $2,300,000.
- On February 18, 2016, the Company announced that it had signed a license agreement with Yazmi USA LLC ("Yazmi"), a Maryland based company that has extensive operations in Africa. Yazmi and EXO U plan to implement a pilot phase in February, 2016 which, if successful, will lead to an initial product rollout in August, 2016.
- On February 3, 2016, the Company announced that it had signed an exclusive European distribution agreement with Genee World Ltd. ("Genee World"). This distribution agreement enables the distribution of Ormi with Genee World's technology solutions for Kindergarten to Grade 12 ("K-12"), higher education institutions and corporations. This agreement initially provides that every large format interactive screen sold by Genee World is bundled with a classroom license of EXO U and, in subsequent years, moves to a subscription service where the companies will share revenue from the classroom license renewals.
- On January 20, 2016, the Company announced the launch dates for Ormi at both the BETT and TCEA conferences, two of the largest education conferences held in Europe and North America.
- On December 24, 2015, the Company announced the results of its annual general meeting of shareholders. Of note was the election of the Company's Chief Executive Officer, Mr. Kevin Pawsey, as well as Messrs. Matt Cooper and Sean Maniaci to the Board.
- On December 17, 2015, the Company announced that it had signed a non-exclusive master distribution agreement for K-12 and higher education institution sales with Qomo HiteVision L.L.C., a major distributor and manufacturer of interactive screens located in the United States. This Agreement is expected to generate revenue for the Company in the school year beginning in September 2016.
- On December 3, 2015, the Company announced that it had licensed Panasonic Corporation of America to sell Ormi to schools, districts and higher education institutions in North America. Revenue from this agreement is expected to begin in the latter part of the 2016 calendar year.
- During the month of November 2015, the Company announced the appointments of Mr. Jim Kirchner as senior Vice President of Business Development, Mr. Roberto Torreggiani as Vice President of Sales and Mr. Ian Bryan as Vice President of Marketing. All three of these executives have extensive experience in the education technology market and are making a significant positive impact on the business.
- On October 23, 2015, the Company appointed Mr. Kevin Pawsey as the Chief Executive Officer of the Company. Mr. Pawsey previously held the title of Chief Operating Officer at the Company.
- On October 23, 2015, the Company announced that it had completed its previously announced private placement (the "October 2015 Private Placement") for gross proceeds of $2,444,750.

Results of Operations

The Company has been in operation for approximately five years. Its results of operations are impacted by: (i) the revenue mix between software, material sales and services rendered, (ii) the lead times involved in the implementation phase of software products and (iii) 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 ("R&D") expenses, business development costs, and lower margins to achieve ongoing licence revenue in future periods will impact the business moving forward. Until such time as the Company achieves profitable operations, the Company's objective is to minimize costs and staffing to limited levels 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, 2015 and 2014:

(in Canadian dollars)	**Three months ended December 31, 2015**	Three months ended **December 31, 2014**	**Nine months ended December 31, 2015**	Nine months ended **December 31, 2014**
Revenues	**—**	**—**	—	815,923
Cost of Revenues	**—**	2,279	—	132,472
Gross Margin	**—**	(2,279)	—	683,451
Expenses	**1,699,850**	2,933,798	**5,062,727**	7,869,033
Financial Expenses (Income), net	**2,919**	(6,569)	**(544)**	(16,087)
Net Loss	**(1,702,769)**	(2,929,508)	**(5,062,183)**	(7,169,495)
Basic and Diluted Net Loss per share	**(0.03)**	(0.07)	**(0.11)**	(0.17)

Operating Results

Revenues

There was no revenue for the three months ended December 31, 2015 and in the corresponding period in the prior year. Similarly, revenues for the nine months ended December 31, 2015 were nil as compared to $815,923 for the same period in the prior year. The absence of sales was attributable to the building of new sales channels with partners coupled with the timing of the launch of the new version of the Company's product offering, which has been branded Ormi. The Company continues to conduct a number of demonstrations, trials and pilots on an ongoing basis in order to develop revenue opportunities. Based on recent contracts entered into by the Company, revenue is expected in the second fiscal quarter (July-September 2016) of 2017.

Gross Margin

Gross margin is obtained by subtracting the cost of revenues from revenues. For the three and nine-months ended December 31, 2015, the cost of revenues primarily includes the cost of goods sold and employees' expenses related to services provided.

For the three and nine-months ended December 31, 2014, the cost of revenues relates entirely to the cost of the components of the digital classrooms delivered to a client in Latin America, including shipping costs. Some of these components were purchased from a shareholder of the Company. See the "*Inter-Company and Related-Party Transactions*" section of this MD&A.

Expenses

R&D expense amounted to $667,640 and $2,424,317, respectively, for the three and nine-month periods ended December 31, 2015, compared to the $1,185,188 and $2,656,531 incurred in the three and nine-month periods ended December 31, 2014. The reduction of expense in the three months ended December 31, 2015 as compared to the same quarter last year was largely a result of lower compensation costs due to decreased staff. Similarly, the decrease in expenses for the nine months ended December 31, 2015 as compared to the same quarter last year are a result of lower compensation expenses.

Selling, general and administrative ("SG&A") expenses for the three and nine-month periods ended December 31, 2015 were $841,929 and $2,559,464 respectively, a decrease of $287,837 and $913,603, respectively, from expenses incurred during the same periods in the prior year. The decreased expenses in the three months ended December 31, 2015 as compared to the same period in the prior year was mainly due a reduction in professional fees, travel and more focused spending in business development. The lower expenses for the nine months ended December 31, 2015 as compared to the same period in the prior year was caused mainly by these same cost reductions as well as lower compensation costs in the previous quarters.

During the three-month period ended December 31, 2015, the Company incurred an expense of $64,698 for stock-based compensation costs, while for the nine-month period ended December 31, 2015, the Company recognized a recovery of stock-based compensation expense of $124,885. This compares to an expense of $563,788 and $1,654,404 respectively for the three and nine-month periods ended December 31, 2014. During the three and nine-month periods ended December 31, 2015, a significant number of stock options were cancelled, largely as a result of employee downsizing and resignations. Many of these stock options were granted at a high exercise price, and when cancelled before vesting, resulted in a significant credit on stock-based compensation expense. On a year to date basis, 1,129,675 stock options were cancelled.

Financial Expenses (Income)

Financial expenses are related to bank charges and to other miscellaneous financial expenses while interest income is mainly earned on the Company's cash balance. For the three-month period ended December 31, 2015, net financial expense was $2,919 as compared to a net financial income of $5,331 for the same quarter in the prior year. For the nine-month period ended December 31, 2015, net financial income was $544 as compared to $16,087 for the same period in the prior year.

Net Loss

As a result of the activities described above, the net loss for the quarter ended December 31, 2015 was $1,702,769, which represents a 42% reduction of $1,226,739 as compared to the net loss of $2,929,508 during the same period in the prior year. For the nine-month period ended December 31, 2015, the net loss was $5,062,183, compared to $7,169,495 for the same period in the prior year, representing a 29% reduction.

Negative EBITDA and Adjusted Negative EBITDA

The following is a reconciliation of Negative EBITDA and Adjusted Negative EBITDA to net loss for the three and nine-month periods ended December 31, 2015 and 2014:

(in Canadian dollars)	**Three months ended December 31, 2015**	**Three months ended December 31, 2014**	**Nine months ended December 31, 2015**	**Nine months ended December 31, 2014**
Net Loss	(1,702,769)	(2,929,508)	(5,062,183)	(7,169,495)
Financials expenses (income), net	2,919	(6,569)	(544)	(16,087)
Depreciation of property & equipment	13,343	15,827	39,418	43,901
Amortization of intangible assets	37,065	37,065	111,196	111,197
Negative EBITDA[(1)]	**(1,649,442)**	**(2,883,185)**	**(4,912,113)**	**(7,030,484)**
Stock-based compensation	64,698	563,788	(124,885)	1,654,404
Net loss on foreign exchange	125,583	55,056	203,831	85,031
Adjusted Negative EBITDA[(1)]	**(1,459,161)**	**(2,264,341)**	**(4,833,167)**	**(5,291,049)**

Note:

(1) Negative EBITDA and Adjusted are non-GAPP financial performance measures. See the definition of these terms in the "*Other Financial Measures*" section of this MD&A.

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 may fluctuate substantially. Moreover, much of the future revenue of the Company may be subject to a lengthy sales cycle. In addition, upfront revenue may 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. Furthermore, the continuing development of the Company's product, branded as Ormi, as well as its corporate strategy to earn revenues from both the United States and 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 sets forth the Company's operating performance for the last eight quarters.

(in Canadian dollars)	Fiscal 2016			Fiscal 2015				Fiscal 2014
	Q3	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Revenues	**—**	**—**	**—**	**—**	**—**	**312,734**	**503,189**	**65,667**
Adjusted Negative EBITDA[1]	**(1,459,161)**	**(1,505,560)**	**(1,868,446)**	**(1,607,177)**	**(2,264,341)**	**(1,890,961)**	**(1,135,747)**	**(1,342,693)**
Net Loss	**(1,702,769)**	**(1,257,766)**	**(2,101,648)**	**(2,025,337)**	**(2,929,508)**	**(2,754,921)**	**(1,485,066)**	**(1,640,416)**
Basic and Diluted Net Loss per share	**(0.03)**	**(0.03)**	**(0.05)**	**(0.05)**	**(0.07)**	**(0.07)**	**(0.04)**	**(0.05)**
Weighted-average number of common shares outstanding	**52,064,798**	**41,834,051**	**41,834,051**	**41,834,051**	**41,831,421**	**41,659,819**	**39,476,920**	**35,189,715**

Note:

(1) Adjusted Negative EBITDA is a non-GAPP financial performance measure. See the definition of this term in the “*Other Financial Measures*” section of this MD&A.

Liquidity and Capital Resources

In the course of its operations, the Company will continue to use its cash resources in the short-term and until such time as 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, but typically follows the United States education market buying cycle which occurs in the calendar third quarter. Furthermore, even if the Company is claiming scientific research and experimental development (“SR&ED”) tax credits related to the development of its product, branded as Ormi, the cash receipts of these credits may take several months. Therefore, the Company will need to inject funds into 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. In addition, the 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.

As a result of the above, even if the only long-term commitments of the Company relate to its leased facility in Montréal and it does not have any other long-term debt obligations, the Company may raise additional funds in the near future, and could seek additional financing in the form of equity and/or debt financing, joint venture or partnership agreement or in another form in order to fulfill its cash flow requirements. However, there can be no assurance that the Company will be successful in doing so. On October 23, 2015, the Company completed the October 2015 Private Placement, raising gross proceeds of $2,444,750. In addition, on February, 26 2016, the Company completed the February 2016 Private Placement, raising gross proceeds of $2,300,000. See the “*Going Concern*” section of this MD&A.

As at December 31, 2015, the Company had cash of $2,058,637. This represents a decrease of $2,033,506 from the Company’s cash position as at March 31, 2015. The table below sets forth 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, 2015**	Nine months ended December 31, 2014
Net cash flows used in operating activities	**(4,182,578)**	(4,180,210)
Net cash used in investing activities	**(2,713)**	(111,271)
Net cash provided by financing activities	**2,151,785**	3,544,309
Net (decrease) increase in cash	**(2,033,506)**	(747,172)
Cash (beginning of period)	**4,092,143**	6,986,455
Cash (end of period)	**2,058,637**	6,239,283

Net Cash Used In Operating Activities

Net cash used in operating activities for the nine-month period ended December 31, 2015 was $4,182,578 as compared to $4,180,210 for the same period in the prior year.

Net Cash Used In Investing Activities

Net cash used in investing activities for the nine-month period ended December 31, 2015 was an outflow of $2,713 as compared to $111,271 during the same period in the prior year. In the nine-month period ended December 31, 2014, the expenditures consisted of furniture and fixtures as well as computer equipment.

Net Cash Provided By Financing Activities

Net cash from financing activities for the nine months ended December 31, 2015 amounted to $2,151,785, as compared to $3,544,309 during the same period in the prior year. The cash generated during the nine months ended December 31, 2015 resulted from the October 2015 Private Placement for gross proceeds of $2,444,750. The cash generated during the nine months ended December 31, 2014 mainly resulted from the exercise of warrants and stock options, for total cash consideration of $3,322,881 and $221,428, respectively.

Contractual Obligations

EXO U is party to an operating lease for its premises in Montréal which extends to August, 2019. As of December 31, 2015, the Company’s contractual obligations under its operating lease amounted to $379,235.

Financial Situation

Assets

The Company's total assets as at December 31, 2015 were $2,839,932, as compared to $5,610,432 as at March 31, 2015, a decrease of $2,770,500. This decrease was mainly due to decreases in cash of $2,033,506 and investment tax credit receivables of $434,369.

As at December 31, 2015, the Company's major assets recorded on the unaudited interim consolidated statement of financial position consisted of its cash on hand of $2,058,637 and its investment tax credit receivable of $407,098.

Liabilities

As at December 31, 2015, the Company's total liabilities were $2,656,864, as compared to $2,392,081 as at March 31, 2015.

As at December 31, 2015, the deferred revenue of $386,925 that is recorded on the unaudited interim consolidated statement of financial position is related to a sale agreement signed with a client in Latin America during fiscal 2014. At the end of the first quarter of fiscal 2015, the client requested a delay in the final implementation and rollout of EXO U's solution. As a result, the Company has not recorded any revenue in respect of this transaction. The Company believes there is a high probability that the complete implementation and rollout will not occur.

Shareholders' Equity

Shareholder's equity as of December 31, 2015 was $183,068 as compared to $3,218,351 as of March March 31, 2015, a decrease of $3,035,283. This decrease is largely due to the Company's net loss of $5,062,727, less the net proceeds from the October 2015 Private Placement.

During the nine-month period ended December 31, 2015, two contractors were granted an aggregate of 74,500 stock options under the Company's stock option plan at an exercise price of $0.82 per share with a three-year term. The first grant, comprised of 49,500 stock options, vested 25% on May 28, 2015, with the balance vesting rateably each month for the subsequent three months. These stock options were valued at $0.28 per stock option using the Black-Scholes option-pricing model with the following assumptions: expected life of one year, interest risk free rate of 0.66%, expected dividend yield of 0%, expected volatility of 88.10%, share price on the market of $0.82 per share at the time the stock options were granted and a forfeiture rate of 8%. The second grant, comprised of 25,000 stock options, vests immediately upon grant. These stock options were valued at $0.31 per stock option using the Black-Scholes option-pricing model with the following assumptions: expected life of one year, interest risk free rate of 0.39%, expected dividend yield of 0%, expected volatility of 97.08%, share price on the market of $0.82 per share at the time the stock options were granted and a forfeiture rate of 8%.

During the nine-month period ended December 31, 2015, employees of the Company were granted 1,095,000 stock options under the Company's stock option plan at an exercise price ranging from $0.19 to $0.82 per share with a ten-year term. These options vest 25% on their first anniversary date with the balance vesting ratably each month for the subsequent 36 months. These stock options were valued at $291,616 using the Black-Scholes option-pricing model with the following weighted-average assumptions: expected life of 4.0 to 7.42 years, interest risk free rate of 0.44% to 1.65%, expected dividend yield of 0%, expected volatility of 90.62% to 119.8%, weighted-average share price on the market place of $0.19 to $0.82 per share at the time the stock options were granted and a forfeiture rate of 8% to 15%.

During the nine-month period ended December 31, 2015, employees of the Company were granted a further 75,000 stock options under the Company's stock option plan at an exercise price of $0.82 per share with a ten-year term. These options vested immediately upon grant. These stock options were valued at $21,149 using the Black-Scholes option-pricing model with the following weighted-average assumptions: expected life of one year, interest risk free rate of 0.39%, expected dividend yield of 0%, expected volatility of 97.08%, weighted-average share price on the market place of $0.82 per share at the time the stock options were granted and a forfeiture rate of 8%.

During the nine-month period ended December 31, 2015, employees of the Company were granted a further 24,000 stock options under the Company's stock option plan at an exercise price of $0.20 per share with a ten-year term. These options vested immediately upon grant. These stock options were valued at $3,137 using the Black-Scholes option-pricing model with the following weighted-average assumptions: expected life of six years, interest risk free rate of 1.59%, expected dividend yield of 0%, expected volatility of 119.01%, weighted-average share price on the market place of $0.18 per share at the time the stock options were granted and a forfeiture rate of 15%.

During the nine-month period ended December 31, 2015, 1,129,675 stock options granted to employees under the Company stock option plan with an average weighted exercise price of $2.14 per share were cancelled.

The expected life assumption used to calculate the fair value of stock options was determined based on historical data of the Company and also by categorizing the options granted according to the employee's level in the organization, or to a third-party, and by estimating it for each category based on historical data and current expectation. The risk-free interest rate assumption corresponds to the Canadian Bond's interest rate for a period of time which is equal to the expected life of stock options. The expected volatility assumption was determined based on historical data of the Company. Such assumptions may not be comparable to the actual outcome of the life of stock options and of the stock price variation on the market place.

During the year ended March 31, 2015, employees and directors of the Company as well as certain third-parties were granted an aggregate of 1,301,500 stock options under the Company's stock option plan at an exercise price between $1.17 and $4.29 per share. These options vested 25% upon the first anniversary of the grant date between May 6, 2015 and January 22, 2016, with the balance vesting ratably each month for the subsequent 36 months. These stock options were valued at a weighted-average fair value of $1.61 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 1.81%, expected dividend yield of 0%, expected volatility of 84.5%, weighted-average share price on the market of $2.54 per share at the time the stock options were granted and a forfeiture rate of 8%.

During the three and nine-month periods ended December 31, 2015, the Company recognized an expense and a recovery associated with stock-based compensation of $64,698 and $124,885, respectively, and an expense of $563,788 and $1,654,404, respectively, for the three and nine-month periods ended December 31, 2014.

Outstanding Share Data

The following table sets forth the number of securities of the Company outstanding as at February 29, 2016.

Type of Securities	Number of Issued and Outstanding
Common shares	76,557,801
Stock options to purchase common shares	4,165,631
Warrants to purchase common shares	38,073,811

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, 2015 and 2014:

In the three and nine-month periods ended December 31, 2014, the Company purchased goods, including shipping costs to a client in Latin America, from a corporate shareholder (2014 - $2,279 and $116,651, respectively). There were no such transactions in the periods ended December 31, 2015.

Stock-based compensation during the three and nine-month periods ended December 31, 2015 includes $26,335 and $134,126 respectively (2014 – $55,852 and $238,767, respectively) of non-cash expenses related to stock options granted to members of the Board while selling, general and administrative expenses include $27,000 and $71,000 respectively of Board fees (2014 – $21,250 and $58,750, respectively).

Selling, general and administrative expenses during the three and nine-month periods ended December 31, 2015 include nil and $7,200 respectively of license, office and other miscellaneous expenses paid to a corporate shareholder (2014 – nil and $19,561, respectively).

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.

Subsequent Event and Financing Update

On February 26, 2016, the Company completed a non-brokered private placement of 20,000,000 units ("Units") at a price of CAD$0.10 per Unit for aggregate gross proceeds to the Company of CAD$2,000,000 (the "Private Placement"). The Company also completed, on that same date, an additional non-brokered private placement of 2,500,000 Units at a price of CAD$0.12 per Unit for aggregate gross proceeds to the Company of CAD$300,000 (the "Additional Private Placement").

Each Unit consisted of one common share (each, a "Common Share") in the capital of the Company and one common share purchase warrant (each, a "Warrant"). Each Warrant issued pursuant to the Private Placement and the Additional Private Placement shall entitle the holder thereof to acquire one Common Share at a price of CAD$0.15 and CAD$0.16, respectively, for a period of twenty-four months from the closing date (the "Expiration Date"). The Warrants are subject to an accelerated expiry if, at any time after the four-month hold period expires, the 20 trailing-day volume weighted average price of the Common

Shares on the TSX Venture Exchange exceeds CAD$0.30, in which event the holder will be given notice that the Warrants will expire 30 days following the date of such notice. The Warrants will be exercisable by the holder during the 30-day period between the notice and the expiration of the Warrants.

In connection with the Private Placement and the Additional Private Placement, the Company paid finder's fees to certain arm's length parties which consisted of cash payments in the aggregate amount of CAD$58,099 and USD$50,000, and the issuance of 566,644 compensation warrants entitling such holders to purchase Common Shares.

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 the Company's MD&A for the years ended March 31, 2015 and 2014.

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 the Company's MD&A for the years ended March 31, 2015 and 2014.

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. New risks may emerge and management of the Company may not be able to predict all such risks or be able to predict how they may cause actual results to differ materially from those anticipated in any forward-looking statements. Accordingly, readers should not place undue reliance on forward-looking statements as a prediction of future results.

During the last nine months, the likelihood that certain of the risks and uncertainties faced by the Company could have an impact on its business and results has increased. Although the Company was able to raise gross proceeds of $2,444,750 from the October 2015 Private Placement and further gross proceeds of $2,300,000 from the February 2016 Private Placement, it may still need to obtain additional financing to bridge the gap between the expenses associated with R&D and market development to cash proceeds from customer sales. For a complete description of the risks and uncertainties applicable to the Company, see the "*Risks and Uncertainties*" section of the Company's MD&A for the years ended March 31, 2015 and 2014. Additional and updated risks, in order of seriousness, are as follows:

Liquidity Risk

Liquidity risk is the risk that the Company may not be able to gather sufficient cash resources when required and under reasonable conditions to meet its financial obligations. The Company believes that, with the financial resources at its disposal as at December 31, 2015, it has sufficient cash to meet its contractual liabilities as of such date. However, due to its limited cash resources and without continued future financing, the Company may have difficulties meeting its future financial and contractual obligations. In order to meet all of its future financial and contractual obligations, the Company may need to continue to raise additional funds and will seek additional forms of debt, government grant or equity financing; however, no assurance can be given that any such additional financing will be available generally or on terms favourable to the Company. See the "*Going Concern*" section of this MD&A.

History of Losses

The Company has incurred significant losses in previous fiscal years and accumulated a deficit amounting to $26,833,957 as at December 31, 2015. The Company used $4,182,578 of cash flow from its operating activities for the nine-month period ended December 31, 2015. These losses and accumulated deficit resulted from the substantial investments the Company made to develop its product, branded as Ormi, and grow its business.

The Company expects that its operating expenses will be tightly managed until such time as the Company receives sales orders and such expenses may increase thereafter as it spends resources on growing its business. If the Company's revenue does not correspondingly increase with its operating expenses, the Company's operating results and financial condition could suffer. The Company cannot be certain of the timing and extent of revenue receipts and expense disbursements. To become profitable, the Company will need to generate sufficient revenue while controlling its costs structure. Additional expenditures to support the Company's growth strategy may include investments in its products and infrastructure, costs associated with the development of new products and software, costs associated with the expansion of its market reach through the establishment of new partnership agreements with VARs, expected increases in sales and marketing expenses, general and administrative costs, and costs associated with obtaining additional financing. The Company cannot assure that it will achieve profitability in the future, or that, if it does become profitable, that it will be able to sustain profitability. Consequently, the Company cannot assure that it will generate positive cash flows from operating activities in the future or, if it does generate positive cash flows from operating activities, that they will be sustainable.

See the "*Going Concern*" section of this MD&A

Additional Capital Requirements

The Company intends to continue to focus in the short-term on the continuing operation of its business and, provided it is able to obtain additional sources of funding, make investments to support the continued growth of its business. The Company may need to engage in equity or debt financings to secure additional funds to complete such activities. If additional funds are raised through further issuances of equity or convertible debt securities, the Company's existing shareholders could suffer significant dilution and any new equity securities it issues could have rights, preferences and privileges superior to those of holders of the Company's common shares. Any debt financing secured in the future could involve restrictive covenants relating to capital-raising activities and other financial and operational matters, which could make it more difficult for the Company to obtain additional capital and to pursue business opportunities. No assurances can be given that sufficient debt or equity financing will be available for necessary or desirable infrastructure expenditures or to cover losses, and accordingly, the Company's ability to continue to support the growth of the business and to respond to business challenges could be significantly limited.

Accounting Matters

The Company prepares its consolidated financial statements in accordance with IFRS and uses the historical-cost basis. All significant accounting policies applied by the Company are presented in note 4 to the audited consolidated financial statements for the year ended March 31, 2015.