



Press release, EXO U Inc. Montreal, February 29, 2016

EXO U ANNOUNCES ITS THIRD QUARTER FISCAL 2016 FINANCIAL RESULTS

Montreal, February 29, 2016/CNW Telbec/ - EXO U Inc. (TSXV: EXO) ("EXO U" or the "Company"), a software provider that develops cross platform operating system agnostic software that enables development of highly customizable touch-based user interfaces and experiences, today announced the financial results for its third quarter ended December 31, 2015. All amounts are stated in Canadian dollars, unless otherwise noted.

FINANCIAL HIGHLIGHTS FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2015

	Three months Q3 Fiscal 2016	Three months Q3 Fiscal 2015	Nine months Q3 Fiscal 2016	Nine months Q3 Fiscal 2015
Revenue	\$ —	\$ —	\$ —	\$ 815,923
Adjusted negative EBITDA ⁽¹⁾	\$(1,459,161)	\$(2,264,341)	\$(4,833,167)	\$(5,291,049)
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)

(1) Adjusted Negative EBITDA is a non-GAAP financial performance measure. Please refer to the annex of this press release for the Company's definition of such measure and for a reconciliation of net loss and comprehensive loss, as determined in accordance with IFRS, to Adjusted Negative EBITDA.

Third Quarter and Subsequent Event Highlights

- On February 26, 2016, the Company announced that it successfully completed a 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 during March, 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 the Ormi software platform 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 respectively.
- 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 of Directors.
- 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 its Ormi software platform 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 for gross proceeds of \$2,444,750.

Mr Kevin Pawsey, CEO of EXO U stated, "During Q3, we have completed a thorough business review resulting in a more focused strategic plan for 2016, with the focus on building sustainable distribution channels and revenue streams in North America, Europe and the Middle East. We have made progress in North America with QOMO Hite Vision, Panasonic and Genee World in Europe resulting in a visible pipeline for calendar year 2016. The new leadership team recruited in Q3 has the relevant experience in education technology in both K-12 and higher education and this is reflected in improved product, channel management and branding that we have recently announced. I am pleased with the progress of the team and we are constantly working to identify and engage additional distribution channels in the fields of Whole Class Teaching and Bring Your Own Device technologies. As stated in the business update released on February 3, 2016, we anticipate the majority of our revenues will flow during fiscal 2017 and we will be managing our operations and cash flow in anticipation of this. The next three months will be focused on continuing to build our sales pipeline, managing costs and continuing to focus on building a world class solution for the technologies that teachers and students use daily."

Financial Results

EXO U had no revenue for the three months ended December 31, 2015 and the corresponding period in the prior year. Similarly, revenues for the nine months ended December 31, 2015 were nil as compared to revenues of \$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, Ormi. The Company continues to conduct a number of demonstrations, trials and pilots on an ongoing basis in order to develop revenue opportunities.

Research and development ("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.

Selling, general, and administrative expenses for the third quarter were \$841,929, a decrease of \$287,837 from expenses incurred during the same period in the prior year. On a year-to-date basis, these expenses are down to \$2,559,464 for this fiscal year as compared to \$3,473,067 in fiscal 2015. Cost containment and staff reductions were the major reasons for reduced expenses.

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 nine-month period ended December 31, 2015, a significant number of stock options were cancelled that were not yet vested and this resulted in a credit to expense in the period.

Adjusted Negative EBITDA was \$1,459,161 for the quarter, compared to negative \$2,264,341 in the same period in the prior year. On a year-to-date basis, Adjusted Negative EBITDA was \$4,833,167 as compared to \$5,291,049 in the same period in the prior year. (Please refer to the annex of this press release for the Company's definition of Adjusted Negative EBITDA and for a reconciliation of net loss and comprehensive loss, as determined in accordance with IFRS, to Adjusted Negative EBITDA. annex to this press release, for further details with respect to the Company's non-GAAP financial performance measures.)

As at December 31, 2015, the Company had a cash of \$2,058,637. This represents a decrease of \$2,033,506 from the Company's cash position as at March 31, 2015.

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 Corporation 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.

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.

The unaudited interim condensed consolidated financial statements and related notes, and Management's Discussion and Analysis for the three months ended December 31, 2015 and 2014, are available under the Company's profile on SEDAR at www.sedar.com.

About EXO U

EXO U's shares trade on the TSX Venture Exchange under the ticker symbol "EXO". EXO U develops an innovative software platform that 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 EXO engine that unifies multiple software platforms, allowing devices to interact and communicate seamlessly together. For more information, visit EXOU.com or follow us on Twitter @exo_u.

Cautionary Note Regarding Forward-Looking Information

Certain statements included herein, including those that express management's expectations or estimates of EXO U's future performance or future events, constitute "forward-looking information" within the meaning of applicable securities laws. Such forward-looking information and statements are often, but not always, 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 statements that certain actions, events or results "may", "could", "would", "might", or "will" be taken, occur or be achieved. Forward-looking information is necessarily based upon a number of estimates and assumptions that, while considered reasonable by management at this time, are inherently subject to significant business, economic, regulator and competitive uncertainties and contingencies that could cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. For additional information with respect to certain of these and other assumptions and risk factors, please refer to EXO

U's management's discussion and analysis for the year ended March 31, 2015, available under the Company's profile on SEDAR at www.sedar.com. Forward-looking information contained herein is presented as of the date of this news release and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results, except as may be required by applicable securities laws. 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 are cautioned not to place undue reliance on these forward-looking statements.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

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ANNEX

Management uses net loss and comprehensive loss as presented in the unaudited interim condensed 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 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 its performance.

Negative EBITDA and Adjusted Negative EBITDA 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. Neither Negative EBITDA nor Adjusted Negative EBITDA represent the actual cash used 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 and comprehensive loss determined in accordance with IFRS or indicators of the Company's performance. These measures are identified and defined in the "*Other Financial Measures*" section of the Company's management's discussion and analysis for the three and nine months ended December 31, 2015.

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)	Nine months ended December 31, 2015	Nine 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	(1,649,442)	(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	(1,459,161)	(2,264,341)	(4,833,167)	(5,291,049)