EXO U Inc.

Management's Discussion and Analysis

Fiscal year ended March 31, 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 audited consolidated financial statements of EXO U and the related notes thereto for the year ended March 31, 2016 and 2015. This MD&A is prepared as at July 29, 2016 and is current to that date unless otherwise stated. The audited 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 Financial Reporting Standards ("IFRS").

The audited 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 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 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 Montreal, Quebec, is a company continued under the Canada Business Corporations Act. EXO U provides schools and enterprises a Software as a Service ("SaaS") platform to securely manage and facilitate the distribution of information across various devices and operating systems in real time. The Company is committed to becoming the leader of productive engagement and collaboration software within the education and enterprise markets through the development and distribution of cutting-edge solutions that are optimized to capitalize on the rise of the "Bring Your Own Device" (BYOD) trend. The Company directly addresses key institutional "pain points" such as the push to 1:1 technology adoption, legacy hardware and budgetary restraints. EXO U is achieving this vision by leveraging its technology platform, a secure software environment that unifies multiple software and hardware systems, and its go-to-market strategy that is set to rapidly capture an important user base by leveraging traction with leading original equipment manufacturers ("OEMs") and distribution agreements coupled with direct business-to-business ("B2B") and business-to-consumer ("B2C") sales. EXO U also intends to generate strong revenue with compelling recurring SaaS revenue and software upgrade paths that will maximize the customer lifetime value.

EXO U's core technology resolve around a groundbreaking, system agnostic software platform. The Company's platform offers a secured environment comprised of client and server-side software. It extends operating system specific possibilities with custom services, including a communication system that allows contextual sharing and collaboration. The platform serves as a foundation to all of EXO U's products and application program interfaces can be used by third-party developers to build their custom solutions. 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 the total cost of ownership for organizations. By offering an engaging and exceptional user experience on all computing devices, without compromising security or protected information, EXO U's enterprise and education solutions allow organizations to embrace consumerization and enjoy all the benefits of mobile first environment.

EXO U's head office and much of the development team is located at its Montreal headquarters. The common shares of the Company are traded on the TSX Venture Exchange under the ticker symbol "EXO.V".

Corporate Strategy

EXO U's business model is focused on:

- Leveraging its platform which helps unify disparate existing systems (Macs, PCs, mobile) through agnostic teaching, learning, administration, and collaboration tools.
- Targeting key consumer and enterprise focused hardware OEMs (e.g. tablets, panels, and PCs) and directing to end users' distribution via publishers and B2B and B2C initiatives.
    - Partnering with OEM device, display manufacturers and content publishers to provide value added collaboration capabilities to their solutions for schools, universities, offices and training centers. The Company's channel strategy is centered around generating long-term, profitable revenue streams by leveraging their respective partners' strong internal sales teams and customer relationships for up front licensing and sales revenue coupled with long-tail institutional SaaS agreements.
    - Developing an active recurring user base with direct sales to specific end users captured for internet marketing and social media channels globally.

- Improving EXO U's and its partners' products to meet the specific needs of each market by leveraging the Company's platform for rapid development.

- Offering customers simple upgrade paths to the Company's higher-end products in order to maximize lifetime value.

- Expanding the Company's offerings to other markets with new specific products, once the Company has established a strong foothold into the education and corporate meeting rooms markets.

EXO U's sales strategy utilizes OEMs, resellers and other partners for channel sales, licensing, and bundled distribution. EXO U has signed revenue-generating agreements with multiple tier 1 and secondary OEMs, securing key distribution and technology partnerships.

Going Concern

The consolidated financial statements of the Company for the year ended March 31, 2016 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.

As at March 31, 2016, the Company had not yet achieved profitable operations and has accumulated losses of $27,782,189 since inception, including the net loss of $6,010,415 for the year ended as at the same date. The Company used $5,805,545 of cash from its operating activities for the year ended March 31, 2016. The Company expects to continue to incur further operating losses and negative cash flows from operating activities in the development of its business, and this indicates the existence of a material uncertainty that may cast significant doubt on the Company's ability as a going concern. Furthermore, as at March 31, 2016, the Company's committed cash obligations and expected level of expenses for the next twelve months exceeds its actual cash resources. Whether and when the Company can 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 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 will continue to seek additional sources of financing in the form of equity and/or debt financing and will continue to pursue joint venture or other partnership agreements. At the same time, the Company has recently reduced its current operating costs in order to improve its liquidity. 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. Management believes that the Company will be able to obtain additional funds through financing or partnership agreements, but there is no assurance that it will be able to do so. Without additional financing or other revenues, the Company will be forced to cease operations.

Accordingly, the 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. Such adjustments could be material.

Highlights for the Quarter, the Year and subsequent events

- In July 2016, the Company underwent a number of changes to its leadership and organizational structure. On July 12, the Company appointed Jim Kirchner, as its new Chief Executive Officer, replacing Kevin Pawsey who resigned as CEO but remains on the Board of Directors.

- In July 2016, the Company restructured and reduced its work force to significantly lower its expenses. The workforce reduction cost savings and other expense reductions will reduce the normalized spend by approximately 50%.

- On May 11, 2016, the Company announced launch dates and activities for Ormiboard, its new white boarding software for Kindergarten to Grade 12 classrooms and professional learning environments that allows collaboration on any device or display.

- On June 8, 2016, the Company introduced the launch of Ormiboard Pro, a first of its kind front of class visual creation and collaboration tool, at Infocomm 2016.

- On June 28, 2016, the Company announced it had entered into an amendment to the previously announced reseller agreement with a division of Panasonic Corporation of America ("Panasonic") for the sale and distribution of 1,500 Ormiboard Pro licenses.

- On June 2, 2016, the Company announced that it had entered into an agreement with Tyton Partners Capital Markets, LLC for advisory services including, but not limited to, assessing business development and partnership opportunities, including channel joint venture partnerships and identifying, evaluating and coordinating capital market opportunities.

- On April 7, 2016, the Company announced that Ormi, the Company's mobile device teaching platform for schools, was named a finalist for the 2016 SIIA CODiE Awards in the Best Post-Secondary Learning Content Solution category. The CODiE Awards are the premier awards for the software and information industries.

- On February 26, 2016, the Company announced that it successfully completed a private placement for gross proceeds totaling $2,300,000. This followed the successful completion of a private placement on October 23, 2015 for gross proceeds of $2,444,750.

- During the year, a number of distribution and reseller agreements were cancelled, put on hold or not renewed. These included, among others, Yazmi USA, ProEducation and WebServices pour l'Éducation.

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 audited 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 and comprehensive loss determined in accordance with IFRS below under "*Reconciliation Negative EBITDA and Adjusted Negative EBITDA*".

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) and other one-time and unusual items. 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 and comprehensive loss determined in accordance with IFRS or other indicators of the Company's performance.

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 and to continue to reduce its current cash burn rate.

The following table sets forth a summary of the Company's results of operations for the three-month periods and years ended March 31, 2016 and 2015:

Summary of Annual Results

(in Canadian dollars)	**Year ended March 31, 2016**	Year ended March 31, 2015	Year ended March 31, 2014
Revenues	**386,925**	815,923	138,974
Cost of Revenues	**—**	132,472	11,375
Gross Margin	**386,925**	683,451	127,599
Expenses	**6,381,927**	9,887,064	7,783,522
Financial Expenses (Income), net	**15,413**	(8,781)	14,656
Net Loss	**(6,010,415)**	(9,194,832)	(7,670,579)
Basic and Diluted Net Loss per share	**(0.12)**	(0.22)	(0.24)
Total Assets	**3,294,155**	5,610,432	9,164,018

Summary of Quarterly Results

(in Canadian dollars)	**Three months ended March 31, 2016**	Three months ended March 31, 2015	Three months ended March 31, 2014
Revenues	**386,925**	—	65,667
Cost of Revenues	**—**	—	11,375
Gross Margin	**86,925**	—	54,292
Expenses	**1,319,200**	2,018,031	1,747,028
Financial Expenses (Income), net	**15,957**	7,306	(52,320)
Net Loss	**(948,232)**	(2,025,337)	(1,640,416)
Basic and Diluted Net Loss per share	**(0.02)**	(0.05)	(0.04)
Total Assets	**3,294,155**	5,610,432	9,164,018

Operating Results

Revenues

Revenues for the year ended March 31, 2016 were $386,925 compared to $815,923 in the previous year. At March 31, 2015, the Company had deferred revenue of $386,925 relating to the first milestone of a project with a Latin American client. This portion of the project was completed in fiscal 2014 and the Company had received the related payment; however, this milestone has no stand-alone value for the customer without the completion of the subsequent milestones. As a result, it was not recognized as revenue as at March 31, 2015. In order to fully complete its obligations under this contract, the customer would need to inform the Company of the content to be included in the virtual library. The customer has not responded to the Company for over two years and therefore the Company believes this is a breach of contract and that it has no further obligations toward the customer. Therefore, the Company recognized the related deferred revenue of $386,925 as revenue in fiscal 2016.

Gross Margin

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

There was no cost of revenues relating to the revenues for the year ended March 31, 2016, while for the year ended March 31, 2015, 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 corporate shareholder of the Company. See "*Inter-company and Related-party Transactions*".

Expenses

R&D expense amounted to $527,612 for the three months ended March 31, 2016, a reduction of $351,502 compared to expenses incurred during the three months ended March 31, 2015. For the year ended March 31, 2016, R&D expense amounted to $2,951,929 compared to $3,535,645 for the prior year. The reduction of R&D expense for the year ended March 31, 2016 compared to the same period of fiscal 2015 is largely due to the reduction in the employees' total remuneration of $4,441,355 and $4,906,763, respectively. Similarly, the reduction of R&D expense for the three months ended March 31, 2016 compared to the same period of fiscal 2015 are a result of lower compensation expenses. All R&D expenses for the three-month periods ended March 31, 2016 and 2015 as well as for the years ended March 31, 2016 and 2015, were recorded on the consolidated statement of loss and comprehensive loss. No R&D is currently capitalized.

Selling, general and administrative ("SG&A") expenses for the three-months ended March 31, 2016 were $993,835, an increase of $198,729 from expenses incurred during the same period last year. For the year ended March 31, 2016, SG&A expense amounted to $3,553,299, as compared to $4,268,173 for the prior year. The increased expenses for the three months ended March 31, 2016 as compared to the same period in the prior year was mainly due to increased public company costs as well as a shift in focus from R&D to sales and marketing activities. The decreased expenses for the year ended March 31, 2016 as compared to the prior year was largely due to a decrease in professional fees and overall lower compensation costs.

During the three-month period ended March 31, 2016, the Company recognized a recovery of $40,160 for stock-based compensation expenses, while for the year ended March 31, 2016, the Company recognized a recovery of stock-based compensation expense of $165,045. This compares to expenses of $243,603 and $1,898,007, respectively, for the three-month period and year ended March 31, 2015. During the three and twelve-month periods ended March 31, 2016, 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. During the year ended March 31, 2016, a total of 1,563,675 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 March 31, 2016, net financial expense was $15,957 as compared to $7,306 for the same quarter in the prior year. For the year ended March 31, 2016, net financial expense was $15,413 as compared to $8,781 for the prior year.

Net Loss

As a result of the activities described above, the net loss for the three months and year ended March 31, 2016 were $948,232 and $6,010,415, respectively, which represent reduction of $1,077,105 and $3,184,417 compared to the net loss of $2,025,337 and $9,194,832, respectively, for the same periods in the prior year.

Reconciliation of Negative EBITDA and Adjusted Negative EBITDA

The following is a reconciliation of Negative EBITDA and Adjusted Negative EBITDA to net loss for the months and year ended March 31, 2016 and 2015:

(in Canadian dollars)	**Three months ended March 31, 2016**	Three months ended March 31, 2015	**Year ended March 31, 2016**	**Year ended March 31, 2015**
Net Loss and comprehensive loss	(948,232)	(2,025,337)	(6,010,415)	**(9,194,832)**
Financials expenses (income), net	15,957	7,306	15,413	**(8,781)**
Depreciation of property & equipment	13,140	14,778	52,558	**58,679**
Amortization of intangible assets	37,062	37,065	148,258	**148,262**
Impairment charge	—	15,200	—	**15,200**
Negative EBITDA[1]	**(882,073)**	(1,950,988)	**(5,917,487)**	**(8,981,472)**
Stock-based compensation	(40,160)	243,603	(165,045)	**1,898,007**
Net loss (gain) on foreign exchange	(162,087)	100,208	41,744	**185,239**
Listing costs	—	—	—	**—**
Adjusted Negative EBITDA[1]	**(1,084,320)**	**(1,607,177)**	**(5,917,487)**	**(6,898,226)**

Note:

(1) Negative EBITDA and Adjusted are non-GAPP financial performance measures. See the definition of these terms under "*Other Financial Measures*".

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 products as well as its corporate strategy to earn revenues from international operations will increase the

Company's cost structure. As a result, quarterly results may 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			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Revenues	**386,925**	**—**	**—**	**—**	**—**	**—**	**312,734**	**503,189**
Adjusted Negative EBITDA(1)	**(1,084,320)**	**(1,459,161)**	**(1,505,560)**	**(1,868,446)**	**(1,607,177)**	**(2,264,341)**	**(1,890,961)**	**(1,135,747)**
Net Loss	**(948,232)**	**(1,702,769)**	**(1,257,766)**	**(2,101,648)**	**(2,025,337)**	**(2,929,508)**	**(2,754,921)**	**(1,485,066)**
Basic and Diluted Net Loss per share	**(0.02)**	**(0.03)**	**(0.03)**	**(0.05)**	**(0.05)**	**(0.07)**	**(0.07)**	**(0.04)**
Weighted-average number of common shares outstanding	**62,464,394**	**52,064,798**	**41,834,051**	**41,834,051**	**41,834,051**	**41,831,421**	**41,659,819**	**39,476,920**

Note:

(1) Adjusted Negative EBITDA is a non-GAPP financial performance measure. See the definition of this term under "*Other Financial Measures*".

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 products, 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. See "*Going Concern*".

As of March 31, 2016, the Company had cash of $2,501,863. This represents a decrease of $1,590,280 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)	**Year ended March 31, 2016**	Year ended March 31, 2015
Net cash flows used in operating activities	**(5,805,545)**	**(6,325,423)**
Net cash used in investing activities	**(2,714)**	**113,198)**
Net cash provided by financing activities	**4,217,979**	**3,544,309**
Net (decrease) increase in cash	**(1,590,280)**	**(2,894,312)**
Cash, beginning of period	**4,092,143**	**6,986,455**
Cash, end of period	**2,501,863**	**4,092,143**

Net Cash Used in Operating Activities

Net cash used in operating activities for the year ended March 31, 2016 was $5,805,545, a reduction of $519,878 from the same period in the prior year. Excluding the net changes in non-cash working capital balances related to operations, the Company used $1,100,040 less than in the same period of the previous year. This reduction largely due to lower R&D and SG&A expenses, partly offset by higher public company costs.

Net Cash Used in Investing Activities

Net cash used in investing activities for the year ended March 31, 2016 was $2,714 compared to $113,198 for the prior year. The net use of cash for the year ended March 31, 2016 resulted from the acquisition of one computer. The net use of cash for the prior year resulted from the acquisition of property and equipment, mainly related to furniture and fixtures, and the acquisition of computer equipment ($48,938 and $61,382 respectively).

Net Cash From Financing Activities

Net cash from financing activities for the year ended March 31, 2016 amounted to $4,217,979, compared to $3,544,309 for the previous year. The cash generated during the year ended March 31, 2016 resulted from the October 2015 Private Placement for gross proceeds of $2,444,750 and the February 2016 Private Placement for gross proceeds of $2,300,000. The cash generated during the prior year resulted from the exercise of warrants.

Contractual Obligations

EXO U is party to an operating lease for its premises in Montreal, which extends to August, 2019. As of March 31, 2016, the Company's contractual obligations under its operating lease amounted to $353,000.

Financial Situation

Assets

The Company's total assets as at March 31, 2016 were $3,294,155, as compared to $5,610,432 as at March 31, 2015, a decrease of $2,316,277. This decrease was mainly due to a decrease in cash of $1,590,280 and investment tax credit receivables of $445,184.

As at March 31, 2016, the Company's major assets recorded on the consolidated statement of financial position consisted of its cash on hand of $2,501,863 and of its investment tax credit receivables of $396,283.

Liabilities

As at March 31, 2016, the Company's total liabilities were $2,033,285, as compared to $2,392,081 as at March 31, 2015, a reduction of $358,796. This reduction was mainly due to the recognition of the deferred revenue of $386,925 recorded during the prior year.

Shareholders' Equity

Shareholders' equity as of March 31, 2016 was $1,260,870, as compared to $3,218,351 as of March 31, 2015, a decrease of $1,957,481. This decrease is largely due to the Company's net loss of $6,010,415, partly offset by a $4,217,979 cash inflow following the issuance of 2,952,320 common shares pursuant to the October 2015 Private Placement and February 2016 Private Placement.

During fiscal 2016, the Company completed three related share capital transactions. On February 26, 2016, the Company completed the February 2016 Private Placement pursuant to which 22,500,000 units were issued for gross proceeds of $2,300,000. Each unit is comprised of one common share and one common share purchase warrant of the Company.

On October 25, 2015, the Company completed the October 2015 Private Placement pursuant to which 12,223,750 units were issued for gross proceeds of $2,444,750. Each unit is comprised of one common share and one common share purchase warrant of the Company.

During the year ended March 31, 2016, employees of the Company, independent members of the Board and certain third-parties were granted an aggregate of 1,698,500 stock options under the Company's stock option plan at a range of exercise prices, vesting rates, expected life, volatility factors, and forfeiture rates. The details of each grant can be seen in the Company's audited consolidated financial statements for the year ended March 31, 2016 and 2015 and the related notes thereto that have been filed on SEDAR in conjunction with this MD&A.

Outstanding Share Data

The following table sets forth the number of securities of the Company outstanding as at the date hereof.

Type of Securities	Number of Issued and Outstanding
Common shares	76,557,801
Stock options to purchase common shares	5,391,942
Warrants to purchase common shares	35,897,695

Inter-Company and Related-Party Transactions

Inter-company transactions and balances between the Company and its 100% owned US subsidiary are eliminated upon consolidation.

In the normal course of its operations, the Company had the following transactions with related parties during the years ended March 31, 2016 and 2015:

- The Company purchases goods from a corporate shareholder. Such transactions amounted to nil in 2016 (2015 – $110,305 recorded as cost of revenues).
- Stock-based compensation during the year ended March 31, 2016 includes $60,988 (2015 – $304,758) of non-cash expenses related to stock options granted to members of the Board, while SG&A expenses include $92,250 (2015 – $77,500) of Board fees.
- SG&A expenses during the year ended March 31, 2016 include $7,200 (2015 – $26,821) of license, office and other miscellaneous expenses paid to a corporate shareholder.

	As at March 31,	
	2016	**2015**
	$	$
Outstanding receivable balance		
Receivable from a corporate shareholder	—	4,865
Outstanding payable balance		
Amount due to officers and directors	**5,844**	63,048
Amount due to a shareholder of the Company	—	13,171
	5,844	76,219

Other than the stock-based compensation expense, these transactions were measured at the exchange amount, which is the amount of consideration established and agreed to by the parties. The outstanding receivable and payable balances have the same terms and conditions as the other customers and suppliers.

The Company and the corporate shareholder referenced above are “associated” as this term is defined in IAS 28, *Investments in Associates and Joint Ventures.*

Financial Risk Management

In the normal course of business, the Company is engaged in operating and financing activities that generate risks in the following primary areas:

Foreign Exchange Risk

Foreign exchange risk refers to the risk that values of financial assets and liabilities denominated in foreign currencies will vary as a result of changes in underlying foreign exchange rates. The Company's reporting currency is the Canadian dollar. Its operations are largely in Canada and in United States; however, it expects to grow its business internationally which may require contracts in foreign currencies. To date, the Company has not undertaken any foreign exchange contracts to manage any exposures, but may do so in the future as the situation warrants.

Credit risk

Credit risk refers to the risk that a counter party will fail to fulfill its obligations under a contract and will cause the Company to suffer a loss. In the normal course of business, the Company monitors the financial condition and reviews the credit history of each new customer. The Company establishes an allowance for doubtful accounts that corresponds to the credit risk of its specific customers and economic circumstances. During the years ended March 31, 2016 and 2015, the Company did not suffer any significant loss from such risk and did not record any allowance for doubtful accounts.

Liquidity risk

Liquidity risk represents the possibility 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 March 31, 2016, it has sufficient cash to meet its contractual liabilities as of such date. However, due to its limited cash resources and without future financing, the Company may have difficulties meeting its future financial obligations. In order to meet all its future contractual liabilities, the Company will continue to seek additional sources of financing in the form of equity and/or debt and will continue to 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. See "*Going Concern*".

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.

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the audited consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Investment Tax Credits

The Company is entitled to government assistance in the form of investment tax credits and grants. These are applied against related expenses and recorded either as a reduction of R&D expenses on the audited consolidated statement of loss and comprehensive loss or as a reduction of the cost of the asset acquired on the audited consolidated statement of financial position, as the case maybe. Tax credits are available based on eligible R&D expenses consisting of direct and indirect expenditures and including a reasonable allocation of overhead expenses. Grants are subject to compliance with terms and conditions of the related agreements. Investment tax credits are recognized when there is reasonable assurance that the Company has met the requirements of the approved grant program or, with regard to tax credits, when there is reasonable assurance that they will be realized.

Income Taxes

The Company is required to estimate income taxes in each of the jurisdictions in which it operates, taking into consideration tax laws, regulations and interpretations that pertain to the Company's activities. The Company is also subject to audits from different tax authorities, including audits of tax credits, on an ongoing basis and the outcome of such audits could materially affect the amount of income taxes payable or receivable and deferred tax assets or liabilities, and of investment tax credits receivable, recorded on its audited consolidated statement of financial position.

Income taxes are accounted for using the liability method. Deferred income tax assets and liabilities are recognized in the audited consolidated statement of financial position to account for the deferred tax consequences attributable to temporary differences between the respective accounting and taxable value of financial position assets and liabilities. As appropriate, a valuation allowance is recognized to decrease the value of tax assets to an amount that is more likely than not to be realized. In estimating the realization of deferred income tax assets, management considers whether a portion or all deferred tax assets are more likely than not to be realized. Realization is subject to future taxable income.

As at March 31, 2016 and 2015, the Company determined that a valuation allowance for the full amount of net deferred tax assets was necessary.

Stock Options and Warrants

During the years ended March 31, 2016 and 2015, the Company granted stock options and issued warrants which are described in note 13 of the audited consolidated financial statements for the years ended March 31, 2016 and 2015. In regards to these instruments, the Company uses the fair value based method of accounting. The fair value of stock options and warrants is determined using the Black-Scholes option pricing model, which requires the use of certain assumptions, including future stock price volatility and expected life of the options and warrants. The Company believes that the assumptions used are reasonable based on information available on the date of the grants, but changes to these assumptions could impact the fair value of stock options or warrants and therefore the stock-based compensation costs recorded on the audited consolidated statements of loss and comprehensive loss or the amount recorded in the warrant reserve in the audited consolidated statement of financial position.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the audited consolidated financial statements for the years ended March 31, 2016 and 2015.

Revenue recognition

Revenue recognition is subject to critical judgment. Particularly in multiple element arrangements, judgment is required in allocating revenue to each component.

Research and Development Expenses

R&D expenditures consist of direct and indirect expenses. Expenses recorded are reviewed for capitalization purposes as the R&D advances until the commercialization of the product. All expenses related to development activities which do not meet generally accepted criteria for deferral, and research activities are expensed as incurred. Development expenses which meet generally accepted criteria for deferral are capitalized in the audited consolidated statement of financial position and amortized against earnings over the estimated period of benefit.

Risks and Uncertainties

There are a number of inherent risks and uncertainties associated with the business of the Company. The following are certain risk factors related to the business to be carried on by the Company, which should be carefully considered. Although EXO U has attempted to identify important factors that could cause actual actions, events or results to differ materially from expected and historical results, there may be other factors not identified, anticipated, estimated or intended that could materialize. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this MD&A. Other sections of this MD&A include additional factors that could have an effect on the business and financial performance of the Company. 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 information. The reader should not rely upon forward-looking information as a prediction of future results. See "*Forward-Looking Information*".

History of Losses

The Company has incurred significant losses in the previous fiscal years and accumulated a deficit of $21,782,100 as at March 31, 2016. These losses and accumulated deficit were a result of the substantial investments the Company made to develop its products and grow its business.

Significant expenditures required 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 to the expansion of its market reach through the establishment of new partnership agreements with value added resellers ("VARs"), expected increase in sales and marketing expenses, general and administrative costs and costs associated with obtaining additional financing. The Company expects that its operating expenses will be stable or be reduced until such time as the Company obtains additional financing (see "*Going Concern*") and that it will increase thereafter as it spends resources on growing its business; however, if the Company's revenues do not correspondingly increase, its operating results and financial condition could suffer. The amount of these expenditures is difficult to forecast accurately and cost overruns may occur. The Company cannot be certain of the timing and extent of revenue receipts and expense disbursements. To become profitable, the Company will have to generate sufficient revenue while controlling its costs structure. Accordingly, the Company cannot assure that it will achieve profitability in the future, nor that, if it does become profitable, it will 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.

Additional Capital Requirements

The Company intends to continue to make investments to support the continued growth of its business and will require additional funds to respond to business challenges, including, among others, the need to expand sales and marketing activities, develop new features and modules to enhance existing products and enhance operating infrastructure. Accordingly, the Company may need to complete equity or debt financings to secure additional funds. 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 might make it more difficult for the Company to obtain additional capital and to pursue business opportunities. No assurances can be provided 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.

Economic Downturn in the Global Economy

As a result of the current global economic situation, the Company and its industry peers may have restricted access to capital and may suffer from increased borrowing costs. The lending capacity of all financial institutions has diminished and risk premiums have increased. As the ability of the Company to meet future capital requirements may depend upon its ability to borrow money from third-parties or make additional offerings of securities in the future, the ability of the Company to do so may be limited by, among other factors, the overall state of capital markets and investor demand for investments in the technology industry, more precisely in the software development industry and the Company's securities in particular.

To the extent that external sources of capital become limited or unavailable or only available on onerous terms, the ability of the Company to make capital investments and maintain existing assets may be impaired, and its assets, liabilities, business, financial condition and results of operations may be materially and adversely affected as a result. Failure to obtain any financing necessary for the growth plans of the Company may result in a delay in carrying out its business strategy and impact the ongoing viability and survival of the Company.

Economic conditions and other factors may also reduce the demand for software products or services from that forecasted and factors expected to support or increase demand may not have the effect expected. Any reduction in demand may have a material adverse effect on the financial results or condition of the Company.

Retention and Recruitment of Key Personnel

The Company's performance is substantially dependent on the performance of its executive officers and key employees for their industry expertise, operations experience with the Company and their working relationships with the Company's key customers, existing shareholders and personnel. The loss of the services of any of the Company's executive officers or other key employees could significantly harm its business. The Company currently does not expect to maintain "key person" life insurance policies on any of its employees.

From time to time, there may be changes in the executive management team resulting from the hiring or departure of executives, which could disrupt the business. If the Company is unable to attract and retain top talent, its ability to compete may be harmed. The Company's success is also highly dependent on its continuing ability to identify, hire, train, retain and motivate highly qualified personnel. Given the current size of the Company and its higher risk profile, it is hard to attract competent people. This is even more challenging than usual because the Company's technology is new and the resources available are extremely limited. Competition for highly skilled technical, research and development, management, sales and other employees is high in the industry and the Company may not be successful in attracting and retaining such personnel. Failure to attract and retain qualified executive officers and other key employees, or only be able to do so at a higher compensation package level than what the Company is currently paying, could have a material adverse effect on the Company's business, operating results and financial condition.

Failure to Manage Growth

The Company's failure to manage its growth successfully may adversely impact its operating results. The Company's ability to manage growth will require it to continue to build its operational, financial and management controls, human resource policies and reporting systems and procedures. The Company's ability to manage its growth will also depend in large part upon a number of factors, including the ability for it to rapidly:

- expand its internal, operational and financial controls significantly so that it can maintain control over operations;
- attract and retain qualified technical personnel in order to continue to develop reliable and flexible products and provide services that respond to evolving customer needs;
- build a sales team to keep customers and channel partners informed regarding the technical features issues and key selling points of its products and services;
- develop support capacity for customers as sales increase; and
- build a channel network to create an expanding presence in the evolving marketplace for its products and services.

An inability to achieve any of these objectives could harm the Company's business, operating results and financial condition. As of the date of this MD&A, the Company believes that the internal controls in place reduce the risks of failure to manage the Company's growth. The decreased number of employees over the course of fiscal 2015 and recently has put additional pressure on such internal controls and there is no certainty that these internal controls will continue to be effective going forward.

Protection of Intellectual Property

The Company's commercial success depends to a significant degree upon its ability to develop new or improved technologies and products, and to obtain patents or other intellectual property rights or statutory protection for these technologies and products in Canada, the United States and other countries. The Company seeks to patent concepts, components, processes, industrial designs and methods, and other inventions and technologies that it considers to have commercial value or that will likely give it a technological advantage. The Company has filed a number of patent applications and industrial designs in relation to its business in Canada, the United States and Europe. Despite devoting resources to the research and development of proprietary technology, the Company may not be able to develop technology that is patentable or protectable. Patents may not be issued in connection with its pending patent applications and claims allowed may not be sufficient to allow the Company to use the inventions that it creates exclusively. Furthermore, any patents issued to the Company could be challenged, held invalid or unenforceable or circumvented and may not provide it with sufficient protection or a competitive advantage. Although the Company makes efforts to protect its intellectual property rights, there can be no guarantee that unlicensed copying of the Company's software will not take place, especially in countries where software piracy laws and enforcement are not as stringent. Policing unauthorized use of the Company's technology, if required, may be difficult and costly.

In addition, despite its efforts to protect and maintain its patents, as the case may be, competitors and other third parties may be able to design around the Company's patents or develop products similar to its products that are not within the scope of such patents. Furthermore, patents provide certain statutory protection only for a limited period of time that varies depending on the jurisdiction and type of patent. The statutory protection term of certain of the Company's material patents will expire at some time and, thereafter, the underlying technology of such patents will be allowed to be used by any third-party, including its competitors.

A number of the Company's competitors and other third-parties may have been issued patents, may have filed patent applications or may obtain additional patents or other intellectual property rights for technologies similar to those that the Company has developed, used or commercialized, or may develop, use or commercialize in the future. Given that certain patent applications in the United States and other countries are maintained in secrecy for a period of time after filing, and as publication or public awareness of new technologies often lags behind actual discoveries, the Company cannot be certain that it has been the first to develop the technology covered by its pending patent applications. In addition, the disclosure in its patent applications, including in respect of the utility of its claimed inventions, may not be sufficient to meet the statutory requirements for patentability in all cases. As a result, the Company cannot assure that its patent applications will result in valid or enforceable patents.

Prosecution and protection of the rights sought in patent applications and patents can be costly and uncertain, often involve complex legal and factual issues and consume significant time and resources. In addition, the breadth of claims allowed in the Company's future patents, their enforceability and its ability to protect and maintain them cannot be predicted with any certainty. The laws of certain countries may not protect intellectual property rights to the same extent as the laws of Canada or the United States.

Even if its patents are held to be valid and enforceable in a certain jurisdiction, any legal proceedings that the Company may initiate against third-parties to enforce such patents will likely be expensive, take significant time and divert management's attention from other business matters. The Company cannot assure that any of its pending patent applications will provide any protectable, maintainable or enforceable rights or competitive advantages to it.

In addition to patents, the Company relies on a combination of industrial designs, trademarks, trade secrets and other related laws and confidentiality procedures and contractual provisions to protect, maintain and enforce its proprietary technology and intellectual property rights in the United States, Canada and other countries. However, the Company's ability to protect its brand by registering certain trademarks may be limited. In addition, while the Company generally enters into confidentiality and non-disclosure agreements with its employees, consultants, contract manufacturers, distributors, dealers and potential investors, and with other third-parties to attempt to limit access to and distribution of its proprietary and confidential information, it is possible that:

- misappropriation of its proprietary and confidential information, including technology, will nevertheless occur;
- its confidentiality agreements will not be honoured or may be rendered unenforceable;
- third parties will independently develop equivalent, superior or competitive technology or products;
- third parties in some countries where there is a limited protection for intellectual property rights could use the Company's technology without any authorization;
- disputes will arise with the its current or future strategic licensees, customers or other third parties concerning the ownership, validity, enforceability, use, patentability or registrability of intellectual property; or
- unauthorized disclosure of its know-how, trade secrets or other proprietary or confidential information will occur.

The Company cannot assure that it will be successful in protecting, maintaining or enforcing its intellectual property rights. If it is not successful in protecting, maintaining or enforcing its intellectual property rights, the Company's business, operating results and financial condition could be materially adversely affected. As of the date of this MD&A, to the Company's knowledge, the solution the Company is selling does not include any technology developed by a third-party, except for open source software, as indicated below.

Intellectual Property of Others

The Company's commercial success depends, in part, upon it not infringing or violating intellectual property rights owned by others. The industry in which the Company competes has many participants that own, or claim to own, intellectual property. The Company cannot determine with certainty whether any existing third-party patents, or the issuance of any new third-party patents, would require it to alter its technologies or products, obtain licenses or cease certain activities, including the sale of certain products.

The Company may in the future be the subject of claims from third parties asserting infringement and other related allegations. Litigation may be necessary to determine the scope, enforceability and validity of third-party intellectual property rights or to protect, maintain and enforce the Company's intellectual property rights. Some of the Company's competitors have, or are affiliated with companies having, substantially greater resources than it has, and these competitors may be able to sustain the costs of complex intellectual property litigation to a greater degree and for longer periods of time than the Company can. Regardless of whether any third-party claims that the Company is infringing or violating patents or other intellectual property rights have any merit, those claims could:

- adversely affect the Company's relationships with current or future distributors and dealers of its products;
- adversely affect its reputation with customers;

● be time-consuming and expensive to evaluate and defend;

● cause product shipment delays or stoppages;

● divert management’s attention and resources;

● subject the Company to significant liabilities and damages;

● require it to enter into royalty or licensing agreements; or

● require it to cease certain activities, including the sale of products.

If it is determined that the Company has infringed, violated or is infringing or violating a patent or the intellectual property right of any other person or if it is found liable in respect of any other related claim, then, in addition to being liable for potentially substantial damages, the Company may be prohibited from developing, using, distributing, selling or commercializing certain of its technologies and products unless it obtains a license from the holder of the patent or other intellectual property right. The Company cannot assure that it will be able to obtain any such license on a timely basis or on commercially favourable terms, or that any such licenses will be available, or that alternatives will be feasible and cost-efficient. If it does not obtain such a license or find a cost-efficient alternative, the Company’s business, operating results and financial condition could be materially adversely affected and it could be required to cease related business operations in some markets and restructure its business to focus on its continuing operations in other markets. As of the date of this MD&A, to the Company’s knowledge, the solution the Company is selling does not include any technology developed by a third-party except for open source software., as indicated below.

Open Source Software and Third-Party Technology

The Company uses open source software in its products and expects to continue to use open source software in the future. Although the Company tries to monitor the use of open source software closely, courts have not interpreted the terms of many open source licenses and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on the Company’s ability to market its products. In such event, the Company could be required to seek licenses from third parties in order to continue offering its products, to reengineer the technology or to discontinue offering its products in the event re-engineering cannot be accomplished on a timely basis, any of which could adversely affect the Company’s business, operating results and financial condition. In addition, the Company’s software solutions are implemented “over-the-top” of third-party technologies, which is normally accepted by the technology suppliers. However, the termination of such usage by one of the technology supplier could lead the Company to license such usage. The Company cannot assure that it will be able to obtain any such license on a timely basis or on commercially favourable terms, or that any such licenses will be available, or that alternatives will be feasible and cost-efficient. If it does not obtain such a license or find a cost-efficient alternative, the Company’s business, operating results and financial condition could be materially adversely affected.

Security of Customer Information

The Company's operations involve the storage and potentially the transmission of confidential information of its customers or end-users and security breaches could expose the Company to a risk of loss of this information, litigation, indemnity obligations and other liability. If the Company's product security measures are breached as a result of third-party action, employee error, malfeasance or otherwise and, as a result, someone obtains unauthorized access to the customers' data, including personally identifiable information regarding end-users, damage to the Company's reputation is likely, the business may suffer and the Company could incur significant liability. Because techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until launched against a target, the Company may be unable to prevent these techniques or to implement adequate preventative measures. If an actual or perceived breach of a product's security occurs, the market perception of the effectiveness of such product's security measures could be harmed and the Company could lose potential sales and existing customers, and therefore seriously impair the Company's business, operating results and financial condition. As of the date of this MD&A, the Company is not aware of any breach of security of customer information.

Software Defects

The Company's software solution is complex and must meet the stringent technical requirements of specifiers and the needs of end-users. Despite internal testing and pilot phase within the customers' organization, the Company's products may contain design defects, security vulnerabilities or software "bugs" or failures that are difficult to correct. Furthermore, errors or defects may be found in software after commercial implementation, and the Company may be unable to successfully correct such errors or defects in a timely manner or at all. The occurrence of errors and defects in the Company's software solutions could result in loss of, or delay in, market acceptance of the Company's products, and correcting such errors and failures in the software could require significant expenditure of capital. The Company typically provides warranties on its software solutions and the failure of the products to operate as described may cause the loss of customers, damage to the Company's reputation, delay in or loss of market acceptance and additional warranty expenses. The consequences of such errors, failures and other defects and claims could have a material adverse effect on the Company's business, operating results and financial condition. As the Company recently released the latest version of its product, there are still potential software defects that might need correction and improvements.

International Expansion

An element of the Company's corporate strategy (see "*Corporate Strategy*") is to earn revenues from international operations and develop a worldwide customer base. Operating in international markets requires significant resources and management attention and will subject the Company to regulatory, economic and political risks that are different from those in the United States and Canada, including, among others, political instability. Because of its limited experience with international operations, the Company cannot assure that its international corporate strategy will be successful. In addition, the Company will face risks in doing business internationally that could adversely affect the Company’s business, operating results and financial condition, including, among others:

- difficulties and costs associated with foreign operations including ability to sign agreements with qualified partners (VARs) to take advantage of opportunities, ensure customer satisfaction, successfully integrate the Company’s products and increase the value of its overall offering to consumers. The financial stability of these VARs could change and materially impact the Company’s relationship, the services and the products that would be provided to its customers. In order to reduce these risks, the Company is partnering with Canadian embassies in some countries, which help in finding key partners and introducing the Company to such partners;
- potential difficulty in collecting accounts receivable;
- unexpected changes in regulatory requirements;
- the need to adapt its solution for specific countries and languages;
- burdens of complying with a variety of foreign laws;
- tariffs, export controls and other non-tariff barriers such as quotas and local content rules;
- more limited protection for intellectual property rights in some countries;
- adverse tax consequences; and
- fluctuations in currency exchange rates. While international sales are typically denominated in US dollars, fluctuations in currency exchange rates could cause the Company’s products to become relatively more expensive to customers in a particular country and therefore reduce the number of end-users using the Company’s Solution in such country.

The Company’s failure to manage any of these risks successfully could harm its existing and future international corporate strategy and seriously impair the Company’s business, operating results and financial condition.

Anti-corruption laws

A key element of the Company’s corporate strategy (see “*Corporate Strategy*”) is to earn revenues from international operations. In connection therewith, the Company may be subject to anti-corruption laws, which prohibit companies and their intermediaries to bribe foreign officials for the purpose of obtaining or keeping business or otherwise obtaining favourable treatment, and requires companies to maintain adequate record-keeping and internal accounting practices to accurately reflect the Company’s transactions.

Some countries in which the Company may earn revenues may be prone to corruption to varying degrees. Although the Company has contractual provisions in its agreements with its intermediaries and partners that require them to comply with anti-corruption laws, the Company is not engaged in formal anti-corruption training of its intermediaries and partners. The

Company's intermediaries and partners could take actions in violation of the Company's policies for which the Company may be ultimately held responsible. If the Company or its intermediaries and partners fail to comply with the requirements of the anti-corruption laws, governmental authorities in Canada and the United States, or elsewhere in the world, could seek to impose civil and/or criminal penalties, which could have a material adverse effect on the Company's business, operating results and financial condition. As of the date of this MD&A, the Company's is not aware of any breach of anti-corruption laws.

Foreign Exchange

The presentation currency of the Company's financial statements is the Canadian dollar. Given that the Company does business in foreign markets, including the United States, it is possible that transactions will take place in foreign currencies. The Company does not currently participate in hedging activities. Although the Company cannot predict the effect of possible foreign exchange losses in the future, if they occurred, they could have a material adverse effect on the Company's business, operating results and financial condition. In addition, fluctuations in exchange rates could affect the pricing of its products and negatively influence customer demand.

Managing Complex Product Implementation Projects

As the Company may enter into major contracts that are complex and involve several delivery milestones, the successful deployment of the Company's products may depend on managing complex implementation projects. A variety of factors may result in product deployments being delayed, cancelled or failing, including, among others: the inherent complexity of modern software, the difficulty to appropriately staff projects with qualified personnel, the difficulty of managing a project in which the customer and multiple vendors must work together effectively, unrealistic deadlines, the inability to realistically limit the scope of the project, problems with third-party systems, software or services, inaccurate or faulty data and insufficient time and investment spent in the planning and design phases of the project. As a result, the Company may not be able to successfully manage deployments of its products, which could harm its reputation, be costly correct, delay revenues and expose it to litigation.

Competition

The Company is engaged in an industry that is highly competitive, is evolving and is characterized by rapidly technological changes. As a result, it is difficult for it to predict whether, when and by whom new competing technologies or new competitors may enter the market. The Company faces competition from companies with strong positions in certain markets that it is currently targeting and in new markets and regions that it may enter in the future. Many of these current and potential competitors are much larger than the Company with access to significant resources it cannot currently match. The Company cannot assure that it will be able to compete effectively against current and future competitors. In addition, competition or other competitive pressures may result in price reductions, reduced margins or loss of market share, any of which could have a material adverse effect on the Company's business, operating results and financial condition. As of the date of this MD&A, as the Company's products are not largely deployed, the Company is not able to determine how competitors will react to the future introduction of its products.

Continuing Development and Sale of New Products

The market for software and hardware interoperability is characterized by rapid technological change and frequent new product introductions. Accordingly, the Company's future success depends upon its ability to develop products that will become marketable and to introduce such products at a competitive price. The development of new technologies and products involves time, substantial costs and risks. Therefore, the Company's future success will also depend on its ability to adjust and improve its products to keep up with future technological changes.

The success of new product introductions depends on a number of factors including, among others, timely and successful product development, market acceptance, the risk that new products may have quality or other defects in the early stages of introduction and the ability to manage distribution and production issues related to new product introductions. Moreover, reputation is a critical asset in the technology services industry. Potential damage to reputation is a significant risk for the Company and could result in a lack of client, legal liability and difficulties in raising capital. If the Company is unable, for any reason, to enhance, develop, introduce and sell new products in a timely manner, or at all, in response to changing market conditions or customer requirements or otherwise, its business could be harmed.

Expected Development of Markets

The market for software and hardware interoperability and interaction is evolving rapidly and is characterized by an increasing number of market entrants and rapid technology changes. As is typical of a new and rapidly evolving industry, the demand for and market acceptance of products are uncertain. The adoption of the Company's products may not become widespread. If the market for the Company's products fails to develop or develops more slowly than the Company anticipates, it may fail to achieve its anticipated growth.

Specifically, EXO U's solution is targeting the educational sector, the market for interactive learning and collaboration solutions is still emerging and is characterized by rapid technological change and frequent new product introductions. Accordingly, the Company's future success in this market depends upon its ability to enhance current products and to develop, introduce and sell new products offering enhanced performance and functionality at competitive prices.

Government Spending in Schools

EXO's target market includes primary and secondary schools, colleges and universities, other education providers and, to a lesser extent, government agencies, each of which depends heavily on government funding. Changes in government, government policy, priorities or funding levels could affect the Company's financial condition or results of operations. Furthermore, the recent worldwide recession has resulted in substantial declines in the tax revenues of many national, federal, provincial, state and local governments. Many of those governments could react to the decreases in revenue by cutting funding to educational institutions and the Company's solutions for the education industry may not be a high enough priority expenditure for such institutions, which could materially affect the Company's actual or expected growth. In addition, some countries to whom the Company has sold or could sell its products may be subject to political instability and/or the government's philosophy surrounding the needed technology infrastructure of its school, college and universities could change. Such changes or instability could have a material adverse effect on the Company's business, operating results and financial condition.

Litigation

Although there are currently no material legal proceedings outstanding or, to the best of the knowledge of the Company, contemplated against it, the Company may become party to litigation from time to time in the ordinary course of business. The cost to defend future litigation may be significant. There also may be adverse publicity associated with litigation that could negatively affect customer perception of the Company's business, regardless of whether the allegations are valid or whether the Company is ultimately found liable. As a result, litigation may adversely affect the Company's business, operating results and financial condition.

Sales Forecast

The Company's revenues and particularly its software license revenues are difficult to forecast and, as a result, its quarterly operating results can fluctuate substantially. The Company has developed a pipeline approach to anticipate when revenue will occur but these estimates can be significantly impacted by product development cycles, the sales process, economic conditions in general or specific in the Company's target markets and the order cycle of its clients.

Length of Sales Cycle

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. As a result, quarterly results could be highly volatile until a large enough base of business is established.

Fluctuation of Revenue and Operating Results

The Company's revenue is difficult to forecast and is likely to fluctuate significantly from quarter to quarter. In addition, its operating results may not follow any past trends. The factors affecting the Company's revenue and results, many of which are outside of its control, include, among others: competitive conditions in the industry, including strategic initiatives by the Company or its competitors, new products or services, product or service announcements and changes in pricing policy by the Company or its competitors; market acceptance of its products and services; the Company's ability to maintain existing relationships and to create new relationships with channel partners; strategic decisions by the Company or its competitors, such as acquisitions, divestitures, spin-offs, joint ventures, strategic investments or changes in business strategy; and/or the timing of product development and new product initiatives.

Because the Company's quarterly revenue may be dependent upon a relatively small number of transactions, even minor variations in the rate and timing of conversion of its sales prospects into revenue could cause the Company to plan or budget inaccurately and those variations could adversely affect its financial results. Delays, reductions in the amount or cancellations of end-users' purchases, could adversely affect the Company's business, operating results and financial condition.

Taxes

With operations in Canada and United States and potentially sales in other countries, the Company could be subject to income taxes in several jurisdictions around the world, including withholding taxes in countries where the Company could potentially sign sales agreements. The Company's effective income tax rate could be adversely affected in the future as a result of a number of factors, including changes in the mix of earnings in jurisdictions with differing statutory tax rates, the outcome of income tax audits and changes in the applicable tax principles, including increased statutory tax rates, new tax laws or precedents or revised interpretations of existing tax laws and precedents. The Company regularly assesses all of these matters to determine the adequacy of its tax liabilities. If any of these assessments turn out to be incorrect, it could have a material adverse effect on the Company's business, operating results and financial condition.

The Company participates in various government programs with both the Canadian federal government and the government of Quebec such as provide SR&ED tax credits based upon qualifying R&D expenditures. Although the Company believes that the expenses and tax credits it claimed, including R&D expenses and SR&ED tax credits, have been reasonably determined and are deductible, there can be no assurance that the Canadian and provincial tax authorities will agree. If a tax authority were to successfully challenge the correctness of such expenses or tax credits claimed, or if a tax authority were to reduce any tax credit either by reducing the rate of the grant or the eligibility of some R&D expenses in the future, the Company's business, operating results and financial condition could be materially adversely affected.

Accounting Estimates

The Company will be required to make accounting estimates and judgments in the ordinary course of business. Such accounting estimates and judgments will affect the reported amounts of its assets and liabilities at the date of its consolidated financial statements and the reported amounts of its operating results during the periods presented. Additionally, the Company will be required to interpret the accounting rules in existence as of the date of the consolidated financial statements when the accounting rules are not specific to a particular event or transaction. If the underlying estimates are ultimately proven to be incorrect, or if auditors or regulators subsequently interpret the Company's application of accounting rules differently, subsequent adjustments could have a material adverse effect on its operating results for the period or periods in which the change is identified. Additionally, subsequent adjustments could require the Company to restate its consolidated financial statements. A restatement of the Company's consolidated financial statements could result in a material change in the price of the common shares of the Company.

Risks Related to an Investment in the Common Shares of the Company

Concentration of Voting Power

A significant number of common shares of the Company have been concentrated in the hands of a small numbers of shareholders. In particular, Hypertechnologies Ciara Inc., members of the Ahdoot family, and Mr. Jean-Baptiste Martinoli own together approximately 38% of the issued and outstanding common shares of the Company as at March 31, 2016. As a result, these shareholders may have significant influence over the management and affairs of the Company and over all matters requiring shareholder approval, including the election of directors and significant corporate transactions, such as issuance of common shares of the Company, a business combination or the sale of the Company or its assets, for the foreseeable future.

In addition, this concentrated control may provide these shareholders with the ability to prevent and deter takeover proposals from third-parties. The concentration of voting power limits the ability of shareholders to influence corporate matters and, as a result, the Company may take actions that shareholders do not view as beneficial, including rejecting takeover proposals at a premium to the then-prevailing market price of the Company's common shares. As a result, the market price of these common shares could be adversely affected.

Dilution and Future Sales of Common Shares and/or Convertible Debt

The Company may issue additional common shares and/or convertible debt in the future, which may dilute a shareholder's holding in the Company. The Company's articles permit the issuance of an unlimited number of shares and shareholders will not have pre-emptive rights in connection with such further issuances. The directors of the Company have the discretion to determine if an issuance of shares is warranted, the price at which such issuance is affected and the other terms of issue of shares. Also, additional common shares of the Company may be issued by the Company upon the exercise of options to acquire common shares under the Company's stock option plan or warrants to purchase common shares which are currently outstanding, which could result in further dilution to the shareholders of the Company.

Unpredictability and Volatility of the Common Share Price

There can be no assurance that a significant public market for the common shares of the Company will develop or be sustained. If an active public market for the common shares of the Company does not develop, the liquidity of an investment in such common shares may be limited, the market price could be subject to significant fluctuations and the price per share may decline.

The market price of the common shares of the Company could fluctuate significantly as a result of many factors, including but not limited to the following: economic and stock market conditions generally and specifically as they may impact participants in the software development industry; the Company's earnings and results of operations and other developments affecting the Company's business; changes in financial estimates and recommendations by securities analysts covering the Company; announcements by, and changes in market evaluations of, the software development industry; trading volume in the common shares of the Company; and additions or departures of key personnel.

In addition, the financial markets have experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance of such companies. Accordingly, the market price of the common shares of the Company may decline even if the Company's operating results or prospects have not changed.

Dividends

If the Company generates earnings in the foreseeable future, it expects that such earnings will be retained to finance growth, both organically and by acquisitions, and, when appropriate, to pay accounts payable and accrued liabilities. The directors of the Company will determine if and when dividends should be declared and paid in the future based on the Company's financial position at the relevant time. Each of the common shares of the Company entitles its holder to an equal share in any dividend declared and paid by the Company. The Company does not expect to pay any dividends in the foreseeable future.

Financial Market Turmoil

Global financial market and economic conditions can pose a significant threat to economic growth in almost all sectors and economies, causing a decline in consumer and business confidence, a reduction in credit availability and a dampening in business and household spending. Thus, the market price of the Company's shares could be subject to significant fluctuations and the price per share may decline.

Future Sales of Common Shares by the Company's Directors, Officers or Principal Shareholders

Subject to compliance with applicable securities laws, the Company's directors, officers and principal shareholders and their affiliates may sell some or all of their common shares in the future. No prediction can be made as to the effect, if any, such future sales of common shares will have on the market price of the common shares prevailing from time to time. However, the future sale of a substantial number of common shares by the Company's directors, officers and significant shareholders and their affiliates, or the perception that such sales could occur, could adversely affect prevailing market prices of the Company's common shares.

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 years ended March 31, 2015 and 2016.

Accounting Standards Issued but not yet Applied

IFRS 9 – Financial Instrument ("IFRS 9")

IFRS 9 was issued by the International Accounting Standard Board ("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. However, at their April 2015 meeting, the IASB decided to publish an exposure draft proposing a one-year deferral of the effective date to January 1, 2018. The IASB will consult on the proposed deferral of the effective date by one year before it is confirmed.

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