DATAWIND INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS ("MD&A")

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2016

DATED: November 21, 2016

NOTICE TO READER:
This filing amends the Management's Discussion and Analysis ("MD&A") of DataWind Inc. (the "Company") for the second quarter results for the three months ended September 30, 2016 that was originally filed on November 21, 2016 with securities regulatory authorities in Canada.

Page 2, third paragraph of the original MD&A inadvertently included reference to the Management Proxy Circular dated November 21, 2016. The Management Proxy Circular has not yet been completed. The amendment to the MD&A removes reference to the Management Proxy Circular and no further changes have been made.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The second quarter ("Q1") results for the three months ended September 30, 2016 ("Q2 2017") and September 30, 2015 ("Q2 2016") respectively, reflect the interim results for the year ending March 31, 2017 ("Fiscal 2017" or "2017") and the year ended March 31, 2016 ("Fiscal 2016" or "2016").

Unless otherwise noted, all amounts are reported in ("thousands of Canadian dollars").

This Quarterly MD&A should be read in conjunction with the Consolidated Financial Statements, and Notes to the Consolidated Financial Statements as well as the MD&A for Fiscal 2016. Additional information relating to the Company, including the Company's Annual Information Form ("AIF") dated **November 21**, 2016 can be obtained by contacting DataWind Inc. Corporate Communications department at 905-671-0202. The 2016 Consolidated Financials Statement and MD&A, together with the AIF, have been filed with securities regulators in Canada though the System for Electronic Document Analysis and Retrieval ("SEDAR") and can be accessed on the SEDAR website at www.sedar.com. Additional information relating to the Company is also available online at www.sedar.com. Information contained in, or otherwise accessible through, websites mentioned in this Quarterly Report do not form a part of this document. All references in this Quarterly Report to websites are inactive textual references only.

The Q2 2017 condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). Non-IFRS and operating performance measures have been included to better assess the Company's underlying performance. See Section 1.e. "Use of Non-IFRS Measures, Measures of Operating Performance and Reconciliation of Net Loss to Adjusted EBITDA" for additional information.

The condensed consolidated interim financial statements have been prepared based on accounting principles applicable to a going concern. The Company believes it has sufficient funds to satisfy its working capital requirements for at least the next 12 months. If the going concern assumption were not appropriate for these condensed consolidated interim financial statements, adjustments might be necessary in the carrying values of assets and liabilities and the balance sheet classifications.

The effective date of this MD&A is November 21, 2016.

FORWARD-LOOKING STATEMENTS

This MD&A includes certain forward-looking statements that are based upon current expectations, which involve risks and uncertainties associated with our business and the environment in which the business operates. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements, including those identified by the expressions “anticipate”, “believe”, “plan”, “estimate”, “expect”, “intend” and similar expressions to the extent they relate to the Company or its management. The forward- looking statements are not historical facts, but reflect management’s current expectations regarding future results or events. These forward-looking statements are subject to several risks and uncertainties that could cause actual results or events to differ materially from current expectations. The Company does not undertake or accept any obligation to release publicly any updates or revisions to any forward-looking statements to reflect any change in the Company’s expectations, except as prescribed by applicable securities laws.

Key assumptions made in preparing the forward-looking statements contained in this MD&A include, but are not limited to, the following:

- The Company will continue to successfully increase its sales volumes,
- The Company will have adequate cash to continue to fuel its growth, and
- The Company will be able to maintain its gross margin

HIGHLIGHTS

The following summarizes the key items of the Company’s second quarter ended September 30, 2016:

- Revenues of $21,544 during the three months ending September 30, 2016 representing an increase of 53.7% over the three months ending September 30, 2015 and an increase of 2.3% over the three months ending June 30, 2016.
- 404,096 units sold in Q2 2017 compared to 380,000 units sold in Q1 2017 and 235,000 units sold during the same period of the prior year.
- Quarterly gross margin in Q2 2017 is 30.7% compared to 33.4% in Q1 2017 and 28.2% in Q2 2016.
- Adjusted EBITDA for the quarter ended September 30, 2016 was $(1,288) representing a decrease over the EBITDA of $30 for the quarter ended June 30, 2016.
- Our smartphones and tablets are now bundled with our proprietary internet delivery platform throughout India. The Company has also filed for a license with the Government of India to operate as a virtual network operator, a key step in its strategy for delivering affordable internet access.
- DataWind continues to establish a broader corporate footprint in new emerging markets in parallel with new carrier relationships. We recently announced expansion to Nigeria and we expect to extend our geographic presence to other African, Asian and/or Latin American countries.
- The Company has experienced higher than anticipated unit sales growth in its lower priced product category during the last and current quarters. This is expected to continue and may result in a lower average revenue per unit. In addition, these lower priced units have a higher per unit selling cost as a percentage of their value resulting in increased selling expenses charged through the distribution channels. This is the result of the Company making a deliberate shift to the TV home shopping distribution channel which has lower credit risk and improved timeliness with respect to collectability. The Company anticipates a lower accounts receivable collection period in coming quarters because of this move coupled with reduced labor costs in the other sales channels.
- DataWind’s Hyderabad, facility is now fully operational and is the primary assembly facility used today accounting for approximately 73% of production in Q2.
- On November 8, 2016, the Prime Minister of India announced and implemented the demonetization of Rs.500 and Rs.1000 Indian currency. Further to this announcement, courier companies delivering

our product have suspended delivery due to extremely low collection rates on COD orders. The impact to COD sales will likely continue for several weeks until the new currency can be swapped for the old currency at local banks.
- There is a global shortage of screens for Tablets at the moment that will cause an increase in product cost until supply levels return to normal levels.

OVERVIEW

DATAWIND'S BUSINESS

We are a global leader in low-cost Internet connectivity for emerging markets. Our mission is to bring the Internet, which has the ability to create tremendous social and economic benefits, to billions of unconnected people in the developing world. Our Internet Delivery Platform offers a low-cost Internet connectivity solution by bundling an affordable tablet device or smart phone with an inexpensive one-year pre-paid 2G Internet browsing service plan. Our operations span four countries, including Canada, the United Kingdom, Nigeria and India.

We believe our Internet Delivery Platform represents a significant step forward in low-cost Internet connectivity. By utilizing cloud computing technology, we are able to reduce the amount of data for users. The webpages are compressed on the cloud servers before being uploaded to the user's tablet or smartphone device. This architecture also protects our intellectual property as the majority of our software runs on the cloud-based servers and the system can only work with both the client and server components operating in tandem.

The Internet Delivery Platform's acceleration and data reduction are accomplished using our algorithms resident on the cloud-based servers. These cloud-based servers operate as a gateway between the primary Internet-based content server and the user. Our architecture moves webpage processing from the device to the cloud servers which benefit from high-speed Internet connections. The servers build an image in their internal memory of the page of interest. They then compress the image, prioritizing the section of the image being viewed on the user's device. Our technology does not compress audio and video. The resulting selection and compression can reduce the amount of data being transmitted over the cellular network, with a corresponding increase in speed and reduction in cost of cellular data transmission.

Without this proprietary technology, it would be time consuming and costly to access the Internet using 2G mobile-cellular infrastructure due to the relatively slow download speeds available on these networks combined with the growing size of modern day webpages. Additionally, the cost of data usage in the developing world is high relative to average income levels. However, given the reduction in data usage using our Internet Delivery Platform, the user may use the 2G mobile-cellular infrastructure to achieve a basic internet browsing experience that excludes video streaming.

The technology shifts a significant amount of processing power that would otherwise be executed by tablet or smartphone device to the cloud server. The receiving device has only to decompress the transmitted image, which requires less computing power than a normal web rendering. The device can then operate with a lower specification including a less expensive processer, lower cost memory and longer battery life. As a result, the device can display webpages with a significantly reduced hardware capability requirement resulting in a lower production cost.

Our Internet connectivity solution is a combination of a unique delivery methodology coupled with our data compression technology, the ability to create low-cost devices, and our ability to resell data because of our data distribution agreement with Reliance, a leading Indian telecom company. There is no capacity limitation under the agreement with Reliance. Together, these factors allow us to offer what management believes is the world's lowest cost Internet connectivity solution available today. We are currently marketing free internet access to our customers in India for one year with purchase of product but this revenue is bundled into the selling price. Revenues related to the data delivery are deferred and recognized over twelve months commencing from the date the user activates the data plan. The hardware sold typically represents at least 95% of the selling price. We expect to be able to sell the internet browser as a stand-alone application in to anyone with an Android device.

SUMMARY OF RESULTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2016 COMPARED TO SIX MONTHS ENDED SEPTEMBER 30, 2015

The following table sets forth a summary of key earnings information from our condensed consolidated interim financial statements (in thousands of Canadian dollars) for the six months ended September 30, 2016 compared to September 30, 2015:

	September 30, 2016	**September 30, 2015**	**Variance**	**%**
Revenue	**$42,604**	$ 26,412	$ 16,192	61.3%
Cost of goods sold	**28,958**	19,453	9,505	48.9%
Gross margin	**13,646**	6,959	6,687	96.1%
Gross margin ratio	*32.0%*	*26.3%*	*5.7%*	21.6%
Operating expenses:				
Research and development	**793**	753	40	5.3%
Administration cost	**14,143**	6,663	7,480	112.3%
IPO transaction costs	**-**	-	-	-
Foreign exchange translation (gain)/loss	**(505)**	978	(1,483)	(151.6%)
Total operating expenses	**14,431**	8,394	6,037	71.9%
Operating profit/ (loss)	**(785)**	(1,435)	650	(45.3%)
Finance and other income	**-**	21	(21)	(100.0%)
Finance expense	**(2,187)**	(1,779)	(408)	22.9%
Net loss	**(2,972)**	(3,193)	221	(6.9%)
Unrealized Foreign exchange translation gain/(loss)	**224**	412	(188)	(45.6%)
Comprehensive loss	**$ (2,748)**	$ (2,781)	$ 33	(1.2%)
Basic and diluted net loss per share	**$ (0.13)**	$ (0.14)		

Summary of Six Months Results

The Company reported revenue of $42,604 for the six-month period ended September 30, 2016 as compared to revenue of $26,412 for the same period ended September 30, 2015. The Company reported a gross margin of $13,646 for the six-month period ended September 30, 2016 as compared to $6,959 for the same period ended on September 30, 2015. The Company reported a net loss of ($2,972) for the six-month period ended September 30, 2016 as compared to ($3,193) for the same period ended on September 30, 2015.

SUMMARY OF RESULTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2016 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 2015

	September 30, 2016	September 30, 2015	Variance	%
Revenue	**$21,544**	$ 14,015	$ 7,529	53.7%
Cost of goods sold	**14,923**	10,066	4,857	48.3%
Gross margin	**6,621**	3,949	2,672	67.7%
Gross margin ratio	*30.7%*	*28.2%*	*2.6%*	9.1%
Operating expenses:				
Research and development	**402**	413	(11)	(2.7)%
Administration cost	**7,525**	3,552	3,973	111.9%
IPO transaction costs	**-**	-	-	-
Foreign exchange translation (gain)/loss	**(547)**	1,176	(1,723)	(146.5%)
Total operating expenses	**7,380**	5,141	2,239	43.6%
Operating profit/ (loss)	**(759)**	(1,192)	433	(36.3%)
Finance and other income	**-**	1	(1)	(100%)
Finance expense	**(920)**	(814)	(106)	13.0%
Net loss	**(1,679)**	(2,005)	326	(16.3%)
Unrealized Foreign exchange translation gain/(loss)	**48**	1,290	(1,242)	(96.3%)
Comprehensive loss	**$ (1,631)**	$ (715)	$ (916)	128.1%
Basic and diluted net loss per share	**$ (0.07)**	$ (0.09)		

Summary of 3 Months Results

Revenue for the three-month period ended September 30, 2016 was $21,544 as compared to $14,015 for the same period ended September 30, 2015. The gross margin for the three-month period ended September 30, 2016 was $6,621 as compared to $3,949 for the same period ended September 30, 2015. Gross margin increased in Q2 2017 by 2.6% compared to Q2 2016.

Operating expenses are consistent with Management's expectation. Administrative expenses growth can be attributed to marketing and increased customer and logistical support consistent with the growth in sales during the period. Despite higher operating expenses in Q2 2017 compared to Q2 2016, the Company generated operating loss of ($759) in Q2 2017 compared to a loss of ($1,192) in Q2 2016.

The Company reported a net loss of $(1,679) for the three-month period ended September 30, 2016 as compared to a net loss of $(2,005) for the same period ended September 30, 2015.

Demand continues to be strong for our products. Revenue growth is consistent with management's expectations based on demand for the product. DataWind continues to establish a broader corporate footprint in new emerging markets in parallel with new carrier relationships. We recently announced expansion to Nigeria and we expect to extend our geographic presence to other African countries, Asian countries and/or Latin America. DataWind has deliberately undertaken a managed growth strategy by committing additional working capital to inventory production each quarter. Nigeria is expected to show further sales growth and future announcements will be made as other regions obtain adequate sales and distribution channels to allow for the rollout of product in new markets. Operating expenses have shown some increase primarily attributable to increased selling and marketing related costs associated with logistics, distribution, marketing and customer support. Hardware margins are expected to hold above 25% while the total margin should continue to show growth due to the bundling of our internet service.

Summary of Unaudited Quarterly Results

The following table sets forth unaudited summary results of operations for the past eight quarters. The information for the fiscal period ending December 31, 2014 and all subsequent quarters has been taken from our unaudited condensed consolidated interim financial statements that, in management's opinion, have been prepared on a basis consistent with the unaudited condensed consolidated interim financial statements for the fiscal period ended September 30, 2016. The unaudited quarterly results of the Company or DataWind UK (the predecessor company) have been restated in CAD$.

Three month periods ended

	Sep-30 2016	**Jun-30 2016**	**Mar-31 2016**	**Dec-31 2015**	**Sep-30 2015**	**Jun-30 2015**	**Mar-31 2015**	**Dec-31 2014**
Revenues	$21,544	$21,060	$17,762	$15,501	$14,015	$12,397	$10,825	8,541
Cost of revenues	(14,923)	(14,035)	(11,517)	(10,949)	(10,066)	(9,387)	(8,129)	(7,021)
Gross margin	6,621	7,025	6,245	4,552	3,949	3,010	2,696	1,520
Operating exp.	(7,380)	(7,051)	(6,835)	(4,202)	(5,141)	(3,253)	(6,916)	(3,469)
Operating (loss)/profit	$(759)	$(26)	$(590)	$350	$(1,192)	$(243)	$(4,220)	$(1,949)

Revenues

The unit's sales increased by 24,096 from being 380,000 in Q1 to 404,096 units in Q2. Revenue for Q2 ended on September 30, 2016 was $21,544 compared to $21,060 for Q1 of the same year and $17,762 compared to Q4 of the previous year ended on March 31, 2016.

One of the key uses of funds from the 2014 IPO was for working capital used to increase production volume and offer terms to our expanding distribution channel. DataWind continues to sell tablets and introduced smartphones in March 2015. Management believes this sales unit growth is an affirmation of the Company's strategy that our core product offering is addressing the affordability challenge facing our target market.

The location of the customer determines the geographic areas for revenue.

		Three month period ended				Six month period ended		
		September 30, 2016		September 30, 2015		**September 30, 2016**		September 30, 2015
India	98.8%	21,278	97.2%	13,613	99.0%	42,208	98.0%	25,891
Outside of India	1.2%	266	2.8%	402	1.0%	396	2.0%	521
Total		**$ 21,544**		$ 14,015		**$ 42,604**		$26,412

Gross Margin

The Company's cost of revenues is comprised of several elements which vary directly with the level of revenues such as the cost of products manufactured by third parties, product assembly in India, shipping charges, and some charges which do not vary significantly with the level of revenues.

Gross margin for the second quarter ended September 30, 2016 was 30.7% as compared to 35.2% for the fourth quarter of the prior year, a decrease of 12.6%. Gross margin for the second quarter ended September 30, 2016 was 30.7% as compared to 28.2% for the same period of the prior year, an increase of 2.6%. Hardware margins are expected to stabilize at this level over the long term; however, recent increases in the cost of screens for tablets may have a short term negative impact on margins. Increased internet service sales should allow the overall margin to continue to rise in the medium term.

Operating Expenses

Research and development expenses for the quarter September 30, 2016 increased by $11 or 2.81% to $402 as compared to $391 for the quarter ended June 30, 2016.

Research and development expenses for the quarter ended September 30, 2016 decreased by $11 or 2.7% to $402 as compared to $413 for the quarter ended September 30, 2015.

Administration cost for the quarter ended September 30, 2016 increased by $3,973 or 111.9%, as compared to the same period of the previous year. Increase in selling and marketing by $3,709 account for most of the higher expenses.

	Three-month period ended	
	Sep 30, 2016	Sep 30, 2015
Salaries	**$ 1,358**	$1,340
Selling and marketing	**4,547**	838
Legal and professional	**638**	269
Travel	**236**	254
Depreciation of property and equipment	**18**	21
Provision for bad debts	**-**	-
Provision for slow moving inventory	**-**	-
Rent	**144**	108
Share based compensation	**42**	33
Insurance	**51**	8
Other	**491**	681

	$7,525	$3,552

Administration cost for the quarter ended September 30, 2016 increased by $907 or 8.85%, as compared to the quarter ended June 30, 2016. Although there is a small increase in salaries and other charges, the increase is mainly due to the higher proportion of selling and marketing expenses.

	Three-month period ended	
	Sep 30, 2016	June 30, 2016
Salaries	**$ 1,358**	$1,249
Selling and marketing	**4,547**	4,113
Legal and professional	**638**	463
Travel	**236**	181
Depreciation of property and equipment	**18**	14
Provision for bad debts	**-**	100
Provision for slow moving inventory	**-**	-
Rent	**144**	91
Share based compensation	**42**	42
Insurance	**51**	58
Other	**491**	307
	$7,525	$6,618

Foreign Exchange Gain (Loss)

Foreign exchange gains and losses include realized and unrealized gains and losses on foreign exchange, including those that arise because of converting assets and liabilities denominated in currencies other than the functional currency of the entity at the balance sheet date and realized gains or losses arising from the settlement of these balances during the period.
During the quarter ended September 30, 2016, the Company recorded a foreign exchange gain of $547, as compared to a loss of $1,176 for the quarter ended September 30, 2015 and a loss of $42 for the quarter ended June 30, 2016. This was primarily due to the relative fluctuation of the Canadian dollar, US dollar, British pound and the Indian Rupee.

Loss per Common Share

The table below presents the basic and diluted loss per common share for each of the comparative fiscal periods.

	Quarter Ended Sep 30,	
	2016	2015
Net loss for the period	($1,679)	($2,005)
Net loss per share		
Basic	($0.07)	($0.09)
Weighted average number of shares outstanding (‘000)	23,624	22,058

Fully diluted Earnings per share (EPS) have been excluded due to their anti-dilutive nature.

The Company is authorized to issue an unlimited number of common shares with no stated par value. The following is a continuity of the common shares since year end:

	Number of Shares	Share Capital
Issued		
Shares outstanding at April 1, 2015	22,057,623	$ 52,168
Shares issued during the year	-	-
Shares outstanding at September 30, 2015	**22,057,623**	**$ 52,168**

	Iumber of Shares	hare Capital
Issued		
Shares outstanding at April 1, 2016	22,111,248	$ 52,276
Share issuance	1,495,000	2,483
Exercised during the year	17,500	1
Shares outstanding at September 30, 2016	**23,623,748**	**$ 54,760**

On July 8th, 2014, DataWind UK, completed a reverse takeover of the Canadian entity DataWind Inc. and concurrently consolidated its share capital on a 10:1 basis and issued 6,316,000 new shares for gross proceeds of $30.1M. This amount does not include the issuance costs of $5.4M. In addition, 234,889 existing special warrants were exchanged for common shares of DataWind Inc. on a 1:1 basis (see consolidated statement of changes in equity).

Warrants

Each warrant entitles the holder to purchase one common share of the Company. The Company's outstanding warrants at September 30, 2016 are 3,589,839 (March 31, 2016: 2,752,639).

Option Plan

The Company's share option scheme (the "Scheme") was approved on July 14, 2008. Under the scheme the remuneration committee recommend the granting of options to employees of the Company subject to achieving various performance determined by the board of directors. Options are granted with a fixed exercise price and have a vesting period of 3 years. Options were valued using the Black-Scholes option pricing model. Options will be settled by issuing equity shares of the Company.

As at September 30, 2016, there are 23,623,748 common shares, 3,300,180 options and 3,589,839 warrants outstanding.

	Share	***Options***	***Warrants***
Total as at March 31, 2015	22,057,623	2,945,112	3,662,102
Granted during the period 2015	-	363,467	-
Expired during fiscal year 2015	-	(1,000)	(250,431)
Total as at Sep 30, 2015	22,057,623	3,307,579	3,411,671
Total as at Mar 31, 2016	22,111,248	3,290,180	2,752,639
Share issued during the year	1,495,000	-	-
Granted during the year	-	10,000	837,200
Exercised during the year	17,500	-	-

Total as at Sep 30, 2016	23,623,748	3,300,180	3,589,839

ADJUSTED EBITDA

Adjusted net loss before interest, taxes, depreciation, amortization and foreign exchange ("Adjusted EBITDA") is a non-IFRS measure and excludes finance costs, interest income, foreign exchange, income tax expense or recovery, depreciation and amortization and income and expenses of a non-recurring, unusual or one-time nature. Adjusted EBITDA is a measure used by management, the retail industry and investors as an indicator of the Company's operating performance, ability to incur and service debt, and as a valuation metric. While Adjusted EBITDA is a non-IFRS measure, management believes that it is an important indicator of operating performance because it excludes the effect of financing and investing activities by eliminating the effects of interest and depreciation and removes the impact of certain non-recurring items that are not indicative of our ongoing operating performance. Therefore, management believes Adjusted EBITDA gives investors greater transparency in assessing the Company's result of operations.

These measures do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other reporting issuers. Adjusted EBITDA should not be considered in isolation or as an alternative to measures prepared in accordance with IFRS.

A reconciliation of the Company's quarterly net loss to Adjusted EBITDA is outlined in the following table:

	Three-month periods ended		
(in CAD "000" except per share amounts)	**Sep, 2016**	**June, 2016**	**Sep, 2015**
Net loss	**$ (1,679)**	**$ (1,293)**	$ (2,005)
Depreciation/amortization expenses	**18**	**14**	21
Extended payment finance (i)	**376**	**719**	370
Finance costs	**544**	**548**	444
Finance and other income	**-**	**-**	1
Foreign exchange translation (gain)/loss	**(547)**	**42**	1,176
Adjusted EBITDA (ii)	**$ (1,288)**	**$ 30**	$ 7
Adjusted EBITDA loss per share	**$ 0.05**	**$ 0.00**	$ (0.01)

(i) Extended Payment Finance *represents finance cost paid to third parties for financing of Chinese manufacturers for the extended payment terms for material.*

(ii) *Adjusted EBITDA is a measure used by management, the retail industry and investors as an indicator of the Company's performance, ability to incur and service debt and as a valuation metric. Adjusted EBITDA is a non-IFRS measure.*

Adjusted EBITDA in Q2 2017 is ($1,288), as compared to $30 in Q1 2017 and $7 in Q2 2016, a decrease of ($1,318) and ($1,295) respectively. The Adjusted EBITDA in Q2 2017 decreased mainly due to a decrease in selling price per unit by 3.81% and in gross profit by 7.87% as compared to Q1 2017. Net loss increased in Q2 2017 by $386 compared to Q1 2017 and decreased by $326 compared to Q2 2016. Extended payment finance decreased in Q2 2017 by $343 compared to Q1 2017 and increased by $6 compared to Q2 2016. Finance costs decreased in Q2 2017 by $4 compared to Q1 2017 and increased by $100 compared to Q2 2016.

LIQUIDITY, FINANCING ACTIVITY AND CAPITAL RESOURCES

Since the launch of the Akash tablet in 2012, we have generated significant media attention, positive public relations, and ultimately over four million Sales Leads for our devices. However, we have historically been operating on a capital constrained basis, which has limited our ability to finance the working capital required to increase our manufacturing volumes to meet market demand. Thus, we have reported a net loss in each of our reported periods.

To finance our operations, we have historically relied on several equity and debt financings both from third parties and related parties. Based on the sales leads received, we were able to secure production financing from Tablet Investments, a related party which has recently been integrated into the consolidated operations of DataWind. In addition, we continue to leverage our strengthened balance sheet to negotiate improved credit terms from our contract manufacturers.

Our suppliers provide credit terms for repayment that are designed to approximately mirror the accounts receivable collections periods from our customers. The hardware component of our business requires significant working capital management and any disruption in the working capital cycle could impact our ability to maintain adequate product flow and achieve continued growth. On November 8, 2016, the Prime Minister of India announced and implemented the demonetization of Rs.500 and Rs.1000 Indian currency. Further to this announcement, courier companies delivering our product have suspended delivery due to extremely low collection rates on C.O.D. orders. The majority of our sales are C.O.D. through our TV Home Shopping partners. The impact to C.O.D. sales will likely continue for several weeks until the new currency can be swapped for the old currency at local banks. If the access to currency and the related economic instability persist, this will have an extended detrimental impact to our business by delaying our payments to Chinese suppliers and potentially impacting product delivery

Summary of Cash Flows

The following table sets forth a summary of the statement of cash flows derived from our condensed consolidated interim financial statements for the six months period ended September 30, 2016 and September 30, 2015.

	Six-month period ended September 30,	
	2016	**2015**
Cash flows from operating activities		
Net loss for the period	**$ (2,972)**	$ (3,193)
Non-cash items:		
Foreign exchange translation loss/(gain)	**(505)**	-
Depreciation of property and equipment	**32**	37
Finance expenses	**2,187**	1,779
Provision for bad debt and slow moving inventory	**100**	-
Stock based compensation	**84**	65
Changes in non-cash working capital items	**(1,074)**	(1,312)

Trade and other receivables	**(5,824)**	(7,451)
Inventories	**(1,011)**	(404)
Accounts payable and accrued liabilities	**8,030**	2,022
Net cash used in operating activities	**121**	(7,145)
Cash flows from investing activities		
Addition of property and equipment during the period	**(63)**	(122)
Net cash used in investing activities	**(63)**	(122)
Cash flows from financing activities		
Issuance of common shares	**2,484**	-
Loan received during the period	**-**	6,323
Loan repaid during the period	**-**	(1,031)
Interest paid during the period	**(1,411)**	(241)
Net cash (used in)/provided by financing activities	**1,073**	5,051
Net change in cash and cash equivalents	**1,130**	(2,216)
Cash and cash equivalents – beginning of period	**230**	10,698
Exchange (gains)/losses	**(553)**	(1,145)
Cash and cash equivalents – end of period	**$807**	$7,337

During the quarter ended September 30, 2016, operating activities generated $121 due to increase in inventory coupled with offsetting activity between payables and receivables. However, management expects to reach break-even soon through continued increases in sales and savings in production costs on products assembled in India. We cannot assure you that we will achieve profitability in the near future, or, if we do become profitable, that we will sustain profitability. Consequently, we cannot assure that we will generate positive cash flows from operating activities in the future or, if we do generate positive cash flows from operating activities, that they will be sustained; however, based on our current growth rate we believe it is likely. The Company is actively pursuing several strategies to increase cash and working capital to fuel continued growth.

Financial Instruments

For carrying amounts of cash and cash equivalents, trade accounts receivable, accounts payable and accrued liabilities, and loans and borrowings, it is the opinion of DataWind' s management that DataWind is not exposed to significant interest or credit risk arising from these financial instruments. DataWind does experience currency risk between the Canadian Dollar, the UK Pound and the United States Dollar. Hedging the Indian Rupee is relatively expensive and so management has decided not to hedge this currency. Management has negotiated a hedging facility with a third party to provide a hedge on these fluctuations should management believe that the likelihood of such fluctuations are material and imminent. The Company monitors the fluctuation between the Rupee and US Dollar and has established hedging procedures that can be implemented quickly in the event that currency fluctuation increases under a predictable scenario. For now, management has taken the position that the Rupee will remain relatively stable against the US$. Anticipated interest rate fluctuations over the coming year are not expected to create any material change in interest expenses. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity for prompt liquidation.

Long-term contractual obligations

We do not have any long-term contractual obligations. Aside from funding our operations, turning over and maintaining adequate inventory levels, we have no minimum working capital restrictions that are externally imposed.

Related Party Transactions

<u>1003161 Ontario Inc.</u>

External transactions with 1003715 Ontario Inc., a company under common ownership, are performed in the normal course of business and relate to managerial services provided to the Company by Raja, Suneet, and Lakhbir Tuli. During the quarter ended September 30, 2016, the Company incurred $220 in costs (Sep 30, 2015: Nil). No further amounts are due.

Capital Resources

DataWind is authorized to issue an unlimited number of common shares. There are 23,623,748 common shares issued and outstanding as at September 30, 2016. The common shares of DataWind Inc. trade on the Toronto Stock Exchange under the symbol “DW”.

OUTLOOK

Since May 2013, sales have been primarily composed of Internet-enabled tablet devices and mobile phones sold in India through our call center and online distribution channels. In recent quarters, we have sought to diversify our distribution network to include third-party e-commerce websites, various television home- shopping networks, and traditional “brick and mortar” retail locations which now number in excess of 10,000 locations. We expect continued growth in sales of our tablet devices, with a growing portion of sales coming from smartphone sales through these new distribution channels.

In early fiscal 2014, we launched a low-cost 2G Internet service plan in India, offering our new devices with bundled, one-year prepaid Internet browsing in regions of India covered by our data distribution partner’s networks. During the last quarter of FY 2017 we expect to roll out a no-contract, pre-paid, non-bundled services plan to our existing Indian user base and consider expanding our growth by offering our software delivery platform to third party hardware providers. As our Internet subscriber base grows, we expect to begin generating advertising revenues. This decoupling of hardware and software sales should allow this segment of the business to grow independently of working capital availability.

Demand for Internet connectivity in third world countries continues to increase. We have proven our concept in India and resolved logistical issues related to sales in developing countries. We recently announced expansion to Nigeria and we expect to extend our geographic presence to other African countries, Asian countries and/or Latin America, where similar socioeconomic drivers exist to suggest an acceptance of our products and Internet delivery model as working capital permits.

The Company continues to partner with educational providers and believes that its unique solution can provide significant support to that sector.

More recently we have seen growth in the demand for smart phones and we have accommodated our product mix to ensure that we offer an appropriate product in each form factor and price point.

Soon we expect to be able to sell our low cost proprietary internet delivery tool to all Android smartphone and tablet owners. This will allow the Company to penetrate the market faster without the financial burden of larger working capital needs when producing and selling hardware as part of the solution.

Top line pressure coupled with higher than expected component costs will place pressure on the gross margin in the near term. The demonetization steps undertaken by the Indian government will hamper the company's ability to deliver its product and may result in fewer unit sales until the new Indian currency returns to circulation.

Corporate Social Responsibility

The following is a summary of the results of the Company and its employees' corporate social responsibility efforts during fiscal 2016;

- We have partnered with several Canadian Universities and accepted funding to jointly develop a teacher-less educational aid for emerging markets that will be delivered via our proprietary technology.
- We have launched a "flipped classroom" initiative with several schoolboards.
- The Company has partnered with SKILLSdox Inc., a provider of quality online education resources. We have partnered to offer SKILLSdox's online education marketplace, School of Skill, on select DataWind low cost, Internet-enabled tablets launched March 2016. DataWind's tablets, which are sold bundled with one year of unlimited Internet access, will feature SKILLSdox's online education marketplace, School of Skill, which provides access to high quality resources from the world's top educators.

MANAGEMENT AND BOARD OF DIRECTORS

As a result of the corporate reorganization and concurrent financing completed on July 8, 2014, John Gillberry replaced Lakhbir Tuli on the Board of Directors. On January 13, 2015 the Company announced the appointment of Chander Dhawan to the Board of Directors. Mr. Dhawan was replaced by Jerry Tarasofsky on August 18, 2016. On October 6, 2016 the board accepted the resignation of John Gillberry.

The Board of Directors is now comprised of five (5) directors, three (3) of whom are independent. Pursuant to NI 52-110, an independent director is one who is free from any direct or indirect relationship which could, in the view of the Board of Directors, be reasonably expected to interfere with a director's exercise of independent judgment. Mr. Raja Singh Tuli and Mr. Suneet Singh Tuli are not independent as they are executive officers of the Company. Messrs. Brockhouse, Tarasofsky, and Bearsted are considered to be independent in accordance with the requirements set out under NI 52-110.

We have taken steps to ensure that adequate structures and processes will be in place to permit the Board of Directors to function independently of management of the Company. It is contemplated that independent directors will, after each meeting of the Board of Directors, meet without the non-independent directors. In addition, separate, regularly scheduled meetings of the independent directors of the Board of Directors will be held at which members of management will not be present. We will also permit shareholders to have direct contact with the independent directors in order to provide shareholders with feedback on material issues.

Lead Director

Viscount Nicholas Bearsted, an independent director, is the lead director of our Company and ensures that the Board of Directors discharges its responsibilities, that the Board of Directors evaluates performance of management objectively and that the Board of Directors understands the boundaries between the responsibilities of the Board of Directors and management.

Viscount Nicholas, in this capacity, oversees all meetings of the Board of Directors and has the overall responsibility to oversee governance matters in accordance with the duties and responsibilities attributed to the Chair of the Board pursuant to the Mandate of the Board of Directors.

Committees of the Board

Our Board of Directors ensures that the composition of its committees shall meet applicable statutory independence requirements as well as any other applicable legal and regulatory requirements.

Audit Committee

The audit committee is composed of three directors being Jerry Tarasofsky, Viscount Nicholas Bearsted, and John Brockhouse all of whom are independent. Mr. Tarasofsky acts as chair of the Audit Committee. Each member of the Audit Committee is “financially literate” within the meaning of NI 52-110 and “independent” within the meaning of NI 52-110.

Compensation Committee

The compensation committee is responsible for: (i) the establishment of compensation policies, including all incentive and equity based compensation plans; (ii) evaluating our executive and senior management; (iii) succession planning, including the appointment, training and evaluation of our senior management; and (iv) overseeing the compensation of directors.

The Compensation Committee is composed of two directors being John Brockhouse, Jerry Tarasofsky and Suneet Tuli. John Brockhouse and Jerry Tarasofsky are an independent director. John Brockhouse acts as chair of the Compensation Committee.

Corporate Governance and Nominating Committee

The corporate governance and nominating committee is responsible for: (i) developing corporate governance guidelines and principles for the Company; (ii) identifying individuals qualified for nomination to the Board of Directors; (iii) considering the structure and composition of the Board of Directors and its committees; and (iv) evaluating the performance and effectiveness of the Board of Directors and its members.

The Corporate Governance and Nominating Committee is composed of Jerry Tarasofsky, Nicky Bearsted and Raja Singh Tuli. Jerry Tarasofsky acts as chair of the Committees.

RISKS AND UNCERTAINTIES

The Company operates in a dynamic, rapidly changing environment that involves risks and uncertainties and as a result management expectation may not be realized for a number of reasons. An investment in DataWind common shares is speculative and involves a high degree of risk and uncertainty.

On January 8th, 2016, the Indian Telecom Regulatory Authority of India announced new legislation covering Net Neutrality, requiring that operators provide equal access to all websites. DataWind believes it is well positioned under this legislation as we do not distinguish between websites and our proxy servers deliver an unaltered and unrestricted static view of every web page available on the internet. Our proprietary solution dos not deliver streaming audio or video due to infrastructure limitations and network speeds over which we deliver internet to the rural regions of emerging markets; however, the

Authority Chair has confirmed that limitations related to speed are not bound by this legislation. This legislation will certainly be challenged and undergo practical review as it is implemented. In the meantime, DataWind affirms its position as the only cost effective solution to deliver internet to the masses in emerging economies.

On November 8, 2016, the Prime Minister of India announced and implemented the demonetization of Rs.500 and Rs.1000 Indian currency. Further to this announcement, courier companies delivering our product have suspended delivery due to extremely low collection rates on COD orders. The impact to COD sales will likely continue for several weeks until the new currency can swapped for the old currency at local banks.

Tablet Investment

In December 2014 and in January 2015, the Company acquired Tablet Guernsey and Tablet UK (Tablet) which are now wholly-owned subsidiaries. These two vehicles contain syndicated loans from 27 lenders representing a total debt of $12,291. Both of these companies have independent boards.

These loans are used by Tablet to purchase products from Chinese vendors for resale to Datawind Innovations (Indian subsidiary). The syndicated loans made to Tablet are at a high 17% interest rate as they are not secured by any company within the DataWind group. Repayment of these loans is through the recovery of receivables related to the sales made to DataWind innovations.

During Q3 2016, the Company had discussed renegotiating better terms with the lenders. During this period one of the lenders tried to pressurize DataWind into releasing an excessive number of warrants in exchange for better terms. The company has initiated a legal action against the investor for alleged breaches of such lender's construed obligations under its lending arrangement with the subsidiary and is in active negotiations with representatives of the syndicated group to renegotiate the terms of the facility. The status of the debt and repayment terms will remain uncertain until these negotiations are complete. Of the total amount outstanding at March 31, 2016, $5,595 has fallen into default during the negotiations; however, the Company continues to carry the balance of the debt and any unpaid but accrued interest at 17% as a current liability. Further, as the debt caries a high coupon rate commensurate with the risk and this unsecured debt is not directly with DataWind Inc, the Company did not feel it was appropriate to provide additional warrant coverage. The contract with lenders stipulates a 4.5% additional interest during times of default

Management has determined that it may be necessary to place Tablet under administration to protect the directors and force a mediated settlement as part of these negotiations. The company will press release the results of any new material settlements with the lenders resulting from this process; however, the status of the debt and repayment terms will remain uncertain until these negotiations are complete.

If Tablet is unable to reach satisfactory terms with the syndicated debt holders, DataWind Inc. may allow an orderly windup of the Tablet subsidiaries. Under this scenario, the lenders could work to negotiate payment terms with DataWind Innovations directly. Additional litigation may ensue before this matter is settled and while the Company may become a party to such suits, management believes any such attempts would be without merit and will be aggressively defended.

As DataWind innovations is currently able to get alternate accelerated credit from its Chinese vendors the current status of the Tablet investments has not impaired the Company's ability to acquire inventory or change its current growth estimates. The Company continues to carry the balance of the debt and any unpaid but accrued interest at 17% as a current liability.

Any investor should also consider carefully these risks and the risks and uncertainties that are detailed in our Prospectus available at www.sedar.com. Continued growth will require additional working capital.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements in compliance with IFRS requires management to select appropriate accounting policies and to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimates

Useful lives of depreciable assets

The useful lives of depreciable assets have been determined based on management estimated utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment.

Share-based compensation

The estimation of share-based compensation requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own share, the probable life of share options granted and the time of exercise of those share options. The model used by the Company is the Black-Scholes valuation model.

Judgements

Data Revenue

When product sales include both hardware bundled with internet access the Company has allocated its Internet revenues such that a 70 percent margin is achieved on this business line. This ratio is in line with industry standards for data resale in the respective geographies and in line with the expected returns generated at the time of the initial public offering. The Internet access component of revenues relies on the Company's core intellectual property while the hardware is relatively commoditized.

Warranty claims

The Company generally offers one-year warranties on most of its products. The Company does not provide for any future warranty claims as any claims are reverted to the manufacturer. The contract manufacturers repair units in India at co-located facilities. Contract manufacturers provide one-year warranty terms to DataWind Inc. As the only costs associated with the warranty process assumed by DataWind Inc. relate to shipping, no provisions for warranty work have been accrued.

Inventories

Inventories are initially recognized at cost, and subsequently at the lower of cost and net realizable value. Management estimates the net realizable values of inventories, considering the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices. The Company has provided $61 in the quarter ending June 30, 2016 (Mar 31, 2015: 94) against slow moving inventories.

Provisions

Provisions are recognized when the Company has a present obligation, legal or constructive because of a previous event, if it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the obligation. The amount recognized is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, considering the risks and uncertainties surrounding the obligations. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate of the expected future cash flows.

Estimation uncertainty

The estimates have been applied in a manner consistent with that in the prior periods and there are no known trends, commitments, events or uncertainties that we believe will materially affect the methodology or assumptions utilized in these consolidated financial statements. The estimates are impacted by many factors, some of which are highly uncertain.

The interrelated nature of these factors prevents us from quantifying the overall impact of these movements on the Company’s consolidated financial statements in a meaningful way. These sources of estimation uncertainty relate in varying degrees to virtually all asset and liability account balances.

Future changes in accounting policies

IFRS 9 Financial Instruments (“IFRS 9”)

IFRS 9 was issued by the IASB in November 2009 amended on October 28, 2010, will replace IAS 39 Financial Instruments: Recognition and Measurement. During the current year, the IASB issued the final version of IFRS 9, incorporating impairment of Financial Instruments with the classification, measurement and hedge accounting phases that had been issued earlier. 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. Financial liabilities held for trading are measured at "fair value through net results" (“FVTNR”), and all other financial liabilities are measured at amortized cost unless the fair value option is applied. The standard proposes a lifetime expected loss model for impairment of trade receivables. IFRS 9 is to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted. At this time, management is still evaluating the impact of IFRS 9 on the consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers (“IFRS 15”)

In May 2014, the IASB issued IFRS 15. IFRS 15 replaces IAS 18 Revenue, IAS 11 Construction Contracts and related Interpretations. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. This guidance is effective for annual reporting periods beginning on or after January 1, 2018 and early application is permitted. The standard is to be applied using one of the following methods: retrospective or modified retrospective with the cumulative effect of initially applying the standard as an adjustment to opening equity at the date of initial application. The Company plans to adopt

IFRS 15 at the beginning of April 1, 2019, and is currently assessing the potential effects of these changes on its consolidated financial statements.

IFRS 16 Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16 that provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes IAS 17 Leases and its associated interpretive guidance.

Significant changes were made to lessee accounting with the distinction between operating and finance leases removed and assets and liabilities recognized in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). In contrast, IFRS 16 does not include significant changes to the requirements for lessors.

IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019 with retroactive application and with early adoption permitted. The Company is currently evaluating the impact of IFRS 16 on its consolidated financial statements.

ADDITIONAL INFORMATION

Additional information related to the Company can be found on SEDAR at www.sedar.com