THIRD QUARTER REPORT FISCAL 2017

For the three-month and nine-month periods ended December 31, 2016

STINGRAY

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BASIS OF PREPARATION AND FORWARD LOOKING STATEMENTS

The following is the quarterly financial report and Management's Discussion and Analysis ("MD&A") of the results of operations and financial position of Stingray Digital Group Inc., ("Stingray" or "the Corporation"), and should be read in conjunction with the Corporation's unaudited condensed interim consolidated financial statements and accompanying notes for the three-month and the nine-month periods ended December 31, 2016 and 2015, and with the most recent audited consolidated financial statements and MD&A for the year ended March 31, 2016. This MD&A reflects information available to the Corporation as at February 2, 2017. Additional information relating to the Corporation is also available on SEDAR at www.sedar.com. The auditors of the Corporation have not performed a review of the interim financial report for the three-month and the nine-month periods ended December 31, 2016 and 2015.

This MD&A contains forward-looking information within the meaning of applicable Canadian securities laws. This forward-looking information includes, but is not limited to, statements with respect to management's expectations regarding the future growth, results of operations, performance and business prospects of the Corporation. This forward-looking information relates to, among other things, our objectives and the strategies to achieve these objectives, as well as information with respect to our beliefs, plans, expectations, anticipations, estimations and intentions, and may also include other statements that are predictive in nature, or that depend upon or refer to future events or conditions. Statements with the words "could", "expect", "may", "will", "anticipate", "assume", "intend", "plan", "believes", "estimates", "guidance", "foresee", "continue" and similar expressions are intended to identify statements containing forward looking information, although not all forward-looking statements included such words. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding future events.

Although management believes the expectations reflected in such forward-looking statements are reasonable, forward-looking statements are based on the opinions, assumptions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include, but are not limited to the risk factors disclosed in the Annual Information Form for the year ended March 31, 2016 available on SEDAR.

In addition, if any of the assumptions or estimates made by management prove to be incorrect, actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such assumptions include, but are not limited to, the following: our ability to generate sufficient revenue while controlling our costs and expenses; our ability to manage our growth effectively; the absence of material adverse changes in our industry or the global economy; trends in our industry and markets; the absence of any changes in law, administrative policy or regulatory requirements applicable to our business, including any change to our licences with the CRTC; minimal changes to the distribution of the pay audio services by Pay-TV providers in light of recent CRTC policy decisions; our ability to manage risks related to international expansion; our ability to maintain good business relationships with our clients, agents and partners; our ability to expand our sales and distribution infrastructure and our marketing; our ability to develop products and technologies that keep pace with the continuing changes in technology, evolving industry standards, new product introductions by competitors and changing client preferences and requirements; our ability to protect our technology and intellectual property rights; our ability to manage and integrate acquisitions; our ability to retain key personnel; and our ability to raise sufficient debt or equity financing to support our business growth. Accordingly, prospective purchasers are cautioned not to place undue reliance on such statements. All of the forward-looking information in this MD&A is qualified by these cautionary statements. Statements containing forward-looking information contained herein are made only as of the date of this MD&A. The Corporation expressly disclaims any obligation to update or alter statements containing any forward-looking information, or the factors or assumption underlying them, whether as a result of new information, future events or otherwise, except as required by law.

SUPPLEMENTAL INFORMATION ON NON-IFRS MEASURES

The Corporation believes that Adjusted EBITDA and Adjusted EBITDA margin are important measures when analyzing its operating profitability without being influenced by financing decisions, non-cash items and income taxes strategies. Comparison with peers is also easier as companies rarely have the same capital and financing structure. The Corporation believes that Adjusted net income and Adjusted net income per share are important measures as it demonstrates its core bottom-line profitability. The Corporation believes that Adjusted free cash flow is an important measure when assessing the amount of cash generated after accounting for capital expenditures and non-core charges. It demonstrates cash available to make business acquisitions, pay dividend and reduce debt. The Corporation believes that Net debt including and excluding contingent considerations and Net debt to Adjusted EBITDA are important measures when analyzing the significance of debt on the Corporation's statement of financial position. Each of these non-IFRS financial measures is not an earnings or cash flow measure recognized by IFRS and does not have a standardized meaning prescribed by IFRS. Our method of calculating such financial measures may differ from the methods used by other issuers and, accordingly, our definition of these non-IFRS financial measures may not be comparable to similar measures presented by other issuers. Investors are cautioned that non-IFRS financial measures should not be construed as an alternative to net income determined in accordance with IFRS as indicators of our performance or to cash flows from operating activities as measures of liquidity and cash flows.

OVERVIEW

Stingray is a leading business-to-business multi-platform music and in-store media solutions provider operating on a global scale. The Corporation reaches an estimated 400 million TV subscribers (or households) in 152 countries. The Corporation broadcasts high quality music and video content on a number of platforms including digital TV, satellite TV, IPTV, the Internet, mobile devices and game consoles.

The Corporation is headquartered in Montreal and currently has close to 300 employees worldwide, including in the United States, the United Kingdom, the Netherlands, Singapore, Israel, Australia and South Korea.

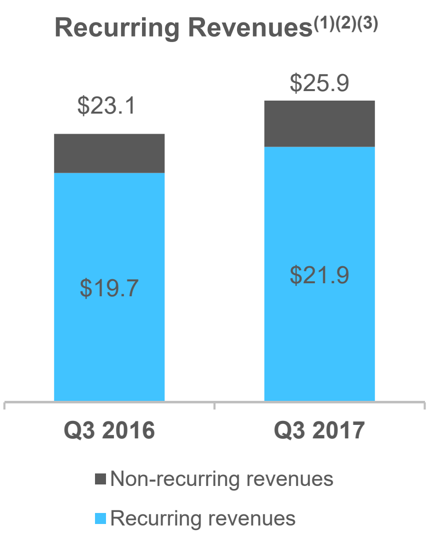
KEY PERFORMANCE INDICATORS(1)

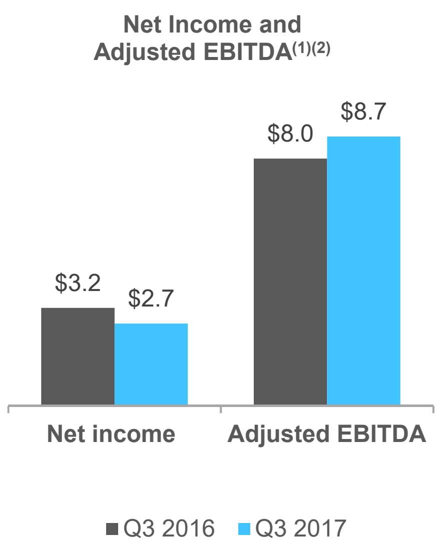
For the three-month period ended December 31, 2016:

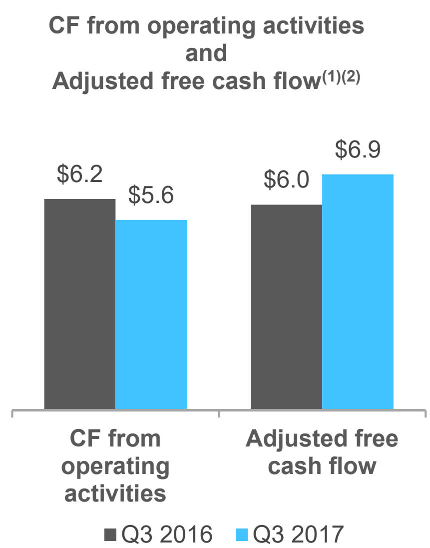
$25.9 M ▲ 12.3% from Q3 2016 Revenues	**$21.9 M** ▲ 11.4% from Q3 2016 Recurring revenue	**$8.7 M** ▲ 8.8% from Q3 2016 33.6% margin(1) Adjusted EBITDA(1)	**$6.9 M** ▲ 14.7% from Q3 2016 Adjusted free cash flow(1)
46.0 % % of international revenues	**$0.045** ▲ 12.5% from Q2 2017 Quarterly dividend per share	**$2.7 M** ▼ 16.1% from Q3 2016 Or $0.05 per share Net income	**$5.6 M** ▼ 9.9% from Q3 2016 Cash flow from operating activities

Note:
(1) Refer to “Supplemental information on Non-IFRS measures” on page 2 and 6.

For the three-month periods ended December 31, 2016 and 2015:







Notes:
(1) In millions of Canadian dollars.
(2) Refer to “Supplemental information on Non-IFRS measures” on page 2 and 6.
(3) Recurring revenues include subscriptions and usage in addition to fixed fees charged to our customers on a monthly, quarterly and annual basis for continuous music services. Non-recurring revenues mainly include support, installation, equipment and one-time fees.

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FINANCIAL AND BUSINESS HIGHLIGHTS

Highlights of the third quarter ended December 31, 2016

Compared to the quarter ended December 31, 2015 (“Q3 2016”):

- Revenues increased 12.3% to $25.9 million;
- Recurring revenues of $21.9 million, an increase of 11.4%;
- The contribution of International revenues increased 27.8% to 46.0%;
- Adjusted EBITDA(1) increased 8.8% to $8.7 million;
- Adjusted EBITDA margin(1) was 33.6% compared with 34.7% for Q3 2016 and 33.5% in Q2 2017;
- Net income was $2.7 million compared with $3.2 million for Q3 2016;
- Adjusted Net income(1) of $6.1 million compared with $6.2 million in Q3 2016;
- Cash flow from operating activities was $5.6 million compared to $6.2 million in Q3 2016; and
- Adjusted free cash flow(1) of $6.9 million compared with $6.0 million in Q3 2016.

Business Highlights:

- On January 3, 2017, the Corporation signed an agreement with UNITEL GmbH & Co. KG, a leading producer and distributor of classical music for audio-visual media, to acquire, operate, and distribute its international, premium pay TV channel, Classica, for a total consideration of EUR 7.2 million (CA$10.2 million). Together, UNITEL and the Corporation will help the greatest operas and orchestras reach audiences of all ages worldwide. UNITEL will continue to produce and deliver the programming for Classica, while Stingray will have unfettered and privileged access to UNITEL’s exclusive catalogue of more than 1,500 titles and 2,000 hours of premium content produced and owned by UNITEL.

- In December 2016, the Corporation rolled out a new look, campaign and website for the Stingray Music brand. As the Corporation Music’s subscriber base grows and gets younger, the proportion of listeners aged 18-34 reached 36% in 2015 – the overall branding was rethought to resonate with a new audience. The Corporation also launched the Stingray Music online music player; available free to everyone with a subscription to a provider that carries Stingray Music. A complement to the popular Stingray Music mobile app, the music player offers unlimited streaming of the same channel lineup offered on television. In addition, Stingray Music online also streams a selection of 2,000 Vibes channels in over 100 genres

- On October 14, 2016, the Corporation announced the acquisition of hundreds of exclusive concerts and documentaries from Berlin-based EuroArts Music International GmbH (EuroArts), a producer and distributor of classical music film productions, for a total consideration of EUR 1.2 million (CA$1.8 million). EuroArts will continue to distribute the acquired programs and will maintain its distribution, acquisition and production businesses.

- During Q3 2017, the Corporation signed new contracts with Telus Retail Ltd., Popeyes and Lindt & Sprungli (Canada) Inc.

- On February 1, 2017, the Corporation increased the quarterly dividend by 12.5% to $0.045 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend will be payable on or around March 15, 2017 to shareholders on record as of February 28, 2017.

Note:
(1) Refer to “Forward looking statements” and “Supplemental information on Non-IFRS measures” on page 2 and for reconciliations to the most directly comparable IFRS financial measure, refer to “Supplemental information on Non-IFRS measures” on page 6.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

(in thousands of Canadian dollars)	Three-month periods ended Dec.31, 2016 Q3 2017 $	% of revenues	Dec.31, 2015 Q3 2016 $	% of revenues	Nine-month periods ended Dec.31, 2016 YTD 2017 $	% of revenues	Dec.31, 2015 YTD 2016 $	% of revenues
Revenues	25,925	100.0 %	23,089	100.0 %	74,999	100.0 %	64,286	100.0 %
Recurring Revenues	21,944	84.6 %	19,699	85.3 %	64,929	86.6 %	55,852	87.0 %
Revenues	25,925	100.0 %	23,089	100.0 %	74,999	100.0 %	64,286	100.0 %
Music programming, cost of services and content	9,005	34.7 %	7,844	34.0 %	26,145	34.9 %	22,353	34.8 %
Selling and marketing	3,123	12.0 %	2,841	12.3 %	9,036	12.0 %	7,049	11.0 %
Research and development, support and information technology	2,097	8.1 %	1,940	8.4 %	6,636	8.8 %	5,359	8.3 %
General and administrative	4,648	17.9 %	3,779	16.4 %	12,631	16.8 %	9,290	14.5 %
IPO expenses and CRTC tangible benefits	–	– %	–	– %	–	– %	5,800	9.0 %
Depreciation and amortization and write-off	4,260	16.4 %	4,052	17.5 %	12,549	16.7 %	11,810	18.4 %
Net finance expenses (income)[3]	9	0.0 %	(810)	(3.5) %	1,030	1.4 %	(1,254)	(2.0) %
Change in fair value of investment	(583)	(2.2) %	(646)	(2.8) %	(742)	(1.0) %	(8,458)	(13.2) %
Income before income taxes	3,366	13.0 %	4,089	17.7 %	7,714	10.3 %	12,337	19.2 %
Income taxes	706	2.7 %	920	4.0 %	1,605	2.1 %	1,703	2.6 %
Net income	2,660	10.3 %	3,169	13.7 %	6,109	8.1 %	10,634	16.5 %
Adjusted EBITDA[1]	8,717	33.6 %	8,009	34.7 %	24,818	33.1 %	22,785	35.4 %
Adjusted Net income[1]	6,164	23.8 %	6,194	26.8 %	16,775	22.4 %	17,175	26.7 %
Adjusted free cash flow[1]	6,938	26.8 %	6,047	26.2 %	17,987	24.0 %	17,714	27.6 %
Cash flow from operating activities	5,598	21.6 %	6,215	26.9 %	11,940	17.5 %	11,259	17.5 %
Net debt excluding contingent considerations[1]	43,283	–	34,141	–	43,283	–	34,141	–
Net debt to Adjusted EBITDA[1][2]	1.31x	–	1.12x	–	1.31x	–	1.12x	–
Net debt including contingent considerations[1]	54,872	–	47,127	–	54,872	–	47,127	–
Net debt including contingent considerations to Adjusted EBITDA[1][2]	1.66x	–	1.54x	–	1.66x	–	1.54x	–
Net income per share basic	0.05	–	0.06	–	0.12	–	0.23	–
Net income per share diluted	0.05	–	0.06	–	0.12	–	0.23	–
Adjusted Net income per share basic[1]	0.12	–	0.12	–	0.33	–	0.37	–
Adjusted Net income per share diluted[1]	0.12	–	0.12	–	0.33	–	0.36	–
Revenue by category								
Music Broadcasting	19,295	74.4 %	17,013	73.7 %	55,192	73.6 %	46,747	72.7 %
Commercial Music	6,630	25.6 %	6,076	26.3 %	19,807	26.4 %	17,539	27.3 %
Revenues	25,925	100.0 %	23,089	100.0 %	74,999	100.0 %	64,286	100.0 %
Revenues by geography								
Canada	14,004	54.0 %	13,759	59.6 %	42,126	56.2 %	40,038	62.3 %
International[4]	11,921	46.0 %	9,330	40.4 %	32,873	43.8 %	24,248	37.7 %
Revenues	25,925	100.0 %	23,089	100.0 %	74,999	100.0 %	64,286	100.0 %

Notes:

(1) Refer to “Forward looking statements” and “Supplemental information on Non-IFRS measures” on page 2 and for reconciliations to the most directly comparable IFRS financial measure, refer to “Supplemental information on Non-IFRS measures” on page 6.

(2) Net debt to Adjusted EBITDA consists of Net debt divided by Adjusted EBITDA rolling twelve months.

(3) Interest paid during the Q3 2017 was $268 (Q3 2016; $153) and $838 for the YTD 2017 (YTD 2016; $1,628)

(4) International means all jurisdictions except Canada.

SUPPLEMENTAL INFORMATION ON NON-IFRS MEASURES

Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Net income, Adjusted Net income per share, Adjusted free cash flow, Net debt including and excluding contingent considerations and Net debt to Adjusted EBITDA are non-IFRS measures that the Corporation uses to assess its operating performance. See “Supplemental information on Non-IFRS Measures” on page 2.

The following tables show the reconciliation of Net income to Adjusted EBITDA:

(in thousands of Canadian dollars)	Three-month periods ended		Nine-month periods ended	
	Dec.31, 2016 **Q3 2017**	Dec.31, 2015 **Q3 2016**	Dec.31, 2016 **YTD 2017**	Dec.31, 2015 **YTD 2016**
Net income	**2,660**	**3,169**	**6,109**	**10,634**
Net finance expenses	9	(810)	1,030	(1,254)
Change in fair value of investment	(583)	(646)	(742)	(8,458)
Income taxes	706	920	1,605	1,703
Depreciation of property and equipment and write-off	574	609	1,694	1,552
Amortization of intangibles	3,686	3,443	10,855	10,258
Stock-based compensation(1)	372	369	960	961
Restricted share unit and deferred share unit	550	227	1,320	644
IPO expenses and CRTC tangible benefits	–	–	–	5,800
Acquisition, legal fees, restructuring and other various costs	743	728	1,987	945
Adjusted EBITDA	**8,717**	**8,009**	**24,818**	**22,785**
Net finance expenses	(9)	810	(1,030)	1,254
Income taxes	(706)	(920)	(1,605)	(1,703)
Depreciation of property and equipment and write-off	(574)	(609)	(1,694)	(1,552)
Income taxes related to change in fair value of investment, share-based compensation, amortization of intangible assets, IPO expenses and CRTC tangible benefits and acquisition, legal fees, restructuring and other various costs	(1,264)	(1,096)	(3,714)	(3,609)
Adjusted Net income	**6,164**	**6,194**	**16,775**	**17,175**

Note:
(1) Stock-based compensation includes related employee benefits

The following table shows the reconciliation of Cash flow from operating activities to Adjusted free cash flow:

(in thousands of Canadian dollars)	Three-month periods ended		Nine-month periods ended	
	Dec.31, 2016 **Q3 2017**	Dec.31, 2015 **Q3 2016**	Dec.31, 2016 **YTD 2017**	Dec.31, 2015 **YTD 2016**
Cash flow from operating activities	**5,598**	**6,215**	**11,940**	**11,259**
Add / Less :				
Acquisition of property and equipment and intangible assets	(1,208)	(717)	(2,711)	(2,329)
Net change in non-cash operating working capital items	2,005	17	7,304	2,294
Acquisition, legal fees, restructuring and other various costs, net of current income taxes	543	532	1,454	690
IPO expenses and CRTC tangible benefits	–	–	–	5,800
Adjusted free cash flow	**6,938**	**6,047**	**17,987**	**17,714**

The following table shows the calculation of Net debt including and excluding contingent considerations:

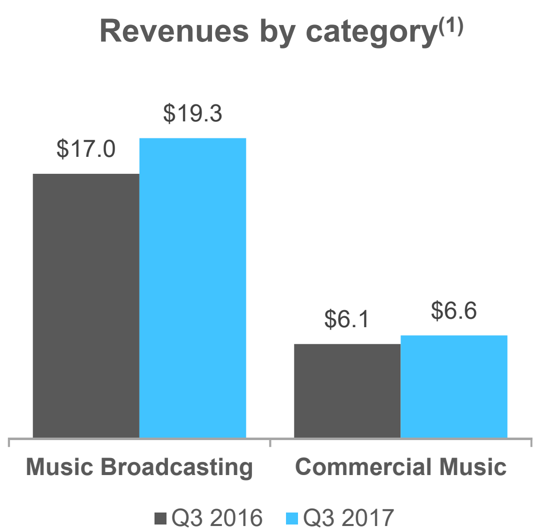
(in thousands of Canadian dollars)	**December 31, 2016**	**March 31, 2016**	**December 31, 2015**
Contingent considerations, including current portion	11,589	12,496	12,986
Revolving facility	46,279	35,035	36,594
(Cash and cash equivalents)	(2,996)	(3,201)	(2,453)
Net debt including contingent considerations	**54,872**	**44,330**	**47,127**
Contingent considerations, including current portion	(11,589)	(12,496)	(12,986)
Net debt excluding contingent considerations (“Net debt”)	**43,283**	**31,834**	**34,141**

FINANCIAL RESULTS FOR THE THREE-MONTH PERIODS ENDED DECEMBER 31, 2016 AND 2015

Revenues

Revenues in Q3 2017 increased to $25.9 million or 12.3%, from $23.1 million for Q3 2016. The increase in revenues was primarily due to the acquisitions of iConcerts, DMD and Much Channels combined with growth for Music Videos on Demand ("MVOD") in the United States.

Trends by Revenue Categories were as follow:



Note:
(1) In millions of Canadian dollars.

Music Broadcasting

The most significant contributors to the increase of 13.4% or $2.3 million from Q3 2016 in Music Broadcasting revenues were as follows (arrows reflect the impact):

▲ Acquisitions of iConcerts, DMD, Much Channels and the new MVOD contract signed in the U.S.

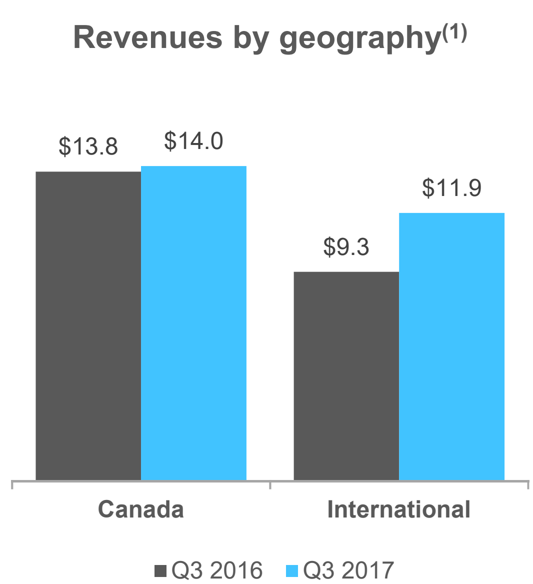
Commercial Music

The most significant contributors to the increase of 9.1% or $0.5 million from Q3 2016 in Commercial Music revenues were as follows (arrows reflect the impact):

▲ Organic growth in music and digital signage recurring revenues.

▲ Acquisition of Nümédia in Canada.

Trends by Revenues by Geographic Region:



Note:
(1) In millions of Canadian dollars.

Canada

The most significant contributors to the increase of 1.8% or $0.2 million from Q3 2016 in revenues for Canada were as follows (arrows reflect the impact):

▲ Contribution of the Nümédia and Much Channels acquisitions

▼ Partially offset by lower equipment's sales in Commercial Music.

International

The most significant contributors to the increase of 27.8% or $2.6 million from Q3 2016 in International revenues were as follows (arrows reflect the impact):

▲ Acquisitions of iConcerts, DMD, Much Channels and new MVOD contract signed in the U.S..

Operating Expenses

(in thousands of Canadian dollars)	Q3 2017 % of revenues	Q3 2016 % of revenues	Variance			Significant contributions to variance :
Music programming, cost of services and content	$9,005 34.7%	$7,844 34.0%	$1,161	14.8%	▲	Primarily due to acquisitions of iConcerts, DMD and Much Channels. Partially offset by lower costs related to equipment and installation sales.
Selling and marketing	$3,123 12.0%	$2,841 12.3%	$282	9.9%	▲	Primarily due to incremental selling costs from recent acquisitions and marketing efforts to support international growth.
Information technology and research and development	$2,097 8.1%	$1,940 8.4%	$157	8.1%	▲	Remained relatively stable.
General and administrative	$4,648 17.9%	$3,779 16.4%	$869	23.0%	▲	Primarily due to legal fees (see page 18), additional staff to support international expansion partially offset by lower acquisitions costs.
Depreciation, amortization and write-off	$4,260 16.4%	$4,052 17.5%	$208	5.1%	▲	Related to the amortization of client lists recognised following the acquisitions of DMD and iConcerts.

Adjusted EBITDA(1)(2)

Notes:
(1) In millions of Canadian dollars.
(2) Refer to "Supplemental information on Non-IFRS measures" on page 2 and 6.

Adjusted EBITDA in Q3 2017 increased to $8.7 million or 8.8%, from $8.0 million for Q3 2016. Adjusted EBITDA margin was 33.6% in Q3 2017 compared to 34.7% in Q3 2016, stable compared to the 33.5% reported in the second quarter of Fiscal 2017. The results are in line with our current scenario for a gradual improvement throughout the year on a sequential basis. The increase in Adjusted EBITDA was primarily due to the acquisitions realized in Fiscal 2016 and 2017 partially offset by higher operating expenses related to international expansion. The decrease in EBITDA margin was mainly related to recent acquisitions from which future synergies are expected.

Acquisition, legal, restructuring and other various costs mainly included costs related to litigation (see page 18), integration costs for our recent acquisitions and settlement fees.

Net Finance Expenses (Income)

Finance expenses increased to $0.01 million from an income of $0.8 million in Q3 2016. The increase was mainly related to the change in fair value of contingent considerations of $1.0 million offset by the foreign exchange gain of $0.5 million recognised in Q3 2017.

Change in fair value of investment

In Q3 2017, a gain on fair value of $0.6 million was recorded compared to a gain of $0.6 million in Q3 2016. The gain is related to the translation of the investments denominated in U.S. dollars to Canadian dollars.

Income Taxes

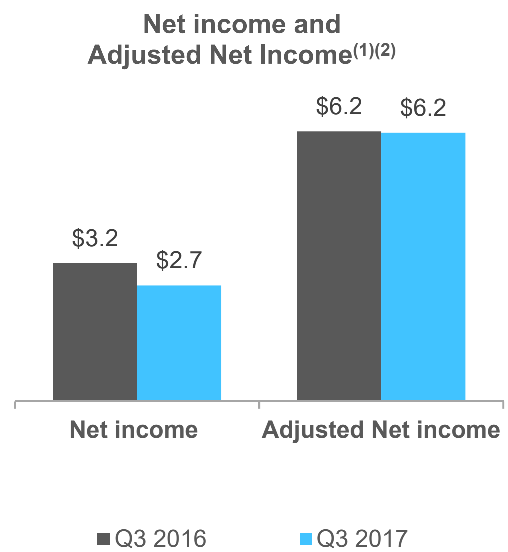
Effective tax rate for Q3 2017 was 21.0% compared to 22.5% for Q3 2016. The decrease was mainly related to lower corporate tax expenses in domestic and foreign jurisdiction offset by higher withholding taxes.

Net income and net income per share

Net income in Q3 2017 was $2.7 million ($0.05 per share) compared to $3.2 million ($0.06 per share) in Q3 2016. The decrease was mainly attributable to the change in fair value of contingent considerations reflected in the Net Finance Expenses (Income) line that occurred in Q3 2016, and increased general and administrative expenses related to legal fees, partially offset by higher operational results, a gain on foreign exchange and lower acquisitions costs in Q3 2017.

Adjusted Net income and Adjusted Net income per share

Adjusted Net Income in Q3 2017 was $6.2 million ($0.12 per share), compared to $6.2 million ($0.12 per share) in Q3 2016. Adjusted Net income remained stable. However, the net result reflects an higher Adjusted EBITDA combined with a gain on foreign exchange offset by a lower change in fair value of contingent considerations, and slightly higher income taxes expenses.



Notes:
(1) In millions of Canadian dollars.
(2) Refer to “Supplemental information on Non-IFRS measures” on page 2 and 6.

Quarterly results

Revenues increased over the last eight quarters from $19.6 million in the fourth quarter of Fiscal 2015 to $25.9 million in the third quarter of Fiscal 2017. The increase was mainly attributable to the successful integration of acquisitions and new contracts in international markets and Canada. The sequential decrease in Q1 2017 and Q2 2017 revenues compared to Q4 2016 was mainly related to lower non-recurring revenues in Music Broadcasting and the unfavorable foreign exchange impact between the Canadian dollar and the U.S. dollar.

Adjusted EBITDA increased from $7.7 million in the fourth quarter of Fiscal 2015 to $8.7 million in the third quarter of Fiscal 2017. The increase was mainly attributable to the successful integration of acquisitions and new contracts signed. The decrease in Q1 2017 Adjusted EBITDA compared to Q4 2016 was mainly related to the decrease in non-recurring revenues in Music Broadcasting and, incremental costs related to acquisitions, from which future synergies are expected and the unfavorable foreign exchange impact between the Canadian dollar and the U.S. dollar.

Net income (loss) fluctuated over the last eight quarters from $1.9 million in the fourth quarter of Fiscal 2015 to $2.7 million in the third quarter of Fiscal 2017. In Q1 2016, the net loss was mainly attributable to the one-time IPO expense and CRTC tangible benefits expenses of $5.5 million offset by a related tax impact of $1.5 million. In Q2 2016, the most significant component of the increase was the recognition of a gain on fair value on investment of $7.5 million which was offset by a related tax impact of $1.0 million. Furthermore, a gain on fair value of contingent considerations of $1.1 million was also recognised. In Q4 2016, the Corporation recognised deferred tax assets related to tax losses of foreign subsidiaries of $3.4 million offset by the loss on fair value on investment of $1.1 million which was related to unfavorable foreign exchange between the Canadian dollar and the U.S. dollar as the investment is denominated in U.S. dollars.

Summary of Consolidated Quarterly Results

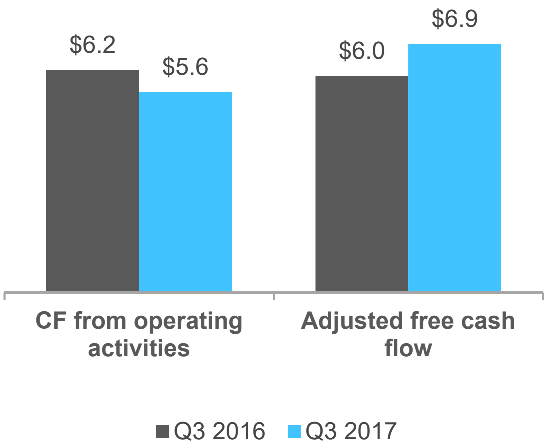
	Three-month period ended							
(in thousands of Canadian dollars, except per share amounts)	**Dec. 31, 2016**	**Sept. 30, 2016**	**June 30, 2016**	**March 31, 2016**	**Dec. 31, 2015**	**Sept. 30, 2015**	**June 30, 2015**	**March 31, 2015**
	Fiscal 2017	**Fiscal 2017**	**Fiscal 2017**	**Fiscal 2016**	**Fiscal 2016**	**Fiscal 2016**	**Fiscal 2016**	**Fiscal 2015**
Revenues by category								
Music Broadcasting	19,295	18,009	17,888	19,425	17,013	15,614	14,120	14,075
Commercial Music	6,630	6,518	6,659	6,233	6,076	5,688	5,775	5,573
Total revenues	**25,925**	**24,527**	**24,547**	**25,658**	**23,089**	**21,302**	**19,895**	**19,648**
Revenues by geography								
Canada	14,004	14,045	14,077	13,500	13,759	13,094	13,183	13,192
International	11,921	10,482	10,470	12,158	9,330	8,208	6,712	6,456
Total revenues	**25,925**	**24,527**	**24,547**	**25,658**	**23,089**	**21,302**	**19,895**	**19,648**
Recurring revenues	21,944	21,584	21,401	21,484	19,699	18,785	17,243	17,127
Recurring revenues as a percentage of total revenues	84.6%	88.0%	87.2%	83.7%	85.3%	88.2%	86.7%	87.2%
Adjusted EBITDA	**8,717**	**8,220**	**7,881**	**8,219**	**8,009**	**7,625**	**7,151**	**7,731**
Net income (loss)	**2,660**	**1,405**	**2,044**	**3,247**	**3,169**	**9,242**	**(1,777)**	**1,923**
Net income (loss) per share basic	0.05	0.03	0.04	0.06	0.06	0.18	(0.05)	0.06
Net income (loss) per share diluted	0.05	0.03	0.04	0.06	0.06	0.18	(0.05)	0.06
Adjusted Net income	**6,164**	**5,405**	**5,207**	**7,135**	**6,194**	**6,198**	**4,783**	**5,260**
Adjusted Net income per share basic	0.12	0.11	0.10	0.14	0.12	0.12	0.12	0.15
Adjusted Net income per share diluted	0.12	0.10	0.10	0.14	0.12	0.12	0.12	0.15

Reconciliation of Quarterly Non-IFRS Measures

(in thousands of Canadian dollars, except per share amounts)	Three-month period ended							
	Dec. 31, 2016	Sept. 30, 2016	June 30, 2016	March 31, 2016	Dec. 31, 2015	Sept. 30, 2015	June 30, 2015	March 31, 2015
	Fiscal 2017	Fiscal 2017	Fiscal 2017	Fiscal 2016	Fiscal 2016	Fiscal 2016	Fiscal 2016	Fiscal 2015
Net income (loss)	**2,660**	**1,405**	**2,044**	**3,247**	**3,169**	**9,242**	**(1,777)**	**1,923**
Net finance expenses	9	373	648	836	(810)	(1,310)	866	942
Change in fair value of investment	(583)	(250)	91	1,113	(646)	(7,549)	(263)	(451)
Income taxes	706	487	412	(1,428)	920	2,117	(1,334)	(241)
Depreciation of property and equipment and write-off	574	546	574	594	609	488	455	597
Amortization of intangibles	3,686	3,982	3,187	2,624	3,443	3,592	3,223	3,653
Stock-based compensation	372	298	290	390	369	371	221	376
Restricted share units and deferred share units	550	444	326	319	227	242	175	221
IPO expenses and CRTC tangible benefits	–	–	–	21	–	305	5,495	–
Acquisition, legal, restructuring and other various costs	743	935	309	503	728	127	90	711
Adjusted EBITDA	**8,717**	**8,220**	**7,881**	**8,219**	**8,009**	**7,625**	**7,151**	**7,731**
Net finance expenses	(9)	(373)	(648)	(836)	810	1,310	(866)	(942)
Income taxes	(706)	(487)	(412)	1,428	(920)	(2,117)	1,334	241
Depreciation of property and equipment and write-off	(574)	(546)	(574)	(594)	(609)	(488)	(455)	(597)
Income taxes related to change in fair value of investment, share-based compensation, amortization of intangible assets, IPO expenses and CRTC tangible benefits and acquisition, legal fees, restructuring and other various costs	(1,264)	(1,409)	(1,040)	(1,082)	(1,096)	(132)	(2,381)	(1,173)
Adjusted Net income	**6,164**	**5,405**	**5,207**	**7,135**	**6,194**	**6,198**	**4,783**	**5,260**

LIQUIDITY AND CAPITAL RESOURCES
FOR THE THREE-MONTH PERIODS ENDED DECEMBER 31, 2016 AND 2015

CF from operating activities and Adjusted free cash flow(1)(2)



Notes:
(1) In millions of Canadian dollars.
(2) Refer to "Supplemental information on Non-IFRS measures" on page 2 and 6.

Cash flow from operating activities

Cash flow generated from operating activities amounted to $5.6 million for Q3 2017 compared to $6.2 million for Q3 2016. The decrease was mainly due to the negative net change in non-cash working capital items associated with higher account payables and accrued liabilities paid Q3 2017 partially offset by higher trade and other receivables collected and higher foreign exchange gain.

Adjusted free cash flow

Adjusted free cash flow generated in Q3 2017 amounted to $6.9 million compared to $6.0 million in Q3 2016. The increase was mainly related to higher adjusted EBITDA, foreign exchange gain, lower income tax paid, partially offset by higher capital expenditures.

Financing Activities

Net cash flow generated by financing activities amounted to $3.1 million for Q3 2017 compared to net cash flow generated by financing activities of $12.0 million for Q3 2016. The decrease of $8.9 million was mainly attributable to the lower use of the revolving facility in Q3 2017 considering the acquisitions of DMD and iConcerts in Q3 2016. Furthermore, in Q3 2016, the Corporation paid $3.9 million of contingent considerations related to the acquisitions of DMX Canada and DMX Latin America.

Investing Activities

Net cash flow used in investing activities amounted to $8.3 million for Q3 2017 compared to $17.2 million for Q3 2016. The net change of $8.9 million was primarily related to the acquisition of DMD and iConcerts in Q3 2016.

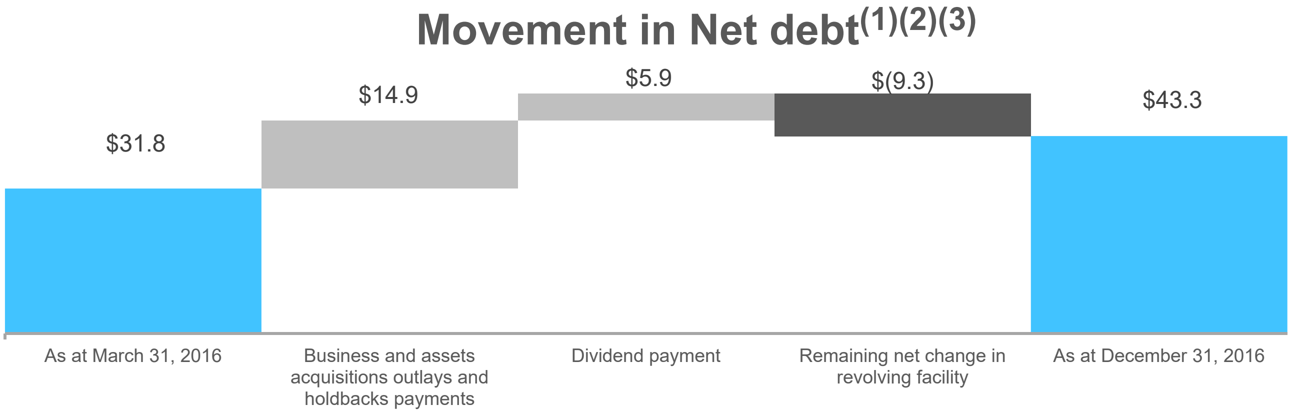
Contractual Obligations

The Corporation is committed under the terms of contractual obligations with various expiration dates, primarily the rental of office space, financial obligations under its credit agreement, broadcast licence and commitments for copyright royalties. There have been no material changes to these obligations since March 31, 2016 except for obligations related to the rental of office space.

Operating lease

On May 9, 2016, the Corporation signed a letter of intent for the renewal of its lease and to add additional space in the building under construction located at 99 Prince, Montréal, with a commencement date of July 1, 2017. The renewal of the lease is for a period of five years with an option to extend for an additional term of five years. The estimated commitment under the terms of the operating lease for the premises amounts to $8.7 million.

The following table summarizes the impact on the Net debt excluding contingent considerations (defined as Net debt below) that occurred in the nine-month period ended December 31, 2016 including related ratios:



31.0	12-Month Trailing Adjusted EBITDA(1)(2)(3)	33.0
1.03	Net debt to Adjusted EBITDA(1)(2)(3)	1.31

Notes:
(1) In millions of Canadian dollars.
(2) Refer to "Supplemental information on Non-IFRS measures" on pages 2 and 6.
(3) Adjusted EBITDA is calculated on the last twelve months in regards to the Net debt to Adjusted EBITDA ratio.

CONSOLIDATED FINANCIAL POSITION

The following table shows the main variances that have occurred in the consolidated financial position of the Corporation for the nine-month period ending December 31, 2016:

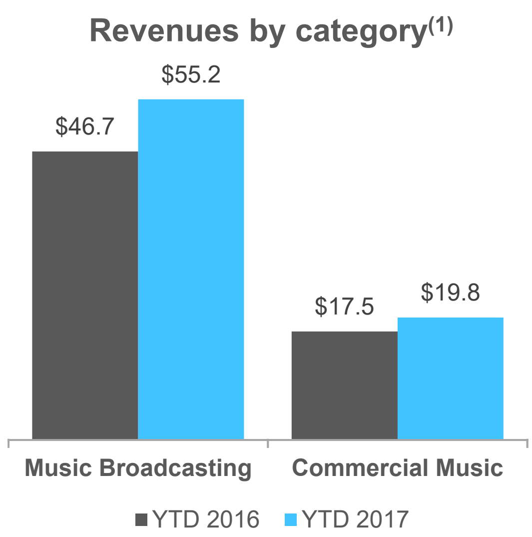
(in thousands of Canadian dollars)	Dec. 31, 2016	March 31, 2016	Variance		Significant contributions
Trade and other receivables	$28,362	$27,916	$446	▲	Attributable to additional sales in Canada and international sales.
Intangible assets	$43,850	$47,901	$(4,051)	▼	Mainly attributable to amortization in the current period offset by the recognition of intangibles from asset and business acquisitions.
Goodwill	$62,993	$61,805	$1,178	▲	Mainly attributable to goodwill related to the acquisition of Festival 4K B.V.
Accounts payable and accrued liabilities	$23,239	$25,955	$(2,716)	▼	Mainly attributable to the timing of payments to suppliers.
Revolving facility	$46,279	$35,035	$11,244	▲	Mainly attributable to business and asset acquisitions, payment of contingent considerations and quarterly dividends.
Contingent considerations, including current portion	$11,589	$12,496	$(907)	▼	Mainly attributable to the payment of contingent considerations for Archibald Media Group, Brava Group and Telefonica – On the Spot offset by the recognition of Festival 4K B.V. contingent consideration.

FINANCIAL RESULTS
FOR THE NINE-MONTH PERIODS ENDED DECEMBER 31, 2016 AND 2015

Revenues

Revenues for the nine-month period ended December 31, 2016 ("YTD 2017") increased to $75.0 million or 16.7%, from $64.3 million for the corresponding period of the previous fiscal year ("YTD 2016"). The increase in revenues was primarily due to business acquisitions combined with significant growth in international markets as well as the launch of new products.

Trends by Revenue Categories were as follow:



Note:
(1) In millions of Canadian dollars.

Music Broadcasting

The most significant contributors to the increase of 18.1% or $8.4 million from YTD 2016 in Music Broadcasting revenues were as follows (arrows reflect the impact):

▲ Acquisitions of iConcert, DMD and Much Channels.

▲ New customer contracts signed mainly in international markets such as the U.S.

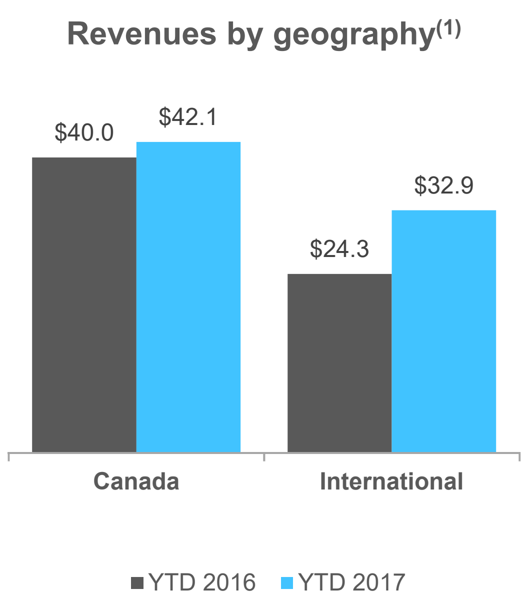
Commercial Music

The most significant contributors to the increase of 12.9% or $2.3 million from YTD 2016 in Commercial Music revenues were as follows (arrows reflect the impact):

▲ Organic growth in music recurring revenues.

▲ Acquisition of Nümédia.

Trends by Revenues by Geographic Region:



Note:
(1) In millions of Canadian dollars.

Canada

The most significant contributors to the increase of 5.2% or $2.1 million from YTD 2016 in revenues for Canada were as follows (arrows reflect the impact):

▲ As described above, organic growth in Commercial Music, and the acquisitions of Much Channels and Nümédia.

International

The most significant contributors to the increase of 35.6% or $8.6 million from YTD 2016 in International revenues were as follows (arrows reflect the impact):

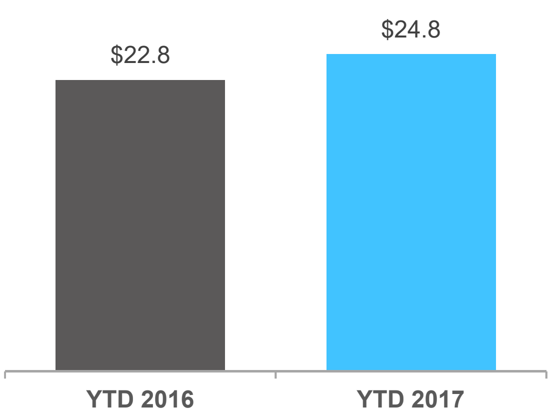
▲ Acquisitions mentioned above in Music Broadcasting.

▲ New customer contracts signed mainly in international markets such as the U.S., Europe and the Middle East.

Operating Expenses

(in thousands of Canadian dollars)	YTD 2017 % of revenues	YTD 2016 % of revenues	Variance YTD			Significant contributions to variance:
Music programming, cost of services and content	**$26,145** 34.9%	**$22,353** 34.8%	**$3,792**	**17.0%**	▲	Primarily due to acquisitions completed in Fiscal 2016 and 2017 and to the hiring of additional staff and content costs to support growth. In addition, costs related to additional installation and equipment sales.
Selling and marketing	**$9,036** 12.0%	**$7,049** 11.0%	**$1,987**	**28.2%**	▲	Primarily due to increased costs to support revenue growth in international markets.
Information Technology and Research and development	**$6,636** 8.8%	**$5,359** 8.3%	**$1,277**	**23.8%**	▲	Primarily due to additional staff and increased costs to support new technologies and growth.
General and administrative	**$12,631** 16.8%	**$9,290** 14.5%	**$3,341**	**36.0%**	▲	Primarily due to additional staff costs to support international expansion, administrative costs related to recent acquisitions and legal fees (see page 18).
Depreciation, amortization and write-off	**$12,549** 16.7%	**$11,810** 18.4%	**$739**	**6.3%**	▲	Primarily due to the addition of intangible assets related to acquisitions.

Adjusted EBITDA(1)(2)



Notes:
(1) In millions of Canadian dollars.
(2) Refer to "Supplemental information on Non-IFRS measures" on pages 2 and 6.

Adjusted EBITDA for YTD 2017 increased to $24.8 million or 8.9%, from $22.8 million for YTD 2016. The increase in Adjusted EBITDA was primarily due to the acquisitions realized in Fiscal 2016 and 2017 partially offset by higher general and administrative expenses. Adjusted EBITDA margin was 33.1% for YTD 2017 compared to 35.4% for YTD 2016. The decrease in EBITDA margin was mainly related to costs comprised in recent acquisitions from which future synergies are expected.

Acquisition, legal, restructuring and other various costs mainly included costs related to litigation (see page 18) integration costs for our recent acquisitions and settlement fees.

Net Finance Expenses (Income)

Finance expenses increased to $1.0 million from an income of $1.3 million for YTD 2016. The increase was related to lower change in fair value revaluations of contingent considerations and lower unrealized gain on foreign exchange partially offset by lower interest expenses. The Corporation repaid approximately $101 million of its debt in June 2015 with the proceeds of the IPO.

Change in fair value of investment

For YTD 2017, a gain of $0.8 million was recorded compared to a gain of $8.5 million for YTD 2016. The Corporation recognised a significant gain in Q2 2016 following an additional investment in AppDirect, a company that offers a cloud services marketplace and management platform that enables companies to distribute web-based services.

Income Taxes

Effective tax rate for YTD 2017 was 20.8 % compared to 13.8% for YTD 2016. The increase in the effective tax rate was mainly related to the non-deductible change in fair value of contingent considerations and the change in fair value of investment that occurred in Q2 2016.

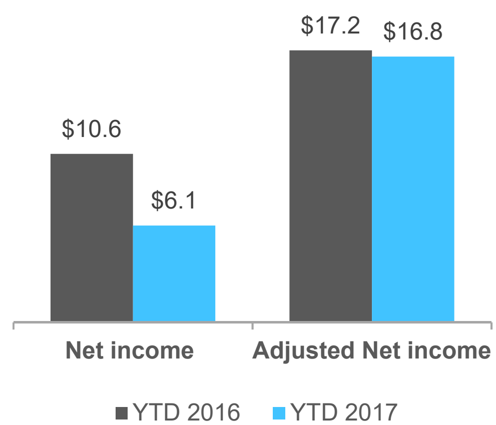
Net income and net income per share

Net income decreased to $6.1 million ($0.12 per share) for YTD 2017 compared to $10.6 million ($0.23 per share) for YTD 2016. The decrease was primarily due to the change in fair value of AppDirect of $7.5 million, lower change in fair value of contingent considerations which occurred in Q2 2016 and higher general and administrative expenses in Fiscal 2017, offset by the one-time IPO expenses and CRTC Tangible benefits recognised in the first quarter of last year.

Adjusted Net income and Adjusted Net income per share

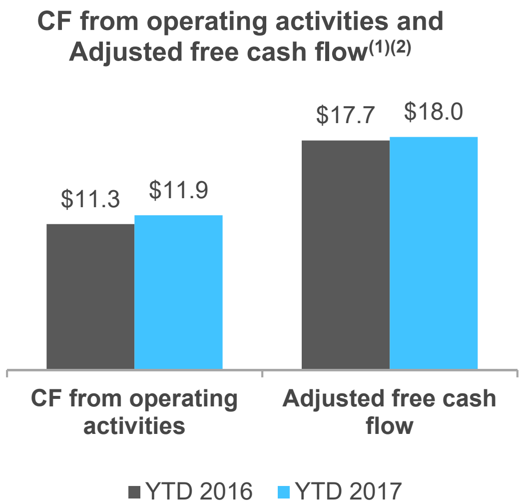
Adjusted net income for YTD 2017 decreased to $16.8 million ($0.33 per share) from $17.2 million ($0.36 per share) for YTD 2016. The decrease was primarily due to lower change in fair value revaluations of contingent considerations and lower unrealized gain on foreign exchange.

Net Income and Adjusted Net Income[1][2]



Notes:
(1) In millions of Canadian dollars.
(2) Refer to "Supplemental information on Non-IFRS measures" on page 2 and 6.

LIQUIDITY AND CAPITAL RESOURCES
FOR THE NINE-MONTH PERIODS ENDED DECEMBER 31, 2016 AND 2015



Notes:
(1) In millions of Canadian dollars.
(2) Refer to “Supplemental information on Non-IFRS measures” on page 2 and 6.

Cash flow from operating activities

Cash flow generated from operating activities amounted to $11.9 million for YTD 2017 compared to $11.3 million for YTD 2016. The increase was mainly related to lower interest paid and higher operating results, offset by higher net change in non-cash working capital items and higher income tax paid.

Adjusted free cash flow

Adjusted free cash flow generated in YTD 2017 amounted to $18.0 million compared to $17.7 million for YTD 2016. The increase was primarily attributable to higher operating results, lower financing costs, partially offset by higher income tax paid and lower gain on foreign exchange.

Financing Activities

Net cash flow generated from financing activities amounted to $3.2 million for YTD 2017 compared to $17.3 million for YTD 2016. The net change of $14.1 million was mainly attributable to the acquisitions of Brava, DMD and iConcerts that were financed through the revolving facility in Fiscal 2016, to the net proceeds of the IPO, offset by higher payment of contingent considerations, the repayment of the term loan and bridge loan in Q1 2016 and higher dividend payments in Fiscal 2017.

Investing Activities

Net cash flow used in investing activities amounted to $15.3 million for YTD 2017 compared to $27.4 million for YTD 2016. The net change of $12.1 million was primarily related to the acquisitions of EuroArts, Festival 4K B.V. and Bell Music Channels (Much Channels) for Fiscal 2017, compared to the acquisitions of Brava, DMD and iConcerts for Fiscal 2016.

Music Choice Litigation

Music Choice v. Stingray

Music Choice filed its original Complaint against Stingray Digital Group Inc. on June 6, 2016, asserting infringement of four U.S. patents, namely, U.S. Patent Nos. 8,769,602, 9,357,245, 7,320,025 and 9,351,045. On August 12, 2016, Music Choice filed its First Amended Complaint, which added a fifth U.S. patent, namely, U.S. Patent No. 9,414,121. The Corporation filed its Answer to the Original Complaint (including counterclaims) on August 30, 2016, asserting, among other things, defenses and counterclaims of non-infringement and invalidity. On September 2, 2016, Music Choice filed its Second Amended complaint, adding Stingray Music USA, Inc. (SMU) as a defendant, and the Corporation and SMU filed their answers and counterclaims on September 23 and October 4, 2016, respectively. Since the commencement of the case, the parties have jointly prepared and filed with the Court a docket control order, a protective order and an ESI order. Music Choice also served its infringement contentions on September 12, 2016, the parties exchanged Initial Disclosures, and Stingray served its invalidity contentions on November 28, 2016. In addition, on November 14, 2016, Stingray filed an amended answer and counterclaims which included inequitable conduct counterclaims based on David Del Beccaro's (and the other inventors') failure to disclose a product offered by Music Choice Europe in or about 2001 to the patent office and their misrepresentations to the patent office that they are the true inventors of the patents-in-suit. Music Choice moved to dismiss and strike Stingray's inequitable conduct counterclaims, which the Corporation opposed on January 4, 2017. That motion is still pending. Fact discovery has commenced, and the parties have exchanged written discovery requests and have begun producing documents. The parties will also begin taking depositions soon. For example, we will be deposing all of the patent inventors in March/April, followed by the deposition of Music Choice. Music Choice has noticed Stingray's deposition, which will likely take place in late March or April. The Markman hearing is scheduled for June 2, 2017, and trial is scheduled for December 4, 2017.

Stingray v. Music Choice

Stingray Music USA, Inc. filed its Complaint on August 30, 2016, asserting claims of unfair competition under the Federal Lanham Act, defamation, trade libel, tortious interference, and common law unfair competition, stemming from false misrepresentations of fact made by Music Choice regarding the nature, characteristics and qualities of the Corporation and its products and services, to the Corporation's existing and potential customers, with the goal of damaging the Corporation's relationships with those customers and its business generally. On October 17, 2016, Music Choice filed a Motion to Dismiss on the grounds that all of the Corporation's claims are time-barred. In response, on November 3, 2016, the Corporation filed an Amended Complaint, after which (on December 7, 2016), Music Choice moved to dismiss only the state law claims. Music Choice also filed a motion to transfer the case to the Eastern District of Pennsylvania. On January 4, 2017, the Corporation opposed both motions. In addition, the Corporation filed a motion to consolidate the action with the Music Choice patent infringement action. All motions are still pending. The court has not yet set the initial scheduling conference so discovery has not yet commenced.

Transactions Between Related Parties

The key management personnel of the Corporation are the Chief Executive Officer, Chief Financial Officer and certain other key employees of the Corporation.

Key management personnel compensation and director's fees include the following:

(in thousands of Canadian dollars)	Three-month period ended December 31, 2016 **Q3 2017**	Three-month period ended December 31, 2015 **Q3 2016**	Nine-month period ended December 31, 2016 **YTD 2017**	Nine-month period ended December 31, 2015 **YTD 2016**
Short-term employee benefits	768	756	2,439	2,162
Share-based compensation	219	269	586	703
Restricted share unit	192	55	284	137
Deferred share unit	126	90	465	209
	1,305	1,170	3,774	3,211

Off-Balance Sheet Arrangements

The Corporation had no off-balance sheet arrangements, other than operating leases (which have been discussed under "Contractual Obligations"), that have, or are reasonably likely to have, a current or future material effect on its consolidated financial position, financial performance, liquidity, capital expenditures or capital resources.

Disclosure of Outstanding Share Data

Issued and outstanding shares and outstanding stock options consisted of:

	February 1, 2017	December 31, 2016
Issued and outstanding shares:		
Subordinate voting shares	34,408,152	34,427,852
Variable Subordinate voting shares	607,329	587,629
Multiple voting shares	16,294,285	16,294,285
	51,309,766	51,309,766
Outstanding stock options:		
Stock options	1,397,229	1,397,229

The Corporation has established a stock option plan to attract and retain employees, directors, officers and consultants. The plan provides for the granting of options to purchase subordinate voting shares. Under this plan, 2,500,000 subordinate voting shares have been reserved for issuance. In the third quarter of 2017, no options were exercised.

Financial Risk Factors

The Corporation is exposed to a variety of financial risk: credit risk, liquidity risk and market risk (including currency risk and interest risk). The condensed interim consolidated financial statements and management discussion and analysis do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the annual financial statements as at March 31, 2016. The Corporation is not aware of any significant changes to the Corporation's risk factors from those disclosed at that time.

Risk Factors

For a detailed description of risk factors associated with the Corporation, please refer to the "Risk Factors" section of the Corporation's AIF dated June 15, 2016. The Corporation is not aware of any significant changes to the Corporation's risk factors from those disclosed at that time.

Future Accounting Changes

For information on future accounting changes, please refer to page 36 of the unaudited condensed interim consolidated financial statements.

Evaluation of Disclosure Controls and Procedures

Internal control over financial reporting ("ICFR") is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and of the preparation of financial statements for external purposes in accordance with IFRS. The President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), together with Management, are responsible for establishing and maintaining adequate disclosure controls and procedures ("DC&P") and ICFR, as defined in National Instrument 52-109. The Corporation's internal control framework is based on the criteria published in the updated version released in May 2013 of the report Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("2013 COSO Framework").

The Corporation's management, under the supervision of the CEO and CFO, designed ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS and based on 2013 COSO Framework. The DC&P have been designed to provide reasonable assurance that material information relating to the Corporation is made known to the CEO and CFO by others, and that information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by the Corporation under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

There have been no changes in the Corporation's internal control over financial reporting that occurred during the period that have materially affected, or are likely to materially affect, the Corporation's ICFR.

Management's assessment of and conclusion on the design of the Corporation's ICFR as at February 2, 2017, did not include the controls or procedures of the operations of Festival 4K B.V., which was acquired in June 2016. The Corporation has accordingly availed itself of provision 3.3(1)(b) of Regulation 52-109 which permits exclusion of this acquisition in the design and operating effectiveness assessment of its ICFR for a maximum period of 365 days from the date of acquisition.

Subsequent Events

Acquisition

On January 3, 2017, the Corporation signed an agreement with UNITEL GmbH & Co. KG, a leading producer and distributor of classical music for audio-visual media, to acquire, operate, and distribute its international, premium pay TV channel, Classica, for a total consideration of EUR 7.2 million (CA$10.2 million).

Dividend

The Corporation's dividend policy is at the discretion of the Board of Directors and may vary depending upon, among other things, our available cash flow, results of operations, financial condition, business growth opportunities and other factors that the Board of Directors may deem relevant.

On February 1, 2017, the Corporation has declared a dividend of $0.045 per subordinate voting share, variable subordinate voting share and multiple voting share that will be payable on or around March 15, 2017 to holders of subordinate voting shares, variable subordinate voting shares and multiple voting shares on record as of February 28, 2017.

Additional Information

Additional information about the Corporation is available on our website at www.stingray.com and on the SEDAR website at www.sedar.com.

Consolidated Statements of Comprehensive Income

Three-month and nine-month periods ended December 31, 2016 and 2015

(In thousands of Canadian dollars, except per share amounts) (Unaudited)	Note	Three-month periods ended December 31, 2016	Three-month periods ended December 31, 2015	Nine-month periods ended December 31, 2016	Nine-month periods ended December 31, 2015
Revenues		$ 25,925	$ 23,089	$ 74,999	$ 64,286
Music programming, cost of services and content		9,005	7,844	26,145	22,353
Selling and marketing		3,123	2,841	9,036	7,049
Research and development, support and information technology		2,097	1,940	6,636	5,359
General and administrative		4,648	3,779	12,631	9,290
Initial public offering expenses and CRTC tangible benefits	5	–	–	–	5,800
Depreciation, amortization and write-off	5, 7	4,260	4,052	12,549	11,810
Net finance expense (income)	6	9	(810)	1,030	(1,254)
Change in fair value of investments	12	(583)	(646)	(742)	(8,458)
Income before income taxes		3,366	4,089	7,714	12,337
Income taxes		706	920	1,605	1,703
Net income		$ 2,660	$ 3,169	$ 6,109	$ 10,634
Net income per share – Basic		0.05	0.06	0.12	0.23
Net income per share – Diluted		0.05	0.06	0.12	0.23
Weighted average number of shares – Basic		51,309,766	50,831,305	51,218,987	46,813,797
Weighted average number of shares – Diluted		51,633,481	51,205,702	51,425,209	47,260,524
Comprehensive income					
Net income		$ 2,660	$ 3,169	6,109	10,634
Other comprehensive income, net of tax					
Items that may be reclassified to profit and loss					
Exchange differences on translation of foreign operations		(2,273)	–	(1,952)	–
Total other comprehensive loss		(2,273)	–	(1,952)	–
Total comprehensive income		$ 387	$ 3,169	4,157	10,634

Net income is entirely attributable to Shareholders.

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Consolidated Statements of Financial Position

December 31, 2016 and March 31, 2016

(In thousands of Canadian dollars) (Unaudited)	Note	December 31, 2016	March 31, 2016 (recasted, see note 3)
Assets			
Current assets			
Cash and cash equivalents		$ 2,996	$ 3,201
Trade and other receivables		28,362	27,916
Research and development tax credits		855	236
Inventories		1,212	910
Prepaid expenses and other current assets		4,588	3,466
		38,013	35,729
Non-current assets			
Deposit on business acquisition	2	5,574	–
Property and equipment	7	5,220	4,628
Intangible assets	7	43,850	47,901
Goodwill	7	62,993	61,805
Investments	12	17,685	16,943
Investment in joint venture		864	815
Other assets		973	1,088
Deferred tax assets		6,723	7,485
Total assets		$ 181,895	$ 176,394
Liabilities and Equity			
Current liabilities			
Accounts payable and accrued liabilities		23,239	25,955
Dividends payable		–	1,789
Deferred revenues		1,337	915
Current portion of other payables	8	6,603	8,006
Income taxes payable		607	1,711
		31,786	38,376
Non-current liabilities			
Revolving facility		46,279	35,035
Other payables	8	8,823	8,844
Deferred tax liabilities		3,563	3,745
Total liabilities		90,451	86,000
Shareholders' equity			
Share capital	9	102,661	102,040
Contributed surplus		2,573	2,196
Deficit		(12,642)	(14,646)
Accumulated other comprehensive (loss) income		(1,148)	804
Total equity		91,444	90,394
Total liabilities and equity		$ 181,895	$ 176,394

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Approved by the Board of Directors,

(Signed) Eric Boyko, Director (Signed) L. Jacques Ménard, Director

Consolidated Statements of Changes in Equity

Nine-month periods ended December 31, 2016 and 2015

(In thousands of Canadian dollars, except number of share capital) (Unaudited)	Share Capital					
	Number	Amount	Contributed surplus	Deficit	Accumulated other comprehensive income	Total shareholders' equity
Balance at March 31, 2015	33,981,088	$ 2,240	$ 1,759	$ (21,841)	$ –	$ (17,842)
Issuance of shares upon exercise of options	243,334	636	(458)	–	–	178
Dividends	–	–	–	(3,049)	–	(3,049)
Issuance of subordinate voting shares and variable subordinate voting shares	16,647,100	104,044	–	–	–	104,044
Share issuance costs – net of income taxes of $1,993	–	(5,513)	–	–	–	(5,513)
Share-based compensation	–	–	961	–	–	961
Net income and comprehensive income	–	–	–	10,634	–	10,634
Balance at December 31, 2015	50,871,522	$ 101,407	$ 2,262	$ (14,256)	$ –	$ 89,413
Balance at March 31, 2016	51,107,975	$ 102,040	$ 2,196	$ (14,646)	$ 804	$ 90,394
Issuance of shares upon exercise of options (note 9)	201,791	621	(365)	–	–	256
Dividends	–	–	–	(4,105)	–	(4,105)
Share-based compensation	–	–	742	–	–	742
Net income	–	–	–	6,109	–	6,109
Other comprehensive loss	–	–	–	–	(1,952)	(1,952)
Balance at December 31, 2016	51,309,766	$ 102,661	$ 2,573	$ (12,642)	$ (1,148)	$ 91,444

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Consolidated Statements of Cash Flows

Three-month and nine-month periods ended December 31, 2016 and 2015

(In thousands of Canadian dollars) (Unaudited)	Note	Three-month periods ended December 31, 2016	Three-month periods ended December 31, 2015	Nine-month periods ended December 31, 2016	Nine-month periods ended December 31, 2015
Operating activities:					
Net income		$ 2,660	$ 3,169	$ 6,109	$ 10,634
Adjustments for:					
Share-based compensation	11	372	369	960	961
Restricted and performance share unit expense	11	424	137	855	435
Deferred share unit expense	11,13	126	90	465	209
Depreciation and write-off of property and equipment	7	574	609	1,694	1,552
Amortization of intangible assets	7	3,686	3,443	10,855	10,258
Amortization and write-off of financing fees	6	109	24	159	238
Other interest expense	6	376	166	968	1,384
Change in fair value of derivative	6,12	–	(3)	–	(110)
Change in fair value of investments	12	(583)	(646)	(742)	(8,458)
Change in fair value of contingent considerations	6,12	(88)	(1,090)	(188)	(2,172)
Accretion expense of CRTC tangible benefits	6	66	75	221	172
Share of results of joint venture		11	(19)	(34)	(27)
Income taxes expense		706	920	1,605	1,703
Interest paid		(268)	(153)	(838)	(1,628)
Income taxes paid		(568)	(859)	(2,845)	(1,598)
		7,603	6,232	19,244	13,553
Net change in non-cash operating items	10	(2,005)	(17)	(7,304)	(2,294)
		5,598	6,215	11,940	11,259
Financing activities:					
Increase in the revolving facility		5,148	17,392	11,244	28,692
Repayment of term loan and bridge loan		–	–	–	(100,960)
Payment of dividend		(2,053)	(1,526)	(5,894)	(3,049)
Proceeds from the exercise of stock options		–	79	256	178
Issuance of shares		–	–	–	104,044
Share capital issuance costs		–	–	–	(7,096)
Deferred financing costs		–	–	–	(431)
Repayment of other payables	12	–	(3,913)	(2,349)	(4,029)
Other		(13)	(40)	(58)	(75)
		3,082	11,992	3,199	17,274
Investing activities:					
Business acquisitions, net of cash acquired	3	–	(15,180)	(1,540)	(23,400)
Asset acquisitions	1	(1,519)	–	(5,519)	–
Acquisition of long-term investment	12	–	(1,334)	–	(1,665)
Acquisition of property and equipment		(1,016)	(482)	(2,122)	(1,352)
Acquisition of intangible assets		(192)	(235)	(589)	(977)
Deposit on business acquisition	2	(5,574)	–	(5,574)	–
		(8,301)	(17,231)	(15,344)	(27,394)
Increase (decrease) in cash and cash equivalents		379	976	(205)	1,139
Cash and cash equivalents, beginning of period		2,617	1,477	3,201	1,314
Cash and cash equivalents, end of period		$ 2,996	$ 2,453	$ 2,996	$ 2,453

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

1. Significant changes and highlights:

The condensed interim consolidated financial position and performance of Stingray Digital Group Inc. (the "Corporation") was particularly affected by the following events and transactions during the three-month and nine-month periods ended December 31, 2016:

- On October 14, 2016, the Corporation announced the acquisition of hundreds of exclusive concerts and documentaries from Berlin-based EuroArts Music International GmbH (EuroArts), a producer and distributor of classical music film productions, for a total consideration of EUR 1,201 (CA$1,758), of which EUR 1,050 (CA$1,519) was paid on October 14, 2016. EuroArts will continue to distribute the acquired programs and will maintain its distribution, acquisition and production businesses.
- On June 21, 2016, the Corporation announced the acquisition of four of Bell Media's popular music video channels: MuchLoud, MuchRetro, MuchVibes and Juicebox for a total consideration of $4,000. In June 2016, the Corporation has made a deposit of $3,000 to Bell Media. The last payment of $1,000 was made on September 16, 2016. This acquisition will enable the Corporation to consolidate its portfolio of television music channels and to provide the most comprehensive music products and services offering worldwide.
- The acquisition of Festival 4K based in Netherlands in June 2016. It resulted in the recognition of goodwill (notes 3 and 7), intangibles assets (notes 3 and 7), contingent considerations (notes 3 and 12) and additional operating profit related to the acquisition (note 3). The Corporation financed this acquisition using its amended revolving facility.

2. Subsequent events:

Acquisition

On January 3, 2017, the Corporation has signed an agreement with UNITEL GmbH & Co. KG, a leading producer and distributor of classical music for audio-visual media, to acquire, operate, and distribute its international, premium pay TV channel, Classica, for a total consideration of EUR 7,169 (CA$10,158) of which EUR 3,937 (CA$5,574) was paid on December 29, 2016, as a deposit on business acquisition.

Dividend

On February 1, 2017, the Corporation has declared dividend of $0.045 per subordinate voting share, variable subordinate voting share and multiple voting share that will be payable on or around March 15, 2017 to holders of subordinate voting share, variable subordinate voting share and multiple voting share on record as of February 28, 2017.

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

3. Business acquisitions:

Nine-month period ended December 31, 2016

Festival 4K B.V.

On June 15, 2016, the Corporation purchased all of the outstanding shares of Festival 4K B.V. for a total consideration of EUR1,861 (CA$2,678). Festival 4K B.V. one of the first channel in the world to broadcast nonstop 4K UHD, programs a range of live performances including festivals, concerts and theatre productions. As a result of the acquisition, a goodwill of $1,961 has been recognized and is related to the operating synergies expected to be achieved from integrating the acquired business into the Corporation existing worldwide assets. The goodwill will not be deductible for tax purposes.

The fair value of acquired trade receivables was $61 which represented the gross contractual amount. The contingent consideration arrangement requires the Corporation to pay, in cash, to the former owners, a certain multiple of the revenues for 12 months and other conditions, of up to EUR1,000 (CA$1,439) and would be payable in January 2018. The fair value of the contingent consideration has been determined using an income approach based on the estimated amount and timing of projected cash flows.

The results of the business acquisition of Festival 4K B.V. for the period ended December 31, 2016 have been included in results since the date of the acquisition. Revenues recorded from the acquisition date to December 31, 2016 were $391 and net income of $21. Had the acquisitions occurred at the beginning of the fiscal year, revenues related to this acquired business would have been approximately $503 and net income of $27.

		Preliminary
Assets acquired :		
Cash and cash equivalents	$	16
Accounts receivable		61
Prepaid expense and other current assets		317
Inventory		7
Intangible assets		544
Goodwill		1,961
		2,906
Liabilities assumed :		
Accounts payable and accrued liabilities		119
Deferred tax liabilities		109
		228
Net assets acquired at fair value	$	2,678
Consideration given :		
Cash		1,652
Working capital adjustment		(96)
Contingent consideration		1,122
	$	2,678

As of the reporting date, the Corporation has not completed the purchase price allocation over the identifiable net assets and goodwill as information to confirm fair value of certain assets and liabilities is still to be obtained.

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

Brava Group

The Corporation finalized the assessment of the fair values of the assets acquired and liabilities assumed related to this acquisition and some adjustments to the preliminary assessment has been recorded in the statement of financial position as shown below. The comparative figures have been adjusted to reflect these changes. The contingent consideration is expected to be settle during the second quarter of fiscal 2018.

	Preliminary	Adjustments	Final
Assets acquired :			
Cash and cash equivalents	$ 282	$	$ 282
Accounts receivable	1,576	306	1,882
Prepaid expense and other current assets	164		164
Property and equipment	61		61
Intangible assets	4,795		4,795
Goodwill	7,153	68	7,221
	14,031	374	14,405
Liabilities assumed :			
Accounts payable and accrued liabilities	1,186	81	1,267
Income taxes payable	391		391
Deferred tax liabilities	1,199		1,199
	2,776	81	2,857
Net assets acquired at fair value	$ 11,255	$ 293	$ 11,548
Consideration given :			
Cash	8,502	–	8,502
Working capital adjustment	25	275	300
Contingent consideration	2,728	18	2,746
	$ 11,255	$ 293	$ 11,548

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

iConcerts

The Corporation finalized the assessment of the fair values of the assets acquired and liabilities assumed related to this acquisition and some adjustments to the preliminary assessment has been recorded in the statement of financial position as shown below. The comparative figures have been adjusted to reflect these changes.

	Preliminary	Adjustments	Final
Assets acquired :			
Cash and cash equivalents	$ 505	$	$ 505
Accounts receivable	1,966	(1,185)	781
Prepaid expense and other current assets	997	(569)	428
Property and equipment	51		51
Intangible assets	2,334	116	2,450
Goodwill	6,921	212	7,133
	12,774	(1,426)	11,348
Liabilities assumed :			
Accounts payable and accrued liabilities	4,410	(977)	3,433
Income taxes payable	209	(209)	–
Deferred tax liabilities	345	(240)	105
	4,964	(1,426)	3,538
Net assets acquired at fair value	$ 7,810	$ –	$ 7,810
Consideration given :			
Cash	7,810		7,810
	$ 7,810	$ –	$ 7,810

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

Digital Media Distribution

The Corporation finalized the assessment of the fair values of the assets acquired and liabilities assumed related to this acquisition and some adjustments to the preliminary assessment has been recorded in the statement of financial position as shown below. The comparative figures have been adjusted to reflect these changes. The contingent consideration arrangement requires the Corporation to pay, in cash, to the former owners, AUD4,002 (CA$3,956) upon renewal of clients' contract before December 2017.

	Preliminary	Adjustments	Final
Assets acquired :			
Cash and cash equivalents	$ 210	$ (5)	$ 205
Accounts receivable	123	(25)	98
Prepaid expense and other current assets	292	5	297
Intangible assets	2,924	2,576	5,500
Goodwill	9,166	(2,208)	6,958
	12,715	343	13,058
Liabilities assumed :			
Accounts payable and accrued liabilities	306	(19)	287
Deferred tax liabilities	497	421	918
	803	402	1,205
Net assets acquired at fair value	$ 11,912	$ (59)	$ 11,853
Consideration given :			
Cash	7,862	(183)	7,679
Working capital adjustment	–	218	218
Contingent consideration	4,050	(94)	3,956
	$ 11,912	$ (59)	$ 11,853

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

Nümédia

The Corporation has adjusted the assessment of the fair values of the assets acquired and liabilities assumed related to this acquisition and some adjustments to the preliminary assessment has been recorded in the statement of financial position as shown below. The comparative figures have been adjusted to reflect these changes. The contingent consideration is expected to be settle during the fourth quarter of fiscal 2017.

	Preliminary	Adjustments	Adjusted
Assets acquired :			
Cash and cash equivalents	$ 257	$	$ 257
Accounts receivable	260	(6)	254
Prepaid expense and other current assets	33		33
Property and equipment	185		185
Intangible assets	841		841
Goodwill	775	210	985
	2,351	204	2,555
Liabilities assumed :			
Accounts payable and accrued liabilities	289	(44)	245
Long-term debt	185		185
Deferred tax liabilities	26		26
	500	(44)	456
Net assets acquired at fair value	$ 1,851	$ 248	$ 2,099
Consideration given :			
Cash	1,700		1,700
Working capital adjustment		99	99
Contingent consideration	151	149	300
	$ 1,851	$ 248	$ 2,099

Purchase price adjustments within the measurement period have been recorded as at March 31, 2016 (recasted).

4. Segment information:

Business description

The Corporation is incorporated under the *Canada Business Corporations Act.* The Corporation is domiciled in Canada and its registered office is located at 730 Wellington, Montréal, Québec, H3C 1T4. The Corporation is a provider of multi-platform music services. It broadcasts high quality music and video content on a number of platforms including digital TV, satellite TV, IPTV, the Internet, mobile devices and game consoles.

These interim consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries, Stingray Music USA Inc., Stingray Music Rights Management LLC, 2144286 Ontario Inc., Pay Audio Services Limited Partnership, Stingray Business Inc., Music Choice Europe Limited, Stingray Digital International Ltd., Music Choice India Private Ltd., Music Choice Europe Deutschland GmbH, Xtra Music Ltd., Stingray Europe B.V., Alexander Medien Gruppe BV, Transmedia Communications SA and its wholly-owned subsidiaries, Digital Music Distribution Pty Ltd and Festival 4K B.V..

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

Operating segments

Under IFRS 8, *Operating Segments*, the Corporation determined that it operated in a single operating segment since operations, resources and assets are mainly centralized, optimized and managed in Canada. International operations are leveraged from Canadian expertise.

The following tables provide geographic information on Corporation's revenues, property and equipment, intangibles assets and goodwill.

Revenue is derived from the following geographic areas based on selling locations.

	Three-month periods ended		Nine-month periods ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Revenues				
Canada	$ 14,004	$ 13,759	$ 42,126	$ 40,038
Other countries	11,921	9,330	32,873	24,248
	$ 25,925	$ 23,089	$ 74,999	$ 64,286

Long-term assets are derived from the following geographic areas based on subsidiaries locations.

	December 31, 2016	March 31, 2016
Property and equipment, intangible assets and goodwill		
Canada	$ 53,597	$ 53,734
Netherlands	19,296	18,604
United Kingdom	15,765	16,857
Australia	11,324	12,246
Other countries	12,081	12,893
	$ 112,063	$ 114,334

5. Other information:

The following table shows the depreciation and amortization and IPO expenses and CRTC tangible benefits distributed by function:

	Three-month periods ended		Nine-month periods ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Depreciation, amortization and write-off :				
Music programming, cost of services and content	$ 3,811	$ 3,443	$ 11,454	$ 10,258
General and administrative	449	609	1,095	1,552
	$ 4,260	$ 4,052	$ 12,549	$ 11,810
IPO expenses and CRTC tangible benefits :				
Music programming, cost of services and content	$ –	$ –	$ –	$ 4,158
General and administrative	–	–	–	1,642
	$ –	$ –	$ –	$ 5,800

(In thousands of Canadian dollars, unless otherwise stated)

The music programming, cost of services and content and the general and administrative expense for the three-month period ended December 31, 2016 would have been respectively $12,816 (2015 – $11,287) and $5,097 (2015 – $4,388) and the nine-month period ended December 31, 2016 would have been respectively, $37,599 (2015 – $36,769) and $13,726 (2015 – $12,484) if the presentation by function of the depreciation, amortization and write-off expense, IPO expenses and CRTC tangible benefits would have been adopted in the statements of comprehensive income.

During the three-month and the nine-month periods ended December 31, 2016, transaction costs related to business acquisitions amounting to $55 (2015 – $551) and $161 (2015 – $747), respectively, have been recognized in general and administrative in the statements of comprehensive income.

6. Net finance expense (income):

	Three-month periods ended		Nine-month periods ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Interest expense and standby fees	$ 376	$ 166	$ 968	$ 1,384
Change in fair value of contingent considerations	(88)	(1,090)	(188)	(2,172)
Change in fair value of derivative	–	(3)	–	(110)
Accretion expense of CRTC tangible benefits	66	75	221	172
Amortization and write-off of financing fees	109	24	159	238
Foreign exchange loss (gain)	(454)	18	(130)	(766)
	$ 9	$ (810)	$ 1,030	$ (1,254)

7. Property and equipment, intangible assets and goodwill:

	Property and equipment	Intangible assets	Goodwill
Year ended March 31, 2016			
Opening net book amount as at March 31, 2015	$ 4,330	$ 45,441	$ 39,129
Additions	2,146	1,235	–
Additions through business acquisitions	297	13,809	22,297
Depreciation and write-off of property and equipment	(2,146)	–	–
Amortization of intangible assets	–	(12,882)	–
Foreign exchange differences	1	298	379
Closing net book amount as at March 31, 2016	$ 4,628	$ 47,901	$ 61,805
Nine-month period ended December 31, 2016			
Opening net book amount as at March 31, 2016	$ 4,628	$ 47,901	$ 61,805
Additions	2,290	1,109	–
Additions through business acquisitions (note 3)	–	544	1,961
Additions through asset acquisitions (note 1)		5,519	
Depreciation and write-off of property and equipment	(1,694)	–	–
Amortization of intangible assets	–	(10,855)	–
Foreign exchange differences	(4)	(368)	(773)
Closing net book amount as at December 31, 2016	$ 5,220	$ 43,850	$ 62,993

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

8. Other payables:

	December 31, 2016	March 31, 2016
Contingent considerations	$ 11,589	$ 12,496
CRTC tangible benefits	3,771	4,230
Post-employment benefit obligations	66	124
	15,426	16,850
Current position	(6,603)	(8,006)
	$ 8,823	$ 8,844

9. Share capital:

Authorized:

Unlimited number of subordinate voting shares, participating, without par value

Unlimited number of variable subordinate voting shares, participating, without par value

Unlimited number of multiple voting shares (10 votes per share), participating, without par value

Unlimited number of special shares, participating, without par value

Unlimited number of preferred shares issuable in one or more series, non-participating, without par value

Issued and outstanding:

The movements in share capital were as follows:

	Number of shares	**Carrying amount**
Year ended March 31, 2016		
As at March 31, 2015		
Class A common shares	17,751,369	$ 2,228
Class B common shares	6,229,719	12
Class C common shares	10,000,000	–
	33,981,088	2,240
Issued upon exercise of stock options		
Class A common shares	80,000	192
Converted		
Class A common shares	(17,831,369)	(2,420)
Class B common shares	(6,229,719)	(12)
Class C common shares	(10,000,000)	–
Subordinate voting shares and variable subordinate voting shares	17,766,803	1,316
Multiple voting shares	16,294,285	1,116
	–	–
Issued upon initial public offering and exercise of over-allotment option		
Subordinate voting shares and variable subordinate voting shares	16,647,100	104,044
Share issuance costs, net of income taxes of $1,993	–	(5,542)
Issued upon exercise of stock options		
Subordinate voting shares	399,787	1,106
As at March 31, 2016		
Subordinate voting shares and variable subordinate voting shares	34,813,690	100,924
Multiple voting shares	16,294,285	1,116
	51,107,975	$ 102,040

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

	Number of shares	Carrying amount
Nine-month period ended December 31, 2016		
As at March 31, 2016		
Subordinate voting shares and variable subordinate voting shares	34,813,690	$ 100,924
Multiple voting shares	16,294,285	1,116
	51,107,975	102,040
Issued upon exercise of stock options		
Subordinate voting shares	201,791	621
As at December 31, 2016		
Subordinate voting shares and variable subordinate voting shares	35,015,481	101,545
Multiple voting shares	16,294,285	1,116
	51,309,766	$ 102,661

10. Net change in non-cash operating items

	Three-month periods ended		Nine-month periods ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Trade and other receivables	$ 1,048	$ (1,250)	$ (425)	$ (5,426)
Research and development tax credit	(213)	430	(619)	4
Inventories	(284)	426	(294)	(151)
Prepaid expenses and other current assets	(507)	695	(456)	809
Other assets	(63)	(155)	(44)	24
Accounts payable and accrued liabilities	(2,371)	520	(5,351)	(2,065)
Income taxes payable	173	153	146	551
Deferred revenues	232	(836)	419	166
Other payables (CRTC tangible benefits)	(20)	–	(680)	3,794
	$ (2,005)	$ (17)	$ (7,304)	$ (2,294)

11. Share-based compensation:

Stock options plan

During the nine-month period ended December 31, 2016, 352,631 options were granted at a weighted average fair value of $7.29. This fair value was estimated at the date on which the options were granted by using the Black-Scholes option pricing model with the following assumptions:

	2016
Weighted average volatility	35%
Weighted average risk-free interest rate	0.59% − 0.82%
Weighted average expected life of options	10 years
Weighted average value of the subordinate voting share at grant date	$7.27 – $8.20
Weighted average expected dividend rate	1.93% − 1.95%

During the three-month period ended December 31, 2016, no options were exercised.

During the nine-month period ended December 31, 2016, 201,791 options were exercised at the weighted average exercise price of $1.27 and at a weighted average share price of $7.20.

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

Total share-based compensation costs recognized under this stock option plan amount to $372 and $960 for the three-month and nine-month periods ended December 31, 2016 (2015 – $369 and $961), respectively.

Restricted and performance share unit expense

During the three-month and nine-month periods ended December 31, 2016, the total expense related to RSU and PSU plans amounted to $424 and $855 (2015 – $137 and $435). As at December 31, 2016, the fair value per unit was $8.71 (2015 – $6.17) for a total amount of $1,572 (2015 – $771) and was presented in accrued liabilities on the consolidated statements of financial position.

Deferred share unit expense

During the three-month period ended December 31, 2016, 14,579 DSU (2015 – 16,903) were granted at a range from $8.22 to $8.39 to directors (2015 – $7.00). During the three-month and nine-month periods ended December 31, 2016, the total expense related to DSU plan amounted to $126 and $465 (2015 – $90 and $209). As at December 31, 2016, the fair value per unit was at a range of $8.70 to $8.71 (2015 – $6.17) for a total amount of $775 (2015 – $209) and was presented in accrued liabilities on the consolidated statements of financial position.

12. Financial instruments:

Financial risk factors:

The Corporation is exposed to a variety of financial risk: credit risk, liquidity risk and market risk (including currency risk and interest risk). The condensed interim consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the annual financial statements as at March 31, 2016. The Corporation is not aware of any significant changes to the Corporation's risk factors from those disclosed at that time.

Fair values

The Corporation has determined that the carrying amount of cash and cash equivalents, trade and other receivables, accounts payable and accrued liabilities and current other payables excluding the contingent considerations is a reasonable approximation of their fair value due to the short-term maturity of those instruments. As such, information on their fair values is not presented below. The fair value of the revolving facility, approximate its carrying value as it bear interest at prime or banker's acceptance rate plus a credit spread, which approximate current rates that could be obtained for debts with similar terms and credit risk.

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

The carrying and fair value of financial assets and liabilities, including their level in the fair value hierarchy, consist of the following:

As at December 31, 2016	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 2,996				
Trade and other receivables	27,980				
Financial assets measured at fair value					
Investments	$ 17,685	$ 17,685	$ –	$ –	$ 17,685
Financial liabilities measured at amortized cost					
Revolving facility	$ 46,279				
Account payable and accrued liabilities	22,713				
Other payables other than contingent considerations	3,837	3,837	–	–	3,837
Financial liabilities measured at fair value					
Contingent considerations	$ 11,589	$ 11,589	$ –	$ –	$ 11,589

As at March 31, 2016	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 3,201				
Trade and other receivables	27,612				
Financial assets measured at fair value					
Investments	$ 16,943	$ 16,943	$ –	$ –	$ 16,943
Financial liabilities measured at amortized cost					
Revolving facility	$ 35,035				
Account payable and accrued liabilities	22,383				
Other payables other than contingent considerations	4,354	4,354	–	–	4,354
Financial liabilities measured at fair value					
Contingent considerations	$ 12,496	$ 12,496	$ –	$ –	$ 12,496

Fair value measurement (Level 2 and 3):

	Investments	Derivative instrument	Contingent considerations
Nine-month period December 31, 2015			
Opening amount as at March 31, 2015	$ 7,933	$ 110	$ 12,409
Additions through business acquisitions	–	–	6,778
Additionnal investments	1,665	–	–
Change in fair value	8,458	(110)	(2,172)
Payments	–	–	(4,029)
Closing amount as at December 31, 2015	$ 18,056	$ –	$ 12,986

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

	Investments	Derivative instrument	Contingent considerations
Nine-month period ended December 31, 2016			
Opening amount as at March 31, 2016	$ 16,943	$ –	$ 12,496
Additions through business acquisitions	–	–	1,122
Additions through asset acquisition			508
Change in fair value	742	–	(188)
Payments	–	–	(2,349)
Closing amount as at December 31, 2016	$ 17,685	$ –	$ 11,589

There were no changes in the valuation techniques for the derivative instrument and contingent considerations during the periods ended December 31, 2016 and 2015.

Investments

Equity instrument in a private entity

The fair value of the equity instrument in a private entity, AppDirect, was estimated using the market approach.

For the three-month and nine-month periods ended December 31, 2016 and 2015, the fair value has been measured by using the latest market transaction stock issue price, minus a liquidity discount of 25%. The liquidity discount was used to reflect the marketability of the asset. In measuring fair value, management used the best information available in the circumstances and also an approach that it believes market participants would use. There was no change in the fair value, except for reevaluation of foreign exchange, of this instrument during the three-month and nine-month periods as there were no market stock transaction or no other indicator of significant changes that could affect the fair value of the investment.

The equity instrument in a private entity is classified as a financial asset at fair value through profit and loss.

Convertible note

The convertible note has two components of value – a conventional note and an option on the equity of Multi Channels Asia PTE Ltd. (“MCA”) through conversion. Based on its terms, the conversion option and the convertible note, together the hybrid contract, have been assessed as a whole for classification. The hybrid contract has been recognized at fair value on initial recognition and was classified as at fair value through profit or loss. The fair value of the option component has been measured using the Black-Scholes model with the latest market transaction stock issue price. The fair value was calculated as the present value of the future cash flows based on risk-adjusted discount rate.

Change in fair value for both investments has resulted in a gain of $583 and $742 for the three-month and nine-month periods ended December 31, 2016 respectively ($646 and $8,458 for the three-month and nine-month periods ended December 31, 2015).

Contingent considerations

The contingent considerations related to business combinations are payable based on the achievement of targets for growth in revenues for a period from the date of the acquisition and upon renewal of client contract. The fair value measurement of the contingent consideration is determined using unobservable (Level 3) inputs. These inputs include (i) the estimated amount and timing of projected cash flows; and (ii) the risk-adjusted discount rate used to present the value of the cash flows, which is based on the risk associated with the revenue targets being met. The contingent consideration is classified as a financial liability and is included in other payables (note 8). The change in fair value is recognized in net finance expense (income) (note 6).

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

Derivative

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves. The derivative is classified as a financial liability at fair value through profit and loss. The change in fair value is recognized in net finance expense (income) (note 6).

13. Related parties:

The key management personnel of the Corporation are the Chief Executive Officer, Chief Financial Officer and other key employees of the Corporation.

Key management personnel compensation, and director's fees are as follows:

	Three-month periods ended		Nine-month periods ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Short-term employee benefits	$ 768	$ 756	$ 2,439	$ 2,162
Share-based compensation	219	269	586	703
Restricted and performance share unit	192	55	284	137
Deferred share unit	126	90	465	209
	$ 1,305	$ 1,170	$ 3,774	$ 3,211

14. Basis of preparation:

a) Statement of compliance:

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a basis consistent with those accounting policies followed by the Corporation in the most recent audited consolidated annual financial statements. These interim consolidated financial statements have been prepared on a condensed form in accordance with IAS 34 "Interim Financial Reporting". Accordingly, certain information, in particular the accompanying notes, normally included in the consolidated annual financial statements prepared in accordance with IFRS, has been omitted or condensed. Income taxes in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss. These interim consolidated financial statements should be read in conjunction with the consolidated annual financial statements and the note thereto for the year ended March 31, 2016.

The auditors of the Corporation have not performed a review of the interim consolidated financial statements for the three-month and nine-month periods ended December 31, 2016 and 2015.

The interim consolidated financial statements were authorized for issue by the Board of Directors on February 1, 2017.

b) Use of estimates and judgements:

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these interim consolidated financial statements, the significant judgements made by management in applying the Corporation's accounting policies and the key sources of information were the same as the ones applied to the audited consolidated financial statements for the year ended March 31, 2016.

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

c) **Functional and presentation currency:**

These interim consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

15. New and amended standard adopted by the Corporation:

IAS 1 - *Presentation of financial statements*

On December 18, 2014, the IASB issued amendments to IAS 1 - *Presentation of financial statements* as part of its major initiative to improve presentation and disclosure in financial reports. These amendments did not result in any changes on the consolidated financial statements.

IAS 16 – *Property, Plant and Equipment*

On May 12, 2014, the IASB issued amendments to IAS 16 - *Property, Plant and Equipment* and IAS 38 - *Intangible Assets*. The amendments made to IAS 16 explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset. The amendments in IAS 38 introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption could be overcome only when revenue and consumption of the economic benefits of the intangible asset are highly correlated or when the intangible asset is expressed as a measure of revenue. These amendments did not result in any changes on the consolidated financial statements.

16. New and amended standards not yet adopted by the Corporation:

IFRS 9 - *Financial instruments*

In July 2014, the IASB released the final version of IFRS 9 - *Financial Instruments* (IFRS 2014). ("IFRS 9 (2014)") presents a few differences with IFRS 9 (2009) and IFRS 9 (2010), early adopted by the Corporation on April 1, 2012, with respect to the classification and measurement of financial assets and accounting of financial liabilities. IFRS 9 (2014) also includes a new expected credit loss model for calculating impairment on financial assets and a new general hedge accounting requirements. The standard is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Corporation does not intend to early adopt IFRS 9 (2014). The Corporation is currently evaluating the impact of the standard on its consolidated financial statements.

IFRS 15 - *Revenue recognition*

In May 2014, the IASB issued IFRS 15 - *Revenue from Contracts with Customers*. IFRS 15 replaces all previous revenue recognition standards, including IAS 18 - *Revenue* and related interpretations such as IFRIC 13 - *Customer Loyalty Programs*. The standard sets out the requirements for recognizing revenue. Specifically, the new standard introduces a comprehensive framework with the general principle being that an entity recognizes revenue to depict the transfer of promised goods and services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduces more prescriptive guidance than was included in previous standards and may result in changes in classification and disclosure in addition to changes in the timing of recognition for certain types of revenues. The new standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Corporation is currently evaluating the impact that this standard will have on its consolidated financial statements. The Corporation does not intend to early adopt the standard.

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

IAS 7 – *Disclosure Initiative*

On January 7, 2016, the IASB issued amendments to IAS 7– *Disclosure Initiative.* The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. One way to meet this new disclosure requirement is to provide a reconciliation between the opening and closing balances for liabilities from financing activities. The Corporation intends to adopt the amendments to IAS 7 in its consolidated financial statements for the annual period beginning on April 1, 2017. The extent of the impact of adoption of the amendments has not yet been determined.

IFRS 16 – *Leases*

On January 13, 2016, the IASB issued IFRS 16 - *Leases*. This new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 - *Revenue from Contracts with Customers* at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17 - *Leases*. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The Corporation intends to adopt IFRS 16 in its consolidated financial statements for the annual period beginning on April 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

IAS 12 – *Recognition of deferred tax assets for unrealized losses*

On January 19, 2016 the IASB issued Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12). The amendments apply retrospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences. The Corporation intends to adopt the amendments to IAS 12 in its financial statements for the annual period beginning on April 1, 2017. The extent of the impact of adoption of the amendments has not yet been determined.

IFRS 2 – *Classification and Measurement of Share-based Payment Transactions*

On June 20, 2016, the IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective, or early, application is permitted if information is available without the use of hindsight. The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The Corporation intends to adopt the amendments to IFRS 2 in its financial statements for the annual period beginning on April 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

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