THIRD QUARTER REPORT FISCAL 2016

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

STINGRAY
ALL GOOD VIBES

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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, 2015 and 2014, and with the most recent audited consolidated financial statements and MD&A included in the prospectus dated May 26, 2015. This MD&A reflects information available to the Corporation as at February 3, 2016. 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, 2015 and 2014.

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 following risk factors : increases in royalties or restricted access to music rights; our dependence on Pay-TV providers; the rapidly evolving audio and video entertainment industry; competition from other content providers; the expansion of our operations into international markets; our rapid growth and our growth strategy; our acquisitions, business combinations and joint ventures; our dependence on key personnel; exchange rate fluctuations; economic and political instability in emerging countries; royalty calculation methods; rapid technological and industry changes; unavailability of additional funding; failure to generate cash revenues; reliance on our credit facilities; costly and protracted litigation in defence of copyrighted content; our inability to protect our proprietary technology; our reliance on third party hardware, software and related services; our inability to maintain our corporate culture; unfavourable economic conditions; our exposure to foreign privacy and data security laws; unauthorized and pirated music and video content; natural catastrophic events and interruption by man-made problems; additional income tax liabilities; maintaining our reputation; litigation and other claims; credit risk; liquidity risk; failure to comply with CRTC requirements; failure to maintain or renew our CRTC licences; the increase in broadcasting licence fees payable by us; unfavourable changes in government regulation affecting our industry.

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, 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 important measures in evaluating our performance. 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 B2B multi-platform music and in-store media solutions provider operating on a global basis. The Corporation reaches an estimated 400 million TV subscribers (or households) in 152 countries. We broadcast high quality music and video content on a number of platforms including digital TV, satellite TV, IPTV, the Internet, mobile devices and game consoles.

Stingray is headquartered in Montreal and currently has over 250 employees across the world, including in the United States, the United Kingdom, the Netherlands, Switzerland, France, Israel, Australia and South Korea.

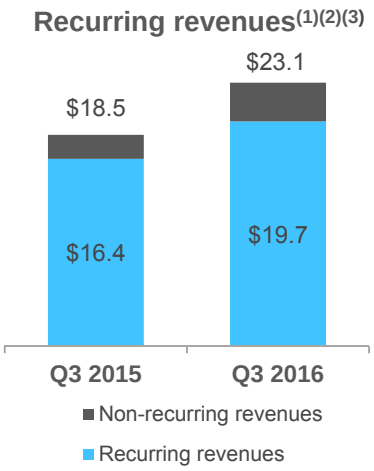
KEY PERFORMANCE INDICATORS[1]

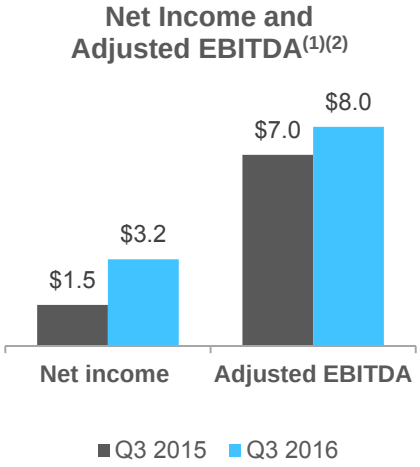
For the three months ended December 31, 2015:

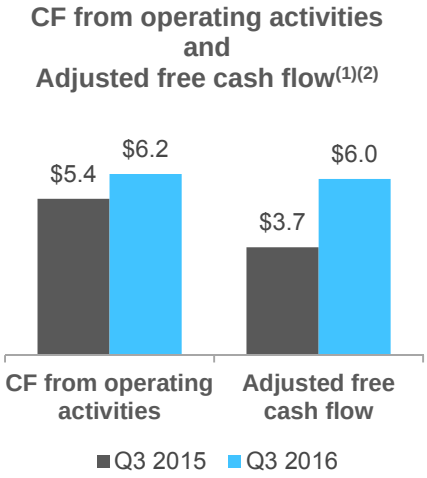
$23.1 M ▲ 24.6% from Q3 2015 Revenues	**$19.7 M** ▲ 20.0% from Q3 2015 Recurring revenue	**$8.0 M** 34.7% margin Adjusted EBITDA	**$6.0 M** Adjusted free cash flow
40% % of international revenues	**$0.03** Dividend per share	**$3.2 M** $0.06 per share Net income	**$6.2 M** Cash flow from operating activities

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

For the three months ended December 31, 2015 and 2014:







Note:
(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.

FINANCIAL AND BUSINESS HIGHLIGHTS

Highlights of the quarter ended December 31, 2015

Compared to the third quarter ended December 31, 2014 ("Q3 2015"):

- Revenues increased 24.6% to $23.1 million from $18.5 million for Q3 2015;
- Recurring revenues of $19.7 million (85% of total revenues), an increase of 20.0%;
- International revenues increased to 40.4% from 34.5%;
- Adjusted EBITDA increased 14.6% to $8.0 million from $7.0 million for Q3 2015;
- Adjusted EBITDA margin was 34.7% compared with 37.7% for Q3 2015;
- Net income increased 111.4% to $3.2 million ($0.06 per share) compared to $1.5 million ($0.04 per share) for Q3 2015;
- Adjusted Net income increased 41.5% to $6.2 million ($0.12 per share) compared to $4.4 million ($0.13 per share) for Q3 2015;
- Cash flow from operating activities increased 15.8% to $6.2 million compared to $5.4 million for Q3 2015; and
- Adjusted free cash flow increased 63.3% to $6.0 million compared to $3.7 million for Q3 2015.

Additional business highlights:

- On January 15, 2016, the Corporation introduced in the Latin America and Caribbean markets the new feature of the Stingray Music mobile app: the Vibes channels.
- On November 25, 2015, the Corporation announced that its Djazz.tv television channel is now available in HD on the Freebox of French Pay-TV provider, a triple-play set-top box for voice, video and data.
- On December 17, 2015, the Corporation announced that it has reached an agreement to acquire Swiss-based iConcerts, a TV channel operated by Transmedia Communication SA that is dedicated solely to live music currently distributed to more than 100 Pay-TV and Over The Top ("OTT") operators in 85 countries and available to an estimated 250 million households across Europe, Asia, Africa and the Middle-East. Stingray is now the world's largest broadcaster of live music concerts on television, with access to the largest library of digital live music worldwide. The transaction amounted to 5.6 million CHF (7.8 million CAD).
- On December 14, 2015, the Corporation announced that it entered into a definitive agreement to acquire Digital Music Distribution Pty. Ltd., Australia's most important digital music services provider. This acquisition is expected to provide Stingray with a strategic foothold in the Asia-Pacific region. The transaction amounted to 11.8 million AUD (11.9 million CAD).
- On February 3, 2016, the Corporation increased the quarterly dividend by 17% to $0.035 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend will be payable on or around March 15, 2016 to shareholders on record as of February 29, 2016.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

(in thousands of Canadian dollars)	Three-month periods ended Dec. 31, 2015 Q3 2016 $	% of revenues	Dec. 31, 2014 Q3 2015 $	% of revenues	Nine-month periods ended Dec. 31, 2015 YTD 2016 $	% of revenues	Dec. 31, 2014 YTD 2015 $	% of revenues
Revenues	23,089	100.0 %	18,529	100.0 %	64,286	100.0 %	51,341	100.0 %
Recurring Revenues	19,699	85 %	16,416	89 %	55,852	87 %	46,408	90 %
Revenues	23,089	100.0 %	18,529	100.0 %	64,286	100.0 %	51,341	100.0 %
Music programming, cost of services and content	7,652	33.1 %	6,234	33.6 %	22,189	34.5 %	16,182	31.5 %
Selling and marketing	2,899	12.6 %	1,906	10.3 %	7,213	11.2 %	5,759	11.2 %
Research and development, support and information technology	1,940	8.4 %	1,527	8.2 %	5,359	8.3 %	4,381	8.5 %
General and administrative	3,913	16.9 %	2,448	13.2 %	9,290	14.5 %	7,808	15.2 %
IPO expenses and CRTC tangible benefits	-	- %	-	- %	5,800	9.0 %	-	- %
Depreciation and amortization and write-off	4,052	17.5 %	4,169	22.5 %	11,810	18.4 %	10,729	20.9 %
Net finance expenses[3]	(810)	(3.7) %	1,310	7.1 %	(1,254)	(2.0) %	3,744	7.3 %
Change on fair value of investments	(646)	(2.6) %	(450)	(2.4) %	(8,458)	(13.1) %	(1,350)	(2.6) %
Income before income taxes	4,089	17.7 %	1,385	7.5 %	12,337	19.2 %	4,088	6.4 %
Income taxes	920	4.0 %	(114)	(0.6) %	1,703	2.6 %	(596)	(0.9) %
Net income	3,169	13.7 %	1,499	8.1 %	10,634	16.5 %	4,684	7.3 %
Adjusted EBITDA[1]	8,009	34.7 %	6,986	37.7 %	22,785	35.4 %	19,544	38.1 %
Adjusted Net income[1]	6,194	26.8 %	4,376	23.6 %	17,175	26.7 %	12,574	24.5 %
Adjusted free cash flow[1]	6,047	26.2 %	3,702	20.0 %	17,714	27.6 %	11,686	22.8 %
Cash flow from operating activities	6,215	26.9 %	5,366	29.0 %	11,259	17.5 %	8,571	16.7 %
Net debt excluding contingent considerations[1]	34,141	-	86,354	-	34,141	-	86,354	-
Net debt including contingent considerations[1]	47,127	-	96,082	-	47,127	-	96,082	-
Net debt to Adjusted EBITDA[1][2]	1.54x	-	3.69x	-	1.54x	-	3.69x	-
Net income per share basic	0.06	-	0.04	-	0.23	-	0.14	-
Net income per share diluted	0.06	-	0.04	-	0.23	-	0.13	-
Adjusted Net income per share basic[1]	0.12	-	0.13	-	0.37	-	0.37	-
Adjusted Net income per share diluted[1]	0.12	-	0.13	-	0.36	-	0.37	-
Revenue by category								
Music Broadcasting	17,013	73.7 %	13,896	75.0 %	46,747	72.7 %	39,424	76.8 %
Commercial Music	6,076	26.3 %	4,633	25.0 %	17,539	27.3 %	11,917	23.2 %
Revenues	23,089	100.0 %	18,529	100.0 %	64,286	100.0 %	51,341	100.0 %
Revenues by geography								
Canada	13,759	59.6 %	12,144	65.5 %	40,036	62.3 %	34,546	67.3 %
International[4]	9,330	40.4 %	6,385	34.5 %	24,250	37.7 %	16,795	32.7 %
Revenues	23,089	100.0 %	18,529	100.0 %	64,286	100.0 %	51,341	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 EBIDTA on rolling twelve months.

(3) Interest paid during the Q3 2016 was $153 (Q3 2015; $985) and $1,628 for the nine-month period ended December 31, 2015 ($2,852; 2014)

(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 contingent considerations, Net debt 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, 2015 **Q3 2016**	Dec. 31, 2014 **Q3 2015**	Dec. 31, 2015 **YTD 2016**	Dec. 31, 2014 **YTD 2015**
Net income	**3,169**	**1,499**	**10,634**	**4,684**
Net finance expenses	(810)	1,310	(1,254)	3,744
Change in fair value of investments	(646)	(450)	(8,458)	(1,350)
Income taxes	920	(114)	1,703	(596)
Depreciation of property and equipment and write-off	609	586	1,552	1,528
Amortization of intangibles	3,443	3,583	10,258	9,201
Stock-based compensation	369	112	961	424
Restricted and deferred share unit expenses	227	-	644	-
IPO expenses and CRTC tangible benefits	-	-	5,800	-
Acquisition, restructuring and other various costs	728	460	945	1,909
Adjusted EBITDA	**8,009**	**6,986**	**22,785**	**19,544**
Net finance expenses	810	(1,310)	1,254	(3,744)
Income taxes	(920)	114	(1,703)	596
Depreciation of property and equipment and write-off	(609)	(586)	(1,552)	(1,528)
Income taxes related to change in fair value of investment, share-based compensation, restricted and deferred share unit expenses, amortization of intangible assets, IPO expenses and CRTC tangible benefits and acquisition, restructuring and other various costs	(1,096)	(828)	(3,609)	(2,294)
Adjusted Net income	**6,194**	**4,376**	**17,175**	**12,574**

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, 2015 **Q3 2016**	Dec. 31, 2014 **Q3 2015**	Dec. 31, 2015 **YTD 2016**	Dec. 31, 2014 **YTD 2015**
Cash flow from operating activities	**6,215**	**5,366**	**11,259**	**8,571**
Add / Less :				
Capital expenditures	(717)	(956)	(2,329)	(1,911)
Net change in non-cash operating working capital items	17	(976)	2,294	3,854
Acquisition, restructuring and other various costs[(1)]	532	268	690	1,172
IPO expenses and CRTC tangible benefits[(1)]	-	-	5,800	-
Adjusted free cash flow	**6,047**	**3,702**	**17,714**	**11,686**

(1) Net of income taxes, except for IPO expenses and CRTC tangible benefits as only deferred income tax has been recognized on those items, thus having a non-cash impact.

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

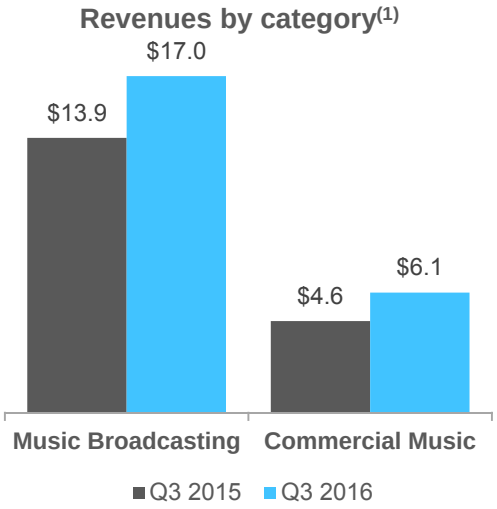
(in thousands of Canadian dollars)	**December 31, 2015**	**March 31, 2015**	**December 31, 2014**
Term loan, including current portion	-	80,835	82,899
Contingent considerations, including current portion	12,986	12,409	9,728
Bridge loan	-	20,000	-
Revolving facility	36,594	7,902	3,958
(Cash and cash equivalents) bank overdraft	(2,453)	(1,314)	(503)
Net debt including contingent considerations ("Net Debt")	**47,127**	**119,832**	**96,082**
Contingent considerations, including current portion	(12,986)	(12,409)	(9,728)
Net debt excluding contingent considerations	**34,141**	**107,423**	**86,354**

RESULTS OF OPERATIONS
FOR THE THREE-MONTH PERIODS ENDED DECEMBER 31, 2015 AND 2014

Revenues

Revenues in Q3 2016 increased 24.5% to a record of $23.1 million, from $18.5 million for Q3 2015. The increase in revenues was primarily due to the acquisitions combined with growth in international markets and non-recurring revenues related to installation and equipment sales. In addition, revenues were favourably impacted by the exchange rate between the Canadian dollar and the U.S. dollar.

Trends by Revenue Categories were as follow:



Note:
(1) In millions of Canadian dollars.

Music Broadcasting

The most significant contributors to the increase of 22.4% or $3.1 million from Q3 2015 in Music Broadcasting revenues were as follows (arrows reflect the impact):

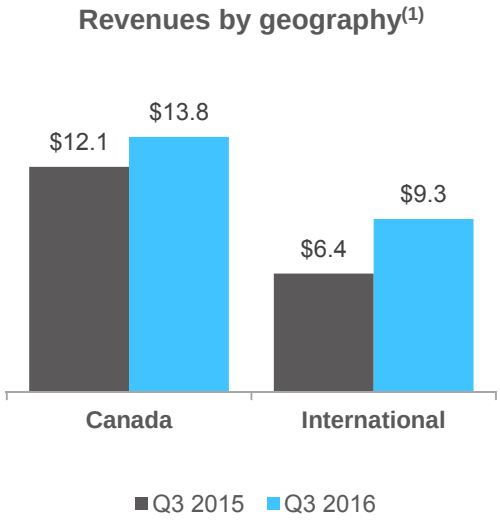
- ▲ Acquisition of Digital Media Distribution Pty Ltd. ("DMD") and Transmedia Communications SA ("iConcert") that occurred in December 2015 and the impact of the Brava acquisition that was included in full in Q3 2016.
- ▲ Organic growth in international markets.

Commercial Music

The most significant contributors to the increase of 31.1% or $1.5 million from Q3 2015 in Commercial Music revenues were as follows (arrows reflect the impact):

- ▲ Acquisition of *Les réseaux Urbains Viva Inc.* is included in full in Q3 2016. Also, new customer contracts are reflected in full in Q3 2016.
- ▲ Non-recurring revenues from installations and equipment sales related to new and existing customers.

Trends by Revenues by Geographic Region:



Note:
(1) In millions of Canadian dollars.

Canada

The most significant contributors to the increase of 13.3% or $1.7 million from Q3 2015 in revenues for Canada were as follows (arrows reflect the impact):

- ▲ As described above in Commercial Music, acquisitions are included in full in Q3 2016, new customer contracts and non-recurring revenues related to installation and equipment sales.

International

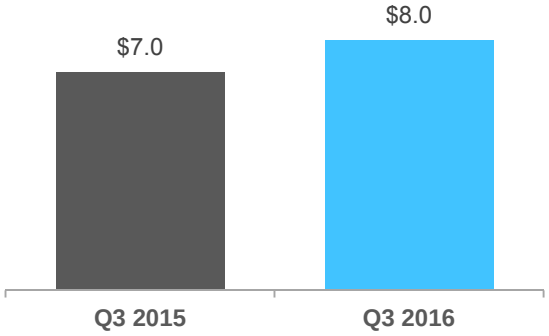
The most significant contributors to the increase of 46.1% or $2.9 million from Q3 2015 in International revenues were as follows (arrows reflect the impact):

- ▲ The favorable impact of the acquisitions as mentioned above and organic growth related to additional Karaoke download store sales and music services.
- ▲ Revenues were favourably impacted by the exchange rate between the Canadian dollar and the U.S. dollar.

Operating Expenses

(in thousands of Canadian dollars)	Q3 2016 % of revenues	Q3 2015 % of revenues	Variance		Significant contributions to variance :
Music programming, cost of services and content	$7,652 33.1%	$6,234 33.6%	$1,418 22.7%	▲	Primarily due to recent acquisitions, to the hiring of additional staff and content costs to support our international growth. In addition, increase in costs related to additional installation and equipment sales. These increases were partially offset by the favorable impact on the calculation of rights on revenues and royalties.
Selling and marketing	$2,899 12.6%	$1,906 10.3%	$993 52.1%	▲	Primarily due to costs to support revenue growth in international markets.
Information Technology and Research and development	$1,940 8.4%	$1,527 8.2%	$413 27.0%	▲	Increase related to additional hiring due to the international expansion and new internally developed products.
General and administrative	$3,913 16.9%	$2,448 13.2%	$1,465 58.8%	▲	Primarily due to increase in acquisition costs, restricted share unit and deferred share unit plan for employees and directors, additional employees to support growth and public company related costs.
Depreciation, amortization and write-off	$4,052 17.5%	$4,169 22.5%	$(117) (2.8)%	▼	Remained relatively stable.

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 2016 increased 14.6% to $8.0 million, from $7.0 million in Q3 2015. Adjusted EBITDA margin was 34.7% in Q3 2016 compared to 37.7% in Q3 2015. The increase in Adjusted EBITDA was primarily due to the recent acquisitions of Brava, DMD and iConcert, from which future synergies are expected. The increase was also related to organic growth in international market and non-recurring revenues from installation and equipment sales which tend to have lower margins.

Acquisition, restructuring and other various costs mainly included costs related to consultant and commission fees for acquisitions and costs to support our acquisition pipeline.

Net Finance Expenses

Finance expenses decreased to negative $0.9 million from positive $1.3 million in Q3 2015. The decrease was related to fair value revaluations of contingent considerations, unrealized gain on foreign exchange and a significantly lower debt. The Corporation repaid approximately $101 million of debt in June 2015 with the proceeds of the IPO.

Change in fair value of investments

In Q3 2016, a gain of $0.6 million was recorded on the AppDirect Inc. ("AppDirect") fair value compared to a gain of $0.5 million in Q3 2015. On September 21, 2015, the Corporation invested an additional $0.3 million (US$ 0.3 million) in AppDirect, a company that offers a cloud services marketplace and management platform that enables companies to distribute web-based services. As at December 31, 2015, the Corporation held a 1.76% interest in AppDirect and the fair value was $16.7 million.

Income Taxes

Income taxes expenses increased to $0.9 million in Q3 2016 from a recovery of $0.1 million for Q3 2015. The increase in income taxes was mainly related to the change in fair value of investment, to improved operating results, offset by lower financing costs. The recovery of $0.1 million in Q3 2015 was mainly related to the recognition of prior tax losses.

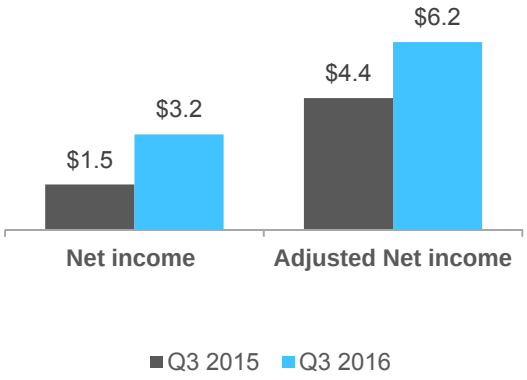
Net income and net income per share

Net income increased to $3.2 million ($0.06 per share) in Q3 2016 from $1.5 million ($0.04 per share) in Q3 2015. The increase was mainly attributable to lower net finance expenses and higher operating results, offset by higher income taxes.

Adjusted Net income and Adjusted Net income per share

Adjusted Net Income in Q3 2016 increased to $6.2 million ($0.12 per share) from $4.4 million ($0.13 per share) in Q3 2015. The increase was primarily due to higher Adjusted EBITDA resulting from recent acquisitions combined with international growth, additional sales for installation and equipment and lower net finance expenses, offset by higher income tax expenses.

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.

Quarterly results

Our revenues increased steadily over the last eight quarters from $16.2 million in the fourth quarter of Fiscal 2014 to $23.1 million in the third quarter of Fiscal 2016. The increase was mainly attributable to the successful integration of acquisitions and new contracts in Canada and in international markets. Over the past eight quarters, recurring revenues represented approximately 88% of total revenues.

Adjusted EBITDA increased from $6.5 million in the fourth quarter of Fiscal 2014 to $8.0 million in the third quarter of Fiscal 2016. The increase was mainly attributable to the successful integration of acquisitions and organic growth in Canada and in international markets.

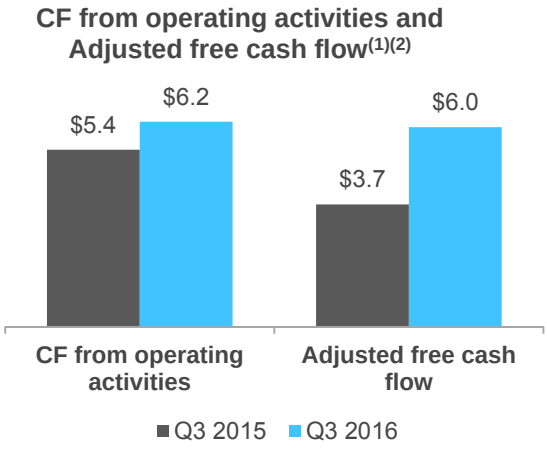
Summary of Consolidated Quarterly Results

(in thousands of Canadian dollars, except per share amounts)	Three-month period ended							
	Dec. 31, 2015	**Sept. 30, 2015**	**June 30, 2015**	**March 31, 2015**	**Dec. 31, 2014**	**Sept. 30, 2014**	**June 30, 2014**	**March 31, 2014**
	Fiscal 2016	**Fiscal 2016**	**Fiscal 2016**	**Fiscal 2015**	**Fiscal 2015**	**Fiscal 2015**	**Fiscal 2015**	**Fiscal 2014**
Revenue by category								
Music Broadcasting	17,013	15,614	14,120	14,075	13,896	13,064	12,464	12,896
Commercial Music	6,076	5,688	5,775	5,573	4,633	4,115	3,169	3,286
Total revenues	**23,089**	**21,302**	**19,895**	**19,648**	**18,529**	**17,179**	**15,633**	**16,182**
Revenues by geography								
Canada	13,759	13,094	13,183	13,192	12,144	11,714	10,688	10,992
International	9,330	8,208	6,712	6,456	6,385	5,465	4,945	5,190
Total revenues	**23,089**	**21,302**	**19,895**	**19,648**	**18,529**	**17,179**	**15,633**	**16,182**
Recurring revenues	19,699	18,785	17,243	17,127	16,416	15,618	14,374	14,529
Recurring revenues as a percentage of total revenues	85%	88%	87%	87%	89%	91%	92%	90%
Adjusted EBITDA	**8,009**	**7,625**	**7,151**	**7,731**	**6,986**	**6,734**	**5,824**	**6,511**
Net income (loss)	**3,169**	**9,242**	**(1,777)**	**1,923**	**1,499**	**2,167**	**1,018**	**2,228**
Net income (loss) per share basic	0.06	0.18	(0.05)	0.06	0.04	0.06	0.04	0.07
Net income (loss) per share diluted	0.06	0.18	(0.05)	0.06	0.04	0.06	0.03	0.07
Adjusted Net income	**6,194**	**6,198**	**4,783**	**5,260**	**4,376**	**4,607**	**3,591**	**4,020**
Adjusted Net income per share basic	0.12	0.12	0.12	0.15	0.13	0.14	0.11	0.12
Adjusted Net income per share diluted	0.12	0.12	0.12	0.15	0.13	0.13	0.10	0.12

Reconciliation of Quarterly Non-IFRS Measures

(in thousands of Canadian dollars)	Three-month period ended							
	Dec. 31, 2015	Sept. 30, 2015	June 30, 2015	March 31, 2015	Dec. 31, 2014	Sept. 30, 2014	June 30, 2014	March 31, 2014
	Fiscal 2016	Fiscal 2016	Fiscal 2016	Fiscal 2015	Fiscal 2015	Fiscal 2015	Fiscal 2015	Fiscal 2014
Net income (loss)	**3,169**	**9,242**	**(1,777)**	**1,923**	**1,499**	**2,167**	**1,018**	**2,228**
Net finance expenses	(810)	(1,310)	866	942	1,310	1,202	1,232	696
Change in fair value of investment	(646)	(7,549)	(263)	(451)	(450)	(450)	(450)	(985)
Income taxes	920	2,117	(1,334)	(241)	(114)	(348)	(134)	1,017
Depreciation of property and equipment and write-off	609	488	455	597	586	541	401	300
Amortization of intangibles	3,443	3,592	3,223	3,653	3,583	3,288	2,330	2,678
Stock-based compensation	369	371	221	376	112	80	232	150
Restricted and deferred share unit expenses	227	242	175	221	-	-	-	-
IPO expenses and CRTC tangible benefits	-	305	5,495	-	-	-	-	-
Acquisition, restructuring and other various costs	728	127	90	711	460	254	1,195	427
Adjusted EBITDA	**8,009**	**7,625**	**7,151**	**7,731**	**6,986**	**6,734**	**5,824**	**6,511**
Net finance expenses	810	1,310	(866)	(942)	(1,310)	(1,202)	(1,232)	(696)
Income taxes	(920)	(2,117)	1,334	241	114	348	134	(1,017)
Depreciation of property and equipment and write-off	(609)	(488)	(455)	(597)	(586)	(541)	(401)	(300)
Income taxes related to change in fair value of investment, share-based compensation, restricted and deferred share unit expenses, amortization of intangible assets, IPO expenses and CRTC tangible benefits and acquisition, restructuring and other various costs	(1,096)	(132)	(2,381)	(1,173)	(828)	(732)	(734)	(478)
Adjusted Net income	**6,194**	**6,198**	**4,783**	**5,260**	**4,376**	**4,607**	**3,591**	**4,020**

LIQUIDITY AND CAPITAL RESOURCES
FOR THE THREE-MONTH PERIOD ENDED DECEMBER 31, 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 increased to $6.2 million in Q3 2016 from $5.4 million in Q3 2015. The increase was mainly due to acquisitions and international growth.

Adjusted free cash flow

Adjusted free cash flow increased to $6.0 million in Q3 2016 from $3.7 million in Q3 2015. The increase was mainly related to higher operating results, lower interest paid and lower capital expenditures.

Investing Activities

Net cash flow used in investing activities amounted to $17.2 million in Q3 2016 compared to $3.9 million in Q3 2015. The increase of cash flow used of $13.3 million was primarily related to the acquisition of iConcert and DMD in Q3 2016 and an investment in a convertible note of $1.3 million.

Financing Activities

Net cash flow generated from financing activities amounted to $12.0 million in Q3 2016 compared to net cash flow used in financing activities of negative $0.2 million in Q3 2015. The increase of $12.2 million was mainly attributable to the acquisitions of iConcert and DMD which were financed with the revolving facility, the repayment of other payable and the payment of quarterly dividend.

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 our credit agreement, broadcast licence and commitments for copyright royalties. There have been no material changes to these obligations since March 31, 2015 except for broadcast licence and financial obligations which are described below.

Broadcast licence

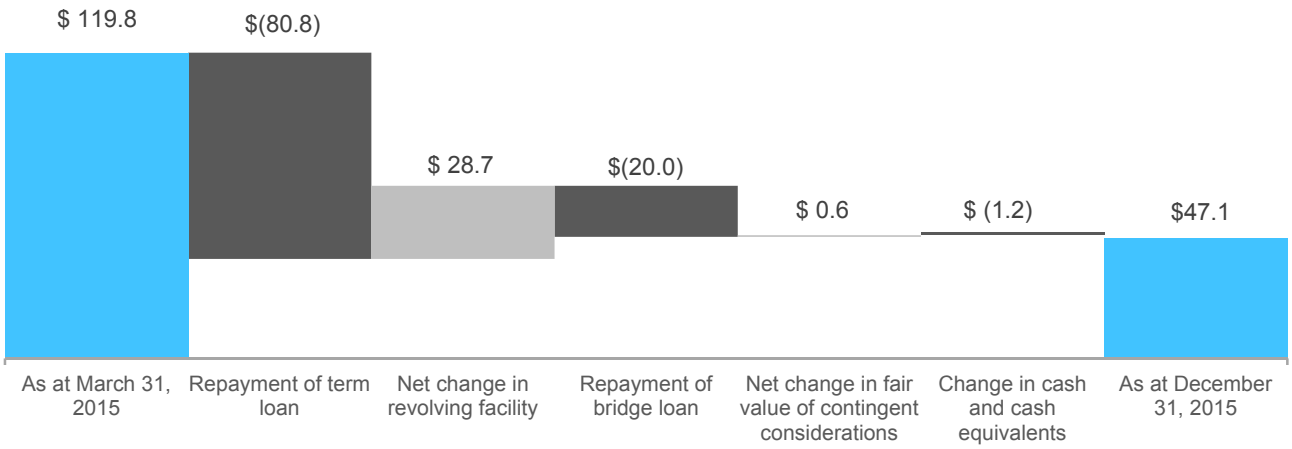
The CRTC approved the change in ownership and effective control of the Corporation on April 22, 2015. Pursuant to the decision, the CRTC requires the Corporation to pay tangible benefits corresponding to an amount of $5.5 million over a seven-year period in equal annual payments. The Corporation recognized an expense of $4.2 million, which reflects the fair value of the payment stream using a discount rate of 7.0%, which is the Corporation effective interest rate plus a risk premium. On August 18, 2015, the Canadian Radio-television and Telecommunications Commission (CRTC) issued a decision renewing until August 31, 2020 the broadcasting licence.

Financial obligations

On June 11, 2015, the Corporation renegotiated its credit agreement in order to merge the outstanding balance of the term loan into the amended revolving credit facility ("revolving facility"), to provide for the repayment of the bridge loan, to increase its borrowing capacity to $100.0 million and to make modifications in relation to interest, maturity, security and covenants. The revolving facility matures in June 2019, bears interest at an annual rate equal to the banker's acceptance rate plus between 1.38% and 3.00% and is secured by guarantees from subsidiaries and first ranking lien on universality of all its assets, tangible and intangible, present and future. In addition, the Corporation incurs standby fees between 0.28% and 0.60% on the unused portion of the revolving facility. The Corporation is required to comply with financial covenants.

The following table summarizes the impact on the Net debt including contingent considerations that occurred in the nine-month period ended December 31, 2015 including related ratios:

Movement in Net debt[1][2][3]



27.3	12-Month Trailing Adjusted EBITDA[1][2][3]	30.5
4.4	Net debt to Adjusted EBITDA[1][2][3]	1.5

Notes:
(1) In millions of Canadian dollars.
(2) Refer to “Supplemental information on Non-IFRS measures” on page 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
AS AT DECEMBER 31, 2015 AND MARCH 31, 2015

The following table shows the main variances that have occurred in the consolidated financial position of the Corporation for the nine-month period ended December 31, 2015:

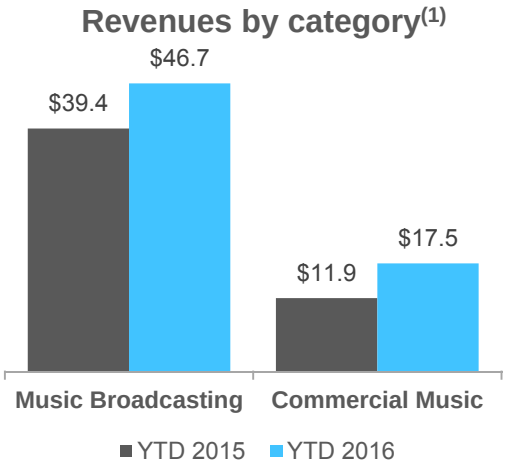
(in thousands of Canadian dollars)	Dec. 31, 2015	March 31, 2015	Variance		Significant contributions
Trade and other receivables	$26,241	$17,494	$8,747	▲	Attributable to the increase in non-recurring revenues for installation and equipment sales, longer payment cycles related to international revenues, receivables acquired on the opening balance sheet of the acquisitions ocurred in Fiscal 2016 and favorable impact on exchange rate between the Canadian dollar and the U.S. dollar.
Intangibles assets	$46,436	$45,441	$995	▲	Mainly attributable to the recognition of intangible assets for the acquisitions occurred in Fiscal 2016, net of amortization.
Goodwill	$65,594	$42,354	$23,240	▲	Mainly related to the recognition of goodwill for the acquisitions occurred in Fiscal 2016.
Accounts payable and accrued liabilities	$22,007	$16,923	$5,084	▲	Mainly attributable to payables assumed on the opening balance sheet of the acquisitions occurred in Fiscal 2016.
Contingent considerations, including current portion	$12,986	$12,409	$577	▲	Mainly related to the recognition of contingent considerations for the Brava and DMD acquisitions net of payments for the DMX Canada and DMX Music Latin America acquisitions and change in the fair value of other remaining contingent considerations.
CRTC Tangible Benefits	$4,276	$340	$3,936	▲	Attributable to the change in ownership and effective controls clause following the IPO.
Revolving Facility	$36,594	$7,902	$28,692	▲	Attributable to the cash consideration for acquisitions occurred in Fiscal 2016 and contingent consideration payments.
Bridge Loan	$-	$20,000	$(20,000)	▼	Attributable to repayment of debt with the net proceeds from the IPO.
Term loan, including current portion	$-	$80,835	$(80,835)	▼	Attributable to repayment of debt with the net proceeds from the IPO.

RESULTS OF OPERATIONS
FOR THE NINE-MONTH PERIODS ENDED DECEMBER 31, 2015 AND 2014

Revenues

Revenues for the nine-month period ended December 31, 2015 ("YTD 2016") increased 25.2% to a record of $64.3 million, from $51.3 million for the corresponding period of the previous fiscal year ("YTD 2015"). The increase in revenues was primarily due to acquisitions combined with significant growth in international markets as well as the launch of new products. In addition, revenues were favourably impacted by the exchange rate between the Canadian dollar and the U.S. dollar.

Trends by Revenue Categories were as follow:



Note:
(1) In millions of Canadian dollars.

Music Broadcasting

The most significant contributors to the increase of 18.6% or $7.3 million from YTD 2015 in Music Broadcasting revenues were as follows (arrows reflect the impact):

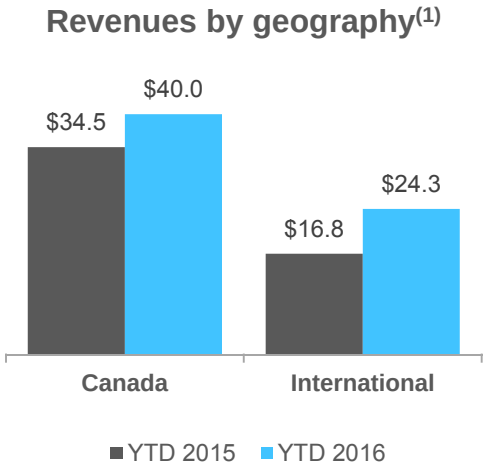
- ▲ New customer contracts signed mainly in United States, Europe and Middle East.
- ▲ Acquisitions in Fiscal 2015 of Telefonica On the Spot, Archibald Media Group, are included in full for YTD 2016.
- ▲ Acquisitions in Fiscal 2016 of Brava, DMD and iConcert.

Commercial Music

The most significant contributors to the increase of 47.2% or $5.6 million from YTD 2015 in Commercial Music revenues were as follows (arrows reflect the impact):

- ▲ Acquisitions in Fiscal 2015of DMX Canada and *Les Réseaux Urbains Viva Inc.* are included in full for YTD 2016.
- ▲ Non-recurring revenues from installation and equipment sales.

Trends by Revenues by Geographic Region:



Note:
(1) In millions of Canadian dollars.

Canada

The most significant contributors to the increase of 15.9% or $5.5 million from YTD 2015 in revenues for Canada were as follows (arrows reflect the impact):

- ▲ As described above in Commercial Music, acquisitions are included in full for YTD 2016 and non-recurring revenues related to installation and equipment sales.

International

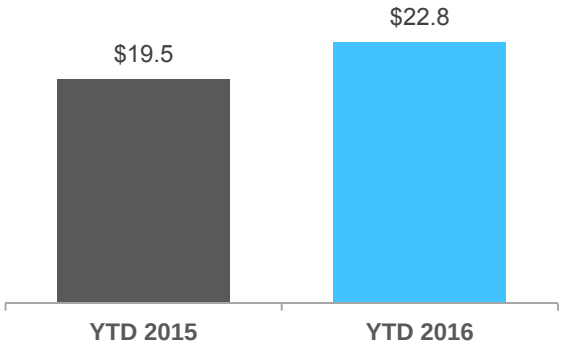
The most significant contributors to the increase of 44.4% or $7.5 million from Q3 2015 in International revenues were as follows (arrows reflect the impact):

- ▲ As described above in Broadcast, international organic growth and acquisitions are included in full for YTD 2016.
- ▲ In addition, revenues were favourably impacted by the exchange rate between the Canadian dollar and the U.S. dollar.

Operating Expenses

(in thousands of Canadian dollars)	Q3 2016 YTD % of revenues	Q3 2015 YTD % of revenues	Variance YTD		Significant contributions to variance :
Music programming, cost of services and content	$22,189 34.5%	$16,182 31.5%	$6,007 37.1%	▲	Primarily due to acquisitions and to the hiring of additional staff and content costs to support international growth. In addition, increase in costs related to installation and equipment sales. These increases were partially offset by the favorable impact on the calculation of rights on revenues and royalties.
Selling and marketing	$7,213 11.2%	$5,759 11.2%	$1,454 25.2%	▲	Primarily due to increase costs to support revenue growth in international markets.
Information Technology and Research and development	$5,359 8.3%	$4,381 8.5%	$978 22.3%	▲	Increase related to additional hiring due to the international expansion and new internally developed products.
General and administrative	$9,290 14.5%	$7,808 15.2%	$1,482 19.0%	▲	Primarily due to costs related to acquisition and restructuring, restricted share unit and deferred share unit plan for employees and directors, additional employees to support growth and public company related costs.
Depreciation, amortization and write-off	$11,810 18.4%	$10,729 20.9%	$1,081 10.1%	▲	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 page 2 and 6.

Adjusted EBITDA for YTD 2016 increased 16.6% to $22.8 million, from $19.5 million for YTD 2015. Adjusted EBITDA margin was 35.4% for YTD 2016 compared to 38.1% for YTD 2015. The increase in Adjusted EBITDA was primarily due to recent acquisitions of Brava, DMD and iConcert, from which future synergies are expected. The increase was also related to organic growth in international market and non-recurring revenues from installation and equipment sales which tend to have lower margins.

Acquisition, restructuring and other various costs mainly included costs related to consultant and commission fees for acquisitions and costs to support our acquisition pipeline.

Initial public offering expenses and CRTC tangible benefits

Initial public offering ("IPO") expenses for YTD 2016 amounted to $1.6 million and were related to the secondary offering costs. The secondary offering consisted of the sale by Novacap and Télésystem of the aggregate of 9,112,900 shares to the public. IPO expenses for the treasury offering by the Corporation were recognized in the statement of financial position under share capital.

The CRTC approved the change in ownership and effective control of the Corporation on April 22, 2015. Pursuant to the decision, the CRTC requires the Corporation to pay tangible benefits corresponding to an amount of $5.5 million over a seven-year period in equal annual payments. The Corporation recognized an expense of $4.2 million in Q1 2016, which reflects the fair value of the payment stream using a discount rate of 7.0%, which is the Corporation effective interest rate plus a risk premium.

Net Finance Expenses

Finance expenses decreased to negative $1.3 million from positive $3.7 million for YTD 2015. The decrease was related to fair value revaluations of contingent considerations, unrealized gain on foreign exchange and a significantly lower debt. The Corporation repaid approximately $101 million of debt in June 2015 with the proceeds of the IPO.

Change in fair value of investments

For YTD 2016, a gain of $8.4 million was recorded on AppDirect compared to a gain of $1.4 million for YTD 2015. On September 21, 2015, the Corporation invested an additional $0.3 million (US$ 0.3 million) in AppDirect, a company that offers a cloud services marketplace and management platform that enables companies to distribute web-based services. As at December 31, 2015, the Corporation held a 1.76% interest in AppDirect and the fair value was $16.7 million.

Income Taxes

Income taxes increased to $1.7 million for YTD 2016 from a recovery of $0.6 million for YTD 2015. The increase in income taxes was mainly related to the change in fair value of investment, to the increase in operating results, offset by lower financing costs and the recognition of deferred tax assets related to the treasury portion of IPO expenses and CRTC tangible benefits. The recovery of $0.6 million for YTD 2015 was mainly related to the recognition of prior tax losses.

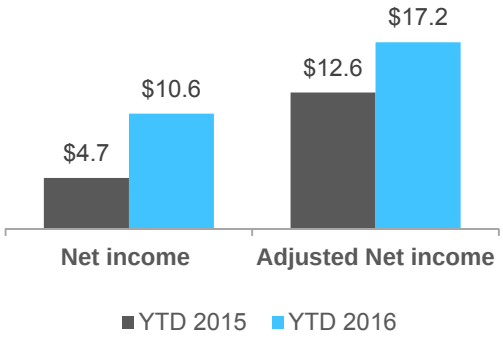
Net income and net income per share

Net income increased to $10.6 million ($0.23 per share) for YTD 2016 compared to $4.7 million ($0.14 per share) for YTD 2015. The increase was primarily due to the change in fair value of investment, increase in operating results, lower financing costs, partially offset by higher income taxes.

Adjusted Net income and Adjusted Net income per share

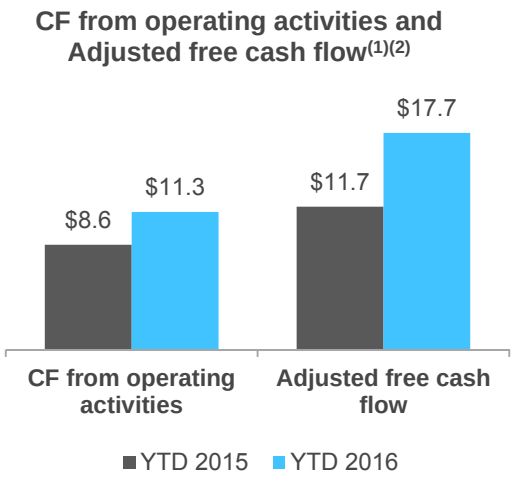
Adjusted net income for YTD 2016 increased to $17.2 million ($0.36 per share) from $12.6 million ($0.37 per share) for YTD 2015. The increase was primarily due to higher Adjusted EBITDA related to acquisitions combined with the signing of new international contracts, additional sales for installation and equipment and lower finance expenses, partially offset by higher income tax expenses.

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 PERIOD ENDED DECEMBER 31, 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 increased to $11.3 million for YTD 2016 from $8.6 million for YTD 2015. The increase was mainly due to acquisitions and the signing of new contracts partially offset by higher working capital requirements mainly related to the IPO expenses.

Adjusted free cash flow

Adjusted free cash flow for YTD 2016 increased to $17.7 million from $11.7 million for YTD 2015. The increase was primarily related to improved operating results and lower financing costs, partially offset by higher capital expenditures.

Increase in capital expenditures of $0.4 million compared to YTD 2015 was mainly due to leasehold improvements for additional space in our Montreal office.

Investing Activities

Net cash flow used in investing activities amounted to $27.4 million for YTD 2016 compared to $21.0 million for YTD 2015. The increase of $6.4 million was primarily related to the acquisition of iConcert, DMD and Brava for YTD 2016 compared to the DMX Canada and Archibald Media Group acquisitions for YTD 2015, as well as an increase in capital expenditures.

Financing Activities

Net cash flow generated from financing activities amounted to $17.3 million for YTD 2016 compared to $13.3 million for YTD 2015. The increase of $4.0 million was mainly attributable to acquisitions that were financed through the revolving facility, net proceeds from the IPO, offset by the repayment of the term loan and bridge loan.

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 directors fees include the following:

	Three-month periods ended		Nine-month periods ended	
(in thousands of Canadian dollars)	December 31, 2015 **Q3 2016**	December 31, 2014 **Q3 2015**	December 31, 2015 **YTD 2016**	December 31, 2014 **YTD 2015**
Short-term employee benefits	$ 756	$ 454	$ 2,162	$ 1,428
Management fees	-	83	-	253
Share-based compensation	269	72	703	192
Restricted share unit	55	-	137	-
Deferred share unit	90	-	209	-
	$ 1,170	$ 609	$ 3,211	$ 1,873

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 3, 2016	December 31, 2015
Issued and outstanding shares:		
Subordinate voting shares	33,948,418	33,948,618
Variable Subordinate voting shares	628,819	628,619
Multiple voting shares	16,294,285	16,294,285
	50,871,522	50,871,522
Outstanding stock options:		
Stock options	1,539,245	1,539,245

Furthermore, as part of the Offering, the Corporation has established a new 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 2016, 60,000 options were exercised, 16,666 were returned and 125,000 options were granted to eligible employee, subject to service vesting criteria which range from 3 to 4 years.

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, 2015 included in the prospectus dated May 26, 2015. 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 prospectus dated May 26, 2015. 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, refer to page 26 of the unaudited condensed interim consolidated financial statements.

Evaluation of disclosure controls and procedures, and internal control over financial reporting

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”).

At December 31, 2015, it is the third reporting quarter ending after the completion of the IPO resulting in the Corporation’s Subordinate Voting Shares and Variable Subordinate Voting Shares being listed on the Toronto Stock Exchange. Consequently, 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 4, 2016, did not include the controls or procedures of the operations of Transmedia Communications SA, Digital Music Distribution Pty Ltd., Brava HDTV B.V., Brava NL B.V. and DjazzTV B.V,, which were acquired in 2015. The Corporation has accordingly availed itself of provision 3.3(1)(b) of Regulation 52-109 which permits exclusion of these acquisitions in the design and operating effectiveness assessment of its ICFR for a maximum period of 365 days from the date of acquisition.

Subsequent events

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 3, 2016, the Corporation has declared dividend of $0.035 per subordinate voting share, variable subordinate voting share and multiple voting share that will be payable on or around March 15, 2016 to holders of subordinate voting share, variable subordinate voting share and multiple voting share on record as of February 29, 2016.

Additional information

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

Consolidated Statements of Financial Position

December 31, 2015 and March 31, 2015

(in thousands of Canadian dollars) (Unaudited)		December 31, 2015		March 31, 2015 (recasted, see note 4)
Assets				
Current assets				
Cash and cash equivalents	$	2,453	$	1,314
Trade and other receivables		26,241		17,494
Research and development tax credits		18		334
Inventories		1,123		972
Prepaid expenses and other current assets		3,311		2,667
		33,146		22,781
Non-current assets				
Property and equipment (note 5)		4,315		4,330
Intangible assets (note 5)		46,436		45,441
Goodwill (note 5)		65,594		42,354
Investments		18,056		7,933
Investment in joint venture		885		858
Other assets		1,213		919
Deferred tax assets		5,170		3,875
Total assets	$	174,815	$	128,491
Liabilities and Equity				
Current liabilities				
Revolving facility (note 6)	$	–	$	7,902
Accounts payable and accrued liabilities		22,007		16,923
Deferred revenues		880		714
Current portion of other payables (note 7)		9,553		8,463
Income taxes payable		1,859		213
Bridge loan (note 6)		–		20,000
Current portion of term loan (note 6)		–		9,830
		34,299		64,045
Non-current liabilities				
Revolving facility (note 6)		36,594		–
Term loan (note 6)		–		71,005
Derivative financial instruments		–		110
Other payables (note 7)		7,782		4,434
Deferred tax liabilities		6,727		6,739
Total liabilities		85,402		146,333
Shareholders' equity				
Share capital (note 8)		101,407		2,240
Contributed surplus		2,262		1,759
Deficit		(14,256)		(21,841)
Total equity		89,413		(17,842)
Subsequent event (note 16)				
Total liabilities and equity	$	174,815	$	128,491

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 Comprehensive Income

Three-month and nine-month periods ended December 31, 2015 and 2014

(In thousands of Canadian dollars, except per share amounts) (Unaudited)	Three-month period ended		Nine-month period ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Revenues	$ 23,089	$ 18,529	$ 64,286	$ 51,341
Music programming, cost of services and content	7,652	6,234	22,189	16,182
Selling and marketing	2,899	1,906	7,213	5,759
Research and development, support and information technology	1,940	1,527	5,359	4,381
General and administrative	3,913	2,448	9,290	7,808
Initial public offering expenses and CRTC tangible benefits (notes 7 and 8)	–	–	5,800	–
Depreciation, amortization and write-off	4,052	4,169	11,810	10,729
Net finance expenses (note 11)	(810)	1,310	(1,254)	3,744
Change in fair value of investments	(646)	(450)	(8,458)	(1,350)
Income before income taxes	4,089	1,385	12,337	4,088
Income taxes	920	(114)	1,703	(596)
Net income and comprehensive income	$ 3,169	$ 1,499	$ 10,634	$ 4,684
Net income per share – Basic	0.06	0.04	0.23	0.14
Net income per share – Diluted	0.06	0.04	0.23	0.13
Weighted average number of shares – Basic	50,831,305	33,689,421	46,813,797	33,530,769
Weighted average number of shares – Diluted	51,205,702	34,432,167	47,260,524	34,346,144

Net income is entirely attributable to Shareholders.

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

Consolidated Statements of Changes in Equity

Nine-month periods ended December 31, 2015 and 2014

(in thousands of Canadian dollars, except number of share capital)

(Unaudited)	Share Capital		Contributed surplus	Deficit	Total shareholders' equity
	Number	Amount			
Balance at March 31, 2014	32,670,254	$ 1,006	$ 2,500	$ (8,721)	$ (5,215)
Insurance of shares upon exercise of options	1,019,167	1,266	(1,118)	–	148
Share-based compensation	–	–	424	–	424
Net income and comprehensive income	–	–	–	4,684	4,684
Balance at December 31, 2014	33,689,421	$ 2,272	$ 1,806	$ (4,037)	$ 41
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 (note 8)	16,647,100	104,044	–	–	104,044
Share issuance costs – net of income taxes of $1,993 (note 8)	–	(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

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, 2015 and 2014

(in thousands of Canadian dollars)	Three-month period ended		Nine-month period ended	
(Unaudited)	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Operating activities:				
Net income	$ 3,169	$ 1,499	$ 10,634	$ 4,684
Adjustments for:				
Share-based compensation	369	112	961	424
Restricted share unit expense	137	–	435	–
Deferred share unit expense	90	–	209	–
Depreciation of property and equipment	609	586	1,552	1,528
Amortization of intangible assets and write-off	3,443	3,583	10,258	9,201
Amortization and write-off of financing fees	24	11	238	357
Other interest expense	166	1,014	1,384	2,939
Change in fair value of derivative	(3)	(44)	(110)	(118)
Change in fair value of investments	(646)	(450)	(8,458)	(1,350)
Change in fair value of contingent considerations	(1,090)	(33)	(2,172)	236
Write-off of other assets	–	(200)	–	(200)
Accretion expense of CRTC tangible benefits	75	–	172	–
Share of results of joint venture	(19)	71	(27)	71
Income taxes expense	920	(114)	1,703	(596)
Interest paid	(153)	(985)	(1,628)	(2,852)
Income taxes paid	(859)	(660)	(1,598)	(1,899)
	6,232	4,390	13,553	12,425
Net change in non-cash operating items (note 12)	(17)	976	(2,294)	(3,854)
	6,215	5,366	11,259	8,571
Financing Activities:				
Increase (decrease) in the revolving facility	17,392	1,958	28,692	(1,240)
Issuance of term loan	–	–	–	20,000
Repayment of term loan and bridge loan	–	(2,184)	(100,960)	(4,367)
Payment of dividend (note 8)	(1,526)	–	(3,049)	–
Proceeds from the exercise of stock options	79	1	178	148
Issuance of shares	–	–	104,044	–
Share capital issuance costs	–	–	(7,096)	–
Deferred financing costs	–	–	(431)	(132)
Repayment of other payables	(3,913)	–	(4,029)	(1,154)
Other	(40)	–	(75)	–
	11,992	(225)	17,274	13,255
Investing Activities:				
Business and assets acquisitions, net of cash acquired (note 4)	(15,180)	(2,978)	(23,400)	(19,067)
Acquisition of investments (note 13)	(1,334)	–	(1,665)	–
Acquisition of property and equipment	(482)	(917)	(1,352)	(1,526)
Acquisition of intangible assets	(235)	(39)	(977)	(385)
	(17,231)	(3,934)	(27,394)	(20,978)
Increase in cash and cash equivalents	976	1,207	1,139	848
Cash and cash equivalents (bank overdraft), beginning of period	1,477	(704)	1,314	(345)
Cash and cash equivalents, end of period	$ 2,453	$ 503	$ 2,453	$ 503

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

1. Business description:

Stingray Digital Group Inc. (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 Limited Partnership, Stingray Business Inc., Music Choice Europe Limited, Stage One Innovations Ltd., Stingray Digital International Ltd., Music Choice India Private Ltd., Music Choice Europe Deutschland GmbH, Xtra Music Ltd., 2Connect Media BV, Alexander Medien Gruppe BV, *Les Réseaux Urbains Viva Inc,* Brava HDTV B.V., Brava NL B.V., DJazz B.V., Transmedia Communications SA and Digital Music Distribution Pty Ltd.

2. 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, 2015 included in the prospectus dated May 26, 2015.

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, 2015 and 2014.

The interim consolidated financial statements were authorized for issue by the Board of Directors on February 3, 2016.

(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, 2015.

(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.

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

IFRS 9 - *Financial instruments*

In July 2014, the International Accounting Standards Board ("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 (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.

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 will not require any significant change to current practice, but should facilitate improved financial statement disclosures. The Corporation intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2016. The Corporation does not expect the amendments to have a material impact on the financial statements.

IAS 16 – *Property, Plant and Equipment* and IAS 38 – *Intangible assets*

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. The amendments apply prospectively for annual periods beginning on or after January 1, 2016 with early adoption permitted. The Corporation intends to adopt the amendments to IAS 16 and IAS 38 in its financial statements for the annual period beginning on January 1, 2016. The Corporation does not expect the amendments to have a material impact on the financial statements.

4. Business acquisitions:

a) Business combinations

iConcert

On December 17, 2015, the Corporation purchased all of the outstanding shares of Transmedia Communications SA ("iConcert") for a total consideration of CHF4,170 (CA$5,816). This acquisition will enable the Corporation to strengthen its international operations within Europe. As a result of the acquisition, a goodwill of $6,921 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 contingent consideration arrangement requires the Corporation to pay, in cash, to the former owners, a certain multiple of the revenues for 12 months, of up to CHF2,100 (CA$2,929) and would be payable on November 30, 2016. 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 and discounted for time value.

The results of the business acquisition of iConcert for the period ended December 31, 2015 have been included in results since the date of the acquisition. Revenues recorded from the acquisition date to December 31, 2015 were $483 and net income of $10. Had the acquisition occurred at the beginning of the fiscal year, revenues related to this acquired business would have been approximately $4,350 and net income of $86.

Digital Media Distribution

On December 14, 2015, the Corporation purchased all of the outstanding shares of Digital Music Distribution Pty Ltd. ("DMD") for a total consideration of AUD9,012 (CA$9,121). This acquisition will enable the Corporation to strengthen its international operations within Asia-Pacific. As a result of the acquisition, a goodwill of $9,166 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 contingent consideration arrangement requires the Corporation to pay, in cash, to the former owners, up to AUD4,002 (CA$4,050) upon renewal of clients contract ending in December 2017. 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 and discounted for time value.

The results of the business acquisition of DMD for the period ended December 31, 2015 have been included in results since the date of the acquisition. Revenues recorded from the acquisition date to December 31, 2015 were $340 and net income of $136. Had the acquisitions occurred at the beginning of the fiscal year, revenues related to this acquired business would have been approximately $3,058 and net income of $1,224.

Brava Group

In July 2015, the Corporation purchased all of the outstanding shares of Brava HDTV B.V., Brava NL B.V. and DjazzTV B.V. ("Brava Group") for a total consideration of EUR8,125 (CA$11,255). This acquisition will enable the Corporation to strengthen its international operations within Europe. As a result of the acquisition, a goodwill of $7,153 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 contingent consideration arrangement requires the Corporation to pay, in cash, to the former owners, a certain multiple of the revenues for 36 months, of up to EUR2,155 (CA$2,987) and will be paid out on each anniversary date for the next three years, ending in June 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 and discounted for time value.

The results of the business acquisitions of Brava Group for the period ended December 31, 2015 have been included in results since the date of the acquisition. Revenues recorded from the acquisition date to December 31, 2015 were $2,468 and net income of $866. Had the acquisitions occurred at the beginning of the fiscal year, revenues related to these acquired businesses would have been approximately $3,702 and net income of $1,299.

The fair value of the assets acquired and liabilities assumed is attributed as follows:

	iConcert	DMD	Brava	Other	Total 2016
Assets acquired :					
Cash	$ 505	$ 210	$ 282	$ –	$ 997
Trade and other receivables	1,966	123	1,576	–	3,665
Prepaid expense and other current assets	997	292	164	–	1,453
Property and equipment	51	–	61	–	112
Intangible assets	2,334	2,924	4,795	223	10,276
Goodwill	6,921	9,166	7,153	–	23,240
	12,774	12,715	14,031	223	39,743
Liabilities assumed :					
Accounts payable and accrued liabilities	4,410	306	1,186	–	5,902
Income taxes payable	209	–	391	–	600
Deferred income tax liabilities	345	497	1,199	–	2,041
Shareholder loan	1,994	2,791	–	–	4,785
	6,958	3,594	2,776	–	13,328
Net assets acquired at fair value	**$ 5,816**	**$ 9,121**	**$ 11,255**	**$ 223**	**$ 26,415**
Total purchase consideration	**$ 5,816**	**$ 9,121**	**$ 11,255**	**$ 223**	**$ 26,415**
Working capital adjustment	–	–	(25)	–	(25)
Contingent consideration	–	(4,050)	(2,728)	–	(6,778)
Repayment of shareholder loan	1,994	2,791	–	–	4,785
Cash disbursements at acquisition date	$ 7,810	$ 7,862	$ 8,502	$ 223	$ 24,397

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.

b) Adjustments to the provisional amounts of prior year business acquisitions

Les Réseaux Urbains Viva Inc.

On February 10, 2015, the Corporation purchased all of the outstanding shares of *Les Réseaux Urbains Viva Inc*. for a total consideration of $4,420. The Corporation reviewed the assessment of the fair values of the assets acquired and liabilities assumed related to this acquisition and adjustments to the preliminary assessment has been recorded in the statement of financial position as show below. The comparative figures have been adjusted to reflect these changes.

	Preliminary	Adjustments	Adjusted
Assets acquired :			
Cash and cash equivalents	$ 495	$ –	$ 495
Accounts receivable	973	124	1,097
Inventories	531	(187)	344
Property and equipment	108	–	108
Intangible assets	2,160	–	2,160
Goodwill	2,235	290	2,525
	6,502	227	6,729
Liabilities assumed :			
Accounts payable and accrued liabilities	1,019	227	1,246
Deferred revenues	333	–	333
Long-term debt	150	–	150
Deferred income tax liabilities	580	–	580
	2,082	227	2,309
Net assets acquired at fair value	$ 4,420	$ –	$ 4,420
Consideration given :			
Cash	2,000	–	2,000
Contingent consideration	2,420	–	2,420
	$ 4,420	$ –	$ 4,420

Archibald Media Group

On June 12, 2014, the Corporation purchased all of the outstanding shares of Archibald Media Group B.V. for a total consideration of EUR5,319 (CA$7,824). The Corporation finalized the assessment of the fair values of the assets acquired and liabilities assumed related to this acquisition and adjustments to the preliminary assessment has been recorded in the statement of financial position as show below. The comparative figures have been adjusted to reflect these changes.

	Preliminary	Adjustments	Final
Assets acquired :			
Cash and cash equivalents	$ 207	$ –	$ 207
Accounts receivable	511	–	511
Property and equipment	111	–	111
Intangible assets	4,070	(303)	3,767
Investment in joint venture	–	730	730
Goodwill	4,255	(337)	3,918
	9,154	90	9,244
Liabilities assumed :			
Accounts payable and accrued liabilities	486	–	486
Deferred income tax liabilities	844	90	934
	1,330	90	1,420
Net assets acquired at fair value	$ 7,824	$ –	$ 7,824
Consideration given :			
Cash	6,079	–	6,079
Contingent consideration	1,745	–	1,745
	$ 7,824	$ –	$ 7,824

5. Property and equipment, intangible assets and goodwill:

	Property and equipment	Intangible assets	Goodwill
Year ended March 31, 2015			
Opening net book amount as at March 31, 2014	$ 2,634	$ 40,065	$ 31,651
Additions through business acquisitions	730	17,640	10,750
Adjustments to business acquisitions (note 4)	–	(303)	(47)
Additions	3,023	893	–
Disposal and write-offs	(74)	–	–
Depreciation of property and equipment	(1,983)	–	–
Amortization of intangible assets	–	(12,854)	–
Closing net book amount as at March 31, 2015	$ 4,330	$ 45,441	$ 42,354
Nine-month period ended December 31, 2015			
Opening net book amount as at March 31, 2015	$ 4,330	$ 45,441	$ 42,354
Additions through business acquisitions (note 4)	112	10,276	23,240
Additions	1,425	977	–
Depreciation of property and equipment	(1,552)	–	–
Amortization of intangible assets	–	(10,258)	–
Closing net book amount as at December 31, 2015	$ 4,315	$ 46,436	$ 65,594

6. Loans and borrowings:

Movements in loans and borrowings are as follows:

	Revolving facility	Bridge loan	Term loan
Year ended March 31, 2015			
Opening net book amount as at March 31, 2014	$ 5 198	$ –	$ 67,041
Increase of revolving facility (net)	2 704	–	–
New debt	–	20,000	20,150
Repayments of borrowings	–	–	(6,564)
New financing fees	–	–	(161)
Amortization of financing fees	–	–	369
Closing net book amount as at March 31, 2015	$ 7,902	$ 20,000	$ 80,835
Current portion	$ 7,902	$ 20,000	$ 9,830
Non-current portion	–	–	71,005

	Revolving facility	Bridge loan	Term loan
Nine-month period ended December 31, 2015			
Opening net book amount as at March 31, 2015	$ 7 902	$ 20,000	$ 80,835
Increase of revolving facility (net)	28,692	–	–
Repayments of borrowings	–	(20,000)	(80,960)
Amortization and write-off of financing fees	–	–	125
Closing net book amount as at December 31, 2015	$ 36,594	$ –	$ –
Current portion	$ –	$ –	$ –
Non-current portion	36,594	–	–

On June 11, 2015, the Corporation renegotiated its credit agreement in order to merge the outstanding balance of the term loan into the amended revolving credit facility ("revolving facility"), to provide for the repayment of the bridge loan, to increase its borrowing capacity to $100,000 and to make modifications in relation to interest, maturity, security and covenants. The revolving facility matures in June 2019, bears interest at an annual rate equal to the banker's acceptance rate plus between 1.38% and 3.00% and is secured by guarantees from subsidiaries and first ranking lien on universality of all its assets, tangible and intangible, present and future. In addition, the Corporation incurs standby fees between 0.28% and 0.60% on the unused portion of the revolving facility. The Corporation is required to comply with financial covenants.

The Corporation incurred fees of $374 related to the new revolving facility which have been recognized in other assets in the statement of financial position.

7. Other payables:

Other payables consists of the following:

	December 31, 2015	March 31, 2015
Contingent considerations	$ 12,986	$ 12,409
CRTC tangible benefits	4,276	340
Other	73	148
	17,335	12,897
Current position	(9,553)	(8,463)
	$ 7,782	$ 4,434

CRTC tangible benefits

The CRTC approved the change in ownership and effective control of the Corporation on April 22, 2015. Pursuant to the decision, the CRTC requires the Corporation to pay tangible benefits corresponding to an amount of $5,508 over a seven-year period in equal annual payments. The Corporation recognized an expense of $4,158, which reflects the fair value of the payment stream using a discount rate of 7.0%, which is the Corporation effective interest rate plus a risk premium.

8. Share capital:

Authorized:

Prior to the closing of the initial public offering (the “Offering”), the Corporation’s authorized share capital was comprised of an unlimited number of class A, B, and C common shares, voting and participating, without par value and an unlimited number of class A, B and C preferred shares, voting and non-participating, without par value.

The Corporation’s authorized share capital was amended immediately prior to the closing of the Offering and all the classes of shares included in the authorized share capital of the Corporation prior to the amendment were repealed and replaced by:

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, 2015		
Ast at March 31, 2014		
Class A common shares	16,440,535	$ 562
Class B common shares	6,229,719	12
Class C common shares	10,000,000	432
	32,670,254	1,006
Issued upon exercise of stock options		
Class A common shares	1,310,834	1,682
Dividend and reduction of stated capital		
Class A common shares	–	(16)
Class C common shares	–	(432)
	–	(448)
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

	Number of shares	Carrying amount
Nine-month period ended December 31, 2015		
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 inital 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	–	(5,513)
Issued upon exercise of stock options		
Subordinate voting shares	163,334	444
As at December 31, 2015		
Subordinate voting shares and variable subordinate voting shares	34,577,237	100,291
Multiple voting shares	16,294,285	1,116
	50,871,522	$ 101,407

On November 11, 2015, the Corporation declared a dividend of $0.03 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend of $1,526 has been paid on December 15, 2015.

On August 11, 2015, the Corporation declared a dividend of $0.03 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend of $1,523 has been paid on September 15, 2015.

On June 3, 2015, the Corporation completed the Offering of its subordinate voting shares and variable subordinate voting shares with the securities regulatory authorities in each of the provinces and territories of Canada. The Corporation issued 13,287,100 Subordinate Voting shares and Variable Subordinate voting shares and received gross proceeds of $83,044 from the issuance. On June 9, 2015, the Corporation issued 3,360,000 subordinate voting shares and variable subordinate voting shares following the exercise of the over-allotment option granted to the underwriters in connection with the Offering. The Corporation received gross proceeds of $21,000 from the issuance.

Transaction costs for transactions above amounted to $9,148, of which $1,642 have been recognized as an expense in the statement of comprehensive income and $7,506 net of tax benefits of $1,993, amounting to $5,513, as a reduction of share capital.

9. Share-based compensation:

As part of the Offering, the Corporation has established a new 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.

During the nine-month period ended December 31, 2015, 512,880 options were granted at a weighted average exercise price of $6.43 to eligible employees. The weighted average fair value of the stock options granted during the nine-month period ended December 31, 2015 was $3.43.

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:

Weighted average volatility	65.0% – 70.0%
Weighted average risk-free interest rate	0.73% – 1.01%
Weighted average expected life of options	5 – 6.25 years
Weighted average value of the subordinate voting share at grant date	6.43$
Weighted average expected dividend rate	0.0% - 2.0%

Under the former and new stock option plan, 1,539,245 stock options were outstanding as at December 31, 2015. Outstanding options are subject to employee service vesting criteria which range from nil to 4 years of service.

During the three-month period ended December 31, 2015, 60,000 options were exercised at the weighted average exercise price of $1.29 and at a weighted average share price of $6.65.

During the nine-month period ended December 31, 2015, 243,334 options were exercised at the weighted average exercise price of $0.83 and at a weighted average share price of $6.90. During the nine-month period ended December 31, 2015, 16,666 options were returned at the weighted average price of $2.26 and at a weighted average share price of $7.55.

Share-based compensation expense amounted to $369 and $961 for the three-month and nine-month periods ended December 31, 2015 (2014 $112 and $424), respectively.

10. 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, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Depreciation and amortization :				
Music programming, cost of services and content	$ 3,443	$ 3,392	$ 10,258	$ 8,628
General and administrative	609	777	1,552	2,101
	$ 4,052	$ 4,169	$ 11,810	$ 10,729
IPO expenses and CRTC tangible benefits :				
Music programming, cost of services and content	$ –	$ –	$ 4,158	$ –
General and administrative	–	–	1,642	–
	$ –	$ –	$ 5,800	$ –

The music programming, cost of services and content and the general and administrative expense for the three-month period would have been respectively, $11,095 (2014 $9,626) and $4,522 (2014 $3,225) and the nine-month period ending December 31, 2015 would have been respectively, $36,605 (2014 $24,810), and $12,484 (2014 $9,909), if the presentation by function of the depreciation and amortization expense and IPO expenses and CRTC tangible benefits would have been adopted in the statements of comprehensive income.

Transaction costs related to business acquisitions for the three-month and the nine-month period ended December 31 2015 amounting to $551 (2014 $132) and $747 (2014 $233), respectively, have been recognized in general and administrative in the statement of comprehensive income.

11. Net finance expenses:

	Three-month periods ended		Nine-month periods ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Interest expense and standby fees	$ 166	$ 1,014	$ 1,384	$ 2,939
Change in fair value of contingent considerations	(1,090)	(33)	(2,172)	236
Change in fair value of derivative	(3)	(44)	(110)	(118)
Accretion expenses of CRTC tangible benefits payable	75	–	172	–
Amortization and write-off of financing fees	24	11	238	357
Write-off of other assets	–	200	–	200
Foreign exchange (gain) loss	18	162	(766)	130
	$ (810)	$ 1,310	$ (1,254)	$ 3,744

12. Net change in non-cash operating items:

	Three-month periods ended		Nine-month periods ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Trade and other receivables	$ (1,250)	$ 50	$ (5,426)	$ (1,183)
Research and development tax credit	430	(133)	4	(85)
Inventories	426	924	(151)	234
Prepaid expenses and other current assets	695	(506)	809	(1,789)
Other assets	(155)	–	24	–
Accounts payable and accrued liabilities	520	945	(2,244)	331
Income taxes payable	153	(310)	730	(1,514)
Deferred revenues	(836)	6	166	152
Other payable (CRTC tangible benefits)	–	–	3,794	–
	$ (17)	$ 976	$ (2,294)	$ (3,854)

13. 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, 2015. 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 fair values of cash and cash equivalents, trade and other receivables, accounts payable and accrued liabilities and current other payables excluding the contingent considerations approximate their respective carrying amounts as at the balance sheet date, due to the short-term maturity of those instruments. The fair value of the revolving facility, bridge loan and term loan bearing interest at variable rates approximate their carrying value, as they 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.

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, 2015	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 2,453				
Trade and other receivables	26,088				
Financial assets measured at fair value					
Investments	$ 18,056	$ 18,056	$ –	$ –	$ 18,056
Financial liabilities measured at amortized cost					
Revolving facility	$ 36,594				
Account payable and accrued liabilities	21,694				
Other payables	4,349				
Financial liabilities measured at fair value					
Contigent considerations	$ 12,986	$ 12,986	$ –	$ –	$ 12,986

As at March 31, 2015	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 1,314				
Trade and other receivables	17,494				
Financial assets measured at fair value					
Investments	$ 7,933	$ 7,933	$ –	$ –	$ 7,933
Financial liabilities measured at amortized cost					
Revolving facility	$ 7,902				
Account payable and accrued liabilities	16,825				
Bridge loan	20,000				
Other payables	488				
Term loan	80,835				
Financial liabilities measured at fair value					
Contingent considerations	$ 12,409	$ 12,409	$ –	$ –	$ 12,409
Derivative financial instruments	110	110	–	110	–

Fair value measurement (Level 2 and 3):

	Investments	Derivative instrument	Contingent considerations
Nine-month period ended December 31, 2014			
Opening amount as at March 31, 2014	$ 6,132	$ 182	$ 6,234
Additions through business acquisitions	–	–	3,298
Change in fair value	900	(74)	269
Payments	–	–	(956)
Closing amount as at December 31, 2014	$ 7,032	$ 108	$ 8,845

	Investments	Derivative instrument	Contingent considerations
Nine-month period ended December 31, 2015			
Opening amount as at March 31, 2015	$ 7,933	$ 110	$ 12,409
Additions through business acquisitions	–	–	6,778
Additionnal investment	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

There were no changes in the valuation techniques for the derivative instrument and contingent considerations during the periods ended December 31, 2015 and 2014.

Investments

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, has been assessed as a whole for classification. The hybrid contract has been recognised at fair value on initial recognition and was designated as at fair value through profit or loss. Valuation technique was used to determine the fair value.

Equity instrument in a private entity

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

For the three-month period ended December 31, 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 they believe market participants would use.

For the year ended March 31, 2015, the valuation technique included an allocation of the value of the underlying categories of shares, which involved calibrating the Black-Scholes option pricing model to the latest market transaction stock issue price.

This fair value was estimated by using the Black-Scholes option pricing model with the following assumptions:

	March 31, 2015
Volatility	60.0%
Risk-free interest rate	0.5%
Period	2 years
Dividend yield	nil

The equity instrument in a private entity is classified as a financial asset at fair value through profit and loss. An increase of 5.0% in the value per convertible preferred share would have increased the fair value of the long-term investment by approximately $903 during the nine-month period ended December 31, 2015 (2014 $374).

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 expenses (note 11).

Contingent considerations

The contingent consideration 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 value the cash flows which is based on the risk associated with the revenue targets being met. A discount rate ranging from 12% to 15% has been applied and considers time value of money. A change in unobservable inputs in isolation would not result in a significantly lower (higher) fair value measurement. The contingent consideration is classified as a financial liability and is included in other payables (note 7). The change in fair value is recognized in net finance expenses (note 11).

14. Related parties:

Transaction with key management personnel and directors

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, prior shareholders management fees and directors fees are as follows:

	Three-month periods ended		Nine-month periods ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Short-term employee benefits	$ 756	$ 454	$ 2,162	$ 1,428
Management fees	–	83	–	253
Share-based compensation	269	72	703	192
Restricted share unit	55	–	137	–
Deferred share unit	90	–	209	–
	$ 1,170	$ 609	$ 3,211	$ 1,873

15. Segment information:

Under IFRS 8 "*Operating Segments*", the Corporation determined that it operated in a single operating segment for the three-month and nine-month periods ended December 31, 2015 and 2014 since operations, resources and assets are mainly centralized, optimized and managed in Canada. International operations are leveraged from Canadian expertise.

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

	Three-month periods ended		Nine-month periods ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Canada	$ 13,759	$ 12,144	$ 40,038	$ 34,546
Other Countries	9,330	6,385	24,248	16,795
	$ 23,089	$ 18,529	$ 64,286	$ 51,341

16. Subsequent event:

Dividend

On February 3, 2016, the Corporation has declared dividend of $0.035 per subordinate voting share, variable subordinate voting share and multiple voting share that will be payable on or around March 15, 2016 to holders of subordinate voting share, variable subordinate voting share and multiple voting share on record as of February 29, 2016.

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