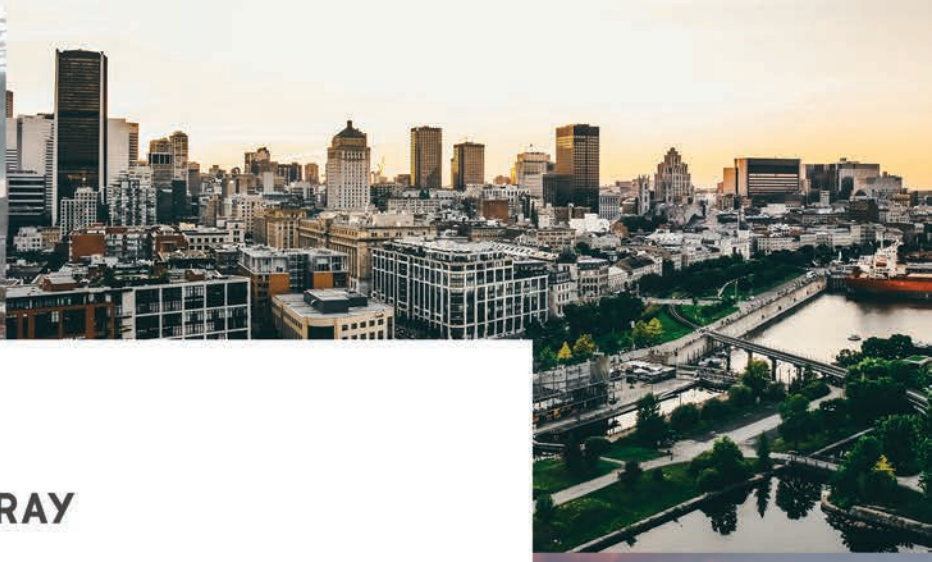


STINGRAY

2019

SECOND QUARTER REPORT

FISCAL 2019

For the three-month and six-month periods ended September 30, 2018

TABLE OF CONTENTS

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 interim consolidated financial statements and accompanying notes for the three-month and the six-month periods ended September 30, 2018 and 2017, and with the most recent audited consolidated financial statements and MD&A for the year ended March 31, 2018. This MD&A reflects information available to the Corporation as at November 7, 2018. Additional information relating to the Corporation is also available on SEDAR at www.sedar.com.

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

Although management believes the expectations reflected in such forward-looking statements are reasonable, forward-looking statements are based on the opinions, assumptions and estimates of management at the date the statements are made and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include but are not limited to the risk factors disclosed in the Annual Information Form for the year ended March 31, 2018 available on SEDAR.

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

SUPPLEMENTAL INFORMATION ON NON-IFRS MEASURES

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

OVERVIEW

Stingray is the world-leading provider of multiplatform music and video services as well as digital experiences for pay TV operators, commercial establishments, OTT providers, mobile operators, consumers, and more. Its services include audio television channels, 101 radio stations premium television channels, 4K UHD television channels, karaoke products, digital signage, in-store music, and music apps. Stingray reaches 400 million subscribers (or users) in 156 countries and its mobile apps have been downloaded over 100 million times.

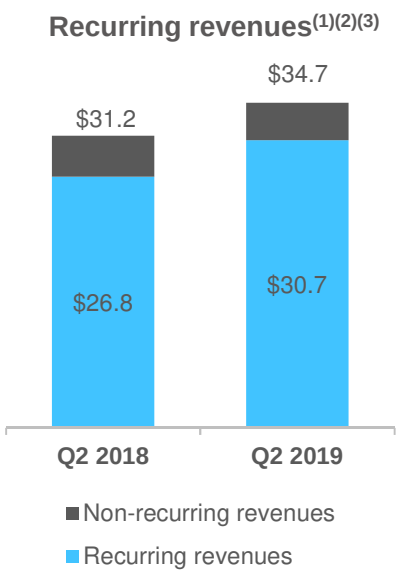
The Corporation is headquartered in Montreal and currently has over 1,200 employees worldwide, including in the United States, the United Kingdom, the Netherlands, Israel, and Australia.

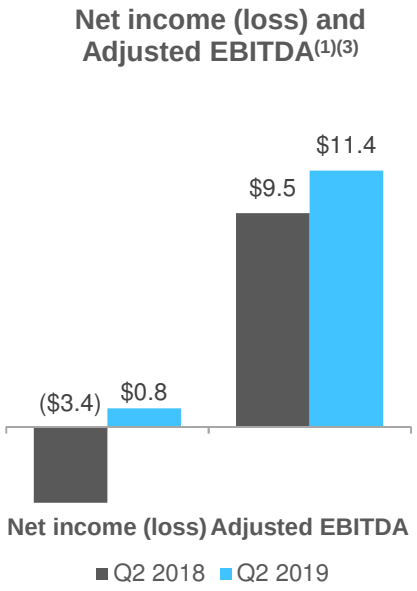
KEY PERFORMANCE INDICATORS[1]

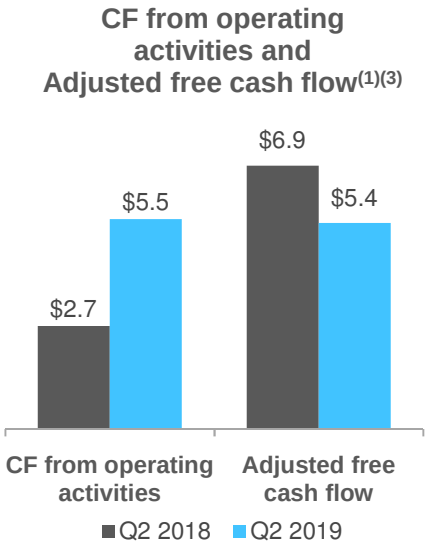
For the three-month period ended September 30, 2018:

$34.7 M ▲ 11.1% from Q2 2018 Revenues	**$30.7 M** ▲ 14.5% from Q2 2018 Recurring revenues[2]	**$11.4 M** ▲ 20.9% from Q2 2018 32.9% margin[1] Adjusted EBITDA[1]	**$5.4 M** ▼ 20.5% from Q2 2018 Adjusted free cash flow[1]
59.0 % % of international revenues[3]	**$0.06** ▲ 20% from Q2 2018 Quarterly dividend per share	**$0.8 M** Or $0.01 per share Net income	**$5.5 M** ▲ 103.2% from Q2 2018 CF from operating activities

For the three-month periods ended September 30, 2018 and 2017:







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

FINANCIAL AND BUSINESS HIGHLIGHTS

Highlights of the second quarter ended September 30, 2018 ("Q2 2019")

Compared to the quarter ended September 30, 2017 ("Q2 2018"):

- Revenues increased 11.1% to $34.7 million from $31.2 million;
- Recurring revenues of $30.7 million (88.4% of total revenues), an increase of 14.5%;
- International revenues (outside Canada) of total revenues increased to 59.0% from 52.5%;
- Adjusted EBITDA(1) increased 20.9% to $11.4 million from $9.5 million;
- Adjusted EBITDA(1) margin was 32.9% compared with 30.3%;
- Net income was $0.8 million ($0.01 per share) compared with a net loss of $3.4 million ($(0.07) per share);
- Adjusted Net income(1) of $6.7 million ($0.12 per share) compared with $5.4 million ($0.10 per share);
- Cash flow from operating activities increased 103.2% to $5.5 million compared to $2.7 million; and
- Adjusted free cash flow(1) decreased 20.5% to $5.4 million compared to $6.9 million.

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

Business Highlights:

- On November 5, 2018, the Corporation announced that it has entered into a subscription agreement with Irving West, Limited (the '"investor") pursuant to which the investor agreed to purchase an aggregate of 2,429,544 subordinate voting shares (the "Private Placement Shares") at a price of $10.29 per subordinate voting shares for total gross proceeds of $25.0 million. The Private Placement Shares is subject to the approval of the TSX and to a four-month hold from the date of issuance which is scheduled to occur on or about November 13, 2018.
- On October 26, 2018, the Corporation completed the acquisition of all the outstanding Class A Subordinate Voting shares and Class B Common shares (together the "NCC shares") of Newfoundland Capital Corporation Limited ("NCC") for $14.75 per NCC share (the "Purchase Price"), representing a total consideration of $494.5 million. The acquisition was authorized on October 23, 2018 by the Canadian Radio-television and Telecommunications Commission (CRTC).
- On October 10, 2018, the Corporation announced the acquisition of DJ-Matic, a provider of in-store media solutions (music, video, digital signage) for businesses with clients in Belgium, the Netherlands, Germany, and Denmark.
- On August 28, 2018, the Corporation announced that it had launched eight linear television channels with Bell. This launch follows the May 29, 2018 announcement that Bell and the Corporation had extended and renewed their long-term partnership.
- On August 22, 2018, the Corporation announced the nomination of David Purdy as Chief Revenue Officer. The creation of a position of chief revenue officer reflects the accelerated growth of the Corporation's operations and the diversification of its revenue streams. On September 19, 2018, the Corporation announced the nomination of Ryan Fuss as Senior Vice-President, Advertising sales to spearhead the development of the Company's integrated advertising offering - both domestically and internationally – in support of the Corporation's growth objectives.
- On August 3, 2018, the Corporation announced that it has made an unsolicited offer to purchase all of the issued and outstanding units of Music Choice, a general partnership which produces music programming and music-related content for digital cable television, mobile phone and cable modem users. No assurance can be given that the offer, as presented, will be accepted by all or any of the unitholders.
- On August 1, 2018, the Corporation announced that it has acquired Novramedia Inc. a Toronto-based leader in the design, development, and implementation of digital media solutions.
- On November 7, 2018, the Corporation declared a dividend of $0.06 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend will be payable on or around December 14, 2018 to shareholders on record as of November 30, 2018.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

(in thousands of Canadian dollars, except per share amounts)	Three-month periods ended Sept. 30, 2018 Q2 2019 $	% of revenues	Sept. 30, 2017 Q2 2018 $	% of revenues	Six-month periods ended Sept. 30, 2018 YTD 2019 $	% of revenues	Sept. 30, 2017 YTD 2018 $	% of revenues
Revenues	34,692	100.0 %	31,222	100.0 %	69,148	100.0 %	60,892	100.0 %
Recurring Revenues	30,651	88.4 %	26,766	85.7 %	61,447	88.9 %	52,268	85.8 %
Revenues	34,692	100.0 %	31,222	100.0 %	69,148	100.0 %	60,892	100.0 %
Music programming, cost of services and content	13,643	39.3 %	11,792	37.8 %	26,855	38.8 %	22,886	37.6 %
Selling and marketing	3,223	9.3 %	3,237	10.4 %	6,651	9.6 %	6,461	10.6 %
Research and development, support and information technology	2,367	6.8 %	3,079	9.9 %	4,828	7.0 %	6,057	9.9 %
General and administrative	6,240	18.0 %	10,258	32.8 %	12,580	18.2 %	15,755	25.9 %
Depreciation, amortization and write-off	6,529	18.8 %	5,226	16.7 %	12,285	17.8 %	10,388	17.1 %
Net finance expense (income)[1]	910	2.6 %	1,269	4.1 %	2,831	4.1 %	1,806	3.0 %
Change in fair value of investments	436	1.3 %	697	2.3 %	(61)	(0.1) %	1,131	1.9 %
Income (loss) before income taxes	1,344	3.9 %	(4,336)	(13.9) %	3,179	4.6 %	(3,592)	(5.9) %
Income tax expense (recovery)	567	1.6 %	(941)	(3.0) %	1,056	1.5 %	(477)	(0.8) %
Net income (loss)	777	2.3 %	(3,395)	(10.9) %	2,123	3.1 %	(3,115)	(5.1) %
Adjusted EBITDA[2]	11,429	32.9 %	9,452	30.3 %	22,608	32.7 %	18,621	30.6 %
Adjusted Net income[2]	6,708	19.3 %	5,407	17.3 %	12,606	18.2 %	11,110	18.2 %
Adjusted free cash flow[2]	5,448	15.7 %	6,853	21.9 %	11,646	16.8 %	14,093	23.1 %
Cash flow from operating activities	5,506	15.9 %	2,710	8.7 %	12,426	18.0 %	2,121	3.5 %
Net debt[2]	55,156	–	65,245	–	55,156	–	65,245	–
Net debt to Adjusted EBITDA[2][3]	1.21x	–	1.79x	–	1.21x	–	1.79x	–
Net income (loss) per share basic	0.01	–	(0.07)	–	0.04	–	(0.06)	–
Net income (loss) per share diluted	0.01	–	(0.07)	–	0.04	–	(0.06)	–
Adjusted Net income per share basic[2]	0.12	–	0.10	–	0.22	–	0.21	–
Adjusted Net income per share diluted[2]	0.12	–	0.10	–	0.22	–	0.21	–
Revenues by category								
Music Broadcasting	25,516	73.6 %	22,394	71.7 %	51,518	74.5 %	44,710	73.4 %
Commercial Music	9,176	26.4 %	8,828	28.3 %	17,630	25.5 %	16,182	26.6 %
Revenues	34,692	100.0 %	31,222	100.0 %	69,148	100.0 %	60,892	100.0 %
Revenues by geography								
Canada	14,222	41.0 %	14,833	47.5 %	27,863	40.3 %	29,371	48.2 %
United States	8,069	23.3 %	5,222	16.7 %	16,254	23.5 %	9,926	16.3 %
Other Countries	12,401	35.7 %	11,167	35.8 %	25,031	36.2 %	21,595	35.5 %
Revenues	34,692	100.0 %	31,222	100.0 %	69,148	100.0 %	60,892	100.0 %

Notes:

(1) In Interest paid during the Q2 2019 was $424 (Q2 2018; $549) and $860 for the YTD 2019 (YTD 2018; $845)

(2) 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.

(3) Net debt to Adjusted EBITDA consists of Net debt divided by Adjusted EBITDA trailing twelve months (TTM).

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 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:

	Three-month periods ended		Six-month periods ended	
(in thousands of Canadian dollars)	Sept. 30, 2018 **Q2 2019**	Sept. 30, 2017 **Q2 2018**	Sept. 30, 2018 **YTD 2019**	Sept. 30, 2017 **YTD 2018**
Net income (loss)	**777**	**(3,395)**	**2,123**	**(3,115)**
Net finance expense (income)	910	1,269	2,831	1,806
Change in fair value of investments	436	697	(61)	1,131
Income tax expense (recovery)	567	(941)	1,056	(477)
Depreciation and write-off of property and equipment	1,274	718	2,443	1,339
Amortization of intangible assets	5,255	4,508	9,842	9,049
Share-based compensation	358	312	533	506
Restricted, performance and deferred share unit expense	518	709	885	1,022
Acquisition, legal fees, restructuring and other various costs	1,334	5,575	2,956	7,360
Adjusted EBITDA	**11,429**	**9,452**	**22,608**	**18,621**
Net finance expense (income)	(910)	(1,269)	(2,831)	(1,806)
Income tax expense (recovery)	(567)	941	(1,056)	477
Depreciation of property and equipment and write-off	(1,274)	(718)	(2,443)	(1,339)
Income taxes related to change in fair value of investments, share-based compensation, restricted, performance and deferred share unit expense, amortization of intangible assets and acquisition, legal, restructuring and other various costs	(1,970)	(2,999)	(3,672)	(4,843)
Adjusted Net income	**6,708**	**5,407**	**12,606**	**11,110**

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

	Three-month periods ended		Six-month periods ended	
(in thousands of Canadian dollars)	Sept. 30, 2018 **Q2 2019**	Sept. 30, 2017 **Q2 2018**	Sept. 30, 2018 **YTD 2019**	Sept. 30, 2017 **YTD 2018**
Cash flow from operating activities	**5,506**	**2,710**	**12,426**	**2,121**
Add / Less :				
Acquisition of property and equipment	(1,488)	(705)	(3,716)	(1,512)
Acquisition of intangible assets other than internally developed intangible assets	(1,383)	(1,000)	(1,730)	(1,404)
Addition to internally developed intangible assets	(1,390)	–	(2,595)	–
Net change in non-cash operating working capital items	2,869	273	4,305	7,528
Acquisition, legal fees, restructuring and other various costs	1,334	5,575	2,956	7,360
Adjusted free cash flow	**5,448**	**6,853**	**11,646**	**14,093**

The following table shows the calculation of Net debt:

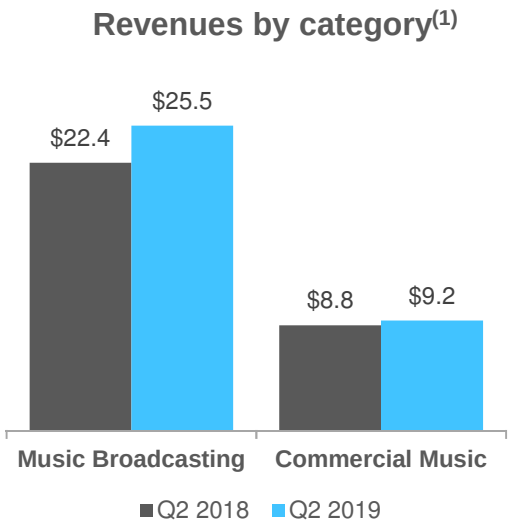
(in thousands of Canadian dollars)	**September 30, 2018**	**March 31, 2018**	**September 30, 2017**
Revolving facility	57,329	38,627	67,433
(Cash and cash equivalents)	(2,173)	(3,362)	(2,188)
Net debt	**55,156**	**35,265**	**65,245**

FINANCIAL RESULTS FOR THE THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017

Revenues

Revenues in Q2 2019 increased $3.5 million or 11.1% to $34.7 million, from $31.2 million for Q2 2018. The increase in revenues was primarily due to organic growth of SVOD, combined with the acquisition of Qello Concerts.

Trends by Revenues Categories were as follow:



Note:
(1) In millions of Canadian dollars.

Music Broadcasting

The most significant contributors to the increase of 13.9% or $3.1 million from Q2 2018 in Music Broadcasting revenues were as follows (arrows reflect the impact):

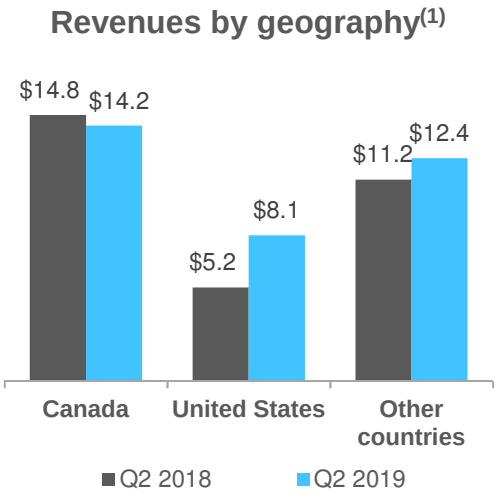
- ▲ Organic growth related to SVOD.
- ▲ Acquisition of Qello Concerts.

Commercial Music

The most significant contributors to the increase of 3.9% or $0.4 million from Q2 2018 in Commercial Music revenues were as follows (arrows reflect the impact):

- ▲ Acquisitions of Novramedia Inc., Satellite Music Australia PTY Ltd (SMA) and SBA Music PTY Ltd (SBA), combined with organic growth related to international expansion.
- ▼ Decrease in equipment and installation sales related to digital signage.

Trends by Revenues by Geographic Region:



Note:
(1) In millions of Canadian dollars.

Canada

The most significant contributors to the decrease of 4.1% or $0.6 million from Q2 2018 in revenues for Canada were as follows (arrows reflect the impact):

- ▼ Decrease in equipment and installation sales related to digital signage.
- ▲ Acquisition of Novramedia Inc.

United States

The most significant contributors to the increase of 54.5% or $2.9 million from Q2 2018 in U.S. revenues were as follows (arrows reflect the impact):

- ▲ Acquisition of Qello Concerts and organic growth related to SVOD.

Other Countries

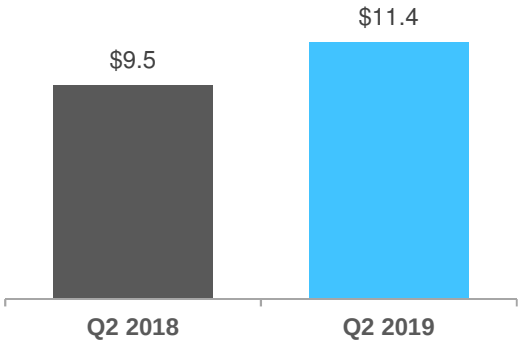
The most significant contributors to the increase of 11.1% or $1.2 million from Q2 2018 in revenues generated in Other Countries were as follows (arrows reflect the impact):

- ▲ Organic growth related to SVOD and acquisition of SMA and SBA.

Operating Expenses

(in thousands of Canadian dollars)	Q2 2019 % of revenues	Q2 2018 % of revenues	Variance		Significant contributions to variance :
Music programming, cost of services and content	$13,643 39.3%	$11,792 37.8%	$1,851 15.7%	▲	Primarily due to costs related to increase in revenues from organic growth and to acquisitions.
Selling and marketing	$3,223 9.3%	$3,237 10.4%	$(14) (0.4)%	▼	Primarily due to lower commissions paid due to lower digital signage revenues, partially offset by additional employees to support growth.
Research and development, support and information technology	$2,367 6.8%	$3,079 9.9%	$(712) (23.1)%	▼	Primarily due to projects meeting capitalizable criteria in 2019 related to internally developed intangible assets, partially offset by additional staff to support new technologies and growth.
General and administrative	$6,240 18.0%	$10,258 32.8%	$(4,018) (39.2%)	▼	Primarily due to lower legal fees, partially offset by higher administrative costs related to recent acquisitions and growth.
Depreciation, amortization and write-off	$6,529 18.8%	$5,226 16.7%	$1,303 24.9%	▲	Primarily due to the addition of intangible assets related to acquisitions and internally developed intangible assets.

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 Q2 2019 increased 20.9% to $11.4 million from $9.5 million for Q2 2018. Adjusted EBITDA margin was 32.9% in Q2 2019 compared to 30.3% in Q2 2018. The increase in Adjusted EBITDA was primarily due to the acquisitions realized in Fiscal 2018 and Fiscal 2019 and to the organic growth of SVOD, partially offset by higher operating expenses related to international expansion. The increase in Adjusted EBITDA margin was mainly related to the decrease in equipment and installation sales, which presents lower margins, combined with the increase in Adjusted EBITDA margin of new acquisitions after the successful integration, which had the effect of reducing royalties expense and other operational costs.

Acquisition, legal, restructuring and other various costs mainly included costs related to the integration of our recent acquisitions and litigation fees (refer to page 18).

Research and Development, Support and Information Technology

In Q2 2019 the Corporation capitalized a total of $1.5 million of its development costs, compared to nil for Q2 2018.

Net Finance Expense (Income)

In Q2 2019, net finance expense decreased to $0.9 million from $1.3 million in Q2 2018. The decrease was mainly related to lower interest expense and positive change in fair value of contingent consideration.

Change in fair value of investments

In Q2 2019, a loss on fair value of $0.4 million was recorded compared to $0.7 million in Q2 2018. The loss is related to the translation of an investment denominated in U.S. dollars to Canadian dollars.

Income Taxes

The income taxes expense was $0.6 million for Q2 2019 compared to an income taxes recovery of $0.9 million for Q2 2018. The effective tax rate for Q2 2019 was 42.6% compared to 21.7% for Q2 2018. The increase in the effective tax rate is mainly due to the relative importance of non-recoverable withholding taxes recorded as income taxes compared to net income before income taxes.

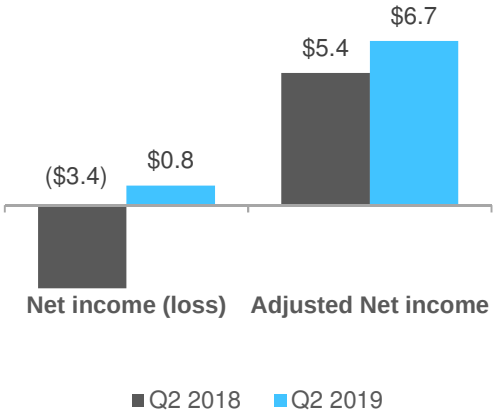
Net income (loss) and net income (loss) per share

Net income in Q2 2019 was $0.8 million ($0.01 per share) compared to a net loss of $3.4 million ($(0.07) per share) in Q2 2018. The increase was mainly attributable to lower legal fees and higher operating results, partially offset by higher income tax expense and depreciation.

Adjusted Net income and Adjusted Net income per share

Adjusted Net Income in Q2 2019 was $6.7 million ($0.12 per share), compared to $5.4 million ($0.10 per share) in Q2 2018, as higher operating results were partially offset by higher amortization of intangible assets and lower income tax recovery. The larger number of shares outstanding following the equity issue in October 2017 impacted earnings per share.

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

Revenues increased over the last eight quarters from $25.9 million in the third quarter of Fiscal 2017 to $34.7 million in the second quarter of Fiscal 2019. The increase was mainly attributable to the successful integration of acquisitions and organic growth including new contracts in all geographic locations. The decrease in Q4 2018 revenues compared to Q3 2018 was mainly explained by lower non-recurring revenues related to digital signage in Commercial Music.

Adjusted EBITDA increased over the last eight quarters from $8.7 million in the third quarter of Fiscal 2017 to $11.4 million in the second quarter of Fiscal 2019. The increase was mainly attributable to the successful integration of acquisitions and organic growth including new contracts. The decrease in Q1 2019 is explained by hiring in the research and development, support and information technology team to sustain growth, as well increased content offering.

Net income (loss) fluctuated over the last eight quarters from a net income of $2.7 million in the third quarter of Fiscal 2017 to $0.8 million in the second quarter of Fiscal 2019. In Q4 2017, the Corporation recorded an income tax recovery on the recognition of deferred tax assets related to tax losses of foreign subsidiaries of $5.1 million. In Q1 2018, the decrease in net income was mainly related to higher legal expenses and higher amortization expense on intangible assets related to acquisitions. In Q2 2018, the net loss was mainly related to higher legal fees and finance expenses, offset partially by an income tax recovery. In Q3 2018, the net income was mainly attributable to higher operating results and lower legal fees, partially offset by the negative change in fair value of contingent consideration and higher amortization expense of intangible assets compared to Q2 2018. In Q4 2018, the increase in net income was mainly attributable to higher net finance income and income tax recovery. In Q1 2019, the decrease in net income was mainly attributable to negative change in fair value of contingent consideration and income taxes expense compared to an unusual recovery of income taxes in Q2 2018. In Q2 2019, the decrease in net income was mainly attributable to the negative translation of an investment denominated in U.S. dollars to Canadian dollars and higher amortization of intangible assets, partially offset by a lower expense related to the negative change in fair value of contingent consideration.

Summary of Consolidated Quarterly Results

	Three-month periods ended							
(in thousands of Canadian dollars, except per share amounts)	Sept. 30, 2018	June 30, 2018	March 31, 2018	Dec. 31, 2017	Sept. 30, 2017	June 30, 2017	March 31, 2017	Dec. 31, 2016
	Fiscal 2019	Fiscal 2019	Fiscal 2018	Fiscal 2018	Fiscal 2018	Fiscal 2018	Fiscal 2017	Fiscal 2017
Revenues by category								
Music Broadcasting	25,516	26,002	26,011	24,722	22,394	22,316	19,708	19,295
Commercial Music	9,176	8,454	8,212	10,377	8,828	7,354	6,794	6,630
Total revenues	**34,692**	**34,456**	**34,223**	**35,099**	**31,222**	**29,670**	**26,502**	**25,925**
Revenues by geography								
Canada	14,222	13,641	13,658	16,219	14,833	14,538	14,000	14,004
United States	8,069	8,185	8,331	7,037	5,222	4,704	3,838	4,097
Other countries	12,401	12,630	12,234	11,843	11,167	10,428	8,664	7,824
Total revenues	**34,692**	**34,456**	**34,223**	**35,099**	**31,222**	**29,670**	**26,502**	**25,925**
Recurring revenues	30,651	30,796	30,734	28,788	26,766	25,502	22,683	21,944
Recurring revenues as a percentage of total revenues	88.4%	89.4%	89.8%	82.0%	85.7%	86.0%	85.6%	84.6%
Adjusted EBITDA(1)	**11,429**	**11,179**	**11,752**	**11,151**	**9,452**	**9,169**	**9,046**	**8,717**
Net income (loss)	**777**	**1,346**	**4,674**	**737**	**(3,395)**	**280**	**4,608**	**2,660**
Net income (loss) per share basic	0.01	0.02	0.08	0.01	(0.07)	0.01	0.09	0.05
Net income (loss) per share diluted	0.01	0.02	0.08	0.01	(0.07)	0.01	0.09	0.05
Adjusted Net income(1)	**6,708**	**5,898**	**9,732**	**6,016**	**5,407**	**5,703**	**10,534**	**6,164**
Adjusted Net income per(1) share basic	0.12	0.10	0.17	0.11	0.10	0.11	0.21	0.12
Adjusted Net income per(1) share diluted	0.12	0.10	0.17	0.11	0.10	0.11	0.20	0.12
Quarterly dividend	**0.06**	**0.06**	**0.055**	**0.055**	**0.05**	**0.05**	**0.045**	**0.045**

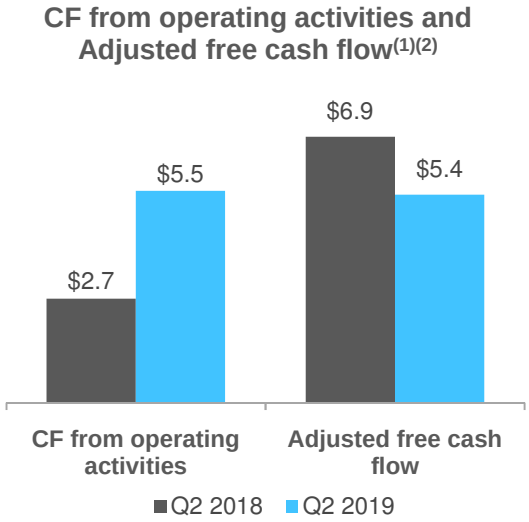
Note:

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

Reconciliation of Quarterly Non-IFRS Measures

(in thousands of Canadian dollars)	Three-month periods ended							
	Sept. 30, 2018	June 30, 2018	March 31, 2018	Dec. 31, 2017	Sept. 30, 2017	June 30, 2017	March 31, 2017	Dec. 31, 2016
	Fiscal 2019	Fiscal 2019	Fiscal 2018	Fiscal 2018	Fiscal 2018	Fiscal 2018	Fiscal 2017	Fiscal 2017
Net income (loss)	**777**	**1,346**	**4,674**	**737**	**(3,395)**	**280**	**4,608**	**2,660**
Net finance expense (income)	910	1,921	(378)	1,746	1,269	537	1,006	9
Change in fair value of investments	436	(497)	(421)	(110)	697	434	334	(583)
Income tax expense (recovery)	567	489	(385)	849	(941)	464	(5,201)	706
Depreciation and write-off of property and equipment	1,274	1,169	1,019	704	718	621	724	574
Amortization of intangible assets	5,255	4,587	4,594	4,582	4,508	4,541	3,895	3,686
Share-based compensation	358	175	473	346	312	194	372	372
Restricted, performance and deferred share unit expense	518	367	780	422	709	313	688	550
Acquisition, legal, restructuring and other various costs	1,334	1,622	1,396	1,875	5,575	1,785	2,620	743
Adjusted EBITDA	**11,429**	**11,179**	**11,752**	**11,151**	**9,452**	**9,169**	**9,046**	**8,717**
Net finance expense (income)	(910)	(1,921)	378	(1,746)	(1,269)	(537)	(1,006)	(9)
Income tax expense (recovery)	(567)	(489)	385	(849)	941	(464)	5,201	(706)
Depreciation and write-off of property and equipment	(1,274)	(1,169)	(1,019)	(704)	(718)	(621)	(724)	(574)
Income taxes related to change in fair value of investments, share-based compensation, restricted, performance and deferred share unit expense, amortization of intangible assets and acquisition, legal, restructuring and other various costs	(1,970)	(1,702)	(1,764)	(1,836)	(2,999)	(1,844)	(1,983)	(1,264)
Adjusted Net income	**6,708**	**5,898**	**9,732**	**6,016**	**5,407**	**5,703**	**10,534**	**6,164**

LIQUIDITY AND CAPITAL RESOURCES
FOR THE THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017



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

Cash flow from operating activities

Cash flow generated from operating activities amounted to $5.5 million for Q2 2019 compared to $2.7 million for Q2 2018. The increase was mainly due to lower legal expense and higher operating results, partially offset by the negative change in non-cash operating items and higher income tax paid.

Adjusted free cash flow

Adjusted free cash flow generated in Q2 2019 amounted to $5.4 million compared to $6.9 million in Q2 2018. The decrease was mainly related to higher capital expenditures related to a new SVOD platform, leasehold improvements, software and licences expenditures and income tax paid, partially offset by higher operating results.

Financing Activities

Net cash flow generated by financing activities amounted to $2.4 million for Q2 2019 compared to $6.8 million for Q2 2018. The net change of $4.4 million in cash flow was mainly attributable to the payment of contingent considerations and balance payable on business acquisitions and the higher payment of dividend in Q2 2018.

Investing Activities

Net cash flow used in investing activities amounted to $10.1 million for Q2 2019 compared to $10.4 million for Q2 2018. The net change of $0.3 million was primarily due to lower business and assets acquisitions, largely offset by higher capital expenditures.

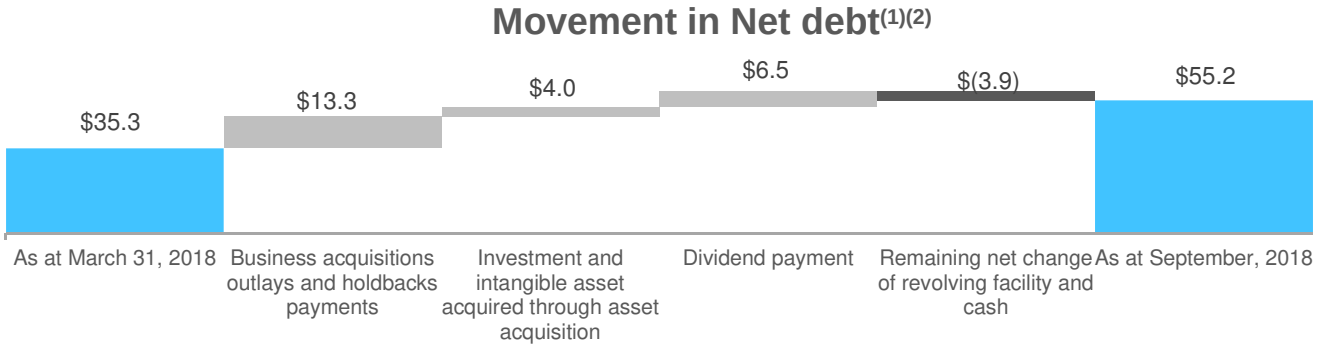
Contractual Obligations

The Corporation is committed under the terms of contractual obligations with various expiration dates, primarily the rental of office space, financial obligations under its credit agreement, broadcast licence and commitments for copyright royalties. There have been no material changes to these obligations since March 31, 2018.

Operating lease

On October 27, 2016, the Corporation signed a lease agreement for the renewal of its lease and to add additional space in the new building located at 99 Prince, Montreal. The termination date is June 30, 2022, with a possibility of extension. As at September 30, 2018, the estimated remaining commitment under the terms of the operating lease for the premises amounts to $6.0 million.

The following table summarizes the impact on the Net debt that occurred in the six-month period ended September 30, 2018 including related ratios:



$41.5	12-Month Trailing Adjusted EBITDA(1)(2)(3)	$45.5
0.85	Net debt to Adjusted EBITDA(1)(2)(3)	1.21

Notes:

(1) In millions of Canadian dollars.
(2) Refer to "Supplemental information on Non-IFRS measures" on pages 2 and 7.
(3) Adjusted EBITDA is calculated on the last twelve months in regards to the Net debt to Adjusted EBITDA ratio.

CONSOLIDATED FINANCIAL POSITION

The following table shows the main variances that have occurred in the consolidated financial position of the Corporation for the six-month period ending September 30, 2018:

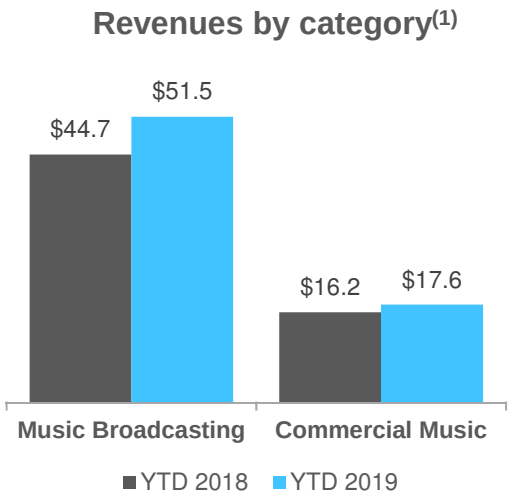
(in thousands of Canadian dollars)	Sept. 30, 2018	March 31, 2018	Variance		Significant contributions
Trade and other receivables	$32,858	$34,834	$(1,976)	▼	Collection of old receivables and timing of customer's payment.
Intangible assets	$62,600	$54,355	$8,245	▲	Recognition of intangibles through asset and business acquisitions offset by amortization in the current period.
Goodwill	$99,504	$98,467	$1,037	▲	Goodwill related to the acquisition of Novramedia Inc. partially offset by foreign exchange impact.
Accounts payable and accrued liabilities	$34,501	$35,199	$(698)	▼	Payables from acquisitions and timing of payments to suppliers.
Revolving facility	$57,329	$38,627	$18,702	▲	Payments of contingent consideration and balance payable on business acquisitions, dividend payment, as well as acquisition of an investment and related intangible assets.
Contingent consideration and balance payable on business and asset acquisitions, including current portion	$20,762	$24,917	$(4,155)	▼	Payments made for Yokee Music, Les Réseaux Urbains Viva Inc. and Qello Concerts, partially offset by balance payable on asset acquisition and contingent consideration on business acquisition.

FINANCIAL RESULTS
FOR THE SIX-MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017

Revenues

Revenues for the six-month period ended September 30, 2018 ("YTD 2019") increased $8.2 million or 13.6% to $69.1 million from $60.9 million for the corresponding period of the previous fiscal year ("YTD 2018"). The increase in revenues was primarily due to organic growth of SVOD, combined with the acquisitions of Qello Concerts, SMA and SBA.

Trends by Revenues Categories were as follow:



Note:
(1) In millions of Canadian dollars.

Music Broadcasting

The most significant contributors to the increase of 15.2% or $6.8 million from YTD 2018 in Music Broadcasting revenues were as follows (arrows reflect the impact):

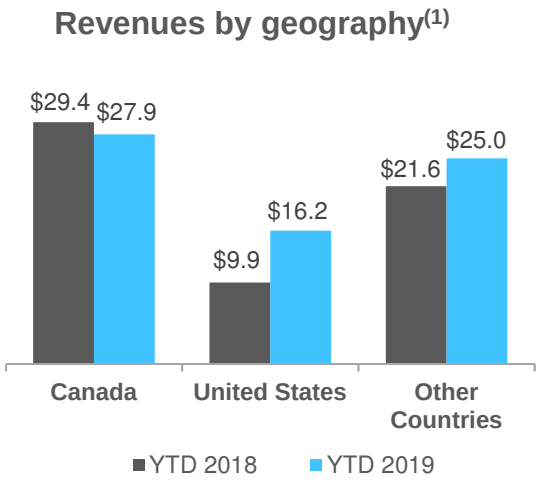
- ▲ Organic growth related to SVOD.
- ▲ Acquisition of Qello Concerts.

Commercial Music

The most significant contributors to the increase of 8.9% or $1.4 million from YTD 2018 in Commercial Music revenues were as follows (arrows reflect the impact):

- ▲ Acquisitions SMA, SBA, and Novramedia Inc., combined with organic growth related to international expansion.
- ▼ Decrease in equipment and installation sales related to digital signage.

Trends by Revenues by Geographic Region:



Note:
(1) In millions of Canadian dollars.

Canada

The most significant contributors to the decrease of 5.1% or $1.5 million from YTD 2018 in revenues for Canada were as follows (arrows reflect the impact):

- ▼ Decrease in equipment and installation sales related to digital signage.
- ▲ Acquisition of Novramedia Inc.

United States

The most significant contributors to the increase of 63.8% or $6.3 million from YTD 2018 in U.S. revenues were as follows (arrows reflect the impact):

- ▲ Organic growth related to SVOD and acquisition of Qello Concerts.

Other Countries

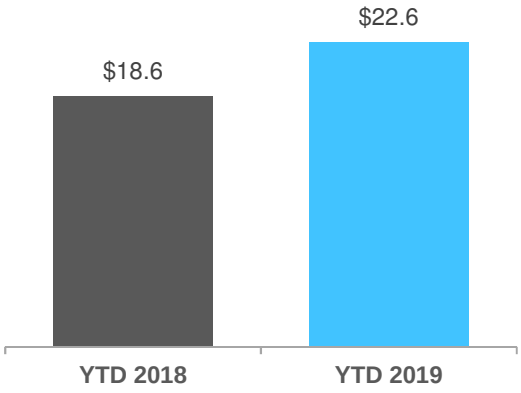
The most significant contributors to the increase of 15.9% or $3.4 million from YTD 2018 in Other Countries revenues were as follows (arrows reflect the impact):

- ▲ Organic growth related to SVOD.
- ▲ Acquisitions of SMA and SBA.

Operating Expenses

(in thousands of Canadian dollars)	YTD 2019 % of revenues	YTD 2018 % of revenues	Variance YTD		Significant contributions to variance:
Music programming, cost of services and content	$26,855 38.8%	$22,886 37.6%	$3,969 17.3%	▲	Primarily due to costs related to increase in revenues from organic growth and acquisitions.
Selling and marketing	$6,651 9.6%	$6,461 10.6%	$190 2.9%	▲	Primarily due to additional employees to support growth.
Research and development, support and information technology	$4,828 7.0%	$6,057 9.9%	$(1,229) (20.3)%	▼	Primarily due to projects meeting capitalisable criteria in 2019 related to internally developed intangible assets, partially offset by additional staff to support new technologies and growth.
General and administrative	$12,580 18.2%	$15,755 25.9%	$(3,175) (20.2)%	▼	Primarily due to lower legal fees, partially offset by higher administrative costs related to recent acquisitions and growth.
Depreciation, amortization and write-off	$12,285 17.8%	$10,388 17.1%	$1,897 18.3%	▲	Primarily due to the addition of intangible assets related to acquisitions and internally developed intangible assets.

Adjusted EBITDA(1)(2)



Notes:
(1) In millions of Canadian dollars.
(2) Refer to "Supplemental information on Non-IFRS measures" on pages 2 and 7.

Adjusted EBITDA for YTD 2019 increased to $22.6 million or 21.4%, from $18.6 million for YTD 2018. Adjusted EBITDA margin was 32.7% for YTD 2019 compared to 30.6% for YTD 2018. The increase in Adjusted EBITDA margin was mainly related to the decrease in equipment and installation sales, which presents lower margins, combined with the increase in Adjusted EBITDA margin of Yokee Music after the successful integration, which had the effect of reducing royalties expense and other operational costs.

Acquisition, legal, restructuring and other various costs mainly included costs related to the integration of our recent acquisitions and litigation fees (refer to page 18).

Research and Development, Support and Information Technology

For YTD 2019 the Corporation capitalized a total of $2.7 million of its development costs, compared to nil for YTD 2018.

Net Finance Expense (Income)

For YTD 2019, Net finance expense increased to $2.8 million from $1.8 million for YTD 2018. The increase was mainly related to the negative change in fair value of contingent consideration and the foreign exchange loss, partially offset by lower interest expense.

Change in fair value of investments

For YTD 2019, a gain of $0.1 million was recorded compared with a loss of $1.1 million for YTD 2018. The gain is related to the translation of an investment denominated in U.S. dollars to Canadian dollars.

Income Taxes

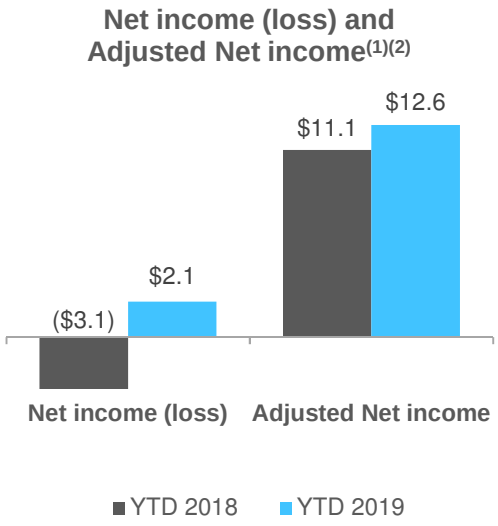
The income tax expense was $1.1 million for YTD 2019 compared with an income taxes recovery of $0.5 million for YTD 2018. The effective tax rate was 33.2% for YTD 2019 compared with (13.3%) for YTD 2018. The increase in the effective tax rate is mainly due to the relative importance of non-recoverable withholding taxes recorded as income taxes compared to net income before income taxes.

Net income (loss) and net income (loss) per share

Net income in YTD 2019 was $2.1 million ($0.4 per share) compared to a net loss of $3.1 million for YTD 2018 ($(0.06) per share). The increase was mainly attributable to lower legal fees, higher operating results, and to the positive change in fair value of investments, partially offset by higher income tax expense and depreciation.

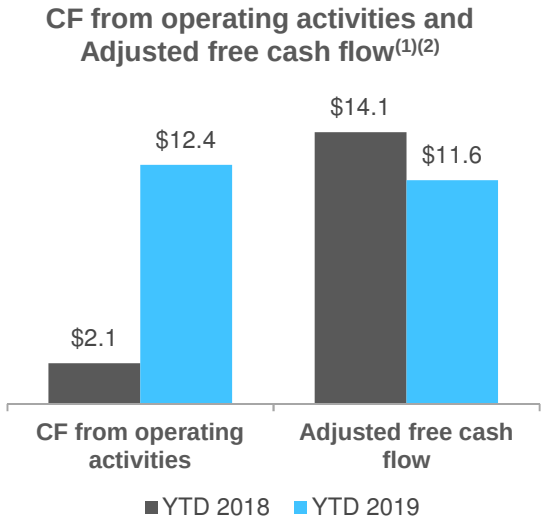
Adjusted Net income and Adjusted Net income per share

Adjusted Net income for YTD 2019 was $12.6 million ($0.22 per share), compared to $11.1 million ($0.21 per share) for YTD 2018, as higher operating results were partially offset by higher amortization of intangible assets. The larger number of shares outstanding following the equity issue in October 2017 impacted earnings per share.



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 SIX-MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017



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

Cash flow from operating activities

Cash flow generated from operating activities amounted to $12.4 million for YTD 2019 compared to $2.1 million for YTD 2018. The increase was mainly due to the positive change in non-cash operating items, lower legal expense and higher operating results, partially offset by higher income tax paid.

Adjusted free cash flow

Adjusted free cash flow generated in YTD 2019 amounted to $11.6 million compared to $14.1 million for YTD 2018. The decrease was mainly related to higher capital expenditures related to a new SVOD platform, leasehold improvements, software and licences expenditures and income tax paid, partially offset by higher operating results.

Financing Activities

Net cash flow generated from financing activities amounted to $4.4 million for YTD 2019 compared to $16.8 million for YTD 2018. The net change of $12.4 million in cash flow was mainly attributable to the decrease of the revolving facility, higher repayment of other payables and higher dividend payments.

Investing Activities

Net cash flow used in investing activities amounted to $18.0 million for YTD 2019 compared to $22.6 million for YTD 2018. The net change of $4.6 million was primarily related to lower business acquisitions, partially offset by higher acquisition of intangible assets through asset acquisition and higher capital expenditures.

Music Choice Litigation

Music Choice v. Stingray

Music Choice filed its original Complaint against the Corporation on June 6, 2016, asserting infringement of four U.S. patents, namely, U.S. Patent Nos. 8,769,602 (the '602 Patent), 9,357,245 (the '245 Patent), 7,320,025 (the '025 Patent) and 9,351,045 (the '045 Patent). On August 12, 2016, Music Choice filed its First Amended Complaint, which added a fifth U.S. patent, namely, U.S. Patent No. 9,414,121 (the '121 Patent). The Corporation filed its Answer to the Original Complaint (including counterclaims) on August 30, 2016, asserting, among other things, defenses and counterclaims of non-infringement and invalidity. On September 2, 2016, Music Choice filed its Second Amended complaint, adding Stingray Music USA, Inc. (SMU) as a defendant, and the Corporation and SMU filed their answers and counterclaims on September 23 and October 4, 2016, respectively. Since the commencement of the case, the parties have jointly prepared and filed with the Court a docket control order, a protective order and an ESI order. Music Choice also served its infringement contentions on September 12, 2016, the parties exchanged Initial Disclosures, and the Corporation served its invalidity contentions on November 28, 2016. On March 27, 2017, the Corporation filed a motion for judgment on the pleadings on the basis that the Asserted Patents are invalid under 35 U.S.C. 101 for claiming unpatentable subject matter. The parties exchanged amended infringement and invalidity contentions on April 28, 2017. In addition, on November 14, 2016, the Corporation filed an amended answer and counterclaims which included inequitable conduct counterclaims based on David Del Beccaro's (and the other inventors') failure to disclose a product offered by Music Choice Europe in or about 2001 to the patent office and their misrepresentations to the patent office that they are the true inventors of the patents-in-suit. Music Choice moved to dismiss and strike the Corporation's inequitable conduct counterclaims, which the Corporation opposed on January 4, 2017. On May 3, 2017, the magistrate judge handling the case issued a Report and Recommendation that the motion be dismissed, and on September 6, 2017, the Court adopted the report and denied Music Choice's motion. On July 6, 2017, the Court issued a Markman Order construing certain claim terms of the Asserted Patents. On September 14, 2017, Music Choice dropped one of the five patents-in-suit (the '602 Patent). On October 17, 2017, the Corporation filed a motion to adjourn the trial date and remaining case deadlines, in part because the Patent Trial and Appeal Board (PTAB) instituted *inter partes* review for three of the four patents-in-suit (*i.e.*, the '025, '045 and '245 Patents). On October 23, 2017, the Corporation filed a petition for *inter partes* review for claims 10 and 15 of the '245 Patent. On October 24, 2017, Music Choice requested adverse judgment against itself from the PTAB with respect to 1-9, 12-14, and 16-17 of the '245 Patent. On October 27, 2017, the PTAB instituted *inter partes* review on the fourth patent-in-suit (*i.e.,* the '121 Patent), and on October 30, 2017, the Corporation filed a motion to stay the litigation pending the *inter partes* reviews. On December 12, 2017, the Court granted the Corporation's motion to stay, staying the litigation pending resolution of the *inter partes* reviews, and dismissed without prejudice Stingray's motion for judgment on the pleadings. On March 26, 2018, the PTAB declined to institute an *inter partes* review for claims 10 and 15 of the '245 Patent. On April 26, 2018, the PTAB entered adverse judgment against Music Choice as to claims 1-9, 12-14, and 16-17 of the '245 Patent and terminated the proceeding. On June 19, 2018 and July 16, 2018, the PTAB held hearings for the instituted *inter partes* reviews. On September 20, 2018, the PTAB invalidated claims 1, 3 and 4 of the '025 Patent and stated that claim 8 was not shown to be unpatentable as anticipated by U.S. Patent Application Publication No. 2002/0078456 A1 (Hudson). On October 11, 2018, the PTAB invalidated claims 1-4 and 6-9 of the '045 Patent and stated that claims 5 and 10-20 were not shown to be unpatentable as obvious in view of Hudson and U.S. Patent No. 6,248,946. On October 17, 2018, the PTAB invalidated all of the claims of the '602 Patent. On October 24, 2018, the PTAB invalidated claims 1, 6, and 10-12 of the '121 Patent and stated the claim 14 was not shown to be unpatentable as anticipated by U.S. Patent No. 5,752,160. Since claim 14 of the '121 Patent is not asserted in the litigation, the '121 Patent is no longer at issue in the district court litigation. The parties must file the following documents in the district court litigation by November 23, 2018: (1) a joint status report advising the district court as to the outcome of the proceedings and (2) a joint motion proposing a docket control order.

Stingray v. Music Choice

SMU filed its Complaint on August 30, 2016, asserting claims of unfair competition under the Federal Lanham Act, defamation, trade libel, tortious interference, and common law unfair competition, stemming from false misrepresentations of fact made by Music Choice regarding the nature, characteristics and qualities of Stingray Music and its products and services, to SMU's existing and potential customers, with the goal of damaging SMU's relationships with those customers and its business generally. On October 17, 2016, Music Choice filed a Motion to Dismiss on the grounds that all of SMU's claims are time-barred. In response, on November 3, 2016, SMU filed an Amended Complaint, after which (on December 7, 2016), Music Choice moved to dismiss only the state law claims. Music Choice also filed a motion to transfer the case to the Eastern District of Pennsylvania. On January 4, 2017, SMU opposed both motions. In addition, SMU filed a motion to consolidate the action with the Music Choice patent infringement action.

On March 16, 2017, the Court denied Music Choice's motion to change venue, and granted SMU's motion to consolidate, ordering that this action be consolidated for all pretrial issues with the Music Choice v. Stingray action. Music Choice's motion to dismiss the state law claims remains pending. On March 30, 2017, Music Choice answered SMU's complaint (except for the state law claims that remain subject to its pending motion to dismiss) and asserted a counterclaim against SMU and the Corporation. Music Choice's counterclaim alleges that the Stingray entities misused Music Choice confidential data in violation of various non-disclosure agreements (the "NDAs"). These non-disclosure agreements arose from discussions between the parties concerning a possible acquisition of Music Choice by the Corporation. The Corporation's entities answered the counterclaim on April 28, 2017, denying the allegations and asserting various affirmative defenses, including that Music Choice acted fraudulently and in bad faith with regard to the NDAs. Fact discovery has closed, and expert discovery has commenced. In view of the Court's adjournment of the trial date and stay in Music Choice v. Stingray, this case is stayed as well.

SOCAN and Re:Sound legal proceedings

From May 2, 2017 until May 10, 2017, the Corporation, together with its Canadian Broadcast Distribution Undertaking customers (together, the "Objectors"), presented an affirmative case before the Copyright Board of Canada to seek a reduction in the prescribed rates and terms for the Pay Audio Services Tariff for the 2007-2016 period. SOCAN and Re:Sound (together, the "Collectives") opposed that case, but in the opinion of the Objectors failed to offer compelling alternatives other than a request to maintain the status quo. While the Objectors and the Collectives await the final determination of the Board on the proper quantum of the Tariff, in early 2018 the Board released a tentative ruling proposing that allocation of affiliation payments across the suite of Stingray services is reasonable and appropriate and asking the parties to propose favoured approaches to allocation. The parties have responded to the Board's request, with the Objectors proposing an allocation based on a "cost approach", as supported by independent, expert advice. The Copyright Board of Canada continues its consideration of the matter, and the Corporation anticipates a decision in about 6 to 15 months, based on past experience and the complexity of this proceeding.

Transactions Between Related Parties

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

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

(in thousands of Canadian dollars)	Three-month period ended September 30, 2018 **Q2 2019**	Three-month period ended September 30, 2017 **Q2 2018**	Six-month period ended September 30, 2018 **YTD 2019**	Six-month period ended September 30, 2017 **YTD 2018**
Short-term employee benefits	1,487	1,213	2,148	2,148
Share-based compensation	136	233	392	392
Restricted and performance share units	221	148	411	229
Deferred share units	242	427	551	551
	2,086	**2,021**	**3,502**	**3,320**

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:

	November 6, 2018	September 30, 2018
Issued and outstanding shares:		
Subordinate voting shares	55,389,343	39,621,840
Subordinate voting shares held in trust through employee share purchase plan	(17,535)	(16,021)
Variable subordinate voting shares	430,562	445,639
Multiple voting shares	17,941,498	16,294,285
	73,743,868	56,345,743
Outstanding stock options and subscription receipts:		
Stock options	-	2,438,675
Subscription receipts	-	13,279,950

The Corporation has a stock option plan to attract and retain employees, directors, officers and consultants. The plan provides for the granting of options to purchase subordinate voting shares. Under this plan, which was amended on June 7, 2017, 10% of all multiple voting shares, subordinate voting shares and variable subordinate voting shares issued and outstanding on a non-diluted basis is reserve for issuance. In Q2 2019, 25,000 options were exercised, no options were forfeited, and 4,504 options were granted to eligible employees, subject to service vesting periods of 4 years.

Financial Risk Factors

The Corporation is exposed to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk and interest risk). The 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, 2018. The Corporation is not aware of any significant changes to the Corporation's risk factors from those disclosed at that time.

Risk Factors

For a detailed description of risk factors associated with the Corporation, please refer to the "Risk Factors" section of the Corporation's AIF dated June 7, 2018. The Corporation is not aware of any significant changes to the Corporation's risk factors from those disclosed at that time.

Future Accounting Changes

For information on future accounting changes, please refer to page 43 of the unaudited interim consolidated financial statements.

Evaluation of Disclosure Controls and Procedures

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

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

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

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 November 7, 2018, the Corporation declared a dividend of $0.06 per subordinate voting share, variable subordinate voting share and multiple voting share that will be payable on or around December 14, 2018 to shareholders on record as of November 30, 2018.

Acquisitions

On October 12, 2018, the Corporation purchased all of the outstanding shares of DJ-Matic, a European provider of in-store media solution for businesses, for total consideration of EUR10.8 million ($16.3 million).

On October 26, 2018, the Corporation completed the acquisition of all the outstanding Class A Subordinate Voting shares and Class B Common shares (together the "NCC shares") of Newfoundland Capital Corporation Limited ("NCC") for $14.75 per NCC share (the "Purchase Price"), representing a total consideration of $494.5 million. The acquisition was authorized on October 23, 2018 by the Canadian Radio-television and Telecommunications Commission (CRTC).

Credit facility

On August 21, 2018, effective October 26, 2018, the Corporation amended its existing $100.0 million credit facility (the “Credit facility”) by increasing the authorized amount up to $450.0 million and extending the maturity to October 26, 2021 to finance the acquisition of Newfoundland Capital Corporation Limited (“NCC”).

The Credit facility consists of a revolving credit facility for an authorized amount up to $300.0 million and a non-revolving term facility in the amount of $150.0 million.

The Credit facility bears interest at (a) the bank’s prime rate plus an applicable margin based on a financial covenant or (b) the banker’s acceptance rate plus an applicable margin based on a financial covenant. In addition, the Corporation incurs standby fees, varying between 0.28% and 0.60% based on a financial covenant. The Credit facility is secured by guarantees from subsidiaries and first ranking lien on universality of all assets, tangible and intangibles, present and future.

Subordinated debt

On July 11, 2018, effective October 26, 2018, the Corporation entered into a loan agreement in the amount of $50.0 million. The loan is unsecured and bears interest at an annual rate varying between 5.55% and 6.95% based on a financial covenant. The loan matures on October 26, 2023.

Private placement

On November 5, 2018, the Corporation announced that it has entered into a subscription agreement with Irving West, Limited (the ‘”investor”) pursuant to which the investor agreed to purchase an aggregate of 2,429,544 subordinate voting shares (the “Private Placement Shares”) at a price of $10.29 per subordinate voting shares for total gross proceeds of $25.0 million. The Private Placement Shares is subject to the approval of the TSX and to a four-month hold from the date of issuance which is scheduled to occur on or about November 13, 2018.

Additional Information

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

Consolidated Statements of Comprehensive Income

Three-month and six-month periods ended September 30, 2018 and 2017

(In thousands of Canadian dollars, except per share amounts) (Unaudited)	Note	Three-month periods ended September 30, 2018	Three-month periods ended September 30, 2017	Six-month periods ended September 30, 2018	Six-month periods ended September 30, 2017
Revenues		$ 34,692	$ 31,222	$ 69,148	$ 60,892
Music programming, cost of services and content		13,643	11,792	26,855	22,886
Selling and marketing		3,223	3,237	6,651	6,461
Research and development, support and information technology, net of tax credits of $239 and $490, respectively (2017 - $235 and $437, respectively)		2,367	3,079	4,828	6,057
General and administrative		6,240	10,258	12,580	15,755
Depreciation, amortization and write-off	5, 7	6,529	5,226	12,285	10,388
Net finance expense (income)	6	910	1,269	2,831	1,806
Change in fair value of investments	13	436	697	(61)	1,131
Income (loss) before income taxes		1,344	(4,336)	3,179	(3,592)
Income taxes		567	(941)	1,056	(477)
Net income (loss)		$ 777	$ (3,395)	$ 2,123	$ (3,115)
Net income (loss) per share – Basic		0.01	(0.07)	0.04	(0.06)
Net income (loss) per share – Diluted		0.01	(0.07)	0.04	(0.06)
Weighted average number of shares – Basic		56,347,905	51,335,589	56,331,846	51,331,003
Weighted average number of shares – Diluted		56,912,902	51,889,726	56,959,579	51,874,114
Comprehensive income (loss)					
Net income (loss)		$ 777	$ (3,395)	2,123	(3,115)
Other comprehensive income (loss) net of tax					
Items that may be reclassified to profit and loss					
Exchange differences on translation of foreign operations		(2,308)	(1,840)	(4,287)	(1,584)
Total other comprehensive income (loss)		(2,308)	(1,840)	(4,287)	(1,584)
Total comprehensive income (loss)		$ (1,531)	$ (5,235)	(2,164)	(4,699)

Net income (loss) is entirely attributable to Shareholders.

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

Consolidated Statements of Financial Position

September 30, 2018 and March 31, 2018

(In thousands of Canadian dollars) (Unaudited)	Note	September 30, 2018	March 31, 2018
Assets			
Current assets			
Cash and cash equivalents		$ 2,173	$ 3,362
Restricted cash	3	134,367	–
Trade and other receivables		32,858	34,834
Research and development tax credits		1,100	610
Income taxes receivable		1,504	989
Inventories		2,971	1,784
Other current assets		10,642	6,793
		185,615	48,372
Non-current assets			
Property and equipment	7	13,081	11,135
Intangible assets	7	62,600	54,355
Goodwill	7	99,504	98,467
Investments	13	16,494	15,533
Investment in an associate	8	1,570	1,106
Investment in joint venture		690	834
Other non-current assets		900	954
Deferred tax assets		8,714	12,950
Total assets		$ 389,168	$ 243,706
Liabilities and Equity			
Current liabilities			
Accounts payable and accrued liabilities		34,501	35,199
Liabilities for subscription receipts	3	138,111	–
Dividend payable		–	3,097
Deferred revenues		1,905	1,530
Current portion of other payables	9	18,508	13,212
Income taxes payable		1,791	2,403
		194,816	55,441
Non-current liabilities			
Revolving facility		57,329	38,627
Other payables	9	10,919	14,875
Deferred tax liabilities		3,051	5,156
Total liabilities		266,115	114,099
Shareholders' equity			
Share capital	10	146,393	146,354
Contributed surplus		4,305	3,825
Deficit		(24,722)	(21,936)
Accumulated other comprehensive income (loss)		(2,923)	1,364
Total equity		123,053	129,607
Subsequent events (note 2)			
Total liabilities and equity		$ 389,168	$ 243,706

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

Approved by the Board of Directors,

(Signed) Eric Boyko, Director (Signed) Pascal Tremblay, Director

Consolidated Statements of Changes in Equity

Six-month periods ended September 30, 2018 and 2017

(In thousands of Canadian dollars, except number of share capital) (Unaudited)	Share Capital					
	Number	Amount	Contributed surplus	Deficit	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance at March 31, 2017	51,326,366	$ 102,700	$ 2,872	$ (10,299)	$ (325)	$ 94,948
Issuance of shares upon exercise of options (note 10)	34,146	158	(60)	–	–	98
Dividends	–	–	–	(4,877)	–	(4,877)
Share-based compensation	–	–	474	–	–	474
Net loss	–	–	–	(3,115)	–	(3,115)
Other comprehensive loss	–	–	–	(31)	(1,584)	(1,615)
Balance at September 30, 2017	51,360,512	$ 102,858	$ 3,286	$ (18,322)	$ (1,909)	$ 85,913
Balance at March 31, 2018	56,305,753	$ 146,354	$ 3,825	$ (21,936)	$ 1,364	$ 129,607
Issuance of shares upon exercise of options (note 10)	50,000	138	(70)	–	–	68
Dividends	–	–	–	(4,909)	–	(4,909)
Share issuance costs (note 10)	–	(7)	–	–	–	(7)
Share-based compensation	–	–	472	–	–	472
Employee share purchase plan (notes 10 and 12)	(10,010)	(92)	78	–	–	(14)
Net income	–	–	–	2,123	–	2,123
Other comprehensive loss	–	–	–	–	(4,287)	(4,287)
Balance at September 30, 2018	56,345,743	$ 146,393	$ 4,305	$ (24,722)	$ (2,923)	$ 123,053

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

Consolidated Statements of Cash Flows

Three-month and six-month periods ended September 30, 2018 and 2017

(In thousands of Canadian dollars) (Unaudited)	Note	Three-month periods ended September 30, 2018	 September 30, 2017	Six-month periods ended September 30, 2018	 September 30, 2017
Operating activities:					
Net income (loss)		$ 777	$ (3,395)	$ 2,123	$ (3,115)
Adjustments for:					
Share-based compensation	12	358	312	533	506
Restricted and performance share unit expense	12	331	282	643	471
Deferred share unit expense	12, 14	187	427	242	551
Depreciation and write-off of property and equipment	7	1,274	718	2,443	1,339
Amortization of intangible assets	7	5,255	4,508	9,842	9,049
Amortization of financing fees	6	25	50	50	67
Interest expense and standby fees	6	305	522	640	854
Change in fair value of investments	13	436	697	(61)	1,131
Change in fair value of contingent consideration	6	66	240	1,375	747
Accretion expense on balance payable on business acquisitions	6	111	90	208	180
Accretion expense of CRTC tangible benefits	6	57	66	113	131
Share of results of joint venture		156	(15)	144	(38)
Income tax expense		567	(941)	1,056	(477)
Interest paid		(424)	(549)	(860)	(845)
Income taxes paid		(1,106)	(29)	(1,760)	(902)
		8,375	2,983	16,731	9,649
Net change in non-cash operating items	11	(2,869)	(273)	(4,305)	(7,528)
		5,506	2,710	12,426	2,121
Financing activities:					
Increase in the revolving facility		9,448	9,313	18,702	26,393
Payment of dividend	10	(3,382)	(2,567)	(6,479)	(4,877)
Share issuance costs	10	–	–	(7)	–
Proceeds from the exercise of stock options	10	12	98	68	98
Shares purchased under the employee share purchase plan	12	(50)	–	(92)	–
Repayment of other payables		(3,608)	(91)	(7,806)	(4,771)
		2,420	6,753	4,386	16,843
Investing activities:					
Business acquisitions, net of cash acquired		(5,496)	(8,722)	(5,496)	(19,722)
Investment in an associate		(320)	–	(464)	–
Acquisition of an investment	1	–	–	(900)	–
Intangible assets acquired through asset acquisition	1	–	–	(3,100)	–
Acquisition of property and equipment		(1,488)	(705)	(3,716)	(1,512)
Acquisition of intangible assets other than internally developed intangible assets		(1,383)	(1,000)	(1,730)	(1,404)
Addition to internally developed intangible assets		(1,390)	–	(2,595)	–
		(10,077)	(10,427)	(18,001)	(22,638)
Decrease in cash and cash equivalents		(2,151)	(964)	(1,189)	(3,674)
Cash and cash equivalents, beginning of period		4,324	3,152	3,362	5,862
Cash and cash equivalents, end of period		$ 2,173	$ 2,188	$ 2,173	$ 2,188

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

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

1. Significant changes and highlights:

The interim consolidated financial position and performance of Stingray Digital Group Inc. (the "Corporation") was particularly affected by the following events and transactions during the three-month and six-month periods ended September 30, 2018:

- On August 1, 2018, the Corporation signed an agreement to acquire Novramedia Inc., a Toronto-based leader in the design, development, and implementation of digital media solutions for total consideration of $7,737. It resulted in the recognition of goodwill (notes 3 and 7), intangible assets (notes 3 and 7) and contingent consideration (notes 3 and 9).
- On June 19, 2018, the Corporation announced that it has acquired a minority stake in Nextologies Limited resulting in the recognition of an investment for an amount of $900 (note 13), intangible asset for an amount of $9,100, of which $3,100 has been paid in closing date (note 7) and balance payable on asset acquisition for an amount of $6,000 (note 9).
- On October 26, 2018, the Corporation closed the acquisition of Newfoundland Capital Corporation Limited (“NCC”), previously announced on May 2, 2018, pursuant to which the Corporation acquired all of NCC’s issued and outstanding shares (NCC Shares) for $14.75 per NCC share, representing a total consideration of $494,453. Refer to note 3 for more detail on the transaction.
- To finance part of the NCC acquisition, on May 23, 2018, the Corporation completed a subscription receipt offering for gross proceeds of $83,002 and net proceeds of $79,682 and closed a private placement deal of $39,999. Refer to note 3 for more detail on the transaction.

2. Subsequent events:

Acquisition

On October 12, 2018, the Corporation purchased all of the outstanding shares of DJ-Matic, a European provider of in-store media solution for businesses, for total consideration of EUR10,800 ($16,300).

Credit facility

On August 21, 2018, effective October 26, 2018, the Corporation amended its existing $100,000 credit facility (the “Credit facility”) by increasing the authorized amount up to $450,000 and extending the maturity to October 26, 2021 to finance the acquisition of NCC.

The Credit facility consists of a revolving credit facility for an authorized amount up to $300,000 and a non-revolving term facility in the amount of $150,000.

The Credit facility bears interest at (a) the bank’s prime rate plus an applicable margin based on a financial covenant or (b) the banker’s acceptance rate plus an applicable margin based on a financial covenant. In addition, the Corporation incurs standby fees, varying between 0.28% and 0.60% based on a financial covenant. The Credit facility is secured by guarantees from subsidiaries and first ranking lien on universality of all assets, tangible and intangibles, present and future.

Subordinated debt

On July 11, 2018, effective October 26, 2018, the Corporation entered into a loan agreement in the amount of $50,000. The loan is unsecured and bears interest at an annual rate varying between 5.55% and 6.95% based on a financial covenant. The loan matures on October 26, 2023.

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

Private placement

On November 5, 2018, the Corporation announced that it has entered into a subscription agreement with Irving West, Limited (the "investor") pursuant to which the investor agreed to purchase an aggregate of 2,429,544 subordinate voting shares (the "Private Placement Shares") at a price of $10.29 per subordinate voting shares for total gross proceeds of $25,000. The Private Placement Shares is subject to the approval of the TSX and to a four-month hold from the date of issuance which is scheduled to occur on or about November 13, 2018. The closing of the transaction will result in an increase of cash and cash equivalents and share capital.

Dividend

On November 7, 2018, the Corporation declared a dividend of $0.06 per subordinate voting share, variable subordinate voting share and multiple voting share that will be payable on or around December 14, 2018 to shareholders on record as of November 30, 2018.

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

3. Business acquisitions:

Six-month period ended September 30, 2018

Novramedia

On August 1, 2018, the Corporation purchased all of the outstanding shares of Novramedia Inc. ("Novramedia") for total consideration of $7,737. Novramedia is a Canadian provider of digital media solution. As a result of the acquisition, goodwill of $3,431 was recognized related to the operating synergies expected to be achieved from integrating the acquired business into the Corporation's existing business. The goodwill will not be deductible for tax purposes.

The fair value of acquired trade receivables was $754 which represented the gross contractual amount. The contingent consideration arrangement requires the Corporation to pay, in cash, to the former owners, an amount not exceeding $2,500 over the next 12 months if certain revenues-based targets are met. The fair value of the contingent consideration was determined using an income approach based on the estimated amount and timing of projected cash flows.

The results of the business acquisition of Novramedia for the period ended September 30, 2018 are included in results since the date of the acquisition. Revenues recorded from the acquisition date to September 30, 2018 were $620 and net loss was $66. Had the acquisition occurred at the beginning of the fiscal year, revenues related to this acquired business would have been approximately $3,720 and net loss would have been $394.

		Preliminary
Assets acquired:		
Cash and cash equivalents	$	4
Trade and other receivables		754
Inventories		863
Other current assets		142
Property and equipment		50
Intangible assets		5,827
Goodwill		3,431
		11,071
Liabilities assumed:		
Accounts payable and accrued liabilities		942
Deferred revenues		842
Deferred tax liabilities		1,550
		3,334
Net assets acquired at fair value	$	7,737
Consideration given:		
Cash		5,500
Working capital receivable		(171)
Contingent consideration		2,408
	$	7,737

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 the fair value of certain assets and liabilities remains to be obtained.

On October 26, 2018, the Corporation completed the acquisition of all the outstanding Class A Subordinate Voting shares and Class B Common shares (together the "NCC shares") of NCC for $14.75 per NCC share (the "Purchase Price"), representing a total consideration of $494,453. The acquisition was authorized on October 23, 2018 by the Canadian Radio-television and Telecommunications Commission (CRTC).

The NCC shareholders received 3,887,826 subordinate voting shares of the Corporation, equivalent to $40,006 and representing approximately 8% of the total consideration.

The cash element of the Purchase Price, amounted to $454,447, was funded through a combination of the following:

- $450,000 Credit facility (note 2);
- $83,002 gross proceeds (net proceeds of $79,682) from the issuance of 7,981,000 subscription receipt (the "Public Subscription Receipts") sold through a public offering, on a bought deal basis, at $10.40 per Public Subscription Receipts;
- $39,999 gross proceeds (net proceeds of $38,399) from the issuance of 3,846,100 subscription receipt sold through a private placement (the "Private Placement Subscription Receipts"), on a bought deal basis, at $10.40 per Private Placement Subscription Receipts;
- $17,110 from the issuance of 1,647,213 subscription receipts (the "Subscription Receipts") through the exercise by some shareholders of their multiple voting shares of the Corporation at a price between $10.29 and $10.40 per subscription receipts.

Concurrently with the closing of the acquisition, the holders of the outstanding Public Subscription Receipts, Private Placement Subscription Receipts and Subscription Receipts, exercised their conversion rights and consequently the Corporation issued 11,827,100 subordinate voting shares and 1,647,213 multiple voting shares for total gross proceeds of $140,111 and net proceeds of $135,191.

The holders of the Public Subscription Receipts, Private Placement Subscription Receipts and of the Subscription Receipts (together referred as the "Receipt") received a dividend of $0.055 per Receipt on June 15, 2018 totaling $730 and a dividend of $0.06 per Receipt on September 14, 2018 totalling $797.

As at September 30, 2018, net proceeds from the issuance of Receipts were held in escrow by a subscription receipt agent pending the fulfilment or waiver of all other outstanding conditions precedent to the closing of the acquisition. As the funds were not directly received by the Corporation, they are not presented in the consolidated statement of cash flows. The funds are presented as "Restricted cash" and disclosed in the Corporation's consolidated statement of financial position with a corresponding "Liabilities for subscription receipts". Restricted cash and Liabilities for subscription receipts can be reconciled as follows:

		As at September 30, 2018
Outstanding Receipts (number)		13,279,950
Price per Receipts (in $)	$	10.40
Liabilities for subscription receipts	**$**	**138,111**
Less: issuance costs		(2,460)
Less: dividends paid on June 15, 2018		(730)
Less: dividends paid on September 14, 2018		(797)
Plus: interests earned		243
Restricted cash	**$**	**134,367**

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

Issuance costs of $2,460, representing 50% of amount to be paid to underwriters are presented in Other current assets as at September 30, 2018 and will be recorded as a reduction of share capital upon issuance of subordinate voting shares. Remaining amount due to underwriters, excluding other issuance costs will be presented as a reduction of share capital.

In accordance with IFRS 3 "Business Combinations" ("IFRS 3"), if the date of acquisition of a business combination is after the end of the reporting period but before the financial statements are issued, the Corporation shall disclose the information required under IFRS 3, unless the initial accounting for the business combination is incomplete at the time the financial statements are issued. Due to the very limited time between the closing of the acquisition and the issuance of these interim consolidated financial statements, certain required information on business combinations under IFRS 3, mainly the preliminary purchase price allocation, have not been provided as this information is not yet available. The Corporation is in the process of assessing the fair values of the assets acquired and the liabilities assumed.

4. Segment information:

Business description

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

These interim consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries, Stingray Music USA Inc., Stingray Music Rights Management LLC, 2144286 Ontario Inc., Pay Audio Services Limited Partnership, Music Choice Europe Limited, Stingray Digital International Ltd., Music Choice India Private Ltd., Xtra Music Ltd., Stingray Europe B.V., Alexander Medien Gruppe GmbH., Transmedia Communications SA and its wholly-owned subsidiaries, Digital Music Distribution Pty Ltd, Classica GmbH and its wholly-owned subsidiary, Think inside the box LLC (Nature Vision TV), Yokee Music Limited, C Music Entertainment Limited, SBA Music PTY Ltd. and its wholly-owned subsidiary, Satellite Music Australia PTY Ltd., Stingray Music, S.A. de C.V. and Novramedia Inc..

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

Operating segments

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

The following tables provide geographic information on Corporation's revenues, property and equipment, intangible assets, goodwill and investment in an associate.

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

	Three-month periods ended		Six-month periods ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Revenues				
Canada	$ 14,222	$ 14,833	$ 27,863	$ 29,371
United States	8,069	5,222	16,254	9,926
Other countries	12,401	11,167	25,031	21,595
	$ 34,692	$ 31,222	$ 69,148	$ 60,892

Non-current assets are derived from the following geographic areas based on subsidiaries locations.

	September 30, 2018	March 31, 2018
Property and equipment, intangible assets, goodwill, investment in an associate and investment in joint venture		
Canada	$ 71,789	$ 51,657
Netherlands	21,187	23,634
Australia	18,957	20,726
United Kingdom	18,154	20,608
United States	15,985	16,414
Israel	12,293	12,470
Switzerland	8,571	9,249
Germany	6,784	7,628
Other countries	3,725	3,511
	$ 177,445	$ 165,897

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

5. Other information:

The following table shows the depreciation, amortization and write-off distributed by function:

	Three-month periods ended		Six-month periods ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Depreciation, amortization and write-off:				
Music programming, cost of services and content	$ 6,145	$ 4,700	$ 11,109	$ 9,429
General and administrative	384	526	1,176	959
	$ 6,529	$ 5,226	$ 12,285	$ 10,388

The music programming, cost of services and content and the general and administrative expense for the three-month period ended September 30, 2018 would have been respectively $19,788 (2017 – $16,492) and $6,624 (2017 – $10,784) and the six-month period ended September 30, 2018 would have been respectively, $37,964 (2017 – $32,315) and $13,756 (2017 – $16,714) if the presentation by function of the depreciation, amortization and write-off expense would have been adopted in the statements of comprehensive income.

During the three-month and the six-month periods ended September 30, 2018, transaction costs related to business acquisitions amounting to $477 (2017 – $253) and $704 (2017 – $373), respectively, have been recognized in general and administrative in the statements of comprehensive income.

6. Net finance expense (income):

	Three-month periods ended		Six-month periods ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Interest expense and standby fees	$ 305	$ 522	$ 640	$ 854
Change in fair value of contingent consideration	66	240	1,375	747
Accretion expenses on balance payable on business acquisitions	111	90	208	180
Accretion expense of CRTC tangible benefits	57	66	113	131
Amortization and write-off of financing fees	25	50	50	67
Foreign exchange loss (gain)	346	301	445	(173)
	$ 910	$ 1,269	$ 2,831	$ 1,806

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

7. Property and equipment, intangible assets and goodwill:

	Property and equipment	Intangible assets	Goodwill
Year ended March 31, 2018			
Opening net book amount as at March 31, 2017	$ 5,336	$ 49,519	$ 68,725
Additions	8,654	4,038	–
Additions through business acquisition	184	17,903	27,577
Disposals and write-off	(97)	–	–
Depreciation of property and equipment	(2,965)	–	–
Amortization of intangible assets	–	(18,225)	–
Foreign exchange differences	23	1,120	2,165
Closing net book amount as at March 31, 2018	$ 11,135	$ 54,355	$ 98,467
Six-month period ended September 30, 2018			
Opening net book amount as at March 31, 2018	$ 11,135	$ 54,355	$ 98,467
Additions	4,453	4,556	–
Additions through business acquisitions	50	5,827	3,431
Additions through asset acquisition	–	9,100	–
Disposals and write-off	(132)	–	–
Depreciation of property and equipment	(2,311)	–	–
Amortization of intangible assets	–	(9,842)	–
Foreign exchange differences	(114)	(1,396)	(2,394)
Closing net book amount as at September 30, 2018	$ 13,081	$ 62,600	$ 99,504

8. Investment in an associate:

The Corporation own a 40% interest in Business Transportation Services Limited Partnership (the “Partnership”), formed to own and operate one or more airplanes for the benefit of the limited partners and third parties. The Corporation’s interest in the Partnership is accounted for using the equity method in the interim consolidated financial statements.

The following table summarized financial information of the Partnership as at September 30, 2018 and March 31, 2018:

	September 30, 2018	March 31, 2018
Non-current asset	$ 3,925	$ 2,765
Net asset	3,925	2,765
Carrying amount of the Corporation’s interest in the Partnership	$ 1,570	$ 1,106

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

9. Other payables:

	September 30, 2018	March 31, 2018
Contingent consideration	$ 13,947	$ 15,596
Balance payable on business acquisitions	6,815	9,321
Balance payable on asset acquisition	6,000	–
CRTC tangible benefits	2,665	3,170
	29,427	28,087
Current position	(18,508)	(13,212)
	$ 10,919	$ 14,875

10. Share capital:

Authorized:

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

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

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

Unlimited number of special shares, participating, without par value

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

Issued and outstanding:

The movements in share capital were as follows:

	Number of shares	Carrying amount
Year ended March 31, 2018		
As at March 31, 2017		
Subordinate voting shares and variable subordinate voting shares	35,032,081	$ 101,584
Multiple voting shares	16,294,285	1,116
	51,326,366	102,700
Issuance upon bought deal and exercise of over-allotment option		
Subordinate voting shares and variable subordinate voting shares	4,900,200	45,082
Share issuance costs, net of income taxes of $604	–	(1,669)
Issued upon exercise of stock options		
Subordinate voting shares	85,198	301
Purchased and held in trust through employee share purchase plan		
Subordinate voting shares	(6,011)	(60)
As at March 31, 2018		
Subordinate voting shares and variable subordinate voting shares	40,011,468	145,238
Multiple voting shares	16,294,285	1,116
	56,305,753	$ 146,354

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

	Number of shares	Carrying amount
Six-month period ended September 30, 2018		
As at March 31, 2018		
Subordinate voting shares and variable subordinate voting shares	40,011,468	$ 145,238
Multiple voting shares	16,294,285	1,116
	56,305,753	146,354
Bought deal		
Share issuance costs	–	(7)
Issued upon exercise of stock options		
Subordinate voting shares (note 12)	50,000	138
Purchased and held in trust through employee share purchase plan		
Subordinate voting shares (note 12)	(10,010)	(92)
As at September 30, 2018		
Subordinate voting shares and variable subordinate voting shares	40,051,458	145,277
Multiple voting shares	16,294,285	1,116
	56,345,743	$ 146,393

Transactions for the period ended September 30, 2018

During the six-month period, 50,000 stock options were exercised and consequently, the Corporation issued 50,000 subordinate voting shares. The proceeds amounted to $68. An amount of $70 of contributed surplus related to those stock options was transferred to the subordinate voting shares' account balance.

On August 7, 2018, the Corporation declared a dividend of $0.06 per subordinate voting share, variable subordinate voting share, multiple voting share and subscription receipts. The dividend of $4,179 was paid on September 14, 2018, of which an amount of $797 was paid with restricted cash (note 3).

On June 15, 2018, the Corporation paid a dividend of $3,097. The dividend was declared on March 29, 2018 and therefore accrued in the consolidated statement of financial position as at March 31, 2018. Additionally, a dividend of $730 was paid with restricted cash (note 3).

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

11. Supplemental cash flow information:

	Three-month periods ended		Six-month periods ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Trade and other receivables	$ 3,470	$ (2,228)	$ 2,751	$ (3,485)
Research and development tax credits	(251)	(209)	(490)	(410)
Inventories	65	(369)	(315)	(168)
Other current assets	(1,733)	(215)	(1,894)	(1,219)
Other non-current assets	25	6	54	(25)
Accounts payable and accrued liabilities	(3,918)	3,151	(2,735)	(747)
Deferred revenues	(293)	(188)	(471)	(628)
Income taxes payable	(100)	(143)	(247)	(217)
Other payables	(134)	(78)	(958)	(629)
	$ (2,869)	$ (273)	$ (4,305)	$ (7,528)

12. Share-based compensation:

Stock options plan

The following summarizes the changes in the plan's position for the six-month periods ended September 30, 2018 and 2017:

	September 30, 2018		September 30, 2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of period	1,965,227	$ 5.99	1,397,185	$ 4.95
Granted	523,448	8.61	682,429	7.66
Exercised (note 10)	(50,000)	1.36	(34,146)	2.89
Forfeited	–	–	(29,188)	0.65
Options outstanding, end of period	2,438,675	$ 6.64	2,016,280	$ 5.84

The weighted average fair value of the stock options granted during the six-month period ended September 30, 2018 was $1.93 (2017 – $1.27). 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:

	2018
Volatility	30%
Risk-free interest rate	2.14%
Expected life of options	5 years
Value of the subordinate voting share at grant date	$8.61
Expected dividend rate	2.56%

Total share-based compensation costs recognized under this stock option plan amount to $307 and $536 for the three and six-month periods ended September 30, 2018 (2017 – $372 and $960), respectively.

Employee share purchase plan ("ESPP")

The following table summarizes the status of unvested employer's contributions in the ESPP as at September 30, 2018.

	September 30, 2018		
	Number of units		Amount
Unvested contributions, beginning of period	6,011	$	60
Contributions	9,853		90
Dividends credited	157		2
Unvested contributions, end of period	16,021	$	152

The weighted average fair value of the shares contributed was $9.12 for the six-month period ended September 30, 2018 (2017 – nil).

Total share-based compensation costs recognized under the ESPP amount to $42 and $73 for the three and six-month periods ended September 30, 2018 (2017 – nil and nil), respectively.

Restricted share unit plan ("RSU")

The following summarizes the changes in the RSU plan's position for the six-month periods ended September 30, 2018 and 2017:

	September 30, 2018			September 30, 2017		
	Number of units		Amount	Number of units		Amount
Balance, beginning of year	59,712	$	680	197,448	$	1,468
Granted	–		–	686		–
Revision of estimates	–		–	–		108
Liabilities settled	(59,712)		(680)	(136,581)		(1,218)
Balance, end of period	–	$	–	61,553	$	358
Balance, vested	–	$	–	–	$	–

During the three and six-month periods ended September 30, 2018, no RSU were granted (2017 – 375 and 686, respectively, at a range of $7.50 to $9.46). During the three and six-month periods ended September 30, 2018, the total expense related to RSU plan amounted to nil (2017 – $52 and $108).

As at September 30, 2018, the fair value per unit was nil (2017 – $9.63) for a total amount of nil (2017 – $358) presented in accounts payable and accrued liabilities on the consolidated statements of financial position).

Performance share unit plan ("PSU")

The following summarizes the changes in the PSU plan's position for the six-month periods ended September 30, 2018 and 2017:

	September 30, 2018			September 30, 2017		
	Number of units		Amount	Number of units		Amount
Balance, beginning of year	284,480	$	1,244	131,781	$	361
Granted	170,601		–	157,006		–
Revision of estimates	–		666	–		367
Forfeited	(18,152)		(22)	(6,267)		(4)
Balance, end of period	436,929	$	1,888	282,520	$	724
Balance, vested	–	$	–	–	$	–

During the three and six-month periods ended September 30, 2018, 1,639 PSU and 170,601 PSU (2017 – 11,829 PSU and 157,006 PSU) were granted at a range from $8.65 to $9.20 to employees (2017 – $7.60 to $9.54). During the three and six-month periods ended September 30, 2018, the total expense related to PSU plan amounted to $331 and $643 (2017 – $230 and $367), respectively.

As at September 30, 2018, the fair value per unit was at $9.01 (2017 – $9.63) for a total amount of $1,888 (2017 – $724) and was presented in accounts payable and accrued liabilities on the consolidated statements of financial position.

Deferred share unit plan ("DSU")

The following summarizes the changes in the DSU plan's position for the six-month period ended September 30, 2018 and 2017:

	September 30, 2018			September 30, 2017		
	Number of units		Amount	Number of units		Amount
Balance, beginning of year	182,369	$	2,004	138,072	$	1,267
Granted	54,352		–	37,084		–
Revision of estimates	–		242	–		391
Balance, end of period	236,721	$	2,246	175,156	$	1,658

During the three-month and six-month periods ended September 30, 2018, 13,669 DSU and 54,352 DSU (2017 – 15,241 and 37,084) were granted at a range from $8.77 to $9.20 to directors (2017 – $8.14 to $9.66). During the three and six-month periods ended September 30, 2018, the total expense related to DSU plan amounted to $187 and $242 (2017 – $427 and $551).

As at September 30, 2018, the fair value per unit was at a range of $8.91 to $9.10 (2017 – $8.48 to $8.70) for a total amount of $2,246 (2017 – $1,658) and was presented in accounts payable and accrued liabilities on the consolidated statements of financial position.

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

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 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, 2018. The Corporation is not aware of any significant changes to the Corporation's risk factors from those disclosed at that time.

Fair values

The Corporation has determined that the carrying amount of cash and cash equivalents, restricted cash, trade and other receivables, accounts payable and accrued liabilities, liabilities for subscription receipts and current other payables excluding the contingent consideration is a reasonable approximation of their fair value due to the short-term maturity of those instruments. As such, information on their fair values is not presented below. The fair value of the revolving facility, approximates its carrying value as it bears interest at prime or banker's acceptance rates plus a credit spread, which approximate current rates that could be obtained for debts with similar terms and credit risk. The carrying amount of CRTC tangible benefits and balance payable on business acquisitions is a reasonable approximation of their fair value as they are discounted using the effective interest rate, which approximate current rates that could be obtained 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 September 30, 2018	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 2,173				
Restricted cash	134,367				
Trade and other receivables	31,929				
Financial assets measured at fair value					
Investments	$ 16,494	$ 16,494	$ –	$ –	$ 16,494
Financial liabilities measured at amortized cost					
Revolving facility	$ 57,329				
Accounts payable and accrued liabilities	33,994				
Liabilities for subscription receipts	138,111				
CRTC tangible benefits	2,665				
Balance payable on business acquisitions	6,815				
Balance payable on asset acquisition	6,000				
Financial liabilities measured at fair value					
Contingent consideration	$ 13,947	$ 13,947	$ –	$ –	$ 13,947

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

As at March 31, 2018	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 3,362				
Trade and other receivables	33,264				
Financial assets measured at fair value					
Investments	$ 15,533	$ 15,533	$ –	$ –	$ 15,533
Financial liabilities measured at amortized cost					
Revolving facility	$ 38,627				
Accounts payable and accrued liabilities	34,205				
CRTC tangible benefits	3,170				
Balance payable on business acquisitions	9,321				
Financial liabilities measured at fair value					
Contingent consideration	$ 15,596	$ 15,596	$ –	$ –	$ 15,596

Fair value measurement (Level 3):

	Investments	Contingent consideration
Six-month period ended September 30, 2018		
Opening amount as at March 31, 2018	$ 15,533	$ 15,596
Additions through business acquisitions (note 3)	–	2,408
Additions through asset acquisition	900	–
Change in fair value	61	948
Settlements	–	(5,005)
Closing amount as at September 30, 2018	$ 16,494	$ 13,947

	Investments	Contingent consideration
Six-month period September 30, 2017		
Opening amount as at March 31, 2017	$ 17,351	$ 12,956
Additions through business acquisitions	–	7,286
Change in fair value	(1,131)	592
Settlements	–	(4,380)
Closing amount as at September 30, 2017	$ 16,220	$ 16,454

There were no changes in the valuation techniques for the contingent consideration and investments during the six-month periods ended September 30, 2018 and 2017.

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

Investments

The Corporation has two equity instruments in private entities:

AppDirect

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

For the three-month and six-month periods ended September 30, 2018 and 2017, the fair value has been measured by using the equity price from the latest external equity financing transaction, minus a liquidity discount of 25%. The liquidity discount was used to reflect the marketability of the asset. In measuring fair value, management used the best information available in the circumstances and also an approach that it believes market participants would use. There was no change in the fair value of this instrument during the three-month period as there were no external equity financing transactions or no other indicators of significant changes that could affect the fair value of the investment.

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

The fair value of the investment as at September 30, 2018 was $15,594.

Nextologies

The fair value of the equity instrument in a private entity, Nextologies, was estimated using a market comparison technique. The valuation model is based on market multiples derived from quoted price of companies comparable to the investment and the expected EBITDA on the investment.

For the three-month period ended September 30, 2018, the fair value of the investment was measured using a multiple of EBITDA.

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

The fair value of the investment as at September 30, 2018 was $900.

Contingent consideration

The contingent consideration related to business combinations is 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 contracts. 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. The contingent consideration is classified as a financial liability and is included in other payables (note 9). The change in fair value is recognized in net finance expense (income) (note 6).

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

14. Related parties:

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

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

	Three-month periods ended		Six-month periods ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Short-term employee benefits	$ 1,487	$ 1,213	$ 2,148	$ 2,148
Share-based compensation	136	233	392	392
Restricted and performance share units	221	148	411	229
Deferred share units	242	427	551	551
	$ 2,086	$ 2,021	$ 3,502	$ 3,320

15. 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 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, 2018.

The interim consolidated financial statements were authorized for issue by the Board of Directors on November 7, 2018.

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, 2018.

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.

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

16. New and amended standard adopted by the Corporation:

Adoption of IFRS 15: ***Revenue from contracts with customers***

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It has replaced *IAS 18 Revenue*, *IAS 11 Construction Contracts* and related interpretations. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Corporation has adopted IFRS 15 using the modified retrospective approach with the effect of initially applying this standard recognized at the date of initial application – April 1, 2018. Upon adoption of this standard, the Corporation did not have a cumulative adjustment, with the previous revenue recognition policy being applied consistently under the new standard. However, the standard has a material impact on the gross or net presentation of certain B2C applications revenues streams, such as mobile applications. Under IAS 18 – Revenue, the Corporation accounted for its applications revenues on a net basis presentation. Under IFRS 15, revenue recognition is based on the core "transfer of control" principle that is used to determine the primary obligator of the service rendered. In this context, the Corporation is considered as the principal and therefore recognize these revenues on a gross basis presentation.

The impact on revenues and music programming, cost of services and content as follows:

(in thousands of Canadian dollars)	Three-month periods ended September 30, 2017			Six-month periods ended September 30, 2017		
	Reported figures	Adjustments	Restated figures	Reported figures	Adjustments	Restated figures
Revenues	$ 30,579	$ 643	$ 31,222	$ 59,757	$ 1,135	$ 60,892
Music programming, cost of services and content	$ 10,786	$ 643	$ 11,429	$ 21,047	$ 1,135	$ 22,182

The Corporation derives revenue primarily from rendering of services, sales of on-demand products and media solutions projects. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Corporation recognizes revenue when it transfers control over a product or a service to a customer.

Rendering of services

Rendering of services primarily relates to continuous music and video distribution in a form of subscription fees on a monthly, quarterly or annual basis. These revenues generally meet the criteria to satisfy the performance obligation over time because the customer receives and consumes the benefits of the music supply at the same time it is broadcasted. The Corporation records deferred revenues when customers pay their subscription fees in advance.

On-demand products

On-demand products relate primarily to music and concert services through subscriptions. These revenues generally meet the criteria to satisfy the performance obligation over time because the customer receives and consumes the benefits of the on-demand product at the same time it is broadcasted. The Corporation records deferred revenues when customers pay their fees in advance.

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

Media solutions projects

Revenue for media solutions projects relates to long term media projects. Revenues are recognized using the percentage of completion method, which is calculated on the ratio of contract costs incurred to anticipated costs. The effect of revisions of estimated revenues and costs is recorded when the amounts are known and can be reasonably estimated. Where contract costs exceed total contract revenues, the expected loss is recognized as an expense immediately via a provision for losses to completion, irrespective of the stage of completion.

Having completed the five-step analysis, the Corporation identified contracts with customers and performance obligations therein, determined transaction price and its allocation to performance obligations and confirmed the appropriateness of its revenue recognition policy being over time as the media solution services are rendered, based on costs incurred as described above.

Adoption of IFRS 9: *Financial Instruments*

In July 2014, the IASB released the final version of IFRS 9 - Financial Instruments (IFRS 2014). ("IFRS 9 (2014)") presents a few differences with IFRS 9 (2009) and IFRS 9 (2010), early adopted by the Corporation on April 1, 2012, with respect to the classification and measurement of financial assets and accounting of financial liabilities. IFRS 9 (2014) also includes a new expected credit loss ("ECLs") model for calculating impairment on financial assets. The standard is effective for annual periods beginning on or after January 1, 2018. For trade and other receivables, the Corporation has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Corporation has established a provision matrix that is based on the Corporation's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and economic environment.

The adoption of IFRS 9 did not have an impact on the Corporation's interim consolidated financial statements.

Adoption of IFRIC 22: *Foreign Currency Transactions and Advance Consideration*

On December 8, 2016, the IASB issued IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration. The Interpretation clarifies which date should be used for translation when a foreign currency transaction involves an advance payment or receipt.

The Corporation adopted the Interpretation prospectively effective April 1, 2018 with no material impact on the interim consolidated financial statements.

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

IFRS 16: *Leases*

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

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