SECOND QUARTER REPORT FISCAL 2017

For the three-month and six-month periods ended September 30, 2016

STINGRAY

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BASIS OF PREPARATION AND FORWARD LOOKING STATEMENTS

The following is the quarterly financial report and Management's Discussion and Analysis ("MD&A") of the results of operations and financial position of Stingray Digital Group Inc., ("Stingray" or "the Corporation"), and should be read in conjunction with the Corporation's unaudited condensed interim consolidated financial statements and accompanying notes for the three-month and the six month periods ended September 30, 2016 and 2015, and with the most recent audited consolidated financial statements and MD&A for the year ended March 31, 2016. This MD&A reflects information available to the Corporation as at November 9, 2016. Additional information relating to the Corporation is also available on SEDAR at www.sedar.com. The auditors of the Corporation have not performed a review of the interim financial report for the three-month and the six-month periods ended September 30, 2016 and 2015.

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

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

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

SUPPLEMENTAL INFORMATION ON NON-IFRS MEASURES

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

OVERVIEW

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

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

KEY PERFORMANCE INDICATORS(1)

For the three-month period ended September 30, 2016:

$24.5 M
▲ 15.1% from Q2 2016
Revenues

$21.6 M
▲ 14.9% from Q2 2016
Recurring revenue

$8.2 M
▲ 7.8% from Q2 2016
33.5% margin(1)
Adjusted EBITDA(1)

$5.2 M
▼ 19.0% from Q2 2016
Adjusted free cash flow(1)

43 %
% of international revenues

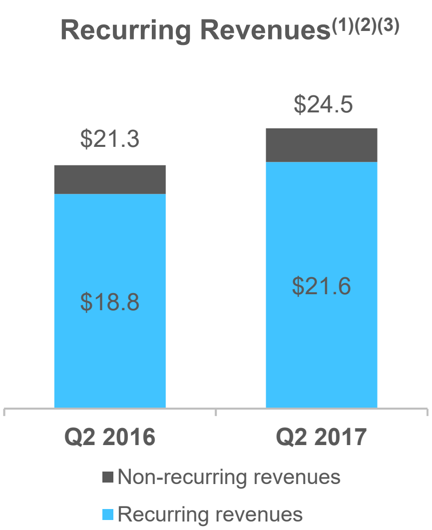
$0.04
Quarterly dividend per share

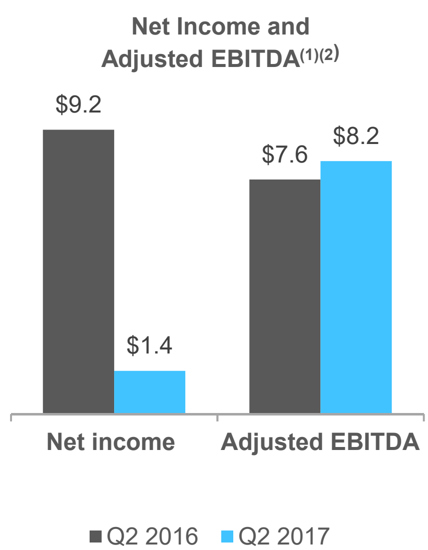
$1.4 M
Or $0.03 per share
Net income

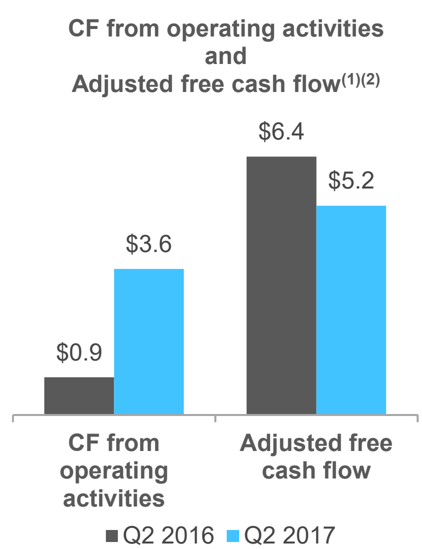
$3.6 M
▲ 287.2% from Q2 2016
Cash flow from operating activities

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

For the three-month periods ended September 30, 2016 and 2015:







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

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FINANCIAL AND BUSINESS HIGHLIGHTS

Highlights of the second quarter ended September 30, 2016

Compared to the quarter ended September 30, 2015 ("Q2 2016"):

- Revenues increased 15.1% to $24.5 million;
- Recurring revenues of $21.6 million, an increase of 14.9%;
- The contribution of International revenues increased 27.7% to 42.7%;
- Adjusted EBITDA(1) increased 7.8% to $8.2 million;
- Adjusted EBITDA margin(1) was 33.5% compared with 35.8% for Q2 2016 and 32.1% in Q1 2017;
- Net income was $1.4 million compared with $9.2 million for Q2 2016;
- Adjusted Net income(1) of $5.4 million compared with $6.2 million in Q2 2016;
- Cash flow from operating activities was $3.6 million compared to $0.9 million in Q2 2016; and
- Adjusted free cash flow(1) of $5.2 million compared with $6.4 million in Q2 2016

Business Highlights:

- On October 14, 2016, the Corporation announced the acquisition of hundreds of exclusive pre–2013 concerts and documentaries from Berlin-based EuroArts Music International GmbH (EuroArts), a producer and distributor of classical music film productions, for a total consideration of EUR 1.1 million (CA$1.6 million). EuroArts will continue to distribute the acquired programs and will maintain its distribution, acquisition and production businesses.

- On October 13, 2016, the Corporation announced that it has extended its long-term distribution agreement with Shaw Communications Inc. Under the term of this extension, Shaw Cable and Shaw Direct will now carry Stingray's four music video TV channels (Stingray Vibe, Stingray Juicebox, Stingray Loud, and Stingray Retro) in addition to Stingray Concerts, Stingray Karaoke, and Stingray Music.

- On October 20, 2016, the Corporation announced that it has signed a distribution agreement for its Stingray Music service with KlowdTV, an online subscription platform for streaming television. Under the terms of the agreement, KlowdTV subscribers will have continued access to 50 Stingray Music linear audio channels.

- During the Q2 2017, the Corporation signed new contracts with CDMV (Canadian distributor of veterinary products), New Look, OPA Restaurants, Sport Excellence, CARA and La Cage Aux Sports. The Corporation also renewed its existing contract with Chapter Indigo.

- On August 30, 2016, the Corporation countered in court what it believes are meritless allegations by Music Choice of patent infringement in relation to the Corporation's innovative music products and services. The Corporation vigorously denies Music Choice's claims of patent infringement and asserts counterclaims of non-infringement and invalidity of the five patents asserted in the First Amended Complaint for Patent Infringement.

  In addition, in a separate lawsuit, Stingray Music USA, Inc. asserts claims of unfair competition, defamation, trade libel, tortious interference with existing and prospective contractual relationships, and unfair competition. The separate lawsuit was necessary in view of the fact that Music Choice sued the wrong party in its First Amended Complaint for Patent Infringement. See page 18 for more details.

- On June 21, 2016, the Corporation announced the acquisition of four of Bell Media's popular music video channels: MuchLoud, MuchRetro, MuchVibes and Juicebox for a total consideration of $4.0 million. In June 2016, the Corporation has made a deposit of $3.0 million to Bell Media. The last payment of $1.0 million was made on September 16, 2016. This acquisition will enable the Corporation to consolidate its portfolio of television music channels and to provide the most comprehensive music products and services offering worldwide.

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

SELECTED CONSOLIDATED FINANCIAL INFORMATION

	Three-month periods ended				Six-month periods ended			
	Sept. 30, 2016 **Q2 2017**		Sept. 30, 2015 **Q2 2016**		Sept. 30, 2016 **YTD 2017**		Sept. 30, 2015 **YTD 2016**	
(in thousands of Canadian dollars)	$	% of revenues	$	% of revenues	$	% of revenues	$	% of revenues
Revenues	24,527	100.0 %	21,302	100.0 %	49,074	100.0 %	41,197	100.0 %
Recurring Revenues	21,584	88.0 %	18,785	88.2 %	42,985	87.6 %	36,028	87.5 %
Revenues	24,527	100.0 %	21,302	100.0 %	49,074	100.0 %	41,197	100.0 %
Music programming, cost of services and content	8,399	34.2 %	7,482	35.1 %	17,140	34.9 %	14,509	35.2 %
Selling and marketing	2,894	11.8 %	2,106	9.9 %	5,913	12.0 %	4,208	10.2 %
Research and development, support and information technology	2,190	8.9 %	1,698	8.0 %	4,539	9.2 %	3,419	8.3 %
General and administrative	4,501	18.4 %	3,131	14.7 %	7,983	16.3 %	5,511	13.4 %
IPO expenses and CRTC tangible benefits	–	– %	305	1.4 %	–	– %	5,800	14.1 %
Depreciation and amortization and write-off	4,528	18.5 %	4,080	19.2 %	8,289	16.9 %	7,758	18.8 %
Net finance expenses (income)[3]	373	1.5 %	(1,310)	(6.1) %	1,021	2.1 %	(444)	(1.1) %
Change in fair value of investment	(250)	(1.0) %	(7,549)	(35.4) %	(159)	(0.3) %	(7,812)	(19.0) %
Income before income taxes	1,892	7.7 %	11,359	53.3 %	4,348	8.9 %	8,248	20.0 %
Income taxes	487	2.0 %	2,117	9.9 %	899	1.8 %	783	1.9 %
Net income	1,405	5.7 %	9,242	43.4 %	3,449	7.0 %	7,465	18.1 %
Adjusted EBITDA[1]	8,220	33.5 %	7,625	35.8 %	16,101	32.8 %	14,776	35.9 %
Adjusted Net income[1]	5,405	22.0 %	6,198	29.1 %	10,612	21.6 %	10,981	26.7 %
Adjusted free cash flow[1]	5,189	21.2 %	6,407	30.1 %	11,049	22.5 %	11,667	28.3 %
Cash flow from operating activities	3,620	14.8 %	935	4.4 %	6,342	12.9 %	5,044	12.2 %
Net debt excluding contingent considerations[1]	38,514	–	17,725	–	38,514	–	17,725	–
Net debt to Adjusted EBITDA[1][2]	1.19x	–	0.60x	–	1.19x	–	0.60x	–
Net debt including contingent considerations[1]	49,534	–	31,664	–	49,534	–	31,664	–
Net debt including contingent considerations to Adjusted EBITDA[1][2]	1.53x	–	1.07x	–	1.53x	–	1.07x	–
Net income per share basic	0.03	–	0.18	–	0.07	–	0.17	–
Net income per share diluted	0.03	–	0.18	–	0.07	–	0.16	–
Adjusted Net income per share basic[1]	0.11	–	0.12	–	0.21	–	0.25	–
Adjusted Net income per share diluted[1]	0.10	–	0.12	–	0.21	–	0.24	–
Revenue by category								
Music Broadcasting	18,009	73.4 %	15,614	73.3 %	35,897	73.1 %	29,734	72.2 %
Commercial Music	6,518	26.6 %	5,688	26.7 %	13,177	26.9 %	11,463	27.8 %
Revenues	24,527	100.0 %	21,302	100.0 %	49,074	100.0 %	41,197	100.0 %
Revenues by geography								
Canada	14,045	57.3 %	13,094	61.5 %	28,122	57.3 %	26,277	63.8 %
International[4]	10,482	42.7 %	8,208	38.5 %	20,952	42.7 %	14,920	36.2 %
Revenues	24,527	100.0 %	21,302	100.0 %	49,074	100.0 %	41,197	100.0 %

Notes:

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

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

(3) Interest paid during the Q2 2017 was $310 (Q2 2016; $197) and $570 for the YTD 2017 (YTD 2016; $1,475)

(4) International means all jurisdictions except Canada.

SUPPLEMENTAL INFORMATION ON NON-IFRS MEASURES

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

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

	Three-month periods ended		Six-month periods ended	
(in thousands of Canadian dollars)	Sept. 30, 2016 **Q2 2017**	Sept. 30, 2015 **Q2 2016**	Sept. 30, 2016 **YTD 2017**	Sept. 30, 2015 **YTD 2016**
Net income	**1,405**	**9,242**	**3,449**	**7,465**
Net finance expenses	373	(1,310)	1,021	(444)
Change in fair value of investment	(250)	(7,549)	(159)	(7,812)
Income taxes	487	2,117	899	783
Depreciation of property and equipment and write-off	546	488	1,120	943
Amortization of intangibles	3,982	3,592	7,169	6,815
Stock-based compensation(1)	298	371	588	592
Restricted share unit and deferred share unit	444	242	770	417
IPO expenses and CRTC tangible benefits	–	305	–	5,800
Acquisition, legal fees, restructuring and other various costs	935	127	1,244	217
Adjusted EBITDA	**8,220**	**7,625**	**16,101**	**14,776**
Net finance expenses	(373)	1,310	(1,021)	444
Income taxes	(487)	(2,117)	(899)	(783)
Depreciation of property and equipment and write-off	(546)	(488)	(1,120)	(943)
Income taxes related to change in fair value of investment, share-based compensation, amortization of intangible assets, IPO expenses and CRTC tangible benefits and acquisition, legal fees, restructuring and other various costs	(1,409)	(132)	(2,449)	(2,513)
Adjusted Net income	**5,405**	**6,198**	**10,612**	**10,981**

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

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

	Three-month periods ended		Six-month periods ended	
(in thousands of Canadian dollars)	Sept. 30, 2016 **Q2 2017**	Sept. 30, 2015 **Q2 2016**	Sept. 30, 2016 **YTD 2017**	Sept. 30, 2015 **YTD 2016**
Cash flow from operating activities	**3,620**	**935**	**6,342**	**5,044**
Add / Less :				
Capital expenditures	(871)	(682)	(1,503)	(1,612)
Net change in non-cash operating working capital items	1,755	5,756	5,299	2,277
Acquisition, restructuring and other various costs	685	93	911	158
IPO expenses and CRTC tangible benefits	–	305	–	5,800
Adjusted free cash flow	**5,189**	**6,407**	**11,049**	**11,667**

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

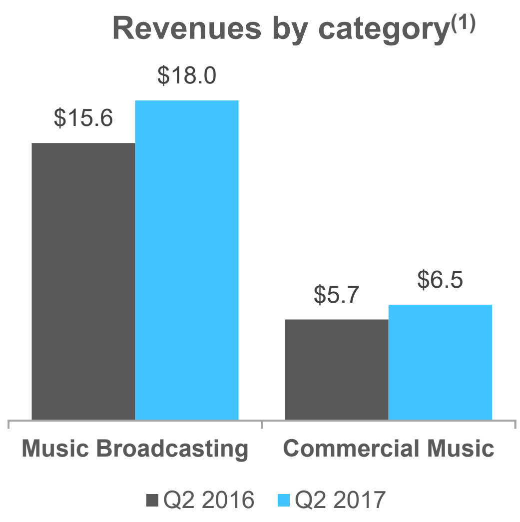
(in thousands of Canadian dollars)	**September 30, 2016**	**March 31, 2016**	**September 30, 2015**
Contingent considerations, including current portion	11,020	12,347	13,939
Revolving facility	41,131	35,035	19,202
(Cash and cash equivalents)	(2,617)	(3,201)	(1,477)
Net debt including contingent considerations	49,534	**44,181**	**31,664**
Contingent considerations, including current portion	(11,020)	(12,347)	(13,939)
Net debt excluding contingent considerations ("Net debt")	38,514	**31,834**	**17,725**

FINANCIAL RESULTS FOR THE THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2016 AND 2015

Revenues

Revenues in Q2 2017 increased to $24.5 million or 15.1%, from $21.3 million for Q2 2016. The increase in revenues was primarily due to the acquisitions of iConcerts and Digital Media Distribution (DMD) combined with growth in Commercial Music in Canada.

Trends by Revenue Categories were as follow:



Note:
(1) In millions of Canadian dollars.

Music Broadcasting

The most significant contributors to the increase of 15.3% or $2.4 million from Q2 2016 in Music Broadcasting revenues were as follows (arrows reflect the impact):

▲ Acquisitions of iConcerts and DMD and new contract signed in the United States.

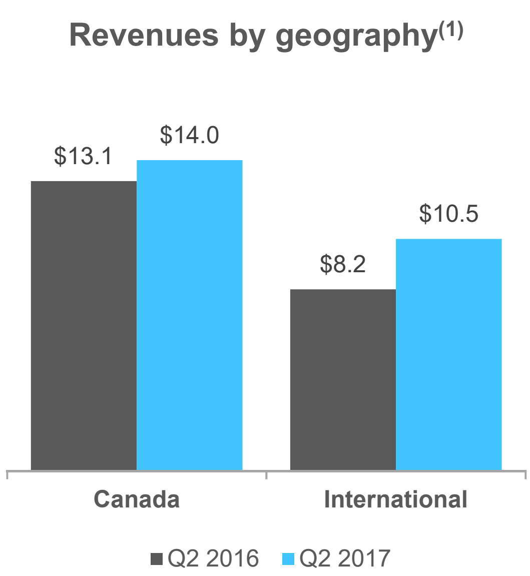
Commercial Music

The most significant contributors to the increase of 14.6% or $0.8 million from Q2 2016 in Commercial Music revenues were as follows (arrows reflect the impact):

▲ Organic growth in music and digital signage recurring revenues.

▲ Acquisition of Nümédia has generated additional recurring music revenues and non-recurring equipment sales.

Trends by Revenues by Geographic Region:



Note:
(1) In millions of Canadian dollars.

Canada

The most significant contributors to the increase of 7.3% or $0.9 million from Q2 2016 in revenues for Canada were as follows (arrows reflect the impact):

▲ Commercial Music and digital signage recurring revenues, non-recurring sales of equipment and installation and the contribution of the Nümédia acquisition.

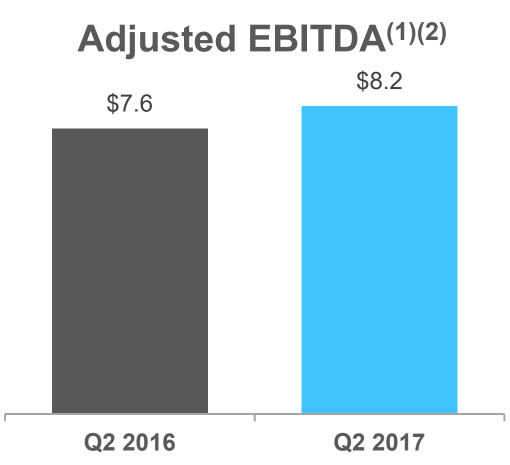
International

The most significant contributors to the increase of 27.7% or $2.3 million from Q2 2016 in International revenues were as follows (arrows reflect the impact):

▲ Acquisitions of iConcert and DMD and new contract signed in the United States.

Operating Expenses

(in thousands of Canadian dollars)	Q2 2017 % of revenues	Q2 2016 % of revenues	Variance			Significant contributions to variance :
Music programming, cost of services and content	$8,399 34.2%	$7,482 35.1%	$917	12.3%	▲	Primarily due to acquisitions of iConcerts and DMD and content costs to support international growth. Costs related to additional equipment and installation sales.
Selling and marketing	$2,894 11.8%	$2,106 9.9%	$788	37.4%	▲	Primarily due to incremental selling costs from recent acquisitions, additional employees and marketing efforts to support international growth.
Information technology and research and development	$2,190 8.9%	$1,698 8.0%	$492	29.0%	▲	Primarily due to additional staff to support new technologies and growth.
General and administrative	$4,501 18.4%	$3,131 14.7%	$1,370	43.8%	▲	Primarily due to legal fees (see page 18), additional staff to support international expansion and administrative costs related to recent acquisitions.
Depreciation, amortization and write-off	$4,528 18.5%	$4,080 19.2%	$448	11.0%	▲	Related to the amortization of client lists recognised following the acquisitions of DMD and iConcerts.



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 2017 increased to $8.2 million or 7.8%, from $7.6 million for Q2 2016. Adjusted EBITDA margin was 33.5% in Q2 2017 compared to 35.8% in Q2 2016, a notable improvement over the 32.1% reported in the first quarter of Fiscal 2017 and in line with our current scenario for a gradual improvement throughout the year on a sequential basis. The increase in Adjusted EBITDA was primarily due to the acquisitions realized in Fiscal 2016 and 2017 partially offset by higher operating expenses related to international expansion. The decrease in EBITDA margin was mainly related to recent acquisitions from which future synergies are expected.

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

Net Finance Expenses (Income)

Finance expenses increased to $0.4 million from negative $1.3 million in Q2 2016. The increase was mainly related to the change in fair value of contingent considerations of $1.1 million and the foreign exchange gain of $0.4 million recognised in Q2 2016.

Change in fair value of investment

In Q2 2017, a gain on fair value of $0.3 million was recorded compared to a gain of $7.5 million in Q2 2016. The Corporation recognised a significant gain in Q2 2016 following an additional investment in AppDirect, a company that offers a cloud services marketplace and management platform that enables companies to distribute web-based services.

Income Taxes

Income taxes decreased to $0.5 million for Q2 2017 from $2.1 million for Q2 2016. The decrease was mainly related to income taxes resulting from the change in fair value of investments recognised in Q2 2016 and lower income before income taxes.

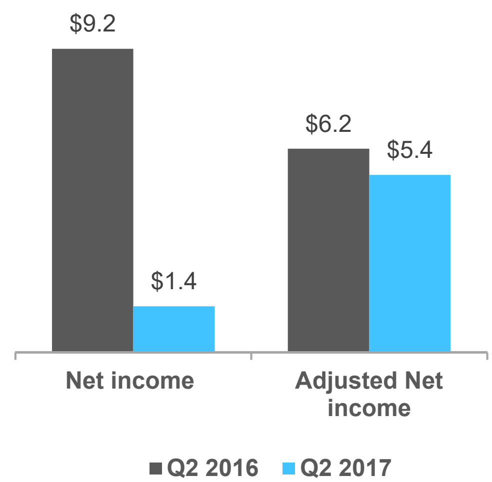
Net income and net income per share

Net income in Q2 2017 was $1.4 million ($0.03 per share) compared to $9.2 million ($0.18 per share) in Q2 2016. The decrease was mainly attributable to the one-time change in fair value of AppDirect of $ 7.5 million and, the change in fair value of contingent considerations both of which occurred in Q2 2016, and increased general and administrative expenses related to legal fees, acquisitions and settlements.

Adjusted Net income and Adjusted Net income per share

Adjusted Net Income in Q2 2017 decreased to $5.4 million ($0.10 per share), from $6.2 million ($0.12 per share) in Q2 2016. The decrease was primarily due to the higher change in fair value of contingent considerations and higher foreign exchange gain recognised in Q2 2016.

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 $18.5 million in the third quarter of Fiscal 2015 to $24.5 million in the second quarter of Fiscal 2017. The increase was mainly attributable to the successful integration of acquisitions and new contracts in international markets and Canada. The decrease in Q1 2017 and Q2 2017 revenues compared to Q4 2016 was mainly related to lower non-recurring revenues in Music Broadcasting and the unfavorable foreign exchange impact between the Canadian dollar and the U.S. dollar.

Adjusted EBITDA increased from $7.0 million in the third quarter of Fiscal 2015 to $8.2 million in the second quarter of Fiscal 2017. The increase was mainly attributable to the successful integration of acquisitions and new contracts signed. The decrease in Q1 2017 Adjusted EBITDA compared to Q4 2016 was related to the decrease in non-recurring revenues in Music Broadcasting and the unfavorable foreign exchange impact between the Canadian dollar and the U.S. dollar.

Net income (loss) fluctuated over the last eight quarters from $1.5 million in the third quarter of Fiscal 2015 to $1.4 million in the second quarter of Fiscal 2017. In Q1 2016, the net loss was mainly attributable to the one-time IPO expense and CRTC tangible benefits expenses of $5.5 million offset by a related tax impact of $1.5 million. In Q2 2016, the most significant component of the increase was the recognised gain on fair value on investment of $7.5 million which was offset by a related tax impact of $1.0 million. The Corporation also recognised a gain on fair value of contingent considerations of $1.1 million. In Q4 2016, the Corporation recognised deferred tax assets related to tax losses of foreign subsidiaries of $3.4 million offset by the loss on fair value on investment of $1.1 million which was related to unfavorable foreign exchange between the Canadian dollar and the U.S. dollar as the investment is denominated in U.S. dollars.

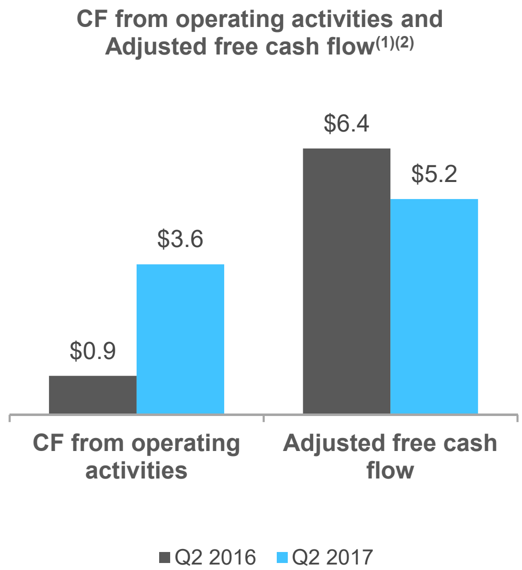
Summary of Consolidated Quarterly Results

	Three-month period ended							
(in thousands of Canadian dollars, except per share amounts)	**Sept. 30, 2016**	**June 30, 2016**	**March 31, 2016**	**Dec. 31, 2015**	**Sept. 30, 2015**	**June 30, 2015**	**March 31, 2015**	**Dec. 31, 2014**
	Fiscal 2017	**Fiscal 2017**	**Fiscal 2016**	**Fiscal 2016**	**Fiscal 2016**	**Fiscal 2016**	**Fiscal 2015**	**Fiscal 2015**
Revenues by category								
Music Broadcasting	18,009	17,888	19,425	17,013	15,614	14,120	14,075	13,896
Commercial Music	6,518	6,659	6,233	6,076	5,688	5,775	5,573	4,633
Total revenues	**24,527**	**24,547**	**25,658**	**23,089**	**21,302**	**19,895**	**19,648**	**18,529**
Revenues by geography								
Canada	14,045	14,077	13,500	13,759	13,094	13,183	13,192	12,144
International	10,482	10,470	12,158	9,330	8,208	6,712	6,456	6,385
Total revenues	**24,527**	**24,547**	**25,658**	**23,089**	**21,302**	**19,895**	**19,648**	**18,529**
Recurring revenues	21,584	21,401	21,484	19,699	18,785	17,243	17,127	16,416
Recurring revenues as a percentage of total revenues	88.0%	87.2%	83.7%	85.3%	88.2%	86.7%	87.2%	88.6%
Adjusted EBITDA	**8,220**	**7,881**	**8,219**	**8,009**	**7,625**	**7,151**	**7,731**	**6,986**
Net income (loss)	**1,405**	**2,044**	**3,247**	**3,169**	**9,242**	**(1,777)**	**1,923**	**1,499**
Net income (loss) per share basic	0.03	0.04	0.06	0.06	0.18	(0.05)	0.06	0.04
Net income (loss) per share diluted	0.03	0.04	0.06	0.06	0.18	(0.05)	0.06	0.04
Adjusted Net income	**5,405**	**5,207**	**7,135**	**6,194**	**6,198**	**4,783**	**5,260**	**4,376**
Adjusted Net income per share basic	0.11	0.10	0.14	0.12	0.12	0.12	0.15	0.13
Adjusted Net income per share diluted	0.10	0.10	0.14	0.12	0.12	0.12	0.15	0.13

Reconciliation of Quarterly Non-IFRS Measures

(in thousands of Canadian dollars, except per share amounts)	Three-month period ended							
	Sept. 30, 2016	June 30, 2016	March 31, 2016	Dec. 31, 2015	Sept. 30, 2015	June 30, 2015	March 31, 2015	Dec. 31, 2014
	Fiscal 2017	Fiscal 2017	Fiscal 2016	Fiscal 2016	Fiscal 2016	Fiscal 2016	Fiscal 2015	Fiscal 2015
Net income (loss)	**1,405**	**2,044**	**3,247**	**3,169**	**9,242**	**(1,777)**	**1,923**	**1,499**
Net finance expenses	373	648	836	(810)	(1,310)	866	942	1,310
Change in fair value of investment	(250)	91	1,113	(646)	(7,549)	(263)	(451)	(450)
Income taxes	487	412	(1,428)	920	2,117	(1,334)	(241)	(114)
Depreciation of property and equipment and write-off	546	574	594	609	488	455	597	586
Amortization of intangibles	3,982	3,187	2,624	3,443	3,592	3,223	3,653	3,583
Stock-based compensation	298	290	390	369	371	221	376	112
Restricted share unit	444	326	319	227	242	175	221	–
IPO expenses and CRTC tangible benefits	–	–	21	–	305	5,495	–	–
Acquisition, legal, restructuring and other various costs	935	309	503	728	127	90	711	460
Adjusted EBITDA	**8,220**	**7,881**	**8,219**	**8,009**	**7,625**	**7,151**	**7,731**	**6,986**
Net finance expenses	(373)	(648)	(836)	810	1,310	(866)	(942)	(1,310)
Income taxes	(487)	(412)	1,428	(920)	(2,117)	1,334	241	114
Depreciation of property and equipment and write-off	(546)	(574)	(594)	(609)	(488)	(455)	(597)	(586)
Income taxes related to change in fair value of investment, share-based compensation, amortization of intangible assets, IPO expenses and CRTC tangible benefits and acquisition, restructuring and other various costs	(1,409)	(1,040)	(1,082)	(1,096)	(132)	(2,381)	(1,173)	(828)
Adjusted Net income	**5,405**	**5,207**	**7,135**	**6,194**	**6,198**	**4,783**	**5,260**	**4,376**

LIQUIDITY AND CAPITAL RESOURCES
FOR THE THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2016 AND 2015



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

Cash flow from operating activities

Cash flow generated from operating activities amounted to $3.6 million for Q2 2017 compared to $0.9 million for Q2 2016. The net change was mainly due to the positive net change in working cash capital items associated with lower accounts receivables and higher trade payables paid on Q2 2017. The increase was offset by higher income tax paid and lower foreign exchange gain.

Adjusted free cash flow

Adjusted free cash flow generated in Q2 2017 amounted to $5.2 million compared to $6.4 million in Q2 2016. The net change was mainly related to higher income tax paid and lower foreign exchange gain offset partially by higher adjusted EBITDA.

Financing Activities

Net cash flow used in financing activities amounted to $2.4 million for Q2 2017 compared to net cash flow generated by financing activities of $8.7 million for Q2 2016. The net change of $11.1 million in cash flow was mainly attributable to higher use of the revolving facility for the Brava acquisition and payment for share capital issuance costs related to the IPO.

Investing Activities

Net cash flow used in investing activities amounted to $1.9 million for Q2 2017 compared to $9.2 million for Q2 2016. The net change of $7.3 million was primarily related to the acquisition of Brava in Q2 2016.

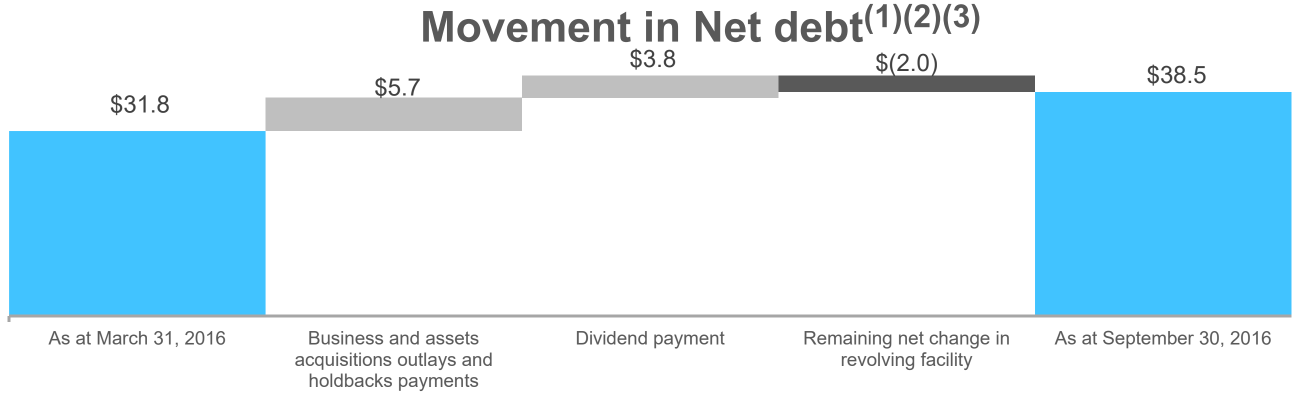
Contractual Obligations

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

Operating lease

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

The following table summarizes the impact on the Net debt excluding contingent considerations (defined as Net debt below) that occurred in the six-month period ended September 30, 2016 including related ratios:



31.0	12-Month Trailing Adjusted EBITDA(1)(2)(3)	32.3
1.03	Net debt to Adjusted EBITDA(1)(2)(3)	1.19

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

CONSOLIDATED FINANCIAL POSITION

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, 2016:

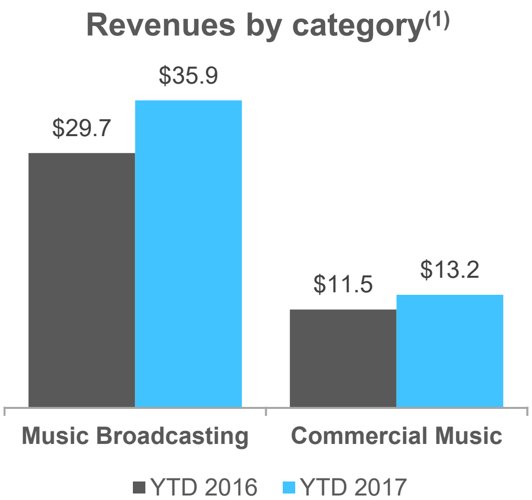
(in thousands of Canadian dollars)	Sept. 30, 2016	March 31, 2016	Variance		Significant contributions
Trade and other receivables	$29,629	$28,049	$1,580	▲	Attributable to additional sales for installations and equipment in Canada and international sales.
Intangible assets	$45,963	$47 901	$(1,938)	▼	Mainly attributable to amortization in the current period offset by recognition of intangibles for acquisitions.
Goodwill	$64,095	$61,815	$2,280	▲	Mainly attributable to goodwill related to the acquisition of Festival 4K B.V.
Accounts payable and accrued liabilities	$24,034	$25 900	$(1,866)	▼	Mainly attributable to the timing of payments to suppliers.
Revolving facility	$41,131	$35 035	$6,096	▲	Mainly attributable to business and asset acquisitions, payment of contingent considerations and quarterly dividend.
Contingent considerations, including current portion	$11,020	$12 347	$(1,327)	▼	Mainly attributable to the payment of contingent considerations for Archibald Media Group, Brava Group and Telefonica – On the Spot offset by the recognition of Festival 4K B.V. contingent consideration.

FINANCIAL RESULTS
FOR THE SIX-MONTH PERIODS ENDED SEPTEMBER 30, 2016 AND 2015

Revenues

Revenues in the first half of Fiscal 2017 (“YTD 2017”) increased to $49.1 million or 19.1%, from $41.2 million in the first half of Fiscal 2016 (“YTD 2016”). The increase in revenues was primarily due to acquisitions combined with significant growth in international markets as well as the launch of new products.

Trends by Revenue Categories were as follow:



Note:
(1) In millions of Canadian dollars.

Music Broadcasting

The most significant contributors to the increase of 20.7% or $6.2 million from YTD 2016 in Music Broadcasting revenues were as follows (arrows reflect the impact):

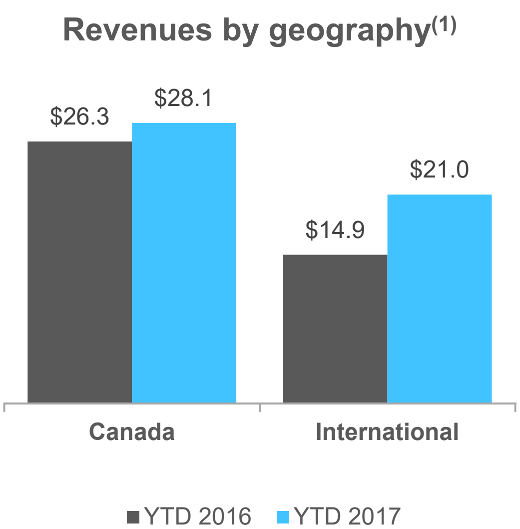
- ▲ Acquisitions of iConcert, DMD and Brava.
- ▲ New customer contracts signed mainly in international markets such as, United States, Europe and the Middle East.

Commercial Music

The most significant contributors to the increase of 15.0% or $1.7 million from YTD 2016 in Commercial Music revenues were as follows (arrows reflect the impact):

- ▲ Organic growth in music and digital signage recurring revenues.
- ▲ Acquisition of Nümédia has generated additional recurring music revenues and non-recurring equipment sales.

Trends by Revenues by Geographic Region:



Note:
(1) In millions of Canadian dollars.

Canada

The most significant contributors to the increase of 7.0% or $1.8 million from YTD 2016 in revenues for Canada were as follows (arrows reflect the impact):

- ▲ As described above, organic growth in commercial music and digital services, acquisitions of Nümédia and non-recurring revenues related to installation and equipment sales.

International

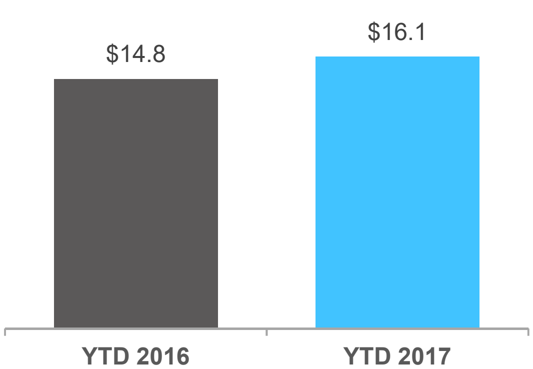
The most significant contributors to the increase of 40.4% or $6.1 million from Q2 2016 in International revenues were as follows (arrows reflect the impact):

- ▲ Acquisitions mentioned above in Music Broadcasting.
- ▲ New customer contracts signed mainly in international markets such as, United States, Europe and the Middle East.

Operating Expenses

(in thousands of Canadian dollars)	Q2 2017 YTD % of revenues	Q2 2016 YTD % of revenues	Variance YTD			Significant contributions to variance :
Music programming, cost of services and content	$17,140 34.9%	$14,509 35.2%	$2,631	18.1%	▲	Primarily due to acquisitions completed in Fiscal 2016 and 2017 and to the hiring of additional staff and content costs to support growth. In addition, costs related to additional installation and equipment sales.
Selling and marketing	$5,913 12.0%	$4,208 10.2%	$1,705	40.5%	▲	Primarily due to increased costs to support revenue growth in international markets.
Information Technology and Research and development	$4,539 9.2%	$3,419 8.3%	$1,120	32.8%	▲	Primarily due to additional staff and increased costs to support new technologies and growth.
General and administrative	7,983 16.3%	$5,511 13.4%	$2,472	44.9%	▲	Primarily due to additional staff costs to support international expansion, administrative costs related to recent acquisitions and legal fees (see page 18).
Depreciation, amortization and write-off	$8,289 16.9%	$7,758 18.8%	$531	6.8%	▲	Primarily due to the addition of intangible assets related to acquisitions.

Adjusted EBITDA(1)(2)



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

Adjusted EBITDA for YTD 2017 increased to $16.1 million or 9.0%, from $14.8 million for YTD 2016. The increase in Adjusted EBITDA was primarily due to the acquisitions realized in Fiscal 2016 and 2017 offset by higher general and administrative expenses. Adjusted EBITDA margin was 32.8% for YTD 2017 compared to 35.9% for YTD 2016. The decrease in EBITDA margin was mainly related to costs comprised in recent acquisitions from which future synergies are expected.

Acquisition, legal, restructuring and other various costs mainly included costs related to integration costs for our recent acquisitions, legal and settlement fees.

Net Finance Expenses (Income)

Finance expenses increased to positive $1.0 million from negative $0.4 million for YTD 2016. The increase was related to lower change in fair value revaluations of contingent considerations and lower unrealized gain on foreign exchange offset by lower interest expenses. The Corporation repaid approximately $101 million of its debt in June 2015 with the proceeds of the IPO.

Change in fair value of investment

For YTD 2017, a gain of $0.2 million was recorded compared to a gain of $7.8 million for YTD 2016. The Corporation recognised a significant gain in Q2 2016 following an additional investment in AppDirect, a company that offers a cloud services marketplace and management platform that enables companies to distribute web-based services.

Income Taxes

Income taxes increased to $0.9 million for YTD 2017 from $0.8 million for YTD 2016. The increase in income taxes was mainly related to the recognition of deferred tax assets related to the treasury portion of IPO expenses and CRTC tangible benefits in Q1 2016 and the change in fair value of investment occurred in Q2 2016.

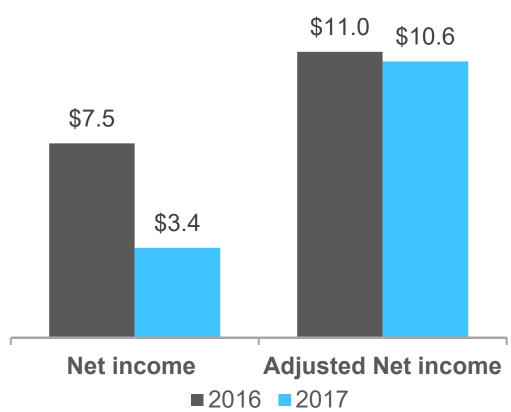
Net income and net income per share

Net income decreased to $3.4 million ($0.07 per share) for YTD 2017 compared to $7.5 million ($0.16 per share) for YTD 2016. The decrease was primarily due to the one-time change in fair value of AppDirect of $ 7.5 million, lower change in fair value of contingent considerations, both of which occurred in the second quarter of last year and higher general and administrative expenses related to legal fees, acquisitions and settlements partially offset by the one-time IPO expenses and CRTC Tangible benefits recognised in the first quarter of last year.

Adjusted Net income and Adjusted Net income per share

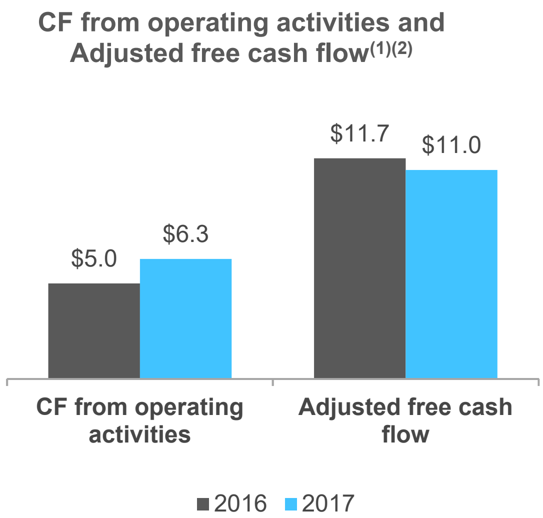
Adjusted net income for YTD 2017 decreased to $10.6 million ($0.21 per share) from $11.0 million ($0.24 per share) for YTD 2016. The decrease was primarily due to lower change in fair value revaluations of contingent considerations and lower unrealized gain on foreign exchange.

Net Income and Adjusted Net Income(1)(2)



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

LIQUIDITY AND CAPITAL RESOURCES
FOR THE SIX-MONTH PERIODS ENDED SEPTEMBER 30, 2016 AND 2015



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

Cash flow from operating activities

Cash flow generated from operating activities amounted to $6.3 million for YTD 2017 compared to $5.0 million for YTD 2016. The increase was mainly related to lower interest paid, partially offset by higher net change in working capital items and higher income tax paid.

Adjusted free cash flow

Adjusted free cash flow generated in YTD 2017 amounted to $11.0 million compared to $11.7 million for YTD 2016. The decrease was primarily attributable to higher income tax paid offset by higher adjusted EBITDA and lower financing costs.

Financing Activities

Net cash flow generated from financing activities amounted to $0.1 million for YTD 2017 compared to $5.3 million for YTD 2016. The net change of $5.2 million was mainly attributable to the acquisition of Brava that was financed through the revolving facility, net proceeds from the IPO in Q1 2016, offset by higher dividend payment, higher payment of contingent considerations and the repayment of the term loan and bridge loan in Q1 2016.

Investing Activities

Net cash flow used in investing activities amounted to $7.0 million for YTD 2017 compared to $10.2 million for YTD 2016. The net change of $3.2 million was primarily related to the Festival 4K B.V. and Bell Music Channels (Much Channel) acquisitions for YTD 2017 compared to the Brava acquisition for YTD 2016.

Music Choice Litigation

Music Choice v. Stingray

Music Choice filed its original Complaint against Stingray Digital Group Inc. on June 6, 2016, asserting infringement of four U.S. patents, namely, U.S. Patent Nos. 8,769,602, 9,357,245, 7,320,025 and 9,351,045. On August 12, 2016, Music Choice filed its First Amended Complaint, which added a fifth U.S. patent, namely, U.S. Patent No. 9,414,121. The Corporation filed its Answer to the Original Complaint (including counterclaims) on August 30, 2016, asserting, among other things, defenses and counterclaims of non-infringement and invalidity. On September 2, 2016, Music Choice filed its Second Amended complaint, adding Stingray Music USA Inc. (SMU) as a defendant, and the Corporation and SMU filed their answers and counterclaims on September 23 and October 4, 2016, respectively. Since the commencement of the case, the parties have jointly prepared and filed with the Court a docket control order, a protective order and an ESI order. Music Choice also served its infringement contentions on September 12, 2016, and the parties exchanged Initial Disclosures. The Corporation is presently preparing an amended answer and counterclaims which will include an inequitable conduct counterclaim 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 misrepresentation to the patent office that they are the true inventors of the patents-in-suit. The Corporation is also working on its invalidity contentions, which are due to be served on November 28, 2016. Fact discovery has recently commenced, with the parties having exchanged written discovery requests. The Markman hearing is scheduled for June 2, 2017, and trial is scheduled for December 4, 2017.

Stingray v. Music Choice

Stingray Music USA, Inc. (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 the Corporation and its products and services, to the Corporation's existing and potential customers, with the goal of damaging the Corporation's relationships with those customers and its business generally. In response, on October 17, 2016, Music Choice filed a Motion to Dismiss on the grounds that all of the Corporation's claims are time-barred, for which the Corporation's opposition is due November 4, 2016. The Corporation is currently focusing its efforts in this case on preparing its opposition to the motion to dismiss. The court has not yet set the initial scheduling conference so discovery has not yet commenced.

Transactions Between Related Parties

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

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

(in thousands of Canadian dollars)	Three-month period ended September 30, 2016 **Q2 2017**	Three-month period ended September 30, 2015 **Q2 2016**	Six-month period ended September 30, 2016 **YTD 2017**	Six-month period ended September 30, 2015 **YTD 2016**
Short-term employee benefits	890	740	1,671	1,406
Share-based compensation	207	269	367	434
Restricted share unit	45	28	92	82
Deferred share unit	223	119	339	119
	1,365	1,156	2,469	2,041

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 9, 2016	Sept. 30, 2016
Issued and outstanding shares:		
Subordinate voting shares	34,440,302	34,475,802
Variable Subordinate voting shares	575,179	539,679
Multiple voting shares	16,294,285	16,294,285
	51,309,766	51,309,766
Outstanding stock options:		
Stock options	1,397,146	1,397,146

The Corporation has established a stock option plan to attract and retain employees, directors, officers and consultants. The plan provides for the granting of options to purchase subordinate voting shares. Under this plan, 2,500,000 subordinate voting shares have been reserved for issuance. In the second quarter of 2017, 126,791 options were exercised.

Financial Risk Factors

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

Risk Factors

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

Future Accounting Changes

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

Evaluation of Disclosure Controls and Procedures

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

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

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

Management’s assessment of and conclusion on the design of the Corporation’s ICFR as at November 10, 2016, did not include the controls or procedures of the operations of Festival 4K B.V., Transmedia Communications SA, Digital Music Distribution Pty Ltd., which were acquired in Fiscal 2016 and 2017. The Corporation has accordingly availed itself of provision 3.3(1)(b) of Regulation 52-109 which permits exclusion of these acquisitions in the design and operating effectiveness assessment of its ICFR for a maximum period of 365 days from the date of acquisition.

Subsequent Events

Acquisition

On October 14, 2016, the Corporation announced the acquisition of hundreds of exclusive pre–2013 concerts and documentaries from Berlin-based EuroArts Music International GmbH (EuroArts), a producer and distributor of classical music film productions, for a total consideration of EUR 1.1 million (CA$1.6 million). EuroArts will continue to distribute the acquired programs and will maintain its distribution, acquisition and production businesses.

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 9, 2016, the Corporation has declared a dividend of $0.04 per subordinate voting share, variable subordinate voting share and multiple voting share that will be payable on or around December 15, 2016 to holders of subordinate voting shares, variable subordinate voting shares and multiple voting shares on record as of November 30, 2016.

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, 2016 and 2015

(In thousands of Canadian dollars, except per share amounts)		Three-month periods ended		Six-month periods ended	
(Unaudited)	Note	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Revenues		$ 24,527	$ 21,302	$ 49,074	$ 41,197
Music programming, cost of services and content		8,399	7,482	17,140	14,509
Selling and marketing		2,894	2,106	5,913	4,208
Research and development, support and information technology		2,190	1,698	4,539	3,419
General and administrative		4,501	3,131	7,983	5,511
Initial public offering expenses and CRTC tangible benefits	5	–	305	–	5,800
Depreciation, amortization and write-off	5, 7	4,528	4,080	8,289	7,758
Net finance expense (income)	6	373	(1,310)	1,021	(444)
Change in fair value of investments	12	(250)	(7,549)	(159)	(7,812)
Income before income taxes		1,892	11,359	4,348	8,248
Income taxes		487	2,117	899	783
Net income		$ 1,405	$ 9,242	$ 3,449	$ 7,465
Net income per share – Basic		0.03	0.18	0.07	0.17
Net income per share – Diluted		0.03	0.18	0.07	0.16
Weighted average number of shares – Basic		51,225,061	50,787,319	51,173,350	44,794,066
Weighted average number of shares – Diluted		51,609,310	51,201,547	51,320,504	45,277,155
Comprehensive income					
Net income		$ 1,405	$ 9,242	3,449	7,465
Other comprehensive income, net of tax					
Items that may be reclassified to profit and loss					
Exchange differences on translation of foreign operations		1,140	–	321	–
Total other comprehensive income		1,140	–	321	–
Total comprehensive income		$ 2,545	$ 9,242	3,770	7,465

Net income is entirely attributable to Shareholders.

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

Consolidated Statements of Financial Position

September 30, 2016 and March 31, 2016

(In thousands of Canadian dollars) (Unaudited)	Note	September 30, 2016	March 31, 2016 (recasted, see note 3)
Assets			
Current assets			
Cash and cash equivalents		$ 2,617	$ 3,201
Trade and other receivables		29,629	28,049
Research and development tax credits		642	236
Inventories		927	910
Prepaid expenses and other current assets		3,775	3,487
		37,590	35,883
Non-current assets			
Property and equipment	7	4,718	4,628
Intangible assets	7	45,963	47,901
Goodwill	7	64,095	61,815
Investments	12	17,102	16,943
Investment in joint venture		860	815
Other assets		1,019	1,088
Deferred tax assets		6,801	7,117
Total assets		$ 178,148	$ 176,190
Liabilities and Equity			
Current liabilities			
Accounts payable and accrued liabilities		24,034	25,900
Dividends payable		–	1,789
Deferred revenues		1,108	915
Current portion of other payables	8	6,520	8,006
Income taxes payable		501	1,711
		32,163	38,321
Non-current liabilities			
Revolving facility		41,131	35,035
Other payables	8	8,304	8,695
Deferred tax liabilities		3,721	3,745
Total liabilities		85,319	85,796
Shareholders' equity			
Share capital	9	102,661	102,040
Contributed surplus		2,292	2,196
Deficit		(13,249)	(14,646)
Accumulated other comprehensive income		1,125	804
Total equity		92,829	90,394
Total liabilities and equity		$ 178,148	$ 176,190

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

Approved by the Board of Directors,

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

Consolidated Statements of Changes in Equity

Six-month periods ended September 30, 2016 and 2015

(In thousands of Canadian dollars, except number of share capital) (Unaudited)	Share Capital						
	Number	Amount	Contributed surplus	Deficit	Accumulated other comprehensive income	Total shareholders' equity
Balance at March 31, 2015	33,981,088	$ 2,240	$ 1,759	$ (21,841)	$ –	$ (17,842)
Issuance of shares upon exercise of options	183,334	451	(352)	–	–	99
Dividends	–	–	–	(1,523)	–	(1,523)
Issuance of subordinate voting shares and variable subordinate voting shares	16,647,100	104,044	–	–	–	104,044
Share issuance costs – net of income taxes of $2,093	–	(5,513)	–	–	–	(5,513)
Share-based compensation	–	–	592	–	–	592
Net income and comprehensive income	–	–	–	7,465	–	7,465
Balance at September 30, 2015	50,811,552	$ 101,222	$ 1,999	$ (15,899)	$ –	$ 87,322
Balance at March 31, 2016	51,107,975	$ 102,040	$ 2,196	$ (14,646)	$ 804	$ 90,394
Issuance of shares upon exercise of options (note 9)	201,791	621	(365)	–	–	256
Dividends	–	–	–	(2,052)	–	(2,052)
Share-based compensation (note 11)	–	–	461	–	–	461
Net income	–	–	–	3,449	–	3,449
Other comprehensive income	–	–	–	–	321	321
Balance at September 30, 2016	51,309,766	$ 102,661	$ 2,292	$ (13,249)	$1,125	$ 92,829

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

Consolidated Statements of Cash Flows

Three-month and six-month periods ended September 30, 2016 and 2015

(In thousands of Canadian dollars) (Unaudited)	Note	Three-month periods ended September 30, 2016	Three-month periods ended September 30, 2015	Six-month periods ended September 30, 2016	Six-month periods ended September 30, 2015
Operating activities:					
Net income		$ 1,405	$ 9,242	$ 3,449	$ 7,465
Adjustments for:					
Share-based compensation	11	397	371	588	592
Restricted and performance share unit expense	11	221	123	431	298
Deferred share unit expense	11,13	223	119	339	119
Depreciation and write-off of property and equipment	7	546	488	1,120	943
Amortization of intangible assets	7	3,982	3,592	7,169	6,815
Amortization and write-off of financing fees	6	25	24	50	214
Other interest expense	6	316	215	592	1,218
Change in fair value of derivative		–	(47)	–	(107)
Change in fair value of investments	12	(250)	(7,549)	(159)	(7,812)
Change in fair value of contingent considerations	6,12	(32)	(1,088)	(100)	(1,082)
Accretion expense of CRTC tangible benefits	6	78	73	155	97
Share of results of joint venture		(15)	39	(45)	(8)
Income taxes expense		487	2,117	899	783
Interest paid		(310)	(197)	(570)	(1,475)
Income taxes paid		(1,698)	(831)	(2,277)	(739)
		5,375	6,691	11,641	7,321
Net change in non-cash operating items	10	(1,755)	(5,756)	(5,299)	(2,277)
		3,620	935	6,342	5,044
Financing activities:					
Increase in the revolving facility		618	11,809	6,096	11,300
Repayment of term loan and bridge loan		–	–	–	(100,960)
Payment of dividend and stated capital of common share		(2,052)	(1,523)	(3,841)	(1,523)
Proceeds from (payments relating to) the exercise of stock options		178	(11)	256	99
Issuance of shares		–	–	–	104,044
Share capital issuance costs		–	(1,414)	–	(7,096)
Deferred financing costs		–	–	–	(431)
Repayment of other payables	12	(1,102)	(116)	(2,349)	(116)
Other		(1)	(15)	(45)	(35)
		(2,359)	8,730	117	5,282
Investing activities:					
Business acquisitions, net of cash acquired	3	–	(8,220)	(1,540)	(8,220)
Acquisition of long-term investment	12	–	(331)	–	(331)
Acquisition of property and equipment		(526)	(253)	(1,106)	(870)
Acquisition of intangible assets		(1,345)	(429)	(4,397)	(742)
		(1,871)	(9,233)	(7,043)	(10,163)
Increase (decrease) in cash and cash equivalents		(610)	432	(584)	163
Cash and cash equivalents, beginning of period		3,227	1,045	3,201	1,314
Cash and cash equivalents, end of period		$ 2,617	$ 1,477	$ 2,617	$ 1,477

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

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

1. Significant changes and highlights:

The condensed interim consolidated financial position and performance of Stingray Digital Group Inc. (the "Corporation") was particularly affected by the following events and transactions during the three-month and six-month periods ended September 30, 2016:

- On June 21, 2016, the Corporation announced the acquisition of four of Bell Media's popular music video channels: MuchLoud, MuchRetro, MuchVibes and Juicebox for a total consideration of $4,000. In June 2016, the Corporation has made a deposit of $3,000 to Bell Media. The last payment of $1,000 was made on September 16, 2016. This acquisition will enable the Corporation to consolidate its portfolio of television music channels and to provide the most comprehensive music products and services offering worldwide.

2. Subsequent events:

Acquisition

On October 14, 2016, the Corporation announced the acquisition of hundreds of exclusive pre–2013 concerts and documentaries from Berlin-based EuroArts Music International GmbH (EuroArts), a producer and distributor of classical music film productions, for a total consideration of EUR 1,119 million (CA$1,618 million). EuroArts will continue to distribute the acquired programs and will maintain its distribution, acquisition and production businesses.

Dividend

On November 9, 2016, the Corporation has declared dividend of $0.04 per subordinate voting share, variable subordinate voting share and multiple voting share that will be payable on or around December 15, 2016 to holders of subordinate voting share, variable subordinate voting share and multiple voting share on record as of November 30, 2016.

3. Business acquisitions:

Six-month period ended September 30, 2016

Festival 4K B.V.

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

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

The results of the business acquisition of Festival 4K B.V. for the period ended September 30, 2016 have been included in results since the date of the acquisition. Revenues recorded from the acquisition date to September 30, 2016 were $217 and net income of $5. Had the acquisitions occurred at the beginning of the fiscal year, revenues related to this acquired business would have been approximately $326 and net income of $8.

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

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

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

Brava Group

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

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

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

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

4. Segment information:

Business description

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

These interim consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries, Stingray Music USA Inc., Stingray Music Rights Management LLC, 2144286 Ontario Inc., Pay Audio Services Limited Partnership, Stingray Business Inc., Music Choice Europe Limited, Stingray Digital International Ltd., Music Choice India Private Ltd., Music Choice Europe Deutschland GmbH, Xtra Music Ltd., 2Connect Media BV, Alexander Medien Gruppe BV, *Les Réseaux Urbains Viva Inc,* Brava HDTV B.V., Brava NL B.V., DJazz B.V., Transmedia Communications SA and its wholly-owned subsidiaries, Digital Music Distribution Pty Ltd, 9076-3392 Québec Inc. (doing business as Nümédia) and Festival 4K B.V..

Operating segments

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

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

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

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

	Three-month periods ended		Six-month periods ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Revenues				
Canada	$ 14,045	$ 13,094	$ 28,122	$ 26,277
Other countries	10,482	8,208	20,952	14,920
	$ 24,527	$ 21,302	$ 49,074	$ 41,197

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

	September 30, 2016	March 31, 2016
Property and equipment, intangible assets and goodwill		
Canada	$ 54,625	$ 53,524
Netherlands	20,420	18,604
United Kingdom	14,972	16,857
Australia	12,397	12,620
Other countries	12,362	12,739
	$ 114,776	$ 114,344

5. Other information:

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

	Three-month periods ended		Six-month periods ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Depreciation, amortization and write-off :				
Music programming, cost of services and	$ 4,255	$ 3,592	$ 7,643	$ 6,815
General and administrative	273	488	646	943
	$ 4,528	$ 4,080	$ 8,289	$ 7,758
IPO expenses and CRTC tangible				
Music programming, cost of services and	$ –	$ –	$ –	$ 4,158
General and administrative	–	305	–	1,642
	$ –	$ 305	$ –	$ 5,800

The music programming, cost of services and content and the general and administrative expense for the three-month period ended September 30, 2016 would have been respectively $12,654 (2015 – $11,074) and $4,774 (2015 – $3,924) and the six-month period ended September 30, 2016 would have been respectively, $24,783 (2015 – $25,482) and $8,629 (2015 – $8,096) if the presentation by function of the depreciation, amortization and write-off expense, IPO expenses and CRTC tangible benefits would have been adopted in the statements of comprehensive income.

During the three-month and the six-month periods ended September 30 2016, transaction costs related to business acquisitions amounting to $99 (2015 – $105) and $106 (2015 – $195), respectively, have been recognized in general and administrative in the statements of comprehensive income.

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

6. Net finance expense (income):

	Three-month periods ended		Six-month periods ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Interest expense and standby fees	$ 316	$ 215	$ 592	$ 1,218
Change in fair value of contingent considerations	(32)	(1,088)	(100)	(1,082)
Change in fair value of derivative	–	(47)	–	(107)
Accretion expenses of CRTC tangible benefits	78	73	155	97
Amortization and write-off of financing fees	25	24	50	214
Foreign exchange loss (gain)	(14)	(487)	324	(784)
	$ 373	$ (1,310)	$ 1,021	$ (444)

7. Property and equipment, intangible assets and goodwill:

	Property and equipment	Intangible assets	Goodwill
Year ended March 31, 2016			
Opening net book amount as at March 31, 2015	$ 4,330	$ 45,441	$ 39,129
Additions	2,146	1,235	–
Additions through business acquisitions	297	13,809	22,301
Disposal and write-offs	(166)	–	–
Depreciation of property and equipment	(1,980)	–	–
Amortization of intangible assets	–	(12,882)	–
Foreign exchange differences	1	298	385
Closing net book amount as at March 31, 2016	$ 4,628	$ 47,901	$ 61,815
Six-month period ended September 30, 2016			
Opening net book amount as at March 31, 2016	$ 4,628	$ 47,901	$ 61,815
Additions	1,224	4,579	–
Additions through business acquisitions (note 3)	–	544	1,961
Depreciation and write-offs of property and equipment	(1,120)	–	–
Amortization of intangible assets	–	(7,169)	–
Foreign exchange differences	(14)	108	319
Closing net book amount as at September 30, 2016	$ 4,718	$ 45,963	$ 64,095

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

8. Other payables:

	September 30, 2016	March 31, 2016
Contingent considerations	$ 11,020	$ 12,347
CRTC tangible benefits	3,725	4,230
Post-employment benefit obligations	79	124
	14,824	16,701
Current position	(6,520)	(8,006)
	$ 8,304	$ 8,695

9. Share capital:

Authorized:

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

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

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

Unlimited number of special shares, participating, without par value

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

Issued and outstanding:

The movements in share capital were as follows:

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

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

	Number of shares	Carrying amount
Six-month period ended September 30, 2016		
As at March 31, 2016		
Subordinate voting shares and variable subordinate voting shares	34,813,690	$ 100,924
Multiple voting shares	16,294,285	1,116
	51,107,975	102,040
Issued upon exercise of stock options		
Subordinate voting shares	201,791	621
As at September 30, 2016		
Subordinate voting shares and variable subordinate voting shares	35,015,481	101,545
Multiple voting shares	16,294,285	1,116
	51,309,766	$ 102,661

10. Supplemental cash flow information:

	Three-month periods ended		Six-month periods ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Trade and other receivables	$ 697	$ (2,573)	$ (1,473)	$ (4,176)
Research and development tax credit	(216)	(212)	(406)	(426)
Inventories	(199)	(18)	(10)	(577)
Prepaid expenses and other current assets	77	(662)	51	114
Other assets	24	102	19	179
Accounts payable and accrued liabilities	(1,187)	(2,704)	(2,980)	(2,585)
Income taxes payable	(325)	493	187	398
Deferred revenues	(19)	158	(27)	1,002
Other payables (CRTC tangible benefits)	(607)	(340)	(660)	3,794
	$ (1,755)	$ (5,756)	$ (5,299)	$ (2,277)

11. Share-based compensation:

Stock options plan

During the six-month period ended September 30, 2016, 344,215 options were granted at a weighted average fair value of $2.08. This fair value was estimated at the date on which the options were granted by using the Black-Scholes option pricing model with the following assumptions:

	2016
Volatility	35%
Risk-free interest rate	0.59%
Expected life of options	7 years
Value of the subordinate voting share at grant date	$7.27
Expected dividend rate	1.93%

During the three-month period ended September 30, 2016, 126,791 options were exercised at the weighted average exercise price of $1.40 and at a weighted average share price of $7.18.

During the six-month period ended September 30, 2016, 201,791 options were exercised at the weighted average exercise price of $1.27 and at a weighted average share price of $7.20.

Total share-based compensation costs recognized under this stock option plan amount to $270 and $461 for the three-month and six-month periods ended September 30, 2016 (2015 – $371 and $592), respectively.

Restricted and performance share unit plan

During the three-month and six-month periods ended September 30, 2016, the total expense related to RSU and PSU plans amounted to $221 and $431 (2015 – $123 and $298). As at September 30, 2016, the fair value per unit was $7.67 (2015 – $7.01) for a total amount of $1,148 (2015 – $477) and was presented in accrued liabilities on the consolidated statements of financial position.

Deferred share unit plan

During the three-month period ended September 30, 2016, 18,725 DSU (2015 – 17,028) were granted at a range from $6.96 to $7.26 to directors (2015 – $6.94 to $7.04). During the three-month and six-month periods ended September 30, 2016, the total expense related to DSU plan amounted to $223 and $339 (2015 – $119 and $119). As at September 30, 2016, the fair value per unit was at a range of $7.50 to $7.67 (2015 – $7.01 to $7.23) for a total amount of $678 (2015 – $119) and was presented in accrued liabilities on the consolidated statements of financial position.

12. Financial instruments:

Financial risk factors:

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

Fair values

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

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

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

As at September 30, 2016	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 2,617				
Trade and other receivables	29,308				
Financial assets measured at fair value					
Investments	$ 17,102	$ 17,102	$ –	$ –	$ 17,102
Financial liabilities measured at amortized cost					
Revolving facility	$ 41,131				
Account payable and accrued liabilities	22,545				
Other payables other than contingent considerations	3,804	3,804	–	–	3,804
Financial liabilities measured at fair value					
Contingent considerations	$ 11,020	$ 11,020	$ –	$ –	$ 11,020

As at March 31, 2016	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 3,201				
Trade and other receivables	27,744				
Financial assets measured at fair value					
Investments	$ 16,943	$ 16,943	$ –	$ –	$ 16,943
Financial liabilities measured at amortized cost					
Revolving facility	$ 35,035				
Account payable and accrued liabilities	25,044				
Other payables other than contingent considerations	4,354	4,354	–	–	4,354
Financial liabilities measured at fair value					
Contingent considerations	$ 12,347	$ 12,347	$ –	$ –	$ 12,347

Fair value measurement (Level 2 and 3):

	Investments	Derivative instrument	Contingent considerations
Six-month period September 30, 2015			
Opening amount as at March 31, 2015	$ 7,933	$ 110	$ 12,409
Additions through business acquisitions	–	–	2,728
Additionnal investments	331	–	–
Change in fair value	7,812	(107)	(1,082)
Payments	–	–	(116)
Closing amount as at September 30, 2015	$ 16,076	$ 3	$ 13,939

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

	Investments	Derivative instrument	Contingent considerations
Six-month period ended September 30, 2016			
Opening amount as at March 31, 2016	$ 16,943	$ –	$ 12,347
Additions through business acquisitions	–	–	1,122
Change in fair value	159	–	(100)
Payments	–	–	(2,349)
Closing amount as at September 30, 2016	$ 17,102	$ –	$ 11,020

There were no changes in the valuation techniques for the derivative instrument and contingent considerations during the periods ended September 30, 2016 and 2015.

<u>Investments</u>

Equity instrument in a private entity

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

For the three-month and six-month periods ended September 30, 2016 and 2015, the fair value has been measured by using the latest market transaction stock issue price, minus a liquidity discount of 25%. The liquidity discount was used to reflect the marketability of the asset. In measuring fair value, management used the best information available in the circumstances and also an approach that it believes market participants would use. There were no change in the fair value, except for reevaluation of foreign exchange, of this instrument during the three-month and six-month periods as there were no market stock transaction or no other indicator of significant changes that could affect the fair value of the investment.

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

Convertible note

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

Change in fair value for both investments has resulted in a gain of $250 and $159 for the three-month and six-month periods ended September 30, 2016 respectively.

<u>Contingent considerations</u>

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

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

Derivative

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

13. Related parties:

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

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

	Three-month periods ended		Six-month periods ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Short-term employee benefits	$ 890	$ 740	$ 1,671	$ 1,406
Share-based compensation	207	269	367	434
Restricted and performance share unit	45	28	92	82
Deferred share unit	223	119	339	119
	$ 1,365	$ 1,156	$ 2,469	$ 2,041

14. Basis of preparation:

a) Statement of compliance:

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

The auditors of the Corporation have not performed a review of the interim consolidated financial statements for the three-month and six-month periods ended September 30, 2016 and 2015.

The interim consolidated financial statements were authorized for issue by the Board of Directors on November 9, 2016.

b) Use of estimates and judgements:

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

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

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

c) Functional and presentation currency:

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

15. New and amended standard adopted by the Corporation:

IAS 1 - *Presentation of financial statements*

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

IAS 16 – *Property, Plant and Equipment*

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

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

IFRS 9 - *Financial instruments*

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

IFRS 15 - *Revenue recognition*

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

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

IAS 7 – *Disclosure Initiative*

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

IFRS 16 – *Leases*

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

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

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

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

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

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