SECOND QUARTER REPORT FISCAL 2016

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

STINGRAY
ALL GOOD VIBES

TABLE OF CONTENTS

BASIS OF PREPARATION AND FORWARD LOOKING STATEMENTS

The following is the quarterly financial report and Management's Discussion and Analysis ("MD&A") of the results of operations and financial position of Stingray Digital Group Inc., ("Stingray" or "the Corporation"), and should be read in conjunction with the Corporation's unaudited condensed interim consolidated financial statements and accompanying notes for the three-month and the six-month periods ended September 30, 2015 and 2014, and with the most recent audited consolidated financial statements and MD&A included in the prospectus dated May 26, 2015. This MD&A reflects information available to the Corporation as at November 11, 2015. 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, 2015 and 2014.

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

Although management believes the expectations reflected in such forward-looking statements are reasonable, forward-looking statements are based on the opinions, assumptions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include, but are not limited to the following risk factors : increases in royalties or restricted access to music rights; our dependence on Pay-TV providers; the rapidly evolving audio and video entertainment industry; competition from other content providers; the expansion of our operations into international markets; our rapid growth and our growth strategy; our acquisitions, business combinations and joint ventures; our dependence on key personnel; exchange rate fluctuations; economic and political instability in emerging countries; royalty calculation methods; rapid technological and industry changes; unavailability of additional funding; failure to generate cash revenues; reliance on our credit facilities; costly and protracted litigation in defence of copyrighted content; our inability to protect our proprietary technology; our reliance on third party hardware, software and related services; our inability to maintain our corporate culture; unfavourable economic conditions; our exposure to foreign privacy and data security laws; unauthorized and pirated music and video content; natural catastrophic events and interruption by man-made problems; additional income tax liabilities; maintaining our reputation; litigation and other claims; credit risk; liquidity risk; failure to comply with CRTC requirements; failure to maintain or renew our CRTC licences; the increase in broadcasting licence fees payable by us; unfavourable changes in government regulation affecting our industry.

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

SUPPLEMENTAL INFORMATION ON NON-IFRS MEASURES

The Corporation believes that Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Net income, Adjusted Net income per share, Adjusted free cash flow, Net debt including and excluding contingent considerations and Net debt to Adjusted EBITDA are important measures in evaluating our performance. Each of these non-IFRS financial measures is not an earnings or cash flow measure recognized by IFRS and does not have a standardized meaning prescribed by IFRS. Our method of calculating such financial measures may differ from the methods used by other issuers and, accordingly, our definition of these non-IFRS financial measures may not be comparable to similar measures presented by other issuers. Investors are cautioned that non-IFRS financial measures should not be construed as an alternative to net income determined in accordance with IFRS as indicators of our performance or to cash flows from operating activities as measures of liquidity and cash flows.

OVERVIEW

Stingray is a leading B2B multi-platform music and in-store media solutions provider operating on a global basis. The Corporation reaches an estimated 135 million TV subscribers (or households) in 127 countries. We broadcast high quality music and video content on a number of platforms including digital TV, satellite TV, IPTV, the Internet, mobile devices and game consoles.

The Corporation is headquartered in Montreal, Canada, and we employ over 235 professional and support staff across the world, including Toronto, Los Angeles, Miami, London, Amsterdam and Tel Aviv.

KEY PERFORMANCE INDICATORS(1)

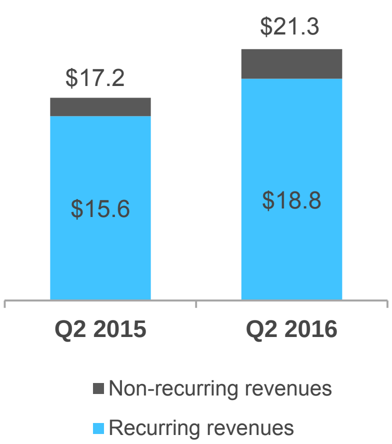
For the three months ended September 30, 2015:

$21.3M ▲ 24.0% from Q2 2015 Revenues	**$18.8 M** Recurring revenue	**$7.6 M** 35.8% margin Adjusted EBITDA	**$0.03** Dividend per share
39% % of international revenues	**$6.4 M** Adjusted free cash flow	**$9.2 M** $0.18 per share Net income	**$6.2 M** $0.12 per share Adjusted Net income

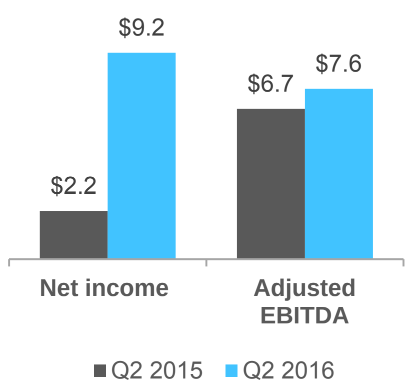
Note:
(1) Refer to "Supplemental information on Non-IFRS measures" on page 2 and 6.

For the three months ended September 30, 2015 and 2014:

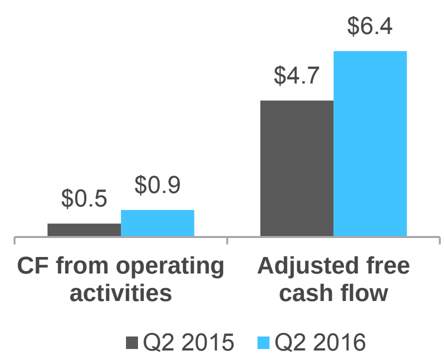
Recurring revenues(1)(2)(3)



Net Income and Adjusted EBITDA(1)(2)



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



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

FINANCIAL AND BUSINESS HIGHLIGHTS

Highlights of the quarter ended September 30, 2015

Compared to the second quarter ended September 30, 2014 ("Q2 2015"):

- Revenues increased 24.0% to $21.3 million from 17,2 million for Q2 2015;
- Recurring revenues of $18.8 million (88% of total revenues), an increase of 20.3%;
- International revenues increased to 38.5% from 31.8%;
- Adjusted EBITDA increased 13.2% to $7.6 million from $6.7 million for Q2 2015;
- Adjusted EBITDA margin was 35.8% compared with 39.2% for Q2 2015;
- Net income increased 326.5% to $9.2 million ($0.18 per share) compared to $2.2 million ($0.06 per share) for Q2 2015;
- Adjusted Net income increased 34.5% to $6.2 million ($0.12 per share) compared to $4.6 million ($0.13 per share) for Q2 2015;
- Cash flow from operating activities increased 100.2% to $0.9 million compared to $0.5 million for Q2 2015; and
- Adjusted free cash flow increased 36.2% to $6.4 million compared to $4.7 million for Q2 2015.

Additional business highlights:

- On September 17, Stingray Ambiance was launched as the first 100% 4K Ultra High Definition (UHD) channel in North America.
- On August 27, Stingray Music was launched as a complementary service and made available to all Videotron Mobile customers with exclusive content.
- On August 25, Stingray Music launched its vibes channels. In addition to the Stingray Music channel line-up offered by their TV providers, music fans can now explore and stream 1,000 channels in close to 100 genres curated for every activity, mood and occasion.
- On August 18, the Canadian Radio-television and Telecommunications Commission (CRTC) issued a decision renewing until August 31, 2020 the broadcasting licence of its national pay audio service, Stingray Music.
- In August, the new Stingray Karaoke download store was launched in partnership with the Signing Machine. The new signing machines – SMC Digital MP4 are now available in retail outlets mainly in United States.
- Stingray's quarterly tracking survey from Vision Critical shows that 40% of Canadian adults have listened to a Stingray Music channel in September 2015. 8% of our listeners have used its mobile app. Following the rebranding of Galaxie to Stingray Music and associated marketing efforts, brand awareness has increased from 30% in December 2014 to 48% in September 2015, a 60% increase. Stingray Music also reaches more Canadian from 18 to 34 years old.
- Since September 2015, Stingray Business via Basha, a leader in the field of in-store media, now has an affiliate sales channel in Mexico. With this collaboration, the Corporation aims to expand its Commercial Music to the fast growing Mexican market.
- During Q2 2016, we signed and renewed several new customers, including Numericable in France, Du in Dubai, Rona and Second Cup. We also signed "the new stores of the future" Sport Expert locations, an innovative project that represents the future of retail business. This signage deal showcases our content experience with our Stingray Business digital experience group.
- On November 11, 2015, the Corporation announced that it has entered into a strategic relationship with Multi Channels Asia PTE Ltd. (MCA), a Singapore-based media company, which owns, represents and distributes a number of thematic Pay-TV networks serving Asia and the Pacific. Under the terms of the agreement, Stingray will provide MCA with capital under a convertible debenture amounting to US$1.0 million.
- Effective October 1, 2015, the Corporation acquired distribution agreements and a catalog of classical and jazz audio and video tracks owned by Cultuur7, a company that operates a Flemish television channel dedicated to cultural content. The all-cash transaction amounted to $0.2 million.
- On September 21, 2015, we invested an additional $0.3 million in AppDirect Inc. ("AppDirect"), a company that offers a cloud service marketplace and management platform that enables companies to distribute web-based service. As at September 30, 2015, the Corporation held a 1.76% interest in AppDirect and the fair value was $16.1 million.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

	Three-month periods ended				Six-month periods ended			
	Sept. 30, 2015 **Q2 2016**		Sept. 30, 2014 **Q2 2015**		Sept. 30, 2015 **YTD 2016**		Sept. 30, 2014 **YTD 2015**	
(in thousands of Canadian dollars)	$	% of revenues	$	% of revenues	$	% of revenues	$	% of revenues
Revenues	21,302	100.0 %	17,179	100.0 %	41,197	100.0 %	32,812	100.0 %
Recurring Revenues	18,785	88 %	15,618	91 %	36,028	87 %	29,992	91 %
Revenues	21,302	100.0 %	17,179	100.0 %	41,197	100.0 %	32,812	100.0 %
Music programming, cost of services and content	7,555	35.5 %	5,199	30.3 %	14,537	35.3 %	9,948	30.3 %
Selling and marketing	2,167	10.2 %	1,922	11.2 %	4,314	10.5 %	3,853	11.7 %
Research and development, support and information technology	1,698	8.0 %	1,436	8.4 %	3,419	8.3 %	2,854	8.7 %
General and administrative	2,997	14.1 %	2,222	12.9 %	5,377	13.1 %	5,360	16.3 %
IPO expenses and CRTC tangible benefits	305	1.4 %	-	- %	5,800	14.1 %	-	- %
Depreciation and amortization and write-off	4,080	19.2 %	3,829	22.3 %	7,758	18.8 %	6,560	20.0 %
Net finance expenses[3]	(1,310)	(6.1) %	1,202	7.0 %	(444)	(1.1) %	2,434	7.4 %
Change on fair value of investment	(7,549)	(35.4) %	(450)	(2.6) %	(7,812)	(19.0) %	(900)	(2.7) %
Income before income taxes	11,359	53.3 %	1,819	10.6 %	8,248	20.0 %	2,703	6.6 %
Income taxes	2,117	9.9 %	(348)	(2.0) %	783	1.9 %	(482)	(1.2) %
Net income	9,242	43.4 %	2,167	12.6 %	7,465	18.1 %	3,185	7.7 %
Adjusted EBITDA[1]	7,625	35.8 %	6,734	39.2 %	14,776	35.9 %	12,558	38.3 %
Adjusted Net income[1]	6,198	29.1 %	4,607	26.8 %	10,981	26.7 %	8,198	25.0 %
Adjusted free cash flow[1]	6,407	30.1 %	4,704	27.4 %	11,667	28.3 %	7,983	24.3 %
Cash flow from operating activities	935	4.4 %	467	2.7 %	5,044	12.2 %	3,205	9.8 %
Net debt excluding contingent considerations[1]	17,725	-	87,776	-	17,725	-	87,776	-
Net debt including contingent considerations[1]	31,664	-	96,610	-	31,664	-	96,610	-
Net debt to Adjusted EBITDA[1][2]	1.07x	-	3.67x	-	1.07x	-	3.67x	-
Net income per share basic	0.18	-	0.06	-	0.17	-	0.10	-
Net income per share diluted	0.18	-	0.06	-	0.16	-	0.09	-
Adjusted Net income per share basic[1]	0.12	-	0.14	-	0.25	-	0.25	-
Adjusted Net income per share diluted[1]	0.12	-	0.13	-	0.24	-	0.24	-
Revenue by category								
Music Broadcasting	15,614	73.3 %	13,064	76.0 %	29,734	72.2 %	25,528	77.8 %
Commercial Music	5,688	26.7 %	4,115	24.0 %	11,463	27.8 %	7,284	22.2 %
Revenues	21,302	100.0 %	17,179	100.0 %	41,197	100.0 %	32,812	100.0 %
Revenues by geography								
Canada	13,094	61.5 %	11,714	68.2 %	26,277	63.8 %	22,402	68.3 %
International[4]	8,208	38.5 %	5,465	31.8 %	14,920	36.2 %	10,410	31.7 %
Revenues	21,302	100.0 %	17,179	100.0 %	41,197	100.0 %	32,812	100.0 %

Notes:

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

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

(3) Interest paid during the Q2 2016 was $197 (Q2 2015; $931) and $1,475 for the six-month period ended September 30, 2015 ($1,867; 2014)

(4) International means all jurisdictions except Canada.

SUPPLEMENTAL INFORMATION ON NON-IFRS MEASURES

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

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

(in thousands of Canadian dollars)	Three-month periods ended		Six-month periods ended	
	Sept. 30, 2015 **Q2 2016**	Sept. 30, 2014 **Q2 2015**	Sept. 30, 2015 **YTD 2016**	Sept. 30, 2014 **YTD 2015**
Net income	**9,242**	**2,167**	**7,465**	**3,185**
Net finance expenses	(1,310)	1,202	(444)	2,434
Change in fair value of investment	(7,549)	(450)	(7,812)	(900)
Income taxes	2,117	(348)	783	(482)
Depreciation of property and equipment and write-off	488	541	943	942
Amortization of intangibles	3,592	3,288	6,815	5,618
Stock-based compensation	371	80	592	312
Restricted share unit and deferred share unit	242	-	417	-
IPO expenses and CRTC tangible benefits	305	-	5,800	-
Acquisition, restructuring and other various costs	127	254	217	1,449
Adjusted EBITDA	**7,625**	**6,734**	**14,776**	**12,558**
Net finance expenses	1,310	(1,202)	444	(2,434)
Income taxes	(2,117)	348	(783)	482
Depreciation of property and equipment and write-off	(488)	(541)	(943)	(942)
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	(132)	(732)	(2,513)	(1,466)
Adjusted Net income	**6,198**	**4,607**	**10,981**	**8,198**

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

(in thousands of Canadian dollars)	Three-month periods ended		Six-month periods ended	
	Sept. 30, 2015 **Q2 2016**	Sept. 30, 2014 **Q2 2015**	Sept. 30, 2015 **YTD 2016**	Sept. 30, 2014 **YTD 2015**
Cash flow from operating activities	**935**	**467**	**5,044**	**3,205**
Add / Less :				
Capital expenditures	(682)	(457)	(1,612)	(955)
Net change in non-cash operating working capital items	5,756	4,563	2,277	4,829
Acquisition, restructuring and other various costs(1)	93	131	158	904
IPO expenses and CRTC tangible benefits(1)	305	-	5,800	-
Adjusted free cash flow	**6,407**	**4,704**	**11,667**	**7,983**

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

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

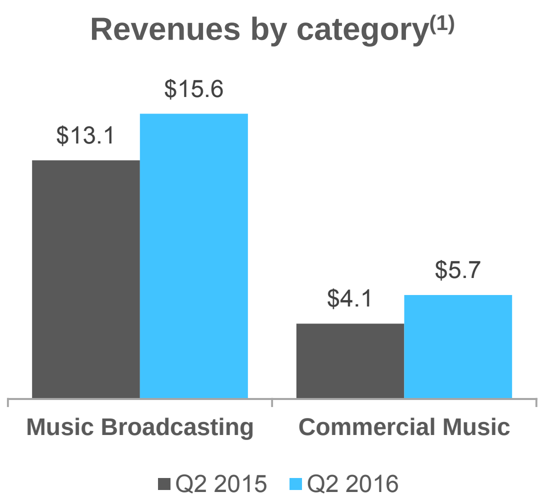
(in thousands of Canadian dollars)	**September 30, 2015**	**March 31, 2015**	**September 30, 2014**
Term loan, including current portion	-	80,835	85,072
Contingent considerations, including current portion	13,939	12,409	8,834
Bridge loan	-	20,000	-
Revolving facility	19,202	7,902	2,000
(Cash and cash equivalents) bank overdraft	(1,477)	(1,314)	704
Net debt including contingent considerations ("Net Debt")	**31,664**	**119,832**	**96,610**
Contingent considerations, including current portion	(13,939)	(12,409)	(8,834)
Net debt excluding contingent considerations	**17,725**	**107,423**	**87,776**

FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2015 AND 2014

Revenues

Revenues in Q2 2016 increased to a record of $21.3 million or 24.0%, from $17.2 million for Q2 2015. The increase in revenues was primarily due to the acquisitions combined with growth in international markets. In addition, revenues were favourably impacted by the exchange rate between the Canadian dollar and the U.S. dollar.

Trends by Revenue Categories were as follow:



Note:
(1) In millions of Canadian dollars.

Music Broadcasting

The most significant contributors to the increase of 19.5% or $2.5 million from Q2 2015 in Music Broadcasting revenues were as follows (arrows reflect the impact):

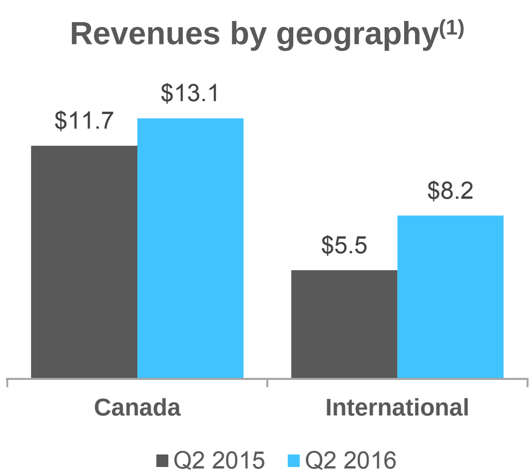
- ▲ Acquisition of Brava that occurred on July 1, 2015 and the impact of the Telefonica – On the Spot acquisition that was included in full in Q2 2016.
- ▲ New customer contracts signed mainly in international markets, in United States, Europe and Middle East.

Commercial Music

The most significant contributors to the increase of 38.2% or $1.6 million from Q2 2015 in Commercial Music revenues were as follows (arrows reflect the impact):

- ▲ Acquisition of *Les Réseaux Urbains Viva Inc.* is included in full in Q2 2016. Also, new customer contracts signed year-to-date and in Fiscal 2015 are reflected in full in Q2 2016.
- ▲ Non-recurring revenues from installation and equipment sales related to new and existing customers.

Trends by Revenues by Geographic Region:



Note:
(1) In millions of Canadian dollars.

Canada

The most significant contributors to the increase of 11.8% or $1.4 million from Q2 2015 in revenues for Canada were as follows (arrows reflect the impact):

- ▲ As described above in Commercial Music, acquisitions are included in full in Q2 2016, new customer contracts and non-recurring revenues related to installation and equipment sales.

International

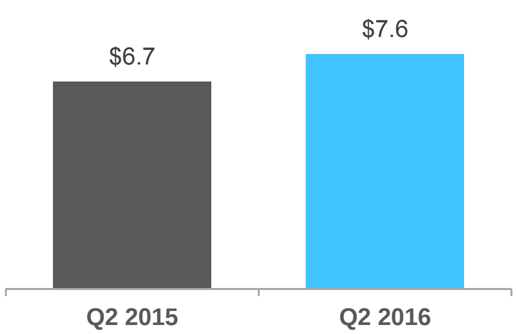
The most significant contributors to the increase of 50.2% or $2.7 million from Q2 2015 in International revenues were as follows (arrows reflect the impact):

- ▲ New customer contracts signed year-to-date and in Fiscal 2015 and the successful integration of the acquisitions mentioned above.
- ▲ Revenues were favourably impacted by the exchange rate between the Canadian dollar and the U.S. dollar.

Operating Expenses

(in thousands of Canadian dollars)	Q2 2016 % of revenues	Q2 2015 % of revenues	Variance			Significant contributions to variance :
Music programming, cost of services and content	$7,555 35.5%	$5,199 30.3%	$2,356	45.3%	▲	Primarily due to acquisitions completed in Fiscal 2015 and 2016 and to the hiring of additional staff and content costs to support growth. In addition, costs related to additional installation and equipment sales. These increases were partially offset by the favorable impact on the calculation of rights on revenues and royalties. Compared to Q1 2016, the percentage in relation with total revenues remained relatively stable.
Selling and marketing	$2,167 10.2%	$1,922 11.2%	$245	12.7%	▲	Primarily due to increase costs to support revenue growth in international markets.
Information Technology and Research and development	$1,698 8.0%	$1,436 8.4%	$262	18.2%	▲	Expenses increased at a slower pace than revenues and remained relatively stable on a percentage of total revenues.
General and administrative	$2,997 14.1%	$2,222 12.9%	$775	34.9%	▲	Primarily due to restricted share unit and deferred share unit plan for employees and directors, and additional employees to support growth and public company related costs.
Depreciation, amortization and write-off	$4,080 19.2%	$3,829 22.3%	$251	6.6%	▲	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 in Q2 2016 increased 13.2% to $7.6 million, from $6.7 million in Q2 2015. Adjusted EBITDA margin was 35.8% in Q2 2016 compared to 39.2% in Q2 2015. The increase in Adjusted EBITDA was primarily due to the acquisitions of Brava and Telefonica – On the Spot, growth in international markets and the favorable impact on the adjustment for the allocation of revenues among the suite of services offered by the Corporation and the introduction of new services for purpose of reporting and paying copyright royalties and related rights. Higher music programming, cost of services and content expenses were primarily responsible for the decrease in the Adjusted EBITDA margin. The increase in these expenses reflect a higher level of non-recurring lower margin revenue from installation and equipment sales and additional costs to support our growth.

Acquisition, restructuring and other various costs mainly included costs related to consultant fees for the acquisition of Brava, Cultuur 7 and to support our acquisition pipeline.

Net Finance Expenses

Finance expenses decreased to negative $1.3 million from positive $1.2 million in Q2 2015. The decrease was related to fair value revaluations of contingent considerations, unrealized gain on foreign exchange and a significantly lower debt. The Corporation repaid approximately $101 million of its debt in June 2015 with the proceeds of the IPO.

Change in fair value of investment

In Q2 2016, a gain of $7.5 million was recorded compared to a gain of $0.4 million in Q2 2015. On September 21, 2015, the Corporation invested an additional $0.3 million (US$ 0.3 million) in AppDirect Inc. ("AppDirect"), a company that offers a cloud services marketplace and management platform that enables companies to distribute web-based services. As at September 30, 2015, the Corporation held a 1.76% interest in AppDirect and the fair value was $16.1 million.

Income Taxes

Income taxes expenses increased to $2.1 million in Q2 2016 from a recovery of $0.3 million for Q2 2015. The increase in income taxes was mainly related to the change in fair value of investment, to the increase in operating results, offset by lower financing costs. The recovery of $0.3 million in Q2 2015 was mainly related to the recognition of prior tax losses.

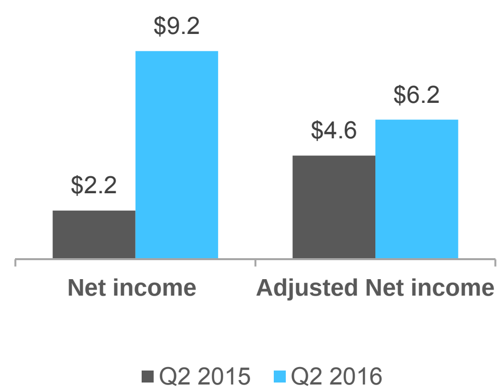
Net income and net income per share

Net income increased to $9.2 million ($0.18 per share) in Q2 2016 from $2.2 million ($0.06 per share) in Q2 2015. The increase was mainly attributable to the change in fair value of investment, the increase in operating results and lower financing costs, partially offset by higher income taxes.

Adjusted Net income and Adjusted Net income per share

Adjusted Net Income in Q2 2016 increased to $6.2 million ($0.12 per share) from $4.6 million ($0.14 per share) in Q2 2015. The increase was primarily due to higher Adjusted EBITDA resulting from the successful integration of acquisitions combined with the signing of new international contracts and additional sales for installation and equipment and lower finance expenses.

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



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

Quarterly results

Our revenues increased steadily over the last eight quarters from $16.3 million in the third quarter of Fiscal 2014 to $21.3 million in the second quarter of Fiscal 2016. The increase was mainly attributable to the successful integration of acquisitions and new contracts in Canada and in international markets. Over the past eight quarters, recurring revenues represented approximately 88% of total revenues, except in the third quarter of Fiscal 2014 where we recorded a higher level of non-recurring revenues than usual in part related to an acquisition.

Adjusted EBITDA increased from $7.3 million in the third quarter of Fiscal 2014 to $7.6 million in the second quarter of Fiscal 2016. The increase was mainly attributable to the successful integration of acquisitions and new contracts signed in Canada and in international markets.

Summary of Consolidated Quarterly Results

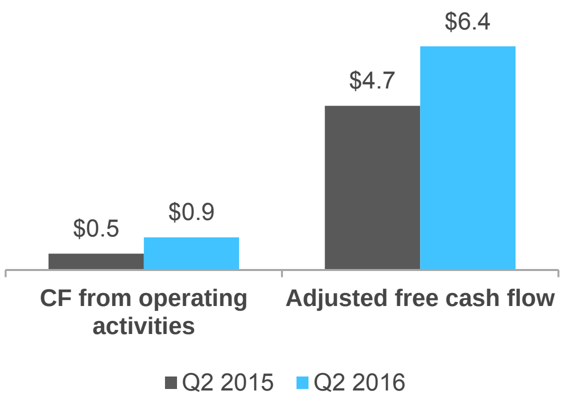
(in thousands of Canadian dollars, except per share amounts)	Three-month period ended							
	Sept. 30, 2015	June 30, 2015	March 31, 2015	Dec. 31, 2014	Sept. 30, 2014	June 30, 2014	March 31, 2014	Dec. 31, 2013
	Fiscal 2016	Fiscal 2016	Fiscal 2015	Fiscal 2015	Fiscal 2015	Fiscal 2015	Fiscal 2014	Fiscal 2014
Revenue by category								
Music Broadcasting	15,614	14,120	14,075	13,896	13,064	12,464	12,896	11,405
Commercial Music	5,688	5,775	5,573	4,633	4,115	3,169	3,286	4,875
Total revenues	**21,302**	**19,895**	**19,648**	**18,529**	**17,179**	**15,633**	**16,182**	**16,280**
Revenues by geography								
Canada	13,094	13,183	13,192	12,144	11,714	10,688	10,992	12,651
International	8,208	6,712	6,456	6,385	5,465	4,945	5,190	3,629
Total revenues	**21,302**	**19,895**	**19,648**	**18,529**	**17,179**	**15,633**	**16,182**	**16,280**
Recurring revenues	18,785	17,243	17,127	16,416	15,618	14,374	14,529	12,959
Recurring revenues as a percentage of total revenues	88%	87%	87%	89%	91%	92%	90%	80%
Adjusted EBITDA	**7,625**	**7,151**	**7,731**	**6,986**	**6,734**	**5,824**	**6,511**	**7,254**
Net income (loss)	**9,242**	**(1,777)**	**1,923**	**1,499**	**2,167**	**1,018**	**2,228**	**2,384**
Net income (loss) per share basic	0.18	(0.05)	0.06	0.04	0.06	0.04	0.07	0.08
Net income (loss) per share diluted	0.18	(0.05)	0.06	0.04	0.06	0.03	0.07	0.07
Adjusted Net income	**6,198**	**4,783**	**5,260**	**4,376**	**4,607**	**3,591**	**4,020**	**4,410**
Adjusted Net income per share basic	0.12	0.12	0.15	0.13	0.14	0.11	0.12	0.13
Adjusted Net income per share diluted	0.12	0.12	0.15	0.13	0.13	0.10	0.12	0.13

Reconciliation of Quarterly Non-IFRS Measures

(in thousands of Canadian dollars)	Three-month period ended							
	Sept. 30, 2015	June 30, 2015	March 31, 2015	Dec. 31, 2014	Sept. 30, 2014	June 30, 2014	March 31, 2014	Dec. 31, 2013
	Fiscal 2016	Fiscal 2016	Fiscal 2015	Fiscal 2015	Fiscal 2015	Fiscal 2015	Fiscal 2014	Fiscal 2014
Net income (loss)	**9,242**	**(1,777)**	**1,923**	**1,499**	**2,167**	**1,018**	**2,228**	**2,384**
Net finance expenses	(1,310)	866	942	1,310	1,202	1,232	696	1,120
Change in fair value of investment	(7,549)	(263)	(451)	(450)	(450)	(450)	(985)	(984)
Income taxes	2,117	(1,334)	(241)	(114)	(348)	(134)	1,017	1,094
Depreciation of property and equipment and write-off	488	455	597	586	541	401	300	238
Amortization of intangibles	3,592	3,223	3,653	3,583	3,288	2,330	2,678	2,312
Stock-based compensation	371	221	376	112	80	232	150	208
Restricted share unit	242	175	221	-	-	-	-	-
IPO expenses and CRTC tangible benefits	305	5,495	-	-	-	-	-	-
Acquisition, restructuring and other various costs	127	90	711	460	254	1,195	427	882
Adjusted EBITDA	**7,625**	**7,151**	**7,731**	**6,986**	**6,734**	**5,824**	**6,511**	**7,254**
Net finance expenses	1,310	(866)	(942)	(1,310)	(1,202)	(1,232)	(696)	(1,120)
Income taxes	(2,117)	1,334	241	114	348	134	(1,017)	(1,094)
Depreciation of property and equipment and write-off	(488)	(455)	(597)	(586)	(541)	(401)	(300)	(238)
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	(132)	(2,381)	(1,173)	(828)	(732)	(734)	(478)	(392)
Adjusted Net income	**6,198**	**4,783**	**5,260**	**4,376**	**4,607**	**3,591**	**4,020**	**4,410**

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

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



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

Cash flow from operating activities

Cash flow generated from operating activities increased to $0.9 million in Q2 2016 from $0.5 million in Q2 2015. The increase was mainly due to acquisitions and the signing of new contracts partially offset by higher working capital requirements mainly related to the IPO expenses.

Adjusted free cash flow

Adjusted free cash flow in Q2 2016 increased to $6.4 million from $4.7 million in Q2 2015. The increase was primarily explained by higher operating results and lower financing costs, partially offset by higher capital expenditures.

Increase in capital expenditures compared to Q2 2015 was mainly due to leasehold improvements for additional space in our Montreal office.

Investing Activities

Net cash flow used in investing activities amounted to $9.2 million in Q2 2016 compared to $0.5 million in Q2 2015. The increase of cash flow used of $8.7 million was primarily related to the acquisition of Brava in Q2 2016 and an additional investment of $0.3 million in AppDirect.

Financing Activities

Net cash flow generated from financing activities amounted to $8.7 million in Q2 2016 compared to net cash flow used in financing activities of $4.5 million in Q2 2015. The increase of $13.2 million was mainly attributable to the acquisition of Brava that was financed through the revolving facility, the payment of a quarterly dividend and share capital issuance costs.

Contractual Obligations

The Corporation is committed under the terms of contractual obligations with various expiration dates, primarily the rental of office space, financial obligations under our credit agreement, broadcast licence and commitments for copyright royalties. There have been no material changes to these obligations since March 31, 2015 except for broadcast licence and financial obligations which are described below.

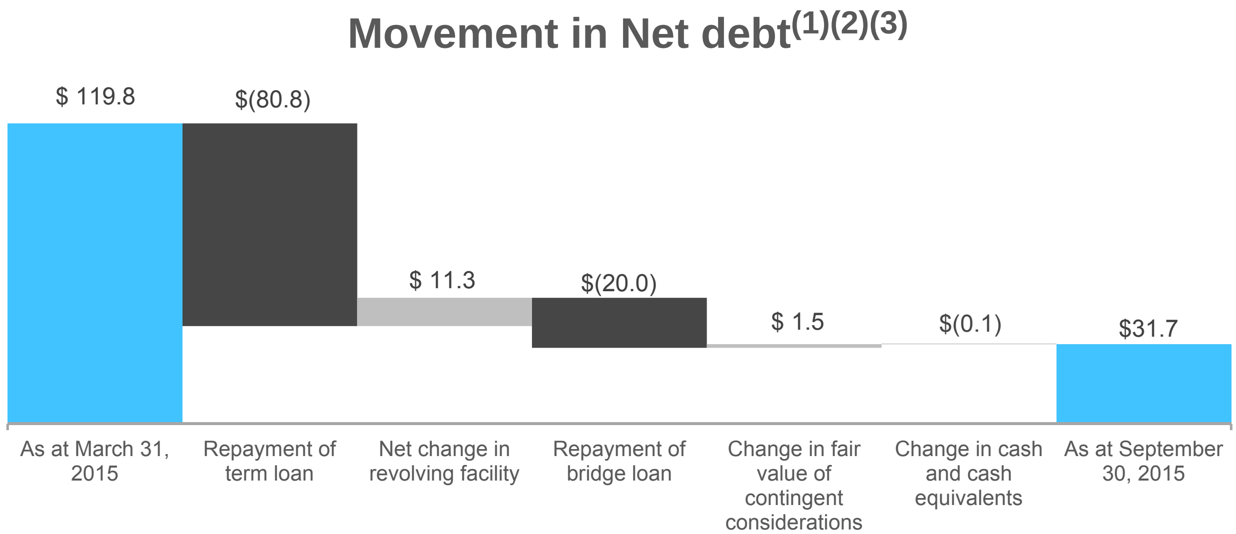
Broadcast licence

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

Financial obligations

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

The following table summarizes the impact on the Net debt including contingent considerations that occurred in the six-month period ended September 30, 2015 including related ratios:



27.3	12-Month Trailing Adjusted EBITDA(1)(2)(3)	29.5
4.4	Net debt to Adjusted EBITDA(1)(2)(3)	1.1

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, 2015:

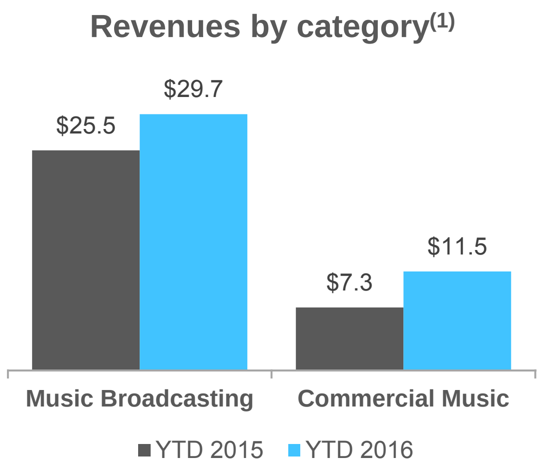
(in thousands of Canadian dollars)	Sept. 30, 2015	March 31, 2015	Variance		Significant contributions
Trade and other receivables	$22,858	$17,370	$5,488	▲	Attributable to the increase in non-recurring revenues for installation and equipment, longer payment cycles related to international revenues, receivables acquired on the opening balance sheet of Brava and favorable impact on exchange rate between the Canadian dollar and the U.S. dollar.
Intangibles assets	$44,163	$45,441	$(1,278)	▼	Mainly attributable to amortization net of the recognition of intangible assets for the Brava acquisition.
Goodwill	$49,444	$42,291	$7,153	▲	Mainly related to the recognition of goodwill for the Brava acquisition.
Accounts payable and accrued liabilities	$16,614	$16,923	$(309)	▼	Attributable to the favorable impact on the calculation of rights on revenues and royalties offset by payables assumed on the opening balance sheet of Brava.
Contingent considerations, including current portion	$13,939	$12,409	$1,530	▲	Mainly related to the recognition of a contingent consideration for the Brava acquisition net of the fair value revaluation of prior amounts recognized based on certain criteria and financial results.
CRTC Tangible Benefits	$4,231	$340	$3,891	▲	Attributable to the change in ownership and effective controls clause following the initial public offering.
Revolving Facility	$19,202	$7,902	$11,300	▲	Attributable to the cash consideration for the Brava acquisition and IPO expenses.
Bridge Loan	$-	$20,000	$(20,000)	▼	Attributable to repayment of debt following the receipt of the net proceeds from the initial public offering.
Term loan, including current portion	$-	$80,835	$(80,835)	▼	Attributable to repayment of debt following the receipt of the net proceeds from the initial public offering.

FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE SIX-MONTH PERIODS ENDED SEPTEMBER 30, 2015 AND 2014

Revenues

Revenues in the first half of Fiscal 2016 (“YTD 2016”) increased to a record of $41.2 million or 25.6%, from $32.8 million in the first half of Fiscal 2015 (“YTD 2015”). The increase in revenues was primarily due to acquisitions combined with significant growth in international markets as well as the launch of new products. In addition, revenues were favourably impacted by the exchange rate between the Canadian dollar and the U.S. dollar.

Trends by Revenue Categories were as follow:



Note:
(1) In millions of Canadian dollars.

Music Broadcasting

The most significant contributors to the increase of 16.5% or $4.2 million from YTD 2015 in Music Broadcasting revenues were as follows (arrows reflect the impact):

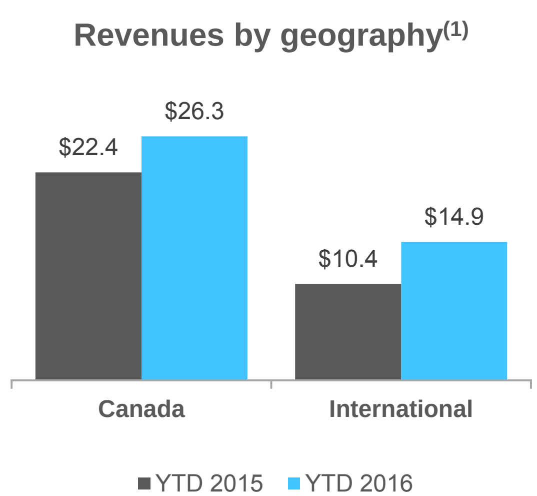
- ▲ New customer contracts signed mainly in international markets, in United States, Europe and Middle East.
- ▲ Acquisitions of Telefonica On the Spot, Archibald Media Group and Brava are included in full in the first half of Fiscal 2016.

Commercial Music

The most significant contributors to the increase of 57.4% or $4.2 million from YTD 2015 in Commercial Music revenues were as follows (arrows reflect the impact):

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

Trends by Revenues by Geographic Region:



Note:
(1) In millions of Canadian dollars.

Canada

The most significant contributors to the increase of 17.3% or $3.9 million from YTD 2015 in revenues for Canada were as follows (arrows reflect the impact):

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

International

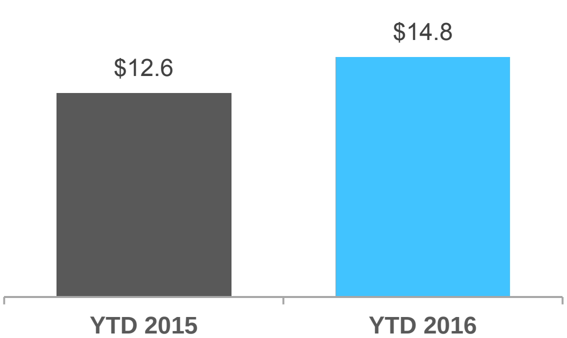
The most significant contributors to the increase of 43.3% or $4.5 million from Q2 2015 in International revenues were as follows (arrows reflect the impact):

- ▲ New customer contracts signed in Fiscal 2015 and 2016, the impact of Brava since July 1, 2015 and acquisitions mentioned above are included in full in the first half of Fiscal 2016.
- ▲ In addition, revenues were favourably impacted by the exchange rate between the Canadian dollar and the U.S. dollar.

Operating Expenses

(in thousands of Canadian dollars)	Q2 2016 YTD % of revenues	Q2 2015 YTD % of revenues	Variance YTD			Significant contributions to variance :
Music programming, cost of services and content	$14,537 35.3%	$9,948 30.3%	$4,589	46.1%	▲	Primarily due to acquisitions completed in Fiscal 2015 and 2016 and to the hiring of additional staff and content costs to support growth. In addition, costs related to additional installation and equipment sales. These increases were partially offset by the favorable impact on the calculation of rights on revenues and royalties.
Selling and marketing	$4,314 10.5%	$3,853 11.7%	$461	12.0%	▲	Primarily due to increase costs to support revenue growth in international markets.
Information Technology and Research and development	$3,419 8.3%	$2,854 8.7%	$565	19.8%	▲	Expenses increased at a slower pace than revenues and remained relatively stable on a percentage of total revenues.
General and administrative	$5,377 13.1%	$5,360 16.3%	$17	0.3%	▲	Primarily due to restricted share unit and deferred share unit plan for employees and directors, and additional employees to support growth and public company related costs, offset by specific costs related to acquisition and restructuring in Q2 2015 that did not occur in Q2 2016.
Depreciation, amortization and write-off	$7,758 18.8%	$6,560 20.0%	$1,198	18.3%	▲	Primarily due to the addition of intangible assets related to acquisitions.

Adjusted EBITDA[(1)(2)]



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

Adjusted EBITDA for YTD 2016 increased to $14.8 million or 17.7%, from $12.6 million for YTD 2015. Adjusted EBITDA margin was 35.9% for YTD 2016 compared to 38.3% for YTD 2015. The increase in Adjusted EBITDA was primarily due to the acquisitions in Fiscal 2015 and 2016, growth in international market, additional non-recurring revenues related to installation and equipment sales and the favorable impact on the adjustment for the allocation of revenues among the suite of services offered by the Corporation and the introduction of new services for purpose of reporting and paying copyright royalties and related rights. Higher music programming, cost of services and content expenses were primarily responsible for the decrease in the Adjusted EBITDA margin. The increase in these expenses reflect a higher level of non-recurring lower margin revenue from installation and equipment sales and additional costs to support our growth.

Acquisition, restructuring and other various costs mainly included costs related to consultant fees for the acquisition of Brava, Cultuur 7 and to support our acquisition pipeline.

Initial public offering expenses and CRTC tangible benefits

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

The CRTC approved the change in ownership and effective control of the Corporation on April 22, 2015. Pursuant to the decision, the CRTC requires the Corporation to pay tangible benefits corresponding to an amount of $5.5 million over a seven-year period in equal annual payments. The Corporation recognized an expense of $4.2 million in Q2 2016, which reflects the fair value of the payment stream using a discount rate of 7.0%, which is the Corporation effective interest rate plus a risk premium.

Net Finance Expenses

Finance expenses decreased to negative $0.4 million from positive $2.4 million for YTD 2015. The decrease was related to fair value revaluations of contingent considerations, unrealized gain on foreign exchange and a significantly lower debt. The Corporation repaid approximately $101 million of its debt in June 2015 with the proceeds of the IPO.

Change in fair value of investment

For YTD 2016, a gain of $7.8 million was recorded compared to a gain of $0.9 million for YTD 2015. On September 21, 2015, the Corporation invested an additional $0.3 million (US$ 0.3 million) in AppDirect Inc. ("AppDirect"), a company that offers a cloud services marketplace and management platform that enables companies to distribute web-based services. As at September 30, 2015, the Corporation held a 1.76% interest in AppDirect and the fair value was $16.1 million.

Income Taxes

Income taxes increased to $0.8 million for YTD 2016 from a recovery of $0.5 million for YTD 2015. The increase in income taxes was mainly related to the change in fair value of investment, to the increase in operating results, offset by lower financing costs and the recognition of deferred tax assets related to the treasury portion of IPO expenses and CRTC tangible benefits. The recovery of $0.5 million for YTD 2015 was mainly related to the recognition of prior tax losses.

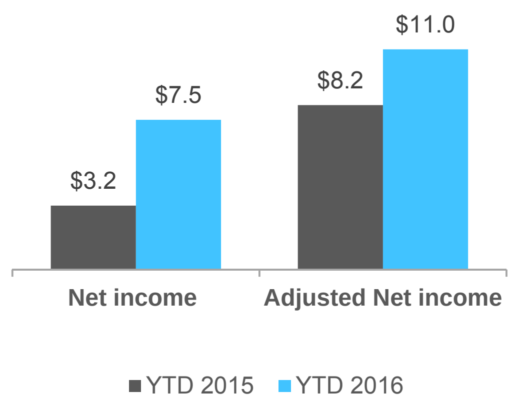
Net income and net income per share

Net income increased to $7.5 million ($0.16 per share) for YTD 2016 compared to $3.2 million ($0.09 per share) for YTD 2015. The increase was primarily due to the change in fair value of investment, increase in operating results, lower financing costs, partially offset by higher income taxes.

Adjusted Net income and Adjusted Net income per share

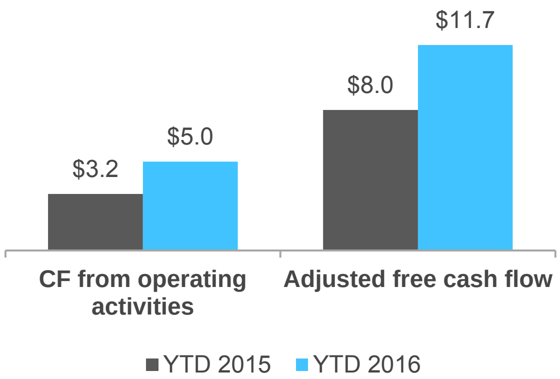
Adjusted net income for YTD 2016 increased to $11.0 million ($0.24 per share) from $8.2 million ($0.24 per share) for YTD 2015. The increase was primarily due to higher Adjusted EBITDA resulting from the successful integration of Fiscal 2015 and 2016 acquisitions combined with the signing of new international contracts, additional sales for installation and equipment and lower finance expenses.

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



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

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



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

Cash flow from operating activities

Cash flow generated from operating activities increased to $5.0 million for YTD 2016 from $3.2 million for YTD 2015. The increase was mainly due to acquisitions and the signing of new contracts partially offset by higher working capital requirements mainly related to the IPO expenses.

Adjusted free cash flow

Adjusted free cash flow for YTD 2016 increased to $11.7 million from $8.0 million for YTD 2015. The increase was primarily explained by higher operating results and lower financing costs, partially offset by higher capital expenditures.

Increase in capital expenditures of $0.7 million compared to YTD 2015 was mainly due to leasehold improvements for additional space in our Montreal office.

Investing Activities

Net cash flow used in investing activities amounted to $10.2 million for YTD 2016 compared to $17.0 million for YTD 2015. The decrease of $6.8 million was primarily related to the Brava acquisition for YTD 2016 compared to the DMX Canada and Archibald Media Group acquisitions for YTD 2015, as well as an increase in capital expenditures for YTD 2016.

Financing Activities

Net cash flow generated from financing activities amounted to $5.3 million for YTD 2016 compared to $13.5 million for YTD 2015. The decrease of $8.2 million was mainly attributable to the acquisition of Brava that was financed through the revolving facility, net proceeds from the IPO, offset by the repayment of the term loan and bridge loan.

Transactions Between Related Parties

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

Key management personnel compensation and directors fees include the following:

(in thousands of Canadian dollars)	Three-month period ended September 30, 2015 **Q2 2016**	Three-month period ended September 30, 2014 **Q2 2015**	Six-month period ended September 30, 2015 **YTD 2016**	Six-month period ended September 30, 2014 **YTD 2015**
Short-term employee benefits	740	480	1,406	974
Management fees	-	83	-	170
Share-based compensation	269	60	434	120
Restricted share unit	28	-	82	-
Deferred share unit	119	-	119	-
	1,156	623	2,041	1,264

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 11, 2015	September 30, 2015
Issued and outstanding shares:		
Subordinate voting shares	33,898,518	33,888,218
Variable Subordinate voting shares	628,719	629,019
Multiple voting shares	16,294,285	16,294,285
	50,821,522	50,811,522
Outstanding stock options:		
Stock options	1,589,245	1,599,245

Furthermore, as part of the Offering, the Corporation has established a new stock option plan to attract and retain employees, directors, officers and consultants. The plan provides for the granting of options to purchase subordinate voting shares. Under this plan, 2,500,000 subordinate voting shares have been reserved for issuance. In the second quarter of 2016, 60,000 options were exercised, 16,666 were returned and 125,000 options were granted to eligible employee, subject to service vesting criteria which range from 3 to 4 years of service.

Financial Risk Factors

The Corporation is exposed to a variety of financial risk: credit risk, liquidity risk and market risk (including currency risk and interest risk). The condensed interim consolidated financial statements and management discussion and analysis do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the annual financial statements as at March 31, 2015 included in the prospectus dated May 26, 2015. The Corporation is not aware of any significant changes to the Corporation's risk factors from those disclosed at that time.

Risk Factors

For a detailed description of risk factors associated with the Corporation, please refer to the "Risk Factors" section of the Corporation's prospectus dated May 26, 2015. The Corporation is not aware of any significant changes to the Corporation's risk factors from those disclosed at that time.

Future Accounting Changes

For information on future accounting changes, refer to page 26 of the unaudited condensed interim consolidated financial statements.

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

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

At September 30, 2015, it is the second reporting quarter ending after the completion of the IPO resulting in the Corporation's Subordinate Voting Shares and Variable Subordinate Voting Shares being listed on the Toronto Stock Exchange. Consequently, the Corporation's management, under the supervision of the CEO and CFO, designed ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS and based on 2013 COSO Framework. The DC&P have been designed to provide reasonable assurance that material information relating to the Corporation is made known to the CEO and CFO by others, and that information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by the Corporation under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

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

Management's assessment of and conclusion on the design of the Corporation's ICFR as at November 12, 2015, did not include the controls or procedures of the operations of Brava HDTV B.V., Brava NL B.V. and DjazzTV B.V, which were acquired in July 2015 The Corporation has accordingly availed itself of provision 3.3(1)(b) of Regulation 52-109 which permits exclusion of this acquisition in the design and operating effectiveness assessment of its ICFR for a maximum period of 365 days from the date of acquisition.

Subsequent events

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 11, 2015, the Corporation has declared dividend of $0.03 per subordinate voting share, variable subordinate voting share and multiple voting share that will be payable on or around December 15, 2015 to holders of subordinate voting share, variable subordinate voting share and multiple voting share on record as of November 30, 2015.

Convertible debenture

On November 11, 2015, the Corporation announced that it has entered into a strategic relationship with Multi Channels Asia PTE Ltd. (MCA), a Singapore-based media company, which owns, represents and distributes a number of thematic Pay-TV networks serving Asia and the Pacific. Under the terms of the agreement, Stingray will provide MCA with capital under a convertible debenture (the "Debenture") amounting to US$1.0 million. The Debenture will mature five years after issuance, and the principal amount, together with accrued and any unpaid interest will be payable on maturity. The debenture will bear interest at a rate of 7% per annum, which interest will be payable monthly. The principal amount of the Debenture is convertible, at the option of the Corporation, into common shares of MCA at any time, until maturity.

Acquisition

Effective as of October 1, 2015, Brava NL B.V., a wholly-owned subsidiary of the Corporation, entered into an asset purchase agreement pursuant to which Brava NL B.V. acquired distribution agreements and a catalog of classical and jazz audio and video tracks owned by Cultuur7, a company that operates a Flemish television channel dedicated to cultural content. The all-cash transaction amounted to $0.2 million.

Additional information

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

Consolidated Statements of Financial Position

September 30, 2015 and March 31, 2015

(in thousands of Canadian dollars) (Unaudited)		September 30, 2015		March 31, 2015 (recasted, see note 4)
Assets				
Current assets				
Cash and cash equivalents	$	1,477	$	1,314
Trade and other receivables		22,858		17,370
Research and development tax credits		448		334
Inventories		1,736		1,159
Prepaid expenses and other current assets		2,717		2,667
		29,236		22,844
Non-current assets				
Property and equipment (note 5)		4,504		4,330
Intangible assets (note 5)		44,163		45,441
Goodwill (note 5)		49,444		42,291
Long-term investment		16,076		7,933
Investment in joint venture		866		858
Other assets		1,082		919
Deferred tax assets		5,073		3,875
Total assets	$	150,444	$	128,491
Liabilities and Equity				
Current liabilities				
Revolving facility (note 6)	$	–	$	7,902
Accounts payable and accrued liabilities		16,614		16,923
Deferred revenues		1,716		714
Current portion of other payables (note 7)		10,399		8,463
Income taxes payable		2,018		213
Bridge loan (note 6)		–		20,000
Current portion of term loan (note 6)		–		9,830
		30,747		64,045
Non-current liabilities				
Revolving facility (note 6)		19,202		–
Term loan (note 6)		–		71,005
Derivative financial instruments		3		110
Other payables (note 7)		7,771		4,286
Employee benefit obligations		113		148
Deferred tax liabilities		5,286		6,739
Total liabilities		63,122		146,333
Shareholders' equity				
Share capital (note 8)		101,222		2,240
Contributed surplus		1,999		1,759
Deficit		(15,899)		(21,841)
Total equity		87,322		(17,842)
Subsequent events (note 16)				
Total liabilities and equity	$	150,444	$	128,491

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

Approved by the Board of Directors,

(Signed) Eric Boyko, Director

(Signed) L. Jacques Ménard, Director

Consolidated Statements of Comprehensive Income

Three-month and six-month periods ended September 30, 2015 and 2014.

(In thousands of Canadian dollars, except per share amounts) (Unaudited)	Three-month period ended		Six-month period ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Revenues	$ 21,302	$ 17,179	$ 41,197	$ 32,812
Music programming, cost of services and content	7,555	5,199	14,537	9,948
Selling and marketing	2,167	1,922	4,314	3,853
Research and development, support and information technology	1,698	1,436	3,419	2,854
General and administrative	2,997	2,222	5,377	5,360
Initial public offering expenses and CRTC tangible benefits (notes 7 and 8)	305	–	5,800	–
Depreciation, amortization and write-off	4,080	3,829	7,758	6,560
Net finance expenses (note 11)	(1,310)	1,202	(444)	2,434
Change in fair value of investment	(7,549)	(450)	(7,812)	(900)
Income before income taxes	11,359	1,819	8,248	2,703
Income taxes	2,117	(348)	783	(482)
Net income and comprehensive income	$ 9,242	$ 2,167	$ 7,465	$ 3,185

Net income per share – Basic	0.18	0.06	0.17	0.10
Net income per share – Diluted	0.18	0.06	0.16	0.09
Weighted average number of shares – Basic	50,787,319	33,664,421	44,794,066	34,451,010
Weighted average number of shares – Diluted	51,201,547	34,361,983	45,277,155	34,302,897

Net income is entirely attributable to Shareholders.

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

Consolidated Statements of Changes in Equity

Three-month and six-month periods ended September 30, 2015 and 2014

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

(Unaudited)	Share Capital		Contributed		Total shareholders'
	Number	Amount	surplus	Deficit	equity
Balance at March 31, 2014	32,670,254	$ 1,006	$ 2,500	$ (8,721)	$ (5,215)
Insurance of shares upon exercise of options	994,167	1,241	(1,094)	–	147
Share-based compensation	–	–	312	–	312
Net income and comprehensive income	–	–	–	3,185	3,185
Balance at September 30, 2014	33,664,421	$ 2,247	$ 1,718	$ (5,536)	$ (1,571)
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 (note 8)	16,647,100	104,044	–	–	104,044
Share issuance costs – net of income taxes of $1,993 (note 8)	–	(5,513)	–	–	(5,513)
Share-based compensation	–	–	592	–	592
Net income and comprehensive income	–	–	–	7,465	7,465
Balance at September 30, 2015	50,811,522	$ 101,222	$ 1,999	$ (15,899)	$ 87,322

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, 2015 and 2014.

(in thousands of Canadian dollars)	Three-month period ended		Six-month period ended	
(Unaudited)	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Operating activities:				
Net income	$ 9,242	$ 2,167	$ 7,465	$ 3,185
Adjustments for:				
Share-based compensation	371	80	592	312
Restricted share unit expense	123	–	298	–
Deferred share unit expense	119	–	119	–
Depreciation of property and equipment	488	541	943	942
Amortization of intangible assets and write-off	3,592	3,288	6,815	5,618
Amortization and write-off of financing fees	24	11	214	346
Other interest expense	215	960	1,218	1,925
Change in fair value of derivative	(47)	(30)	(107)	(74)
Change in fair value of long-term investment	(7,549)	(450)	(7,812)	(900)
Change in fair value of contingent considerations	(1,088)	331	(1,082)	269
Accretion expense of CRTC tangible benefits	73	–	97	–
Share of results of joint venture	39	–	(8)	–
Income taxes expense	2,117	(348)	783	(482)
Interest paid	(197)	(931)	(1,475)	(1,867)
Income taxes paid	(831)	(589)	(739)	(1,239)
	6,691	5,030	7,321	8,035
Net change in non-cash operating items (note 12)	(5,756)	(4,563)	(2,277)	(4,830)
	935	467	5,044	3,205
Financing Activities:				
Increase (decrease) in the revolving facility	11,809	(1,310)	11,300	(3,198)
Issuance of bridge loan	–	–	–	20,000
Repayment of term loan and bridge loan	–	(2,183)	(100,960)	(2,183)
Payment of dividend (note 8)	(1,523)	–	(1,523)	–
Proceeds from the exercise of stock options	(11)	107	99	147
Issuance of shares	–	–	104,044	–
Share capital issuance costs	(1,414)	–	(7,096)	–
Deferred financing costs	–	–	(431)	(132)
Repayment of other payable	(116)	(1,118)	(116)	(1,154)
Other	(15)	–	(35)	–
	8,730	(4,504)	5,282	13,480
Investing Activities:				
Business acquisitions, net of cash acquired (note 4)	(8,220)	–	(8,220)	(16,089)
Acquisition of long-term investment (note 13)	(331)	–	(331)	–
Acquisition of property and equipment	(253)	(314)	(870)	(609)
Acquisition of intangible assets	(429)	(143)	(742)	(346)
	(9,233)	(457)	(10,163)	(17,044)
Increase (decrease) in cash and cash equivalents	432	(4,494)	163	(359)
Cash and cash equivalents, beginning of period	1,045	3,790	1,314	3,445
Cash and cash equivalents (bank overdraft), end of period	$ 1,477	$ (704)	$ 1,477	$ 3,086

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

1. Business description:

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

These consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries, Stingray Music USA Inc., Stingray Music Rights Management LLC, 2144286 Ontario Inc., Pay Audio Limited Partnership, Stingray 360 Commercial Solutions Inc., Music Choice Europe Limited, Stage One Innovations Ltd., Stingray Digital International Ltd., Music Choice India Private Ltd., Music Choice Europe Deutschland GmbH, Xtra Music Ltd., 2Connect Media BV, Alexander Medien Gruppe BV, *Les Réseaux Urbains Viva Inc*, Brava HDTV BV, Brava NL BV and DJazz BV.

2. Basis of preparation:

(a) Statement of compliance:

The unaudited condensed interim consolidated financial statements as at September 30, 2015 have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) and in accordance with IAS 34 “Interim Financial Reporting”. These interim financial statements have been prepared on a condensed form in accordance with IAS 34. The condensed consolidated interim financial statements as at September 30, 2015 follow the same accounting policies than the consolidated financial statements as at March 31, 2015, except for the adoption of new standards and amendments as described below.

These condensed interim consolidated financial statements should be read in conjunction with the consolidated annual financial statements as at March 31, 2015 included in the prospectus dated May 26, 2015.

The auditors of the Corporation have not performed a review of the condensed interim consolidated financial statements for the three-month and six-month periods ended September 30, 2015 and 2014.

The unaudited condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 11, 2015.

(b) Use of estimates and judgements:

The preparation of these 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 unaudited condensed interim consolidated financial statements, the significant judgements made by management in applying the Corporation’s accounting policies and the key sources of information were the same as the ones applied to the audited consolidated financial statements for the year ended March 31, 2015.

(c) Functional and presentation currency:

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

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

IFRS 9 - *Financial instruments*

In July 2014, the International Accounting Standards Board ("IASB") released the final version of IFRS 9 - *Financial Instruments* (IFRS 2014). IFRS 9 (2014) presents a few differences with IFRS 9 (2009) and IFRS (2010), early adopted by the Corporation on April 1, 2012, with respect to the classification and measurement of financial assets and accounting of financial liabilities. IFRS 9 (2014) also includes a new expected credit loss model for calculating impairment on financial assets, and the 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)

4. Business acquisitions:

Brava Group

In July 2015, the Corporation purchased all of the outstanding shares of Brava HDTV B.V., Brava NL B.V. and DjazzTV B.V. ("Brava Group") for a total consideration of EUR8,125 (CA$11,255). This acquisition will enable the Corporation to strengthen its international operations within Europe. As a result of the acquisition, a goodwill of $7,153 has been recognized and is related to the operating synergies expected to be achieved from integrating the acquired business into the Corporation existing worldwide assets. The contingent consideration arrangement requires the Corporation to pay, in cash, to the former owners, a certain multiple of the revenues for 36 months, of up to EUR1,968 (CA$2,728) and will be paid out on each anniversary date for the next three years, ending in June 2018. The fair value of the contingent consideration has been determined using an income approach based on the estimated amount and timing of projected cash flows and discounted for time value.

The results of the business acquisitions of Brava Group for the period ended September 30, 2015 have been included in results since the date of the acquisition. Revenues recorded from the acquisition date to September 30, 2015 were $1,243 and net income related to these acquired businesses of $252. Had the acquisitions occurred at the beginning of the fiscal year, revenues related to these acquired businesses would have been approximately $2,472 and net income of $502.

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

		Brava Group
Assets acquired :		
Cash and cash equivalents	$	282
Trade and other receivables		1,576
Prepaid expense and other current assets		164
Property and equipment		61
Intangible assets		4,795
Goodwill		7,153
		14,031
Liabilities assumed :		
Accounts payable and accrued liabilities		1,186
Income taxes payable		391
Deferred income tax liabilities		1,199
		2,776
Net assets acquired at fair value	$	11,255
Consideration given :		
Cash		8,502
Working capital adjustment		25
Contingent consideration		2,728
	$	11,255

The Purchase price equation have not yet been finalized and will be completed in the year ending March 31, 2017.

(in thousands of Canadian dollars, unless otherwise stated)

Les Réseaux Urbains Viva Inc.

On February 10, 2015, the Corporation purchased all of the outstanding shares of *Les Réseaux Urbains Viva Inc*. for a total consideration of $4,420. The Corporation reviewed the assessment of the fair values of the assets acquired and liabilities assumed related to this acquisition and 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.

	Preliminary	Adjustments	Adjusted
Assets acquired :			
Cash and cash equivalents	$ 495	$ –	$ 495
Accounts receivable	973	–	973
Inventory	531	–	531
Property and equipment	108	–	108
Intangible assets	2,160	–	2,160
Goodwill	2,235	227	2,462
	6,502	227	6,729
Liabilities assumed :			
Accounts payable and accrued liabilities	1,019	227	1,246
Deferred revenue	333	–	333
Long term debt	150	–	150
Deferred income tax liabilities	580	–	580
	2,082	227	2,309
Net assets acquired at fair value	$ 4,420	$ –	$ 4,420
Consideration given :			
Cash	2,000	–	2,000
Contingent consideration	2,420	–	2,420
	$ 4,420	$ –	$ 4,420

Archibald Media Group

On June 12, 2014, the Corporation purchased all of the outstanding shares of Archibald Media Group B.V. for a total consideration of EUR5,319 (CA$7,824). The Corporation finalized the assessment of the fair values of the assets acquired and liabilities assumed related to this acquisition and 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 2017.

(in thousands of Canadian dollars, unless otherwise stated)

Archibald Media Group (continued)

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

5. Property and equipment, intangible assets and goodwill:

	Property and equipment	Intangible assets	Goodwill
Year ended March 31, 2015			
Opening net book amount as at March 31, 2014	$ 2,634	$ 40,065	$ 31,651
Additions through business acquisitions	730	17,640	10,750
Adjustments to business acquisitions	–	(303)	(110)
Additions	3,023	893	–
Disposal and write-offs	(74)	–	–
Depreciation of property and equipment	(1,983)	–	–
Amortization of intangible assets	–	(12,854)	–
Closing net book amount as at March 31, 2015	$ 4,330	$ 45,441	$ 42,291
Six-month period ended September 30, 2015			
Opening net book amount as at March 31, 2015	$ 4,330	$ 45,441	$ 42,291
Additions through business acquisitions (note 4)	61	4,795	7,153
Additions	1,056	742	–
Depreciation of property and equipment	(943)	–	–
Amortization of intangible assets	–	(6,815)	–
Closing net book amount as at September 30, 2015	$ 4,504	$ 44,163	$ 49,444

(in thousands of Canadian dollars, unless otherwise stated)

6. Loans and borrowings:

Movements in loans and borrowings are as follows:

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

	Revolving facility	Bridge loan	Term loan
Six-month period ended September 30, 2015			
Opening net book amount as at March 31, 2015	$ 7 902	$ 20,000	$ 80,835
Increase of revolving facility (net)	11,300	–	–
Repayments of borrowings	–	(20,000)	(80,960)
Amortization and write-off of financing fees	–	–	125
Closing net book amount as at September 30, 2015	$ 19,202	$ –	$ –
Current portion	$ –	$ –	$ –
Non-current portion	19,202	–	–

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

The Corporation incurred amendment fees of $374 related to this transaction which have been recognized in other assets in the statement of financial position.

(in thousands of Canadian dollars, unless otherwise stated)

7. Other payable:

Other payables consists of the following:

	September 30, 2015	March 31, 2015
Contingent considerations	$ 13,939	$ 12,409
CRTC tangible benefits	4,231	340
	18,170	12,749
Current position	(10,399)	(8,463)
	$ 7,771	$ 4,286

CRTC tangible benefits

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

8. Share capital:

Authorized:

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

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

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

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

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

Unlimited number of special shares, participating, without par value

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

(in thousands of Canadian dollars, unless otherwise stated)

Issued and outstanding:

The movements in share capital were as follows:

	Number of shares	Carrying amount
Year ended March 31, 2015		
Ast at March 31, 2014		
Class A common shares	16,440,535	$ 562
Class B common shares	6,229,719	12
Class C common shares	10,000,000	432
	32,670,254	1,006
Issued upon exercise of stock options		
Class A common shares	1,310,834	1,682
Dividend and reduction of stated capital		
Class A common shares	–	(16)
Class C common shares	–	(432)
	–	(448)
As at March 31, 2015		
Class A common shares	17,751,369	2,228
Class B common shares	6,229,719	12
Class C common shares	10,000,000	–
	33,981,088	$ 2,240

	Number of shares	Carrying amount
Six-month period ended September 30, 2015		
As at March 31, 2015		
Class A common shares	17,751,369	$ 2,228
Class B common shares	6,229,719	12
Class C common shares	10,000,000	–
	33,981,088	2,240
Issued upon exercise of stock options		
Class A common shares	80,000	192
Converted		
Class A common shares	(17,831,369)	(2,420)
Class B common shares	(6,229,719)	(12)
Class C common shares	(10,000,000)	–
Subordinate voting shares and variable subordinate voting shares	17,766,803	1,116
Multiple voting shares	16,294,285	1,316
	–	–
Issued upon inital public offering and exercise of over-allotment option		
Subordinate voting shares and variable subordinate voting shares	16,647,100	104,044
Share issuance costs, net of income taxes of $1,993	–	(5,513)
Issued upon exercise of stock options		
Subordinate voting shares	103,334	259
As at September 30, 2015		
Subordinate voting shares and variable subordinate voting shares	34,517,237	99,906
Multiple voting shares	16,294,285	1,316
	50,811,522	$ 101,222

(in thousands of Canadian dollars, unless otherwise stated)

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

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

Share issuance costs for both issuances amounted to $9,148 which have been recognized as an expense in the statement of comprehensive income for an amount of $1,642 and as a reduction of share capital for an amount of $7,506.

9. Share-based compensation:

As part of the Offering, the Corporation has established a new stock option plan to attract and retain employees, directors, officers and consultants. The plan provides for the granting of options to purchase subordinate voting shares. Under this plan, 2,500,000 subordinate voting shares have been reserved for issuance.

During the three-month period ended September 30, 2015, 125,000 options were granted at a weighted average exercise price of $7.00 to eligible employees. The weighted average fair value of the stock options granted during the three-month period ended September 30, 2015 was $3.88. During the six-month period ended September 30, 2015, 512,880 options were granted at a weighted average exercise price of $6.43 to eligible employees. The weighted average fair value of the stock options granted during the six-month period ended September 30, 2015 was $3.43.

This fair value was estimated at the date on which the options were granted by using the Black-Scholes option pricing model with the following assumptions:

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

Under the former and new stock option plan, 1,599,245 stock options were outstanding as at September 30, 2015. Outstanding options are subject to employee service vesting criteria which range from nil to 4 years of service.

During the three-month period ended September 30, 2015, 60,000 options were exercised at the weighted average exercise price of $0.46 and at a weighted average share price of $7.15. During the three-month period ended September 30, 2015, 16,666 options were returned at the weighted average price of $2.26 and at a weighted average share price of $7.55.

During the six-month period ended September 30, 2015, 183,334 options were exercised at the weighted average exercise price of $0.54 and at a weighted average share price of $7.18.

Share-based compensation expense amounted to $371 and $592 for the three-month and six-month periods ended September 30, 2015 (2014 - $80 and $312), respectively.

(in thousands of Canadian dollars, unless otherwise stated)

10. Other information:

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

	Three-month periods ended		Six-month periods ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Depreciation and amortization :				
Music programming, cost of services and content	$ 3,592	$ 3,097	$ 6,815	$ 5,236
General and administrative	488	732	943	1,324
	$ 4,080	$ 3,829	$ 7,758	$ 6,560
IPO expenses and CRTC tangible benefits :				
Music programming, cost of services and content	$ –	$ –	$ 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 would have been respectively, $11,147 (2014 - $8,296) and $3,790 (2014 - $2,954) and the six-month period ending September 30, 2015 would have been respectively, $25,510 (2014 - $15,184), and $7,962 (2014 - $6,684), if the presentation by function of the depreciation and amortization expense and IPO expenses and CRTC tangible benefits would have been adopted in the statements of comprehensive income.

Transaction costs related to business acquisitions for the three-month and the six-month period ended September 30 2015 amounting to $105 (2014 - nil) and $195 (2014 - $101), respectively, have been recognized in general and administrative in the statement of comprehensive income.

11. Net finance expenses:

	Three-month periods ended		Six-month periods ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Interest expense and standby fees	$ 215	$ 960	$ 1,218	$ 1,925
Change in fair value of contingent consideration	(1,088)	331	(1,082)	269
Change in fair value of derivative	(47)	(30)	(107)	(74)
Accretion expenses of CRTC tangible benefits payable	73	–	97	–
Amortization and write-off of financing fees	24	11	214	346
Foreign exchange (gain) loss	(487)	(70)	(784)	(32)
	$ (1,310)	$ 1,202	$ (444)	$ 2,434

(in thousands of Canadian dollars, unless otherwise stated)

12. Net change in non-cash operating items:

	Three-month periods ended		Six-month periods ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Trade and other receivables	$ (2,573)	$ (1,460)	$ (4,176)	$ (1,233)
Research and development tax credit	(212)	172	(426)	48
Inventories	(18)	(592)	(577)	(690)
Prepaid expenses and other current assets	(662)	(1,205)	114	(1,283)
Other assets	102	–	179	–
Trade and accrued liabilities	(2,704)	(1,087)	(2,585)	(614)
Income tax payable	493	(491)	398	(1,204)
Deferred revenues	158	100	1,002	146
Other payable (CRTC tangible benefits)	(340)	–	3,794	–
	$ (5,756)	$ (4,563)	$ (2,277)	$ (4,830)

13. Financial instruments:

Financial risk factors:

The Corporation is exposed to a variety of financial risk: credit risk, liquidity risk and market risk (including currency risk and interest risk). The condensed interim consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the annual financial statements as at March 31, 2015. The Corporation is not aware of any significant changes to the Corporation's risk factors from those disclosed at that time.

Fair values:

The Corporation has determined that the fair values of cash and cash equivalents, trade and other receivables, accounts payable and accrued liabilities and current other payables excluding the contingent considerations approximate their respective carrying amounts as at the balance sheet date, due to the short-term maturity of those instruments. The fair value of the revolving facility, bridge loan and term loan bearing interest at variable rates approximate their carrying value, as they bear interest at prime or banker's acceptance rate plus a credit spread which approximate current rates that could be obtained for debts with similar terms and credit risk.

(in thousands of Canadian dollars, unless otherwise stated)

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, 2015	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 1,477				
Trade and other receivables	22,858				
Financial assets measured at fair value					
Long-term investment	$ 16,076	$ 16,076	$ –	$ –	$ 16,076
Financial liabilities measured at amortized cost					
Revolving facility	$ 19,202				
Account payable and accrued liabilities	16,939				
Other payables	4,231				
Financial liabilities measured at fair value					
Contigent considerations	$ 13,939	$ 13,939	$ –	$ –	$ 13,939
Derivative financial instruments	3	3	–	3	–

As at March 31, 2015	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 1,314				
Trade and other receivables	17,370				
Financial assets measured at fair value					
Long-term investment	$ 7,933	$ 7,933	$ –	$ –	$ 7,933
Financial liabilities measured at amortized cost					
Revolving facility	$ 7,902				
Account payable and accrued liabilities	16,637				
Bridge loan	20,000				
Other payables	340				
Term loan	80,835				
Financial liabilities measured at fair value					
Contingent considerations	$ 12,409	$ 12,409	$ –	$ –	$ 12,409
Derivative financial instruments	110	110	–	110	–

(in thousands of Canadian dollars, unless otherwise stated)

Fair value measurement (Level 2 and 3):

	Long-term investment	Derivative instrument	Contingent considerations
Six-month period ended September 30, 2014			
Opening amount as at March 31, 2014	$ 6,132	$ 182	$ 6,234
Additions through business acquisitions	–	–	3,298
Change in fair value	900	(74)	269
Payments	–	–	(956)
Closing amount as at September 30, 2014	$ 7,032	$ 108	$ 8,845

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

There were no changes in the valuation techniques for the derivative instrument and contingent considerations during the periods ended September 30, 2015 and 2014.

Long term investment

The fair value of the long-term investment was estimated using the market approach.

For the three-month period ended September 30, 2015, the fair value has been measured by using the latest market transaction stock issue price, minus a liquidity discount of 25%. The liquidity discount was used to reflect the marketability of the asset. In measuring fair value, management used the best information available in the circumstances and also an approach that they believe market participants would use.

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

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

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

(in thousands of Canadian dollars, unless otherwise stated)

The long-term investment is classified as a financial asset at fair value through profit and loss. An increase of 5.0% in the value per convertible preferred share would have increased the fair value of the long-term investment by approximately $804 during the six-month period ended September 30, 2015 (2014 -$352).

Derivative

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves. The derivative is classified as a financial liability at fair value through profit and loss. The change in fair value is recognized in net finance expenses (note 11).

Contingent considerations

The contingent consideration related to business combinations are payable based on the achievement of targets for growth in revenues for a period from the date of the acquisition. The fair value measurement of the contingent consideration is determined using unobservable (Level 3) inputs. These inputs include (i) the estimated amount and timing of projected cash flows; and (ii) the risk-adjusted discount rate used to present value the cash flows which is based on the risk associated with the revenue targets being met. A discount rate ranging from 12% to 15% has been applied and considers time value of money. A change in unobservable inputs in isolation would not result in a significantly lower (higher) fair value measurement. The contingent consideration is classified as a financial liability and is included in other payables (note 7). The change in fair value is recognized in net finance expenses (note 11).

14. Related parties:

Transaction with key management personnel and directors

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

Key management personnel compensation, prior shareholders management fees and directors fees are as follows:

	Three-month periods ended		Six-month periods ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Short-term employee benefits	$ 740	$ 480	$ 1,406	$ 974
Management fees	–	83	–	170
Share-based compensation	269	60	434	120
Restricted share unit	28	–	82	–
Deferred share unit	119	–	119	–
	$ 1,156	$ 623	$ 2,041	$ 1,264

(in thousands of Canadian dollars, unless otherwise stated)

15. Segment information:

Under IFRS 8 "*Operating Segments*", the Corporation determined that it operated in a single operating segment for the three-month and six-month periods ended September 30, 2015 and 2014 since operations, resources and assets are mainly centralized, optimized and managed in Canada. International operations are leveraged from Canadian expertise.

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

	Three-month periods ended		Six-month periods ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Canada	$ 13,094	$ 11,714	$ 26,277	$ 22,402
Other Countries	8,208	5,465	14,920	10,410
	$ 21,302	$ 17,179	$ 41,197	$ 32,812

16. Subsequent events:

Acquisition

Effective as of October 1, 2015, Brava NL B.V., a wholly-owned subsidiary of the Corporation, entered into an asset purchase agreement pursuant to which Brava NL B.V. acquired distribution agreements and a catalog of classical and jazz audio and video tracks owned by Cultuur7, a company that operates a Flemish television channel dedicated to cultural content. The all-cash transaction amounted to $223 (EUR 150).

Convertible debenture

On November 11, 2015, the Corporation announced that it has entered into a strategic relationship with Multi Channels Asia PTE Ltd. (MCA), a Singapore-based media company, which owns, represents and distributes a number of thematic Pay-TV networks serving Asia and the Pacific. Under the terms of the agreement, Stingray will provide MCA with capital under a convertible debenture (the "Debenture") amounting to US$1,000. The Debenture will mature five years after issuance, and the principal amount, together with accrued and any unpaid interest will be payable on maturity. The debenture will bear interest at a rate of 7% per annum, which interest will be payable monthly. The principal amount of the Debenture is convertible, at the option of the Corporation, into common shares of MCA at any time, until maturity.

Dividend

On November 11, 2015, the Corporation has declared dividend of $0.03 per subordinate voting share, variable subordinate voting share and multiple voting share that will be payable on or around December 15, 2015 to holders of subordinate voting share, variable subordinate voting share and multiple voting share on record as of November 30, 2015.

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