ALL GOOD VIBES

Management's discussion and analysis | Fiscal 2018

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

STINGRAY

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BASIS OF PREPARATION AND FORWARD-LOOKING STATEMENTS

The following is the quarterly financial report and Management's Discussion and Analysis ("MD&A") of the results of operations and financial position of Stingray Digital Group Inc. ("Stingray" or "the Corporation"), and should be read in conjunction with the Corporation's unaudited interim consolidated financial statements and accompanying notes for the three-month and the six month periods ended September 30, 2017 and 2016, and with the most recent audited consolidated financial statements and MD&A for the year ended March 31, 2017. This MD&A reflects information available to the Corporation as at November 8, 2017. Additional information relating to the Corporation is also available on SEDAR at www.sedar.com.

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

Although management believes the expectations reflected in such forward-looking statements are reasonable, forward-looking statements are based on the opinions, assumptions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include, but are not limited to the risk factors disclosed in the Annual Information Form for the year ended March 31, 2017 available on SEDAR.

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

SUPPLEMENTAL INFORMATION ON NON-IFRS MEASURES

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

OVERVIEW

Stingray is a leading B2B multi-platform music and in-store media solutions provider operating on a global scale. The Corporation reaches an estimated 400 million TV subscribers (or households) in 156 countries. The Corporation broadcasts high quality music and video content on a number of platforms including digital TV, satellite TV, IPTV, the Internet, mobile devices and game consoles.

The Corporation is headquartered in Montreal and currently has close to 350 employees worldwide, including in the United States, the United Kingdom, the Netherlands, France, Israel, Australia, South Korea, and Singapore.

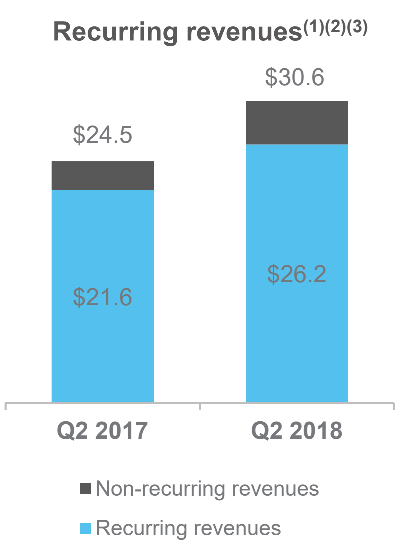
KEY PERFORMANCE INDICATORS(1)

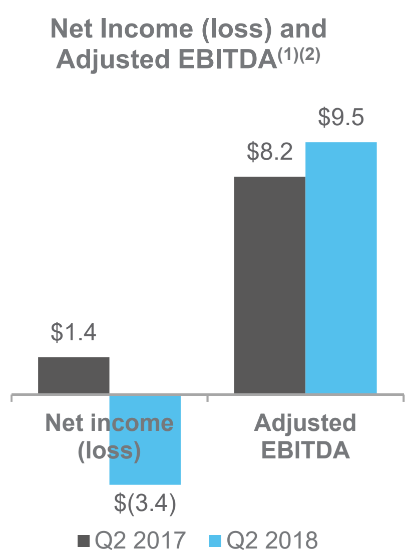
For the three-month period ended September 30, 2017:

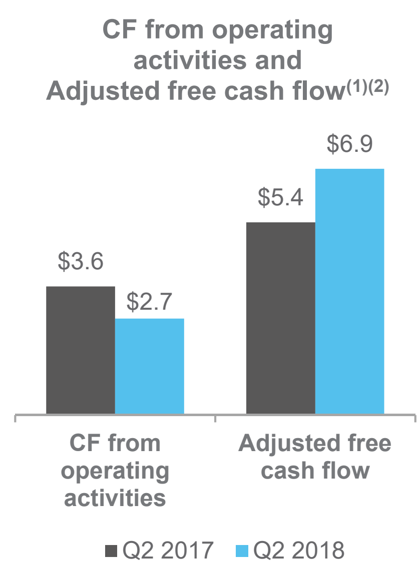
$30.6 M ▲ 24.7% from Q2 2017 Revenues	**$26.2 M** ▲ 21.3% from Q2 2017 Recurring revenues	**$9.5 M** ▲ 15.0% from Q2 2017 30.9% margin(1) Adjusted EBITDA(1)	**$6.9 M** ▲ 26.0% from Q2 2017 Adjusted free cash flow(1)
51.5% % of international revenues(2)	**$0.05** Quarterly dividend per share	**$(3.4) M** Or $(0.07) per share Net loss	**$2.7 M** ▼ 25.1% from Q2 2017 CF from operating activities

Notes:
(1) Refer to "Supplemental information on Non-IFRS measures" on page 2 and 7.
(2) International means all jurisdictions except Canada.

For the three-month periods ended September 30, 2017 and 2016:







Notes:
(1) In millions of Canadian dollars.
(2) Refer to "Supplemental information on Non-IFRS measures" on page 2 and 7.
(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 second quarter ended September 30, 2017

Compared to the quarter ended September 30, 2016 ("Q2 2017"):

- Revenues increased 24.7% to $30.6 million from $24.5 million for Q2 2017;
- Recurring revenues of $26.2 million (85.6% of total revenues), an increase of 21.3%;
- International revenues (including the U.S. and Other Countries) increased to 51.5% from 42.7%;
- Adjusted EBITDA(1) increased 15.0% to $9.5 million from $8.2 million for Q2 2017;
- Adjusted EBITDA(1) margin was 30.9% compared with 33.5% for Q2 2017;
- Net loss was $3.4 million ($(0.07) per share) compared with $1.4 million net income for Q2 2017 ($0.03 per share);
- Adjusted Net income(1) remained stable at $5.4 million ($0.10 per share);
- Cash flow from operating activities was $2.7 million compared to $3.6 million in Q2 2017; and
- Adjusted free cash flow(1) increased 26.0% to $6.9 million compared to $5.4 million in Q2 2017.

Business Highlights:

- On November 8, 2017, the Corporation declared a dividend of $0.05 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend will be payable on or around December 15, 2017 to shareholders on record as of November 30, 2017.
- On October 25, 2017, the Corporation announced that it has concluded a groundbreaking agreement with Farmacias del Ahorro, one of Mexico's largest drugstore chains, that will bring custom music programming and digital signage technology to over 1,600 pharmacies and clinics across Mexico.
- On October 24, 2017, the Corporation completed a bought deal offering of an aggregate 4,348,000 subordinate voting shares and variable subordinate voting shares of the Corporation at a price of $9.20 per share for gross proceeds of $40.0 million and net proceeds of $38.4 million. On November 7, 2017 the underwriters exercised part of their over-allotment option and bought an additional 552,200 subordinate voting shares at a price of $9.20 for gross proceeds of $5.1 million and net proceeds of $4.9 million.
- Subscription Video On Demand (SVOD) services now exceed 218,000 paying subscribers, which number includes B2C customers. The Corporation's SVOD offerings are available as a B2C service and through major entertainment service providers which include Amazon, Comcast, AT&T, Telefonica and Free. These services allow users to enjoy unlimited, curated music programming for a monthly fee.
- On October 23, 2017, the Corporation announced that the Patent Trial and Appeal Board (PTAB) of the United States Patent and Trademark Office had granted its requests and initiated inter partes review (IPR) proceedings against U.S. Patent Nos. 8,769,602, 9,357,245, 7,320,025 and 9,351,045 owned by Music Choice. On October 27, 2017, the PTAB granted the Corporation's request and initiated IPR proceedings against U.S. Patent No. 9,414,121. Thus, IPR proceedings have been initiated against all five (5) of the patents that were originally named in the patent infringement complaint filed by Music Choice. On November 1, 2017, the Magistrate Judge presiding over the patent infringement lawsuit in Texas granted the Corporation's motion to adjourn the lawsuit and ordered that the current trial date and all remaining scheduled deadlines should be cancelled pending the hearing of the Corporation's motion to stay.
- On October 4, 2017, the Corporation announced the launch of Stingray Classica, the world's premium classical music television channel available to Videotron subscribers.
- On September 25, 2017, the Corporation launched advertising on the Stingray Music Mobile App, a service that is offered to the 90% of Canadians with access to Stingray Music as part of their pay TV packages. The Corporation has enabled real-time buying for ad formats to respond to the needs of advertisers. All formats are offered on smartphones and tablets.

- On September 1, 2017, the Corporation signed a long-term agreement with Sony Music Entertainment giving the Corporation preferred access to all of the label's short form (music videos) and long form (concerts) catalogue for distribution throughout North America.
- On July 31, 2017, the Corporation announced that it had acquired an Australian provider of in-store media solutions, SBA Music PTY Ltd. (SBA) for total consideration of AU$4.0 million ($3.9 million).
- On July 31, 2017, the Corporation announced that it had concluded the acquisition of Satellite Music Australia PTY Ltd (SMA), a subsidiary of Macquarie Media Operations PTY Ltd. and an Australian provider of in-store media solutions for total consideration of AU$6.2 million ($6.2 million).

Note:
(1) Refer to "Forward-looking statements" and "Supplemental information on Non-IFRS measures" on page 2 and for reconciliations to the most directly comparable IFRS financial measure, refer to "Supplemental information on Non-IFRS measures" on page 7.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

	Three-month periods ended				Six-month periods ended			
	Sept. 30, 2017 **Q2 2018**		Sept. 30, 2016 **Q2 2017**		Sept. 30, 2017 **YTD 2018**		Sept. 30, 2016 **YTD 2017**	
(in thousands of Canadian dollars)	$	% of revenues	$	% of revenues	$	% of revenues	$	% of revenues
Revenues	30,579	100.0 %	24,527	100.0 %	59,757	100.0 %	49,074	100.0 %
Recurring Revenues	26,175	85.6 %	21,584	88.0 %	51,185	85.7 %	42,985	87.6 %
Revenues	30,579	100.0 %	24,527	100.0 %	59,757	100.0 %	49,074	100.0 %
Music programming, cost of services and content	10,786	35.3 %	8,399	34.2 %	21,047	35.2 %	17,140	34.9 %
Selling and marketing	3,600	11.8 %	2,894	11.8 %	7,165	12.0 %	5,913	12.0 %
Research and development, support and information technology	3,079	10.1 %	2,190	8.9 %	6,057	10.1 %	4,539	9.2 %
General and administrative	10,258	33.5 %	4,501	18.4 %	15,755	26.4 %	7,983	16.3 %
Depreciation, amortization and write-off	5,226	17.1 %	4,528	18.5 %	10,388	17.4 %	8,289	16.9 %
Net finance expense (income)[3]	1,269	4.1 %	373	1.5 %	1,806	3.0 %	1,021	2.1 %
Change in fair value of investments	697	2.3 %	(250)	(1.0) %	1,131	1.9 %	(159)	(0.3) %
Income (loss) before income taxes	(4,336)	(14.2) %	1,892	7.7 %	(3,592)	(6.0) %	4,348	8.9 %
Income taxes (recovery)	(941)	(3.1) %	487	2.0 %	(477)	(0.8) %	899	1.8 %
Net income (loss)	(3,395)	(11.1) %	1,405	5.7 %	(3,115)	(5.2) %	3,449	7.0 %
Adjusted EBITDA[1]	9,452	30.9 %	8,220	33.5 %	18,621	31.2 %	16,101	32.8 %
Adjusted Net income[1]	5,407	17.7 %	5,405	22.0 %	11,110	18.6 %	10,612	21.6 %
Adjusted free cash flow[1]	6,853	22.4 %	5,439	22.2 %	14,093	23.6 %	11,382	23.2 %
Cash flow from operating activities	2,710	8.9 %	3,620	14.8 %	2,121	3.5 %	6,342	12.9 %
Net debt	65,245	–	38,514	–	65,245	–	38,514	–
Net debt to TTM Adjusted EBITDA[1][2]	1.79x	–	1.19x	–	1.79x	–	1.19x	–
Net income (loss) per share basic	(0.07)	–	0.03	–	(0.06)	–	0.07	–
Net income (loss) per share diluted	(0.07)	–	0.03	–	(0.06)	–	0.07	–
Adjusted Net income per share basic[1]	0.10	–	0.11	–	0.21	–	0.21	–
Adjusted Net income per share diluted[1]	0.10	–	0.10	–	0.21	–	0.21	–
Revenue by category								
Music Broadcasting	21,751	71.1 %	18,009	73.4 %	43,575	72.9 %	35,897	73.1 %
Commercial Music	8,828	28.9 %	6,518	26.6 %	16,182	27.1 %	13,177	26.9 %
Revenues	30,579	100.0 %	24,527	100.0 %	59,757	100.0 %	49,074	100.0 %
Revenues by geography								
Canada	14,819	48.5 %	14,045	57.3 %	29,346	49.1 %	28,122	57.3 %
United States	4,969	16.2 %	2,930	11.9 %	9,499	15.9 %	5,674	11.6 %
Other Countries	10,791	35.3 %	7,552	30.8 %	20,912	35.0 %	15,278	31.1 %
Revenues	30,579	100.0 %	24,527	100.0 %	59,757	100.0 %	49,074	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 7.
(2) Net debt to Adjusted EBITDA consists of Net debt divided by Adjusted EBITDA trailing twelve months (TTM).
(3) Interest paid during the Q2 2018 was $549 (Q2 2017; $310) and $845 for the YTD 2018 (YTD 2017; $570)

SUPPLEMENTAL INFORMATION ON NON-IFRS MEASURES

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

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

	Three-month periods ended		Six-month periods ended	
(in thousands of Canadian dollars)	Sept. 30, 2017 **Q2 2018**	Sept. 30, 2016 **Q2 2017**	Sept. 30, 2017 **YTD 2018**	Sept. 30, 2016 **YTD 2017**
Net income (loss)	**(3,395)**	**1,405**	**(3,115)**	**3,449**
Net finance expense (income)	1,269	373	1,806	1,021
Change in fair value of investments	697	(250)	1,131	(159)
Income taxes (recovery)	(941)	487	(477)	899
Depreciation of property and equipment and write-off	718	546	1,339	1,120
Amortization of intangibles	4,508	3,982	9,049	7,169
Share-based compensation	312	298	506	588
Restricted, performance and deferred share unit	709	444	1,022	770
Acquisition, legal fees, restructuring and other various costs	5,575	935	7,360	1,244
Adjusted EBITDA	**9,452**	**8,220**	**18,621**	**16,101**
Net finance expense	(1,269)	(373)	(1,806)	(1,021)
Income taxes	941	(487)	477	(899)
Depreciation of property and equipment and write-off	(718)	(546)	(1,339)	(1,120)
Income taxes related to change in fair value of investments, share-based compensation, restricted, performance and deferred share unit expenses, amortization of intangible assets and acquisition, legal fees, restructuring and other various costs	(2,999)	(1,409)	(4,843)	(2,449)
Adjusted Net income	**5,407**	**5,405**	**11,110**	**10,612**

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

	Three-month periods ended		Six-month periods ended	
(in thousands of Canadian dollars)	Sept. 30, 2017 **Q2 2018**	Sept. 30, 2016 **Q2 2017**	Sept. 30, 2017 **YTD 2018**	Sept. 30, 2016 **YTD 2017**
Cash flow from operating activities	**2,710**	**3,620**	**2,121**	**6,342**
Add / Less :				
Capital expenditures	(1,705)	(871)	(2,916)	(1,503)
Net change in non-cash operating working capital items	273	1,755	7,528	5,299
Acquisition, legal fees, restructuring and other various costs	5,575	935	7,360	1,244
Adjusted free cash flow	**6,853**	**5,439**	**14,093**	**11,382**

The following table shows the calculation of Net debt:

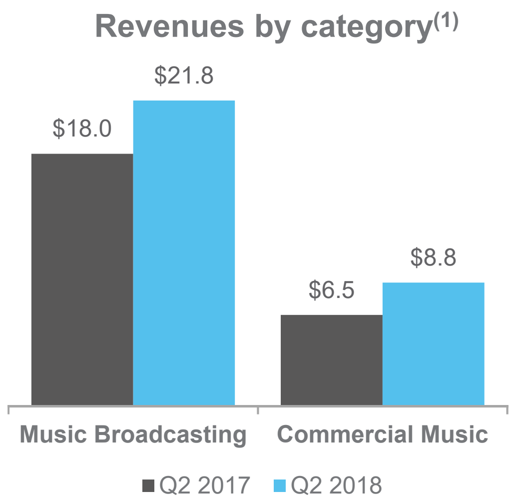
(in thousands of Canadian dollars)	**September 30, 2017**	**March 31, 2017**	**September 30, 2016**
Revolving facility	67,433	41,040	41,131
(Cash and cash equivalents)	(2,188)	(5,862)	(2,617)
Net debt	**65,245**	**35,178**	**38,514**

FINANCIAL RESULTS FOR THE THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 AND 2016

Revenues

Revenues in Q2 2018 increased to $30.6 million or 24.7%, from $24.5 million for Q2 2017. The increase in revenues was primarily due to the acquisition of Yokee Music and Classica, combined with organic growth of subscription video on demand (SVOD) in the U.S. as well as additional music and equipment sales in Commercial Music.

Trends by Revenue Categories were as follows:



Note:
(1) In millions of Canadian dollars.

Music Broadcasting

The most significant contributors to the increase of 20.8% or $3.8 million from Q2 2017 in Music Broadcasting revenues were as follows (arrows reflect the impact):

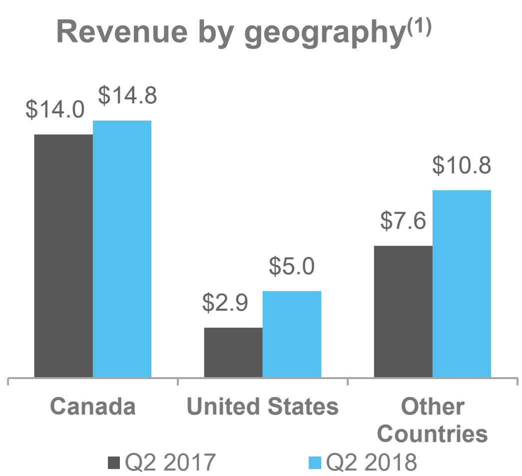
- ▲ Acquisition of Classica in Fiscal 2017, as well as Yokee Music and C Music in May 2017.
- ▲ Organic growth in the U.S. market, primarily related to SVOD.

Commercial Music

The most significant contributors to the increase of 35.4% or $2.3 million from Q2 2017 in Commercial Music revenues were as follows (arrows reflect the impact):

- ▲ Acquisition of SBA and SMA in July 2017.
- ▲ Organic growth in sales of equipment and installation related to digital signage.

Trends by Revenues by Geographic Region:



Note:
(1) In millions of Canadian dollars.

Canada

The most significant contributors to the increase of 5.5% or $0.8 million from Q2 2017 in revenues for Canada were as follows (arrows reflect the impact):

- ▲ Organic growth in digital signage.

United States

The most significant contributors to the increase of 69.6% or $2.1 million from Q2 2017 in U.S. revenues were as follows (arrows reflect the impact):

- ▲ Contribution of Yokee Music acquisition and organic growth related to SVOD.

Other Countries

The most significant contributors to the increase of 42.9% or $3.2 million from Q2 2017 in revenues generated in Other Countries were as follows (arrows reflect the impact):

- ▲ Acquisition of Classica, Yokee, SBA, SMA, and C Music.

Operating Expenses

(in thousands of Canadian dollars)	Q2 2018 % of revenues	Q2 2017 % of revenues	Variance			Significant contributions to variance :
Music programming, cost of services and content	$10,786 35.3%	$8,399 34.2%	$2,387	28.4%	▲	Primarily due to acquisitions and costs related to equipment and installation sales.
Selling and marketing	$3,600 11.8%	$2,894 11.8%	$706	24.4%	▲	Primarily due to incremental selling costs from recent acquisitions and additional employees to support growth.
Information technology and research and development	$3,079 10.1%	$2,190 8.9%	$889	40.6%	▲	Primarily due to IT costs related to Yokee Music and additional staff to support new technologies and growth.
General and administrative	$10,258 33.5%	$4,501 18.4%	$5,757	127.9%	▲	Primarily due to higher legal fees, additional staff to support our international expansion and administrative costs related to recent acquisitions.
Depreciation, amortization and write-off	$5,226 17.1%	$4,528 18.5%	$698	15.4%	▲	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 7.

Adjusted EBITDA in Q2 2018 increased to $9.5 million or 15.0%, from $8.2 million for Q2 2017. Adjusted EBITDA margin was 30.9% in Q2 2018 compared to 33.5% in Q2 2017. The increase in Adjusted EBITDA was primarily due to the acquisitions realized in Fiscal 2017 and Fiscal 2018 partially offset by higher operating expenses related to international expansion. The decrease in adjusted EBITDA margin was mainly related to the recent acquisitions of Yokee Music, SBA and SMA, equipment and installation sales and the overall change in the product mix, which presents lower margins.

Acquisition, legal fees, restructuring and other various costs mainly included litigation fees (refer to page 19) and costs related to the integration of our recent acquisitions.

Net Finance Expense (Income)

Net finance expense (income) increased to $1.3 million from $0.4 million in Q2 2017. The increase was mainly related to the change in fair value of contingent consideration, as well as the foreign exchange loss.

Change in fair value of investments

In Q2 2018, a loss on fair value of $0.7 million was recorded compared to a gain of $0.3 million in Q2 2017 which is explained by the translation in US$ considering a lower exchange rate.

Income Taxes

The income taxes recovery was $0.9 million for Q2 2018 compared with income tax expense of $0.5 million for Q2 2017. The effective tax rate was 21.7% for Q2 2018 compared with 25.7% for Q2 2017. The decrease in the effective tax is mainly due to the variation in the permanent differences.

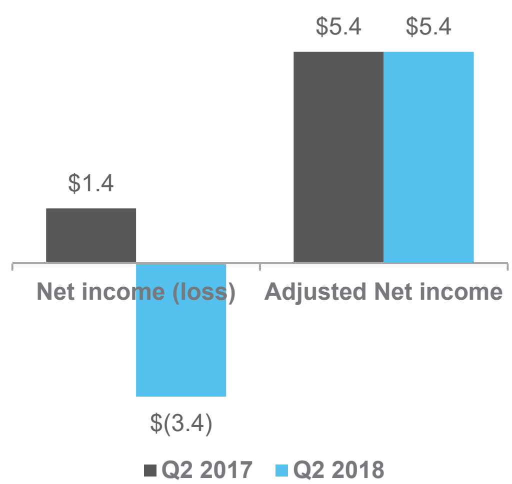
Net income (loss) and net income (loss) per share

Net loss in Q2 2018 was $3.4 million ($(0.07) per share) compared to a net income of $1.4 million ($0.03 per share) in Q2 2017. The decrease was mainly attributable to higher legal fees, higher amortization expense of intangible assets as well as negative change in fair value of investments and contingent consideration partially offset by higher operating results and income taxes recovery. The legal fees are largely non-recurring and were incurred principally to institute IPR proceedings to invalidate the claims of the Music Choice patents in suit (refer to page 19).

Adjusted Net income and Adjusted Net income per share

Adjusted Net Income in Q2 2018 remained stable at $5.4 million ($0.10 per share) compared to Q2 2017, as higher finance expense and income net tax expense were offset by the higher Adjusted EBITDA.

Net income (loss) 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 7.

Quarterly results

Revenues increased over the last eight quarters from $23.1 million in the third quarter of Fiscal 2016 to $30.6 million in the second quarter of Fiscal 2018. The increase was mainly attributable to the successful integration of acquisitions and new contracts in the U.S., in Canada, and in Other Countries. The sequential decrease in Q1 2017 and Q2 2017 revenues compared to Q4 2016 was mainly related to lower non-recurring revenues in Music Broadcasting and the unfavorable foreign exchange impact between the Canadian dollar and the U.S. dollar.

Adjusted EBITDA increased from $8.0 million in the third quarter of Fiscal 2016 to $9.5 million in the second quarter of Fiscal 2018. The increase was mainly attributable to the successful integration of acquisitions and new contracts. The decrease in Q1 2017 Adjusted EBITDA compared to Q4 2016 was mainly related to the decrease in non-recurring revenues in Music Broadcasting and incremental costs related to acquisitions and the unfavorable foreign exchange impact between the Canadian dollar and the U.S. dollar.

Net income (loss) fluctuated over the last eight quarters from a net income of $3.2 million in the third quarter of Fiscal 2016 to a net loss of $3.4 million in the second quarter of Fiscal 2018. In Q4 2016, the Corporation recorded an income tax recovery on the recognition of deferred tax assets related to tax losses of foreign subsidiaries of $3.4 million, offset by the loss on fair value of investments of $1.1 million, which was related to unfavorable foreign exchange between the Canadian dollar and the U.S. dollar. In Q4 2017, the Corporation recorded an income tax recovery on the recognition of deferred tax assets related to tax losses of foreign subsidiaries of $5.1 million. In Q1 2018, the decrease in net income was mainly related to higher legal expenses and higher amortization expense on intangibles assets related to acquisitions. In Q2 2018, the net loss was mainly related to higher legal fees and finance expenses, offset partially by an income tax recovery.

Summary of Consolidated Quarterly Results

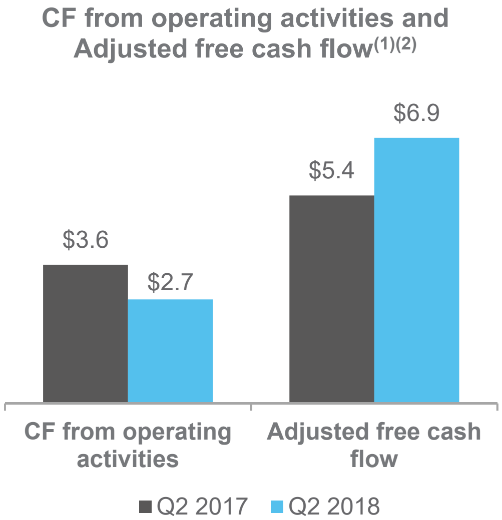
	Three-month period ended							
(in thousands of Canadian dollars, except per share amounts)	Sept. 30, 2017	June 30, 2017	March 31, 2017	Dec. 31, 2016	Sept. 30, 2016	June 30, 2016	March 31, 2016	Dec. 31, 2015
	Fiscal 2018	Fiscal 2018	Fiscal 2017	Fiscal 2017	Fiscal 2017	Fiscal 2017	Fiscal 2016	Fiscal 2016
Revenues by category								
Music Broadcasting	21,751	21,824	19,708	19,295	18,009	17,888	19,425	17,013
Commercial Music	8,828	7,354	6,794	6,630	6,518	6,659	6,233	6,076
Total revenues	**30,579**	**29,178**	**26,502**	**25,925**	**24,527**	**24,547**	**25,658**	**23,089**
Revenues by geography								
Canada	14,819	14,527	14,000	14,004	14,045	14,077	13,500	13,759
International[(1)]	15,760	14,651	12,502	11,921	10,482	10,470	12,158	9,330
Total revenues	**30,579**	**29,178**	**26,502**	**25,925**	**24,527**	**24,547**	**25,658**	**23,089**
Recurring revenues	26,175	25,010	22,683	21,944	21,584	21,401	21,860	19,699
Recurring revenues as a percentage of total revenues	85.6%	85.7%	85.6%	84.6%	88.0%	87.2%	83.7%	85.3%
Adjusted EBITDA	**9,452**	**9,169**	**9,046**	**8,717**	**8,220**	**7,881**	**8,219**	**8,009**
Net income (loss)	**(3,395)**	**280**	**4,608**	**2,660**	**1,405**	**2,044**	**3,247**	**3,169**
Net income (loss) per share basic	(0.07)	0.01	0.09	0.05	0.03	0.04	0.06	0.06
Net income (loss) per share diluted	(0.07)	0.01	0.09	0.05	0.03	0.04	0.06	0.06
Adjusted Net income	**5,407**	**5,703**	**10,534**	**6,164**	**5,405**	**5,207**	**7,135**	**6,194**
Adjusted Net income per share basic	0.10	0.11	0.21	0.12	0.11	0.10	0.14	0.12
Adjusted Net income per share diluted	0.10	0.11	0.20	0.12	0.10	0.10	0.14	0.12

Note:
(1) International means all jurisdictions except Canada.

Reconciliation of Quarterly Non-IFRS Measures

	Three-month period ended							
(in thousands of Canadian dollars, except per share amounts)	Sept. 30, 2017	June 30, 2017	March 31, 2017	Dec. 31, 2016	Sept. 30, 2016	June 30, 2016	March 31, 2016	Dec. 31, 2015
	Fiscal 2018	Fiscal 2018	Fiscal 2017	Fiscal 2017	Fiscal 2017	Fiscal 2017	Fiscal 2016	Fiscal 2016
Net income (loss)	**(3,395)**	**280**	**4,608**	**2,660**	**1,405**	**2,044**	**3,247**	**3,169**
Net finance expense (income)	1,269	537	1,006	9	373	648	836	(810)
Change in fair value of investments	697	434	334	(583)	(250)	91	1,113	(646)
Income taxes (recovery)	(941)	464	(5,201)	706	487	412	(1,428)	920
Depreciation of property and equipment and write-off	718	621	724	574	546	574	594	609
Amortization of intangibles	4,508	4,541	3,895	3,686	3,982	3,187	2,624	3,443
Share-based compensation	312	194	372	372	298	290	390	369
Restricted, performance and deferred share unit expenses	709	313	688	550	444	326	319	227
IPO expenses and CRTC tangible benefits	–	–	–	–	–	–	21	–
Acquisition, legal fees, restructuring and other various costs	5,575	1,785	2,620	743	935	309	503	728
Adjusted EBITDA	**9,452**	**9,169**	**9,046**	**8,717**	**8,220**	**7,881**	**8,219**	**8,009**
Net finance expense (income)	(1,269)	(537)	(1,006)	(9)	(373)	(648)	(836)	810
Income taxes (recovery)	941	(464)	5,201	(706)	(487)	(412)	1,428	(920)
Depreciation of property and equipment and write-off	(718)	(621)	(724)	(574)	(546)	(574)	(594)	(609)
Income taxes related to change in fair value of investments, share-based compensation, restricted, performance and deferred share unit expenses, amortization of intangible assets, IPO expenses and CRTC tangible benefits and acquisition, legal fees, restructuring and other various costs	(2,999)	(1,844)	(1,983)	(1,264)	(1,409)	(1,040)	(1,082)	(1,096)
Adjusted Net income	**5,407**	**5,703**	**10,534**	**6,164**	**5,405**	**5,207**	**7,135**	**6,194**

LIQUIDITY AND CAPITAL RESOURCES
FOR THE THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 AND 2016



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

Cash flow from operating activities

Cash flow generated from operating activities amounted to $2.7 million for Q2 2018 compared to $3.6 million for Q2 2017. The decrease was mainly due to the higher general and administrative expenses. This decrease was partially offset by lower income taxes paid and higher operating results.

Adjusted free cash flow

Adjusted free cash flow generated in Q2 2018 amounted to $6.9 million compared to $5.4 million in Q2 2017. The increase was mainly related to higher Adjusted EBITDA and lower income taxes paid offset partially by higher foreign exchange losses and capital expenditures.

Financing Activities

Net cash flow generated from financing activities amounted to $6.8 million for Q2 2018 compared to net cash flow used by financing activities of $2.4 million for Q2 2017. The net change of $9.2 million in cash flow was mainly attributable to the increase of the revolving facility for the SBA and SMA acquisitions offset by lower repayment of other payables.

Investing Activities

Net cash flow used in investing activities amounted to $10.4 million for Q2 2018 compared to $1.9 million for Q2 2017. The net change of $8.5 million was primarily related to the acquisitions of SBA and SMA in Q2 2018.

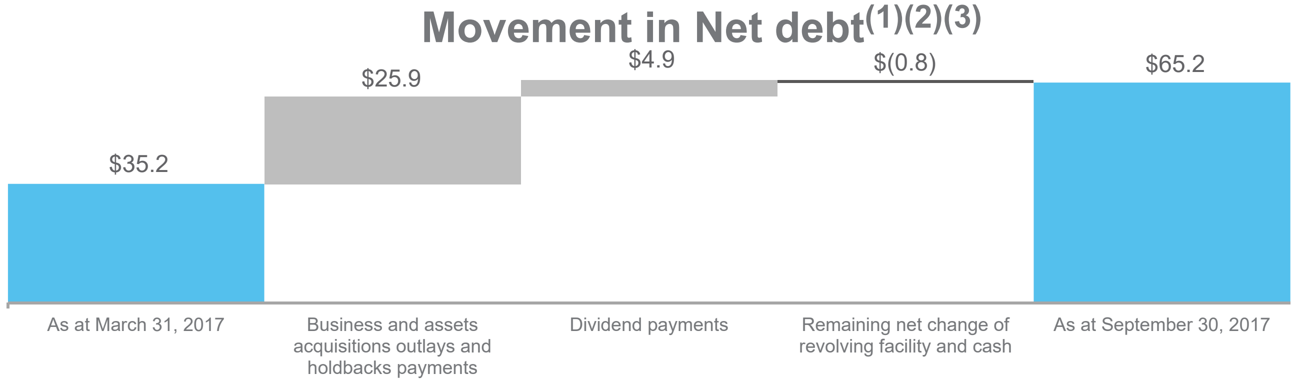
Contractual Obligations

The Corporation is committed under the terms of contractual obligations with various expiration dates, primarily the rental of office space, financial obligations under its credit agreement, broadcast licence and commitments for copyright royalties. There have been no material changes to these obligations since March 31, 2017 except for obligations related to the rental of office space.

Operating lease

On May 9, 2016, the Corporation signed a letter of intent for the renewal of its lease and to add additional space in the building under construction located at 99 Prince, Montreal, with a commencement date of July 1, 2017. The renewal of the lease is for a period of five years with an option to extend for an additional term of five years. As at September 30, 2017, the estimated remaining commitment under the terms of the operating lease for the premises amounts to $6.8 million.

The following table summarizes the impact on the Net debt that occurred in the six-month period ended September 30, 2017 including related ratios:



33.9	12-Month Trailing Adjusted EBITDA[(1)(2)(3)]	36.4
1.04	Net debt to Adjusted EBITDA[(1)(2)(3)]	1.79

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

CONSOLIDATED FINANCIAL POSITION

The following table shows the main variances that have occurred in the consolidated financial position of the Corporation for the six-month period ending September 30, 2017:

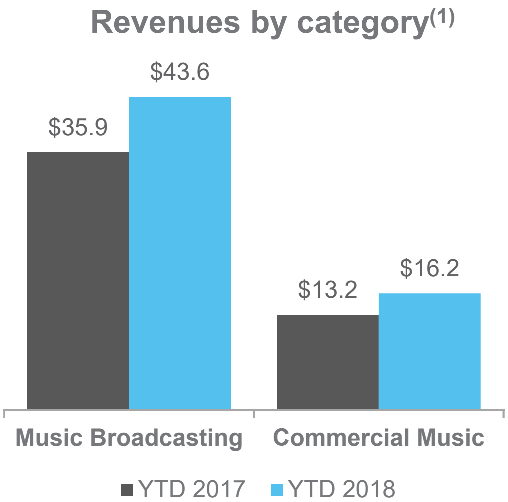
(in thousands of Canadian dollars)	Sept. 30, 2017	March 31, 2017	Variance		Significant contributions
Trade and other receivables	$32,685	$27,020	$5,665	▲	Attributable to receivables from acquisitions and additional sales in Broadcast Music in the U.S. and Commercial Music in Canada.
Intangible assets	$57,191	$49,519	$7,672	▲	Mainly attributable to the recognition of intangibles via acquisitions offset by amortization in the current period.
Goodwill	$82,206	$68,788	$13,418	▲	Attributable to goodwill related to the acquisitions of SMA, Yokee Music, SBA and C Music.
Accounts payable and accrued liabilities	$33,541	$29,783	$3,758	▲	Mainly attributable to payables from acquisitions and to the timing of payments to suppliers.
Revolving facility	$67,433	$41,040	$26,393	▲	Mainly attributable to acquisitions, quarterly dividend and payments of contingent consideration and balance payable on business acquisitions.
Contingent consideration and balance payable on business acquisitions, including current portion	$22,243	$18,801	$3,442	▲	Mainly attributable to the recognition of Yokee Music, SMA, and C Music contingent consideration offset by the payments of Digital Music Distribution Pty Ltd. (DMD) and Telefonica-On the spot (Telefonica) contingent consideration.

FINANCIAL RESULTS
FOR THE SIX-MONTH PERIODS ENDED SEPTEMBER 30, 2017 AND 2016

Revenues

Revenues in the first half of Fiscal 2018 ("YTD 2018") increased to $59.8 million or 21.8%, from $49.1 million in the first half of Fiscal 2017 ("YTD 2017"). The increase in revenues was primarily due to the acquisitions of Yokee Music and Classica, combined with growth from SVOD in the U.S. as well as additional music and equipment sales in Commercial Music.

Trends by Revenue Categories were as follows:



Note:
(1) In millions of Canadian dollars.

Music Broadcasting

The most significant contributors to the increase of 21.4% or $7.7 million from YTD 2017 in Music Broadcasting revenues were as follows (arrows reflect the impact):

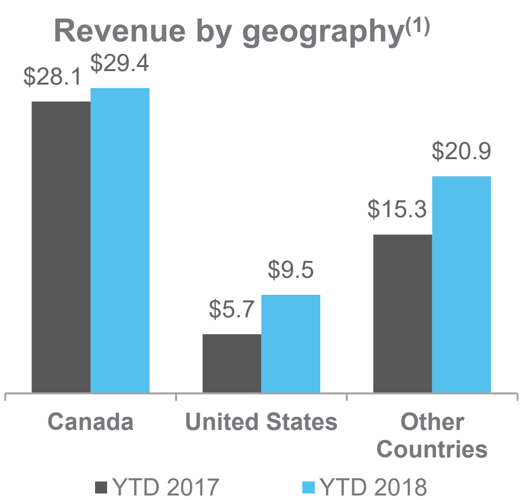
- ▲ Acquisitions of Classica in Fiscal 2017, as well as Yokee Music and C Music in May 2017.
- ▲ Organic growth in the U.S. market, primarily related to SVOD.

Commercial Music

The most significant contributors to the increase of 22.8% or $3.0 million from YTD 2017 in Commercial Music revenues were as follows (arrows reflect the impact):

- ▲ Acquisition of SBA and SMA.
- ▲ Organic growth in sales of equipment and installation related to digital signage.

Trends by Revenues by Geographic Region:



Note:
(1) In millions of Canadian dollars.

Canada

The most significant contributors to the increase of 4.4% or $1.3 million from YTD 2017 in revenues for Canada were as follows (arrows reflect the impact):

- ▲ Organic growth in digital signage revenues.

United States

The most significant contributors to the increase of 67.4% or $3.8 million from Q2 2017 in the U.S. revenues were as follows (arrows reflect the impact):

- ▲ Contribution of Yokee Music acquisition and organic growth related to SVOD.

Other Countries

The most significant contributors to the increase of 36.9% or $5.6 million from Q2 2017 in Other Countries revenues were as follows (arrows reflect the impact):

- ▲ Acquisition of Classica, Yokee, SBA, SMA, and C Music.

Operating Expenses

(in thousands of Canadian dollars)	Q2 2018 YTD % of revenues	Q2 2017 YTD % of revenues	Variance YTD			Significant contributions to variance :
Music programming, cost of services and content	$21,047 35.2%	$17,140 34.9%	$3,907	22.8%	▲	Primarily due to acquisitions and costs related to equipment and installation sales.
Selling and marketing	$7,165 12.0%	$5,913 12.0%	$1,252	21.2%	▲	Primarily due to incremental selling costs from recent acquisitions and additional employees to support growth.
Information Technology and research and development	$6,057 10.1%	$4,539 9.2%	$1,518	33.4%	▲	Primarily due to IT costs related to Yokee Music and additional staff to support new technologies and growth.
General and administrative	$15,755 26.4%	$7,983 16.3%	$7,772	97.4%	▲	Primarily due to higher legal fees, additional staff to support our international expansion and administrative costs related to recent acquisitions.
Depreciation, amortization and write-off	$10,388 17.4%	$8,289 16.9%	$2,099	25.3%	▲	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 7.

Adjusted EBITDA for YTD 2018 increased to $18.6 million or 15.7%, from $16.1 million for YTD 2017. Adjusted EBITDA margin was 31.2% for YTD 2018 compared to 32.8% for YTD 2017. The increase in Adjusted EBITDA was primarily due to the acquisitions realized in Fiscal 2017 and Fiscal 2018 partially offset by higher operating expenses related to international expansion. The decrease in adjusted EBITDA margin was mainly related to the recent acquisitions of Yokee Music, SBA and SMA, additional equipment and installation sales and the overall change in the product mix, which presents lower margins.

Acquisition, legal fees, restructuring and other various costs mainly included litigation fees (refer to page 19) and costs related to the integration of our recent acquisitions.

Net Finance Expense (Income)

Net finance expense (income) increased to $1.8 million from $1.0 million for YTD 2017. The increase was related to negative change in fair value of contingent consideration offset by the foreign exchange gain.

Change in fair value of investments

For YTD 2018, a loss of $1.1 million was recorded compared to a gain of $0.2 million for YTD 2017 which is explained by the translation from US$ considering a lower exchange rate.

Income Taxes

The income taxes recovery was $0.5 million for YTD 2018 compared with income tax expense of $0.9 million for YTD 2017. The effective tax rate was 13.3% for YTD 2018 compared with 20.7% for YTD 2017. The decrease in the effective tax is mainly due to the variation in the permanent differences.

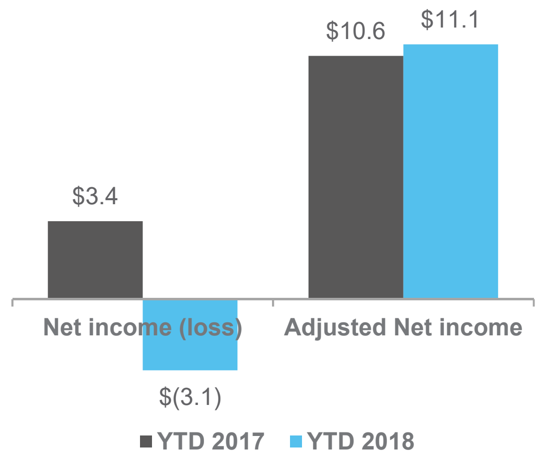
Net income (loss) and net income (loss) per share

Net loss was $3.1 million ($(0.06) per share) for YTD 2018 compared to a net income of $3.4 million ($0.07 per share) for YTD 2017. The decrease was mainly attributable to higher legal fees, higher amortization expense of intangible assets as well as negative change in fair value of investments and contingent consideration partially offset by higher operating results and income taxes recovery. The legal fees are largely non-recurring and were incurred principally to institute IPR proceedings to invalidate the claims of the Music Choice patents in suit (refer to page 19).

Adjusted Net income and Adjusted Net income per share

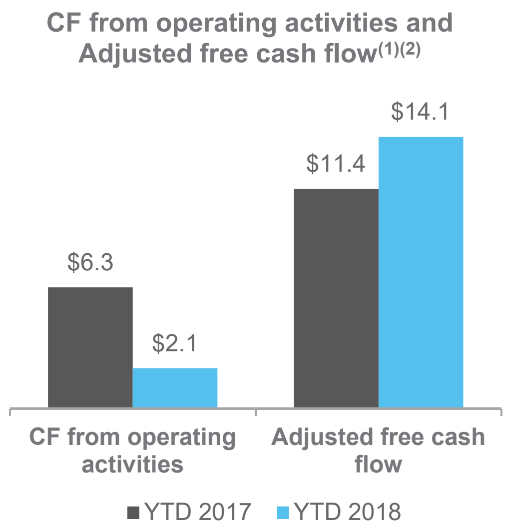
Adjusted net income for YTD 2018 increased to $11.1 million ($0.21 per share) from $10.6 million ($0.21 per share) for YTD 2017. The increase was primarily due to higher Adjusted EBITDA and income taxes recovery partially offset by higher net finance expense.

Net income (loss) 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 7.

LIQUIDITY AND CAPITAL RESOURCES
FOR THE SIX-MONTH PERIODS ENDED SEPTEMBER 30, 2017 AND 2016



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

Cash flow from operating activities

Cash flow generated from operating activities amounted to $2.1 million for YTD 2018 compared to $6.3 million for YTD 2017. The decrease was mainly due to the negative net change in working cash capital items associated with higher trade receivables, trade payables paid and other current assets as well as the increase in general and administrative expenses. This decrease was partially offset by lower income taxes paid and higher operating results.

Adjusted free cash flow

Adjusted free cash flow generated in YTD 2018 amounted to $14.1 million compared to $11.4 million for YTD 2017. The increase was mainly related to higher Adjusted EBITDA, foreign exchange gain and income taxes recovery offset partially by higher capital expenditures.

Financing Activities

Net cash flow generated from financing activities amounted to $16.8 million for YTD 2018 compared to $0.1 million for YTD 2017. The net change of $16.7 million was mainly attributable to higher use of the revolving facility for the Yokee Music, C Music, SBA, and SMA acquisitions offset by the dividend payment and contingent consideration paid for Digital Music Distribution Pty Ltd. and Telefonica – On the spot and the balance payable on the acquisition of NüMedia.

Investing Activities

Net cash flow used in investing activities amounted to $22.6 million for YTD 2018 compared to $7.0 million for YTD 2017. The net change of $15.6 million was primarily related to the acquisition of Yokee Music, C Music, SBA and SMA.

Music Choice Litigation

Music Choice v. Stingray

Music Choice filed its original Complaint against the Corporation on June 6, 2016, asserting infringement of four U.S. patents, namely, U.S. Patent Nos. 8,769,602, 9,357,245, 7,320,025 and 9,351,045. On August 12, 2016, Music Choice filed its First Amended Complaint, which added a fifth U.S. patent, namely, U.S. Patent No. 9,414,121. The Corporation filed its Answer to the Original Complaint (including counterclaims) on August 30, 2016, asserting, among other things, defenses and counterclaims of non-infringement and invalidity. On September 2, 2016, Music Choice filed its Second Amended complaint, adding Stingray Music USA, Inc. (SMU) as a defendant, and the Corporation and SMU filed their answers and counterclaims on September 23 and October 4, 2016, respectively. Since the commencement of the case, the parties have jointly prepared and filed with the Court a docket control order, a protective order and an ESI order. Music Choice also served its infringement contentions on September 12, 2016, the parties exchanged Initial Disclosures, and the Corporation served its invalidity contentions on November 28, 2016. On March 27, 2017, the Corporation filed a motion for judgment on the pleadings on the basis that the Asserted Patents are invalid under 35 U.S.C. 101 for claiming unpatentable subject matter. The parties exchanged amended infringement and invalidity contentions on April 28, 2017. In addition, on November 14, 2016, the Corporation filed an amended answer and counterclaims which included inequitable conduct counterclaims based on David Del Beccaro's (and the other inventors') failure to disclose a product offered by Music Choice Europe in or about 2001 to the patent office and their misrepresentations to the patent office that they are the true inventors of the patents-in-suit. Music Choice moved to dismiss and strike the Corporation's inequitable conduct counterclaims, which the Corporation opposed on January 4, 2017. On May 3, 2017, the magistrate judge handling the case issued a Report and Recommendation that the motion be dismissed, and on September 6, 2017, the Court adopted the report and denied Music Choice's motion. On July 6, 2017, the Court issued a Markman Order construing certain claim terms of the Asserted Patents. On September 14, 2017, Music Choice dropped one of the five patents-in-suit (U.S. Patent No. 8,769,602). On October 17, 2017, the Corporation filed a motion to adjourn the trial date and remaining case deadlines, in part because the PTAB instituted inter partes review for three of the four patents-in-suit. On October 27, 2017, the PTAB instituted inter partes review on the fourth patent-in-suit, and on October 30, 2017, the Corporation filed a motion to stay the litigation pending the inter partes reviews. The hearing for the motion to stay is scheduled for November 21, 2017. On November 2, 2017, the Court granted the Corporation's motion to adjourn and cancelled the current trial date (February 5, 2018) and all of the remaining scheduled deadlines pending the hearing on the motion to stay. Fact discovery has closed, and expert discovery has commenced. No trial date is assigned presently.

Stingray v. Music Choice

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

On March 16, 2017, the Court denied Music Choice's motion to change venue, and granted SMU's motion to consolidate, ordering that this action be consolidated for all pretrial issues with the Music Choice v. Stingray action. Music Choice's motion to dismiss the state law claims remains pending. On March 30, 2017, Music Choice answered SMU's complaint (except for the state law claims that remain subject to its pending motion to dismiss) and asserted a counterclaim against SMU and the Corporation. Music Choice's counterclaim alleges that the Stingray entities misused Music Choice confidential data in violation of various non-disclosure agreements (the "NDAs"). These non-disclosure agreements arose from discussions between the parties concerning a possible acquisition of Music Choice by the Corporation. The Corporation's entities answered the counterclaim on April 28, 2017, denying the allegations and asserting various affirmative defenses, including that Music Choice acted fraudulently and in bad faith with regard to the NDAs. Fact discovery has closed, and expert discovery has commenced. Trial is currently set for February 5, 2018.

SOCAN and Re:Sound legal proceedings

From May 2, 2017 until May 10, 2017, the Corporation, together with its Canadian Broadcast Distribution Undertaking customers (collectively, the "Objectors"), presented an affirmative case before the Copyright Board of Canada to seek a reduction in the prescribed rates and terms for the Pay Audio Services Tariff for the 2007-2016 period. SOCAN and Re:Sound (collectively, the "Collectives") opposed that case, but in the opinion of the Objectors failed to offer compelling alternatives other than a request to maintain the status quo. The Copyright Board of Canada will now begin its deliberations, and the Corporation expects a decision in about 18-36 months, based on past experience and the complexity of this proceeding.

Transactions Between Related Parties

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

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

(in thousands of Canadian dollars)	Three-month period ended September 30, 2017 **Q2 2018**	Three-month period ended September 30, 2016 **Q2 2017**	Six-month period ended September 30, 2017 **YTD 2018**	Six-month period ended September 30, 2016 **YTD 2017**
Short-term employee benefits	1,213	890	2,148	1,671
Share-based compensation	233	207	392	367
Restricted and performance share unit	148	45	229	92
Deferred share unit	427	223	551	339
	2,021	1,365	3.320	2,469

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 8, 2017	September 30, 2017
Issued and outstanding shares:		
Subordinate voting shares	39,565,888	34,730,488
Variable Subordinate voting shares	400,539	335,739
Multiple voting shares	16,294,285	16,294,285
	56,260,712	51,360,512
Outstanding stock options:		
Stock options	2,016,280	2,016,280

The Corporation has established a stock option plan to attract and retain employees, directors, officers and consultants. The plan provides for the granting of options to purchase subordinate voting shares. Under this plan, a number equal to 10% of all issued and outstanding subordinate voting shares and variable subordinate voting shares have been reserved for issuance. In the second quarter of 2018, 21,008 options were granted to eligible employees subject to service vesting criteria of 4 years of service.

Financial Risk Factors

The Corporation is exposed to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk and interest risk). The interim consolidated financial statements and management discussion and analysis do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the annual financial statements as at March 31, 2017. The Corporation is not aware of any significant changes to the Corporation's risk factors from those disclosed at that time.

Risk Factors

For a detailed description of risk factors associated with the Corporation, please refer to the "Risk Factors" section of the Corporation's AIF dated June 8, 2017. The Corporation is not aware of any significant changes to the Corporation's risk factors from those disclosed at that time.

Future Accounting Changes

For information on future accounting changes, please refer to page 40 of the unaudited interim consolidated financial statements.

Evaluation of Disclosure Controls and Procedures

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

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

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

Management's assessment of and conclusion on the design of the Corporation's ICFR as at November 9, 2017, did not include the controls or procedures of the operations of Classica GmbH, Think Inside the Box (Nature Vision), C Music Entertainment Ltd, Yokee Music LTD., Satellite Music Australia PTY Ltd., and SBA Music PTY Ltd., which were acquired in Fiscal 2017 and 2018. The Corporation has accordingly availed itself of provision 3.3(1)(b) of Regulation 52-109 which permits exclusion of these acquisitions in the design and operating effectiveness assessment of its ICFR for a maximum period of 365 days from the date of acquisition.

Subsequent Events

Bought deal financing

On October 10, 2017, the Corporation entered into an agreement with a syndicate of underwriters who agreed to purchase on a bought deal basis 4,348,000 subordinate voting shares of the Corporation at a price of $9.20 per share for gross proceeds of $40,002 and net proceeds of $38,402. On November 7, 2017 the underwriters exercised part of their over-allotment option and bought an additional 552,200 subordinate voting shares at a price of $9.20 for gross proceeds of $5,080 and net proceeds of $4,877.

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 8, 2017, the Corporation declared a dividend of $0.05 per subordinate voting share, variable subordinate voting share and multiple voting share that will be payable on or around December 15, 2017 to shareholders on record as of November 30, 2017.

Additional Information

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

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