ALL GOOD VIBES

Management's discussion and analysis | Fiscal 2018

For the three-month and nine-month periods ended December 31, 2017

STINGRAY

TABLE OF CONTENTS

BASIS OF PREPARATION AND FORWARD-LOOKING STATEMENTS

The following is 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 nine-month periods ended December 31, 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 February 7, 2018. Additional information relating to the Corporation is also available on SEDAR at www.sedar.com.

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

Although management believes the expectations reflected in such forward-looking statements are reasonable, forward-looking statements are based on the opinions, assumptions and estimates of management at the date the statements are made and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include but are not limited to the risk factors disclosed in the Annual Information Form for the year ended March 31, 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 dividend and reduce debt. The Corporation believes that Net debt and Net debt to Adjusted EBITDA are important measures when analyzing the significance of debt on the Corporation's statement of financial position. Each of these non-IFRS financial measures is not an earnings or cash flow measure recognized by IFRS and does not have a standardized meaning prescribed by IFRS. Our method of calculating such financial measures may differ from the methods used by other issuers and, accordingly, our definition of these non-IFRS financial measures may not be comparable to similar measures presented by other issuers. Investors are cautioned that non-IFRS financial measures should not be construed as an alternative to net income determined in accordance with IFRS as indicators of our performance or to cash flows from operating activities as measures of liquidity and cash flows.

OVERVIEW

Stingray is 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 400 employees worldwide, including in the United States, the United Kingdom, the Netherlands, France, Israel, Australia, South Korea and Singapore.

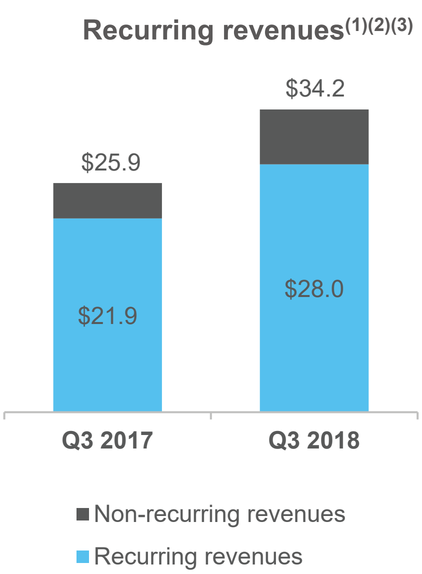
KEY PERFORMANCE INDICATORS(1)

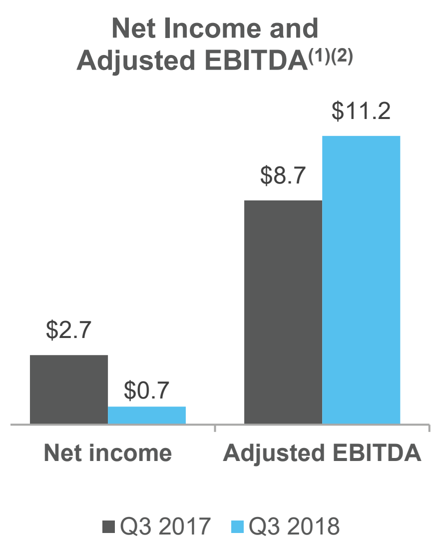
For the three-month period ended December 31, 2017:

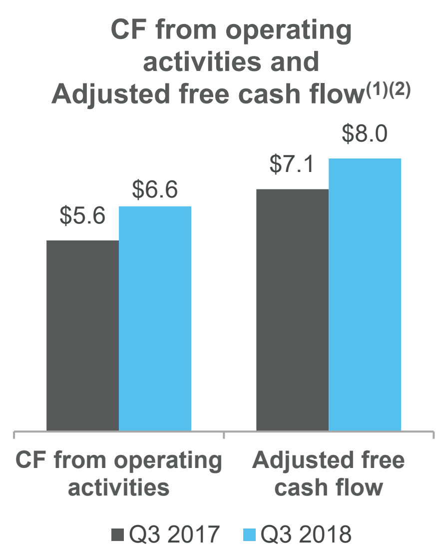
$34.2 M ▲ 31.8% from Q3 2017 Revenues	**$28.0 M** ▲ 27.5% from Q3 2017 Recurring revenues	**$11.2 M** ▲ 27.9% from Q3 2017 32.6% margin(1) Adjusted EBITDA(1)	**$8.0 M** ▲ 12.4% from Q3 2017 Adjusted free cash flow(1)
52.6 % % of international revenues(2)	**$0.055** ▲ 10.0% Quarterly dividend per share	**$0.7 M** Or $0.01 per share Net income	**$6.6 M** ▲ 17.7% from Q3 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 December 31, 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 third quarter ended December 31, 2017

Compared to the quarter ended December 31, 2016 ("Q3 2017"):

- Revenues increased 31.8% to $34.2 million from $25.9 million;
- Recurring revenues of $28.0 million (81.9% of total revenues), an increase of 27.5%;
- International revenues (including the U.S. and Other Countries) increased to 52.6% from 46.0%;
- Adjusted EBITDA(1) increased 27.9% to $11.2 million from $8.7 million;
- Adjusted EBITDA(1) margin was 32.6% compared with 33.6%;
- Net income was $0.7 million ($0.01 per share) compared with $2.7 million ($0.05 per share);
- Adjusted Net income(1) of $6.0 million ($0.11 per share) compared with $6.2 million ($0.12 per share);
- Cash flow from operating activities increased 17.7% to $6.6 million compared to $5.6 million; and
- Adjusted free cash flow(1) increased 12.4% to $8.0 million compared to $7.1 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.

Business Highlights:

- On February 7, 2018, the Corporation declared a dividend of $0.055 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend will be payable on or around March 15, 2018 to shareholders on record as of February 28, 2018.

- On January 24, 2018, the Canadian Radio-Television and Telecommunications Commission (CRTC) approved the applications by the Corporation for broadcasting licences to operate the national English-language discretionary music video services Stingray Juicebox, Stingray Loud, Stingray Retro and Stingray Vibe.

- On January 3, 2018, the Corporation announced that it had acquired certain assets of New-York based Qello Concerts LLC, the world's leading over-the-top (OTT) streaming service for full-length, on-demand concerts and music documentaries for a total consideration of US$12.1 million ($15.2 million).

- Subscription Video On Demand (SVOD) services now exceed 346,000 paying subscribers, which 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.

- Record sales were recorded for the Corporation's commercial music division, following the execution of an important digital signage contract with a major Canadian drugstore retailer.

- During the quarter, the Corporation launched eight (8) new linear channels in Canada with Videotron, Rogers, Cogeco and Shaw. In the U.S., Stingray Classica, a premium classical music SVOD service, has been added to Comcast's Xfinity On Demand platform.

- Following the June 2017 launch of Stingray Classica, Stingray DJAZZ, and Stingray Karaoke with Amazon Channels in the U.S., the Corporation has successfully added channels to the Amazon Channels lineups in Germany and the U.K. Prime members in the U.K. can now subscribe to Stingray Classica and Stingray Karaoke, while Stingray Classica is available to members in Germany as both SVOD and linear channel.

- On December 22, 2017, the Corporation and M7 Group, one of Europe's largest pay TV providers, announced that they have concluded an agreement further extending their long-standing partnership. The new agreement includes various services that will enhance the viewing and listening experiences for the subscribers of Canal Digitaal and Online.nl (The Netherlands), TV VLAANDEREN (Belgium) and Skylink (Czech Republic and Slovakia).

- 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.

- 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 2, 2017, the Court 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 be suspended pending resolution of the IPRs. On December 12, 2017, the Court granted the Corporation's motion to stay, staying the litigation pending resolution of the IPRs, and dismissed without prejudice Stingray's motion for judgment on the pleadings.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

(in thousands of Canadian dollars, except per share amounts)	Three-month periods ended Dec.31, 2017 Q3 2018 $	% of revenues	Dec.31, 2016 Q3 2017 $	% of revenues	Nine-month periods ended Dec.31, 2017 YTD 2018 $	% of revenues	Dec.31, 2016 YTD 2017 $	% of revenues
Revenues	34,158	100.0 %	25,925	100.0 %	93,915	100.0 %	74,999	100.0 %
Recurring Revenues	27,971	81.9 %	21,944	84.6 %	79,156	84.3 %	64,929	86.6 %
Revenues	34,158	100.0 %	25,925	100.0 %	93,915	100.0 %	74,999	100.0 %
Music programming, cost of services and content	12,627	37.0 %	9,005	34.7 %	33,674	35.9 %	26,145	34.9 %
Selling and marketing	3,710	10.9 %	3,123	12.0 %	10,875	11.6 %	9,036	12.0 %
Research and development, support and information technology	2,451	7.2 %	2,097	8.1 %	8,508	9.1 %	6,636	8.8 %
General and administrative	6,862	20.1 %	4,648	17.9 %	22,617	24.1 %	12,631	16.8 %
Depreciation, amortization and write-off	5,286	15.5 %	4,260	16.4 %	15,674	16.7 %	12,549	16.7 %
Net finance expense (income)(3)	1,746	5.1 %	9	0.0 %	3,552	3.8 %	1,030	1.4 %
Change in fair value of investments	(110)	(0.3) %	(583)	(2.2) %	1,021	1.1 %	(742)	(1.0) %
Income (loss) before income taxes	1,586	4.6 %	3,366	13.0 %	(2,006)	(2.1) %	7,714	10.3 %
Income taxes	849	2.5 %	706	2.7 %	372	0.4 %	1,605	2.1 %
Net income (loss)	737	2.2 %	2,660	10.3 %	(2,378)	(2.5) %	6,109	8.1 %
Adjusted EBITDA(1)	11,151	32.6 %	8,717	33.6 %	29,772	31.7 %	24,818	33.1 %
Adjusted Net income(1)	6,016	17.6 %	6,164	23.8 %	17,126	18.2 %	16,775	22.4 %
Adjusted free cash flow(1)	8,022	23.5 %	7,138	27.5 %	22,115	23.5 %	18,520	24.7 %
Cash flow from operating activities	6,589	19.3 %	5,598	21.6 %	8,710	9.3 %	11,940	17.5 %
Net debt	22,116	–	43,283	–	22,116	–	43,283	–
Net debt to TTM Adjusted EBITDA(1)(2)	0.57x	–	1.31x	–	0.57x	–	1.31x	–
Net income (loss) per share basic	0.01	–	0.05	–	(0.05)	–	0.12	–
Net income (loss) per share diluted	0.01	–	0.05	–	(0.04)	–	0.12	–
Adjusted Net income per share basic(1)	0.11	–	0.12	–	0.33	–	0.33	–
Adjusted Net income per share diluted(1)	0.11	–	0.12	–	0.32	–	0.33	–
Revenues by category								
Music Broadcasting	23,781	69.6 %	19,295	74.4 %	67,356	71.7 %	55,192	73.6 %
Commercial Music	10,377	30.4 %	6,630	25.6 %	26,559	28.3 %	19,807	26.4 %
Revenues	34,158	100.0 %	25,925	100.0 %	93,915	100.0 %	74,999	100.0 %
Revenues by geography								
Canada	16,201	47.4 %	14,004	54.0 %	45,547	48.5 %	42,126	56.2 %
United States	6,611	19.4 %	4,097	15.8 %	16,110	17.2 %	9,771	13.0 %
Other Countries	11,346	33.2 %	7,824	30.2 %	32,258	34.3 %	23,102	30.8 %
Revenues	34,158	100.0 %	25,925	100.0 %	93,915	100.0 %	74,999	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 Q3 2018 was $150 (Q3 2017; $268) and $995 for the YTD 2018 (YTD 2017; $838)

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		Nine-month periods ended	
(in thousands of Canadian dollars)	Dec. 31, 2017 **Q3 2018**	Dec. 31, 2016 **Q3 2017**	Dec. 31, 2017 **YTD 2018**	Dec. 31, 2016 **YTD 2017**
Net income (loss)	**737**	**2,660**	**(2,378)**	**6,109**
Net finance expense (income)	1,746	9	3,552	1,030
Change in fair value of investments	(110)	(583)	1,021	(742)
Income taxes	849	706	372	1,605
Depreciation and write-off of property and equipment	704	574	2,043	1,694
Amortization of intangible assets	4,582	3,686	13,631	10,855
Share-based compensation	346	372	852	960
Restricted, performance and deferred share units	422	550	1,444	1,320
Acquisition, legal fees, restructuring and other various costs	1,875	743	9,235	1,987
Adjusted EBITDA	**11,151**	**8,717**	**29,772**	**24,818**
Net finance expense (income)	(1,746)	(9)	(3,552)	(1,030)
Income taxes	(849)	(706)	(372)	(1,605)
Depreciation and write-off of property and equipment	(704)	(574)	(2,043)	(1,694)
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	(1,836)	(1,264)	(6,679)	(3,714)
Adjusted Net income	**6,016**	**6,164**	**17,126**	**16,775**

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

	Three-month periods ended		Nine-month periods ended	
(in thousands of Canadian dollars)	Dec. 31, 2017 **Q3 2018**	Dec. 31, 2016 **Q3 2017**	Dec. 31, 2017 **YTD 2018**	Dec. 31, 2016 **YTD 2017**
Cash flow from operating activities	**6,589**	**5,598**	**8,710**	**11,940**
Add / Less :				
Capital expenditures	(3,628)	(1,208)	(6,544)	(2,711)
Net change in non-cash operating working capital items	3,186	2,005	10,714	7,304
Acquisition, legal fees, restructuring and other various costs	1,875	743	9,235	1,987
Adjusted free cash flow	**8,022**	**7,138**	**22,115**	**18,520**

The following table shows the calculation of Net debt:

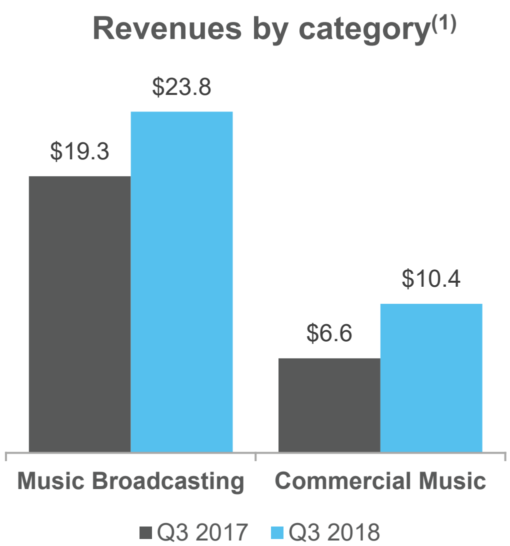
(in thousands of Canadian dollars)	**December 31, 2017**	**March 31, 2017**	**December 31, 2016**
Revolving facility	26,633	41,040	46,279
(Cash and cash equivalents)	(4,517)	(5,862)	(2,996)
Net debt	**22,116**	**35,178**	**43,283**

FINANCIAL RESULTS FOR THE THREE-MONTH PERIODS ENDED DECEMBER 31, 2017 AND 2016

Revenues

Revenues in Q3 2018 increased to $34.2 million or 31.8%, from $25.9 million for Q3 2017. The increase in revenues was primarily due to the acquisitions 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 related to digital signage.

Trends by Revenues Categories were as follow:



Note:
(1) In millions of Canadian dollars.

Music Broadcasting

The most significant contributors to the increase of 23.2% or $4.5 million from Q3 2017 in Music Broadcasting revenues were as follows (arrows reflect the impact):

▲ Acquisition of Yokee Music in May 2017, as well as Classica in Fiscal 2017.

▲ Organic growth in the U.S. market, primarily related to SVOD with a subscriber base reaching more than 325,000 people.

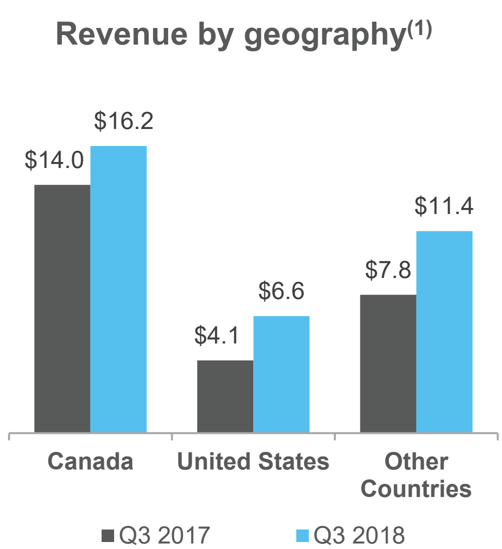
Commercial Music

The most significant contributors to the increase of 56.5% or $3.8 million from Q3 2017 in Commercial Music revenues were as follows (arrows reflect the impact):

▲ Organic growth in sales of equipment and installation related to digital signage.

▲ Acquisition of Satellite Music Australia PTY Ltd (SMA) and SBA Music PTY Ltd (SBA) in July 2017.

Trends by Revenues by Geographic Region:



Note:
(1) In millions of Canadian dollars.

Canada

The most significant contributors to the increase of 15.7% or $2.2 million from Q3 2017 in revenues for Canada were as follows (arrows reflect the impact):

▲ Organic growth in digital signage largely related to one contract with a major drugstore chain.

United States

The most significant contributors to the increase of 61.4% or $2.5 million from Q3 2017 in U.S. revenues were as follows (arrows reflect the impact):

▲ Acquisition of Yokee Music and organic growth related to SVOD.

Other Countries

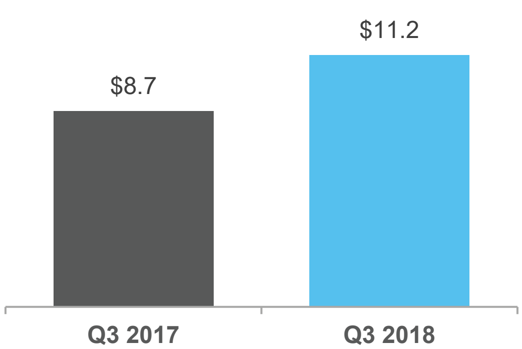
The most significant contributors to the increase of 45.0% or $3.6 million from Q3 2017 in revenues generated in Other Countries were as follows (arrows reflect the impact):

▲ Acquisitions of Classica, Yokee Music, SMA and SBA.

Operating Expenses

(in thousands of Canadian dollars)	Q3 2018 % of revenues	Q3 2017 % of revenues	Variance			Significant contributions to variance :
Music programming, cost of services and content	$12,627 37.0%	$9,005 34.7%	$3,622	40.2%	▲	Primarily due to costs related to equipment and installation sales and to acquisitions.
Selling and marketing	$3,710 10.9%	$3,123 12.0%	$587	18.8%	▲	Primarily due to additional employees to support growth and incremental selling costs from recent acquisitions.
Research and development, support and information technology	$2,451 7.2%	$2,097 8.1%	$354	16.9%	▲	Primarily due to IT costs related Yokee Music and additional staff to support new technologies and growth, partially offset by capitalised costs related to internally developed intangible assets (refer to page 10).
General and administrative	$6,862 20.1%	$4,648 17.9%	$2,214	47.6%	▲	Primarily due to higher legal fees, additional staff to support international expansion and administrative costs related to recent acquisitions.
Depreciation, amortization and write-off	$5,286 15.5%	$4,260 16.4%	$1,026	24.1%	▲	Primarily due to the addition of intangible assets related to acquisitions.

Adjusted EBITDA(1)(2)



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

Adjusted EBITDA in Q3 2018 increased to $11.2 million or 27.9%, from $8.7 million for Q3 2017. Adjusted EBITDA margin was 32.6% in Q3 2018 compared to 33.6% in Q3 2017. The increase in Adjusted EBITDA was primarily due to the acquisitions realized in Fiscal 2018 and Fiscal 2017 and to the organic growth, partially offset by higher operating expenses related to international expansion. The decrease in Adjusted EBITDA margin was mainly related to 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, restructuring and other various costs mainly included litigation fees (refer to page 19) and costs related to the integration of our recent acquisitions.

Research and Development, Support and Information Technology

Since the beginning of Fiscal 2018, demand for the Corporation's SVOD and B2C services increased significantly. In order to keep pace with increased customer and consumer demand, the Corporation grew its SVOD and B2C development team and concentrated research and development efforts on important SVOD and B2C capital projects. As a result of these new projects and their anticipated future benefits, the Corporation began to capitalize the qualified development costs and amortize them over their estimated useful life, in accordance with IFRS guidelines. Accordingly, for Q3 2018 the Corporation capitalized a total of $0.8 million of its development costs, net of $0.1 million of related R&D tax credits, compared to nil for Q3 2017.

Net Finance Expense (Income)

Net finance expense increased to $1.7 million from nil in Q3 2017. The increase was mainly related to negative change in fair value of contingent consideration and lower foreign exchange gain.

Change in fair value of investments

In Q3 2018, a gain on fair value of $0.1 million was recorded compared to $0.6 million in Q3 2017. The gain is related to the translation of investments denominated in U.S. dollars to Canadian dollars.

Income Taxes

The income taxes expense increased to $0.8 million for Q3 2018 from $0.7 million in Q3 2017. The effective tax rate for Q3 2018 was 53.5% compared to 21.0% for Q3 2017. The increase in the effective tax rate is mainly due to the relative importance of non-recoverable withholding taxes recorded as income taxes compared to net income before income taxes.

On December 22, 2017, the U.S. federal government enacted the Tax Cuts and Jobs Act ("Act"). The combined US federal and state corporate income tax rate of the Company's U.S. subsidiary should be approximatively 25% effective January 1, 2018, compared to approximately 39% until December 31, 2017. Management expects that the change in the tax rate should not result in a one-off non-cash material tax benefit or expense in the statement of income for the taxation year ended March 31, 2018, since the Company's U.S. subsidiary doesn't have significant deferred tax assets or liabilities. Management is currently evaluating whether there are other impacts from the Act to consider.

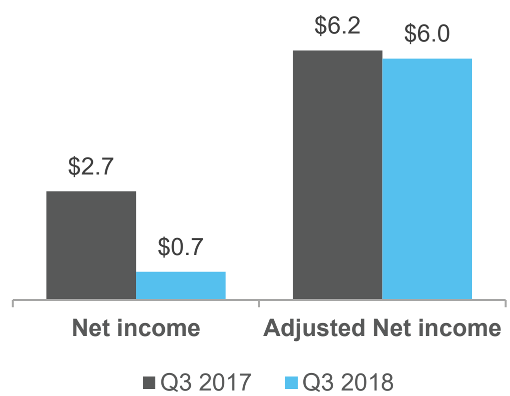
Net income and net income per share

Net income in Q3 2018 was $0.7 million ($0.01 per share) compared to $2.7 million ($0.05 per share) in Q3 2017. The decrease was mainly attributable to the negative change in fair value of contingent consideration as well as higher legal fees and amortization expense of intangible assets, partially offset by higher operating results.

Adjusted Net income and Adjusted Net income per share

Adjusted Net Income in Q3 2018 was $6.0 million ($0.11 per share), compared to $6.2 million ($0.12 per share) in Q3 2017, as higher finance expense and income net tax expense were offset by higher Adjusted EBITDA. The larger number of shares outstanding following the equity issue in October 2017 impacted earnings per share.

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



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

Quarterly results

Revenues increased over the last eight quarters from $25.7 million in the fourth quarter of Fiscal 2016 to $34.2 million in the third quarter of Fiscal 2018. The increase was mainly attributable to the successful integration of acquisitions and organic growth including 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 $8.2 million in the fourth quarter of Fiscal 2016 to $11.2 million in the third quarter of Fiscal 2018. The increase was mainly attributable to the successful integration of acquisitions and organic growth including 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 fourth quarter of Fiscal 2016 to $0.7 million in the third 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. In Q3 2018, the net income was mainly attributable to higher operating results and lower legal fees, partially offset by the negative change in fair value of contingent consideration and higher amortization expense of intangible assets compared to Q2 2018.

Summary of Consolidated Quarterly Results

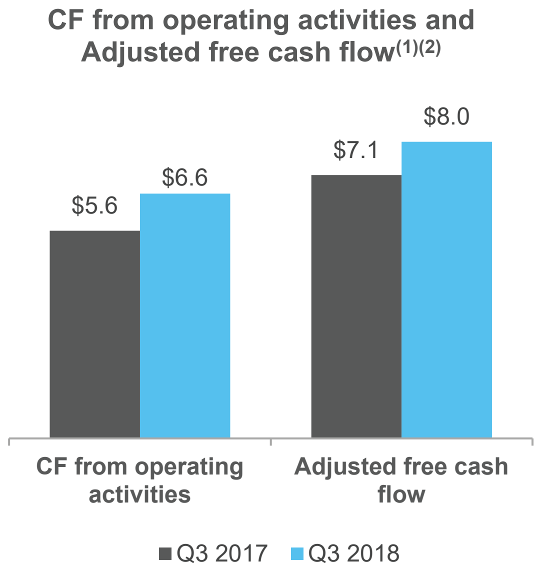
	Three-month period ended							
(in thousands of Canadian dollars, except per share amounts)	Dec. 31, 2017	Sept. 30, 2017	June 30, 2017	March 31, 2017	Dec. 31, 2016	Sept. 30, 2016	June 30, 2016	March 31, 2016
	Fiscal 2018	Fiscal 2018	Fiscal 2018	Fiscal 2017	Fiscal 2017	Fiscal 2017	Fiscal 2017	Fiscal 2016
Revenues by category								
Music Broadcasting	23,781	21,751	21,824	19,708	19,295	18,009	17,888	19,425
Commercial Music	10,377	8,828	7,354	6,794	6,630	6,518	6,659	6,233
Total revenues	**34,158**	**30,579**	**29,178**	**26,502**	**25,925**	**24,527**	**24,547**	**25,658**
Revenues by geography								
Canada	16,201	14,819	14,527	14,000	14,004	14,045	14,077	13,500
International[(1)]	17,957	15,760	14,651	12,502	11,921	10,482	10,470	12,158
Total revenues	**34,158**	**30,579**	**29,178**	**26,502**	**25,925**	**24,527**	**24,547**	**25,658**
Recurring revenues	27,971	26,175	25,010	22,683	21,944	21,584	21,401	21,860
Recurring revenues as a percentage of total revenues	81.9%	85.6%	85.7%	85.6%	84.6%	88.0%	87.2%	83.7%
Adjusted EBITDA	**11,151**	**9,452**	**9,169**	**9,046**	**8,717**	**8,220**	**7,881**	**8,219**
Net income (loss)	**737**	**(3,395)**	**280**	**4,608**	**2,660**	**1,405**	**2,044**	**3,247**
Net income (loss) per share basic	0.01	(0.07)	0.01	0.09	0.05	0.03	0.04	0.06
Net income (loss) per share diluted	0.01	(0.07)	0.01	0.09	0.05	0.03	0.04	0.06
Adjusted Net income	**6,016**	**5,407**	**5,703**	**10,534**	**6,164**	**5,405**	**5,207**	**7,135**
Adjusted Net income per share basic	0.11	0.10	0.11	0.21	0.12	0.11	0.10	0.14
Adjusted Net income per share diluted	0.11	0.10	0.11	0.20	0.12	0.10	0.10	0.14

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

Reconciliation of Quarterly Non-IFRS Measures

(in thousands of Canadian dollars)	Three-month periods ended Dec. 31, 2017 Fiscal 2018	Sept. 30, 2017 Fiscal 2018	June 30, 2017 Fiscal 2018	March 31, 2017 Fiscal 2017	Dec. 31, 2016 Fiscal 2017	Sept. 30, 2016 Fiscal 2017	June 30, 2016 Fiscal 2017	March 31, 2016 Fiscal 2016
Net income (loss)	**737**	**(3,395)**	**280**	**4,608**	**2,660**	**1,405**	**2,044**	**3,247**
Net finance expense (income)	1,746	1,269	537	1,006	9	373	648	836
Change in fair value of investments	(110)	697	434	334	(583)	(250)	91	1,113
Income taxes (recovery)	849	(941)	464	(5,201)	706	487	412	(1,428)
Depreciation and write-off of property and equipment	704	718	621	724	574	546	574	594
Amortization of intangible assets	4,582	4,508	4,541	3,895	3,686	3,982	3,187	2,624
Share-based compensation	346	312	194	372	372	298	290	390
Restricted, performance and deferred share unit expenses	422	709	313	688	550	444	326	319
IPO expenses and CRTC tangible benefits	–	–	–	–	–	–	–	21
Acquisition, legal fees, restructuring and other various costs	1,875	5,575	1,785	2,620	743	935	309	503
Adjusted EBITDA	**11,151**	**9,452**	**9,169**	**9,046**	**8,717**	**8,220**	**7,881**	**8,219**
Net finance expense (income)	(1,746)	(1,269)	(537)	(1,006)	(9)	(373)	(648)	(836)
Income taxes (recovery)	(849)	941	(464)	5,201	(706)	(487)	(412)	1,428
Depreciation and write-off of property and equipment	(704)	(718)	(621)	(724)	(574)	(546)	(574)	(594)
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	(1,836)	(2,999)	(1,844)	(1,983)	(1,264)	(1,409)	(1,040)	(1,082)
Adjusted Net income	**6,016**	**5,407**	**5,703**	**10,534**	**6,164**	**5,405**	**5,207**	**7,135**

LIQUIDITY AND CAPITAL RESOURCES
FOR THE THREE-MONTH PERIODS ENDED DECEMBER 31, 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 $6.6 million for Q3 2018 compared to $5.6 million for Q3 2017. The increase was mainly due to higher operating results and lower income tax paid, partially offset by higher music programming, cost of services and content, and general and administrative expenses.

Adjusted free cash flow

Adjusted free cash flow generated in Q3 2018 amounted to $8.0 million compared to $7.1 million in Q3 2017. The increase was mainly related to higher adjusted EBITDA and lower income tax paid, partially offset by higher capital expenditures.

Financing Activities

Net cash flow used in financing activities amounted to $0.7 million for Q3 2018 compared to net cash flow generated by financing activities of $3.1 million for Q3 2017. The net change of $3.8 million in cash flow was mainly attributable to the decrease of the revolving facility and the higher payments of dividend, largely offset by the net proceeds from the equity financing.

Investing Activities

Net cash flow used in investing activities amounted to $3.5 million for Q3 2018 compared to $8.3 million for Q3 2017. The net change of $4.8 million was primarily due to lower deposit on acquisition of intangible assets, partially offset by higher capital expenditures.

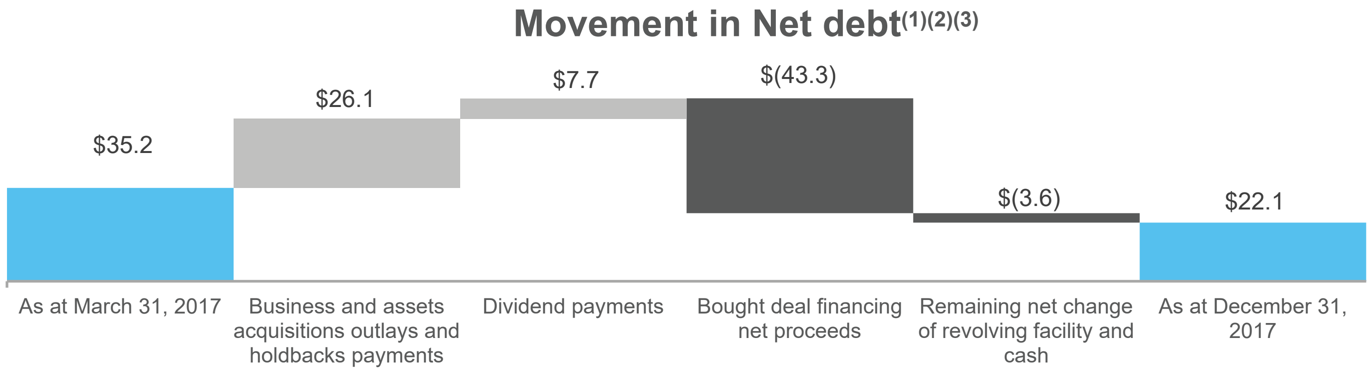
Contractual Obligations

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

Operating lease

On October 27, 2016, the Corporation signed a lease agreement for the renewal of its lease and to add additional space in the new building located at 99 Prince, Montreal. The termination date is June 30, 2022, with a possibility of extension. As at December 31, 2017, the estimated remaining commitment under the terms of the operating lease for the premises amounts to $6.7 million.

The following table summarizes the impact on the Net debt that occurred in the nine-month period ended December 31, 2017 including related ratios:



33.9	12-Month Trailing Adjusted EBITDA[(1)(2)(3)]	38.8
1.04	Net debt to Adjusted EBITDA[(1)(2)(3)]	0.57

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

CONSOLIDATED FINANCIAL POSITION

The following table shows the main variances that have occurred in the consolidated financial position of the Corporation for the nine-month period ending December 31, 2017:

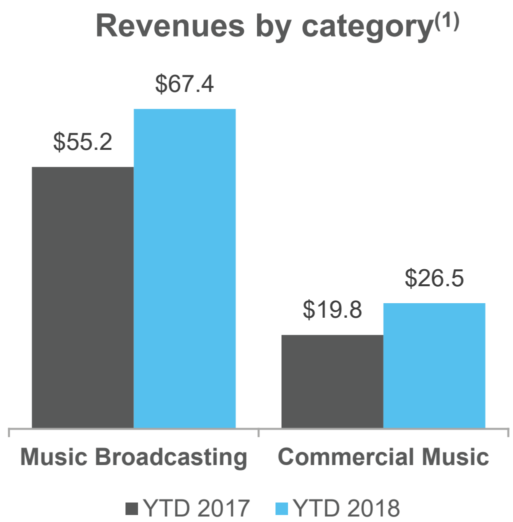
(in thousands of Canadian dollars)	Dec. 31, 2017	March 31, 2017	Variance		Significant contributions
Trade and other receivables	$32,124	$27,073	$5,051	▲	Receivables from acquisitions and additional sales in Broadcast Music in the U.S. and Commercial Music in Canada.
Intangible assets	$58,030	$49,519	$8,511	▲	Recognition of intangibles via acquisitions offset by amortization in the current period.
Goodwill	$95,205	$68,725	$26,480	▲	Goodwill related to the acquisitions of Qello Concerts, SMA, Yokee Music, Classica, SBA and C Music.
Accounts payable and accrued liabilities	$31,776	$29,773	$2,003	▲	Payables from acquisitions and timing of payments to suppliers.
Revolving facility	$26,633	$41,040	$(14,407)	▼	Bought deal financing net proceeds, partially offset by 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	$39,761	$18,801	$20,960	▲	Recognition of Qello Concerts, Yokee Music and C Music contingent consideration offset by the payment of Digital Music Distribution Pty Ltd. (DMD).

FINANCIAL RESULTS
FOR THE NINE-MONTH PERIODS ENDED DECEMBER 31, 2017 AND 2016

Revenues

Revenues for the nine-month period ended December 31, 2017 ("YTD 2018") increased to $93.9 million or 25.2%, from $75.0 million for the corresponding period of the previous fiscal year ("YTD 2017"). The increase in revenues was primarily due to business acquisitions combined with significant organic growth.

Trends by Revenues Categories were as follow:



Note:
(1) In millions of Canadian dollars.

Music Broadcasting

The most significant contributors to the increase of 22.0% or $12.2 million from YTD 2017 in Music Broadcasting revenues were as follows (arrows reflect the impact):

▲ Acquisition of Yokee Music and Classica.

▲ Organic growth in the U.S. market, primarily related to SVOD.

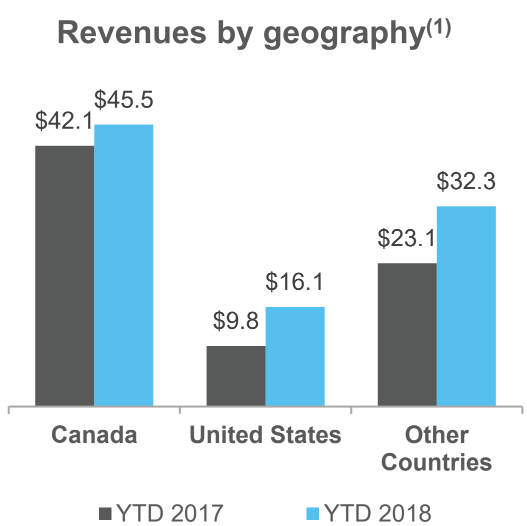
Commercial Music

The most significant contributors to the increase of 34.1% or $6.7 million from YTD 2017 in Commercial Music revenues were as follows (arrows reflect the impact):

▲ Organic growth in sales of equipment and installation related to digital signage.

▲ Acquisition of SMA and SBA.

Trends by Revenues by Geographic Region:



Note:
(1) In millions of Canadian dollars.

Canada

The most significant contributors to the increase of 8.1% or $3.4 million from YTD 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 64.9% or $6.3 million from YTD 2017 in U.S. revenues were as follows (arrows reflect the impact):

▲ Acquisition of Yokee Music and organic growth related to SVOD.

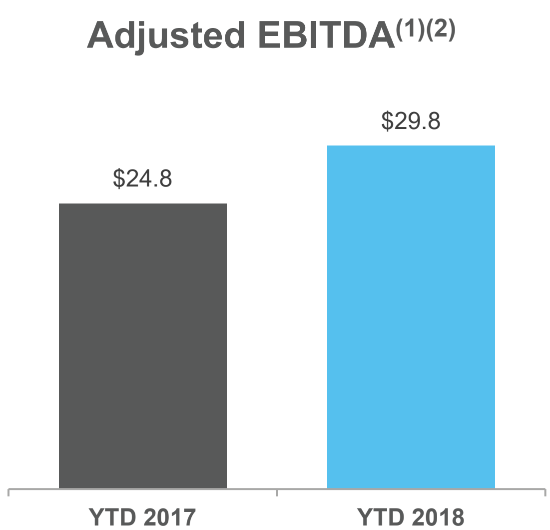
Other Countries

The most significant contributors to the increase of 39.6% or $9.2 million from YTD 2017 in Other Countries revenues were as follows (arrows reflect the impact):

▲ Acquisitions of Classica, Yokee Music, SMA and SBA.

Operating Expenses

(in thousands of Canadian dollars)	YTD 2018 % of revenues	YTD 2017 % of revenues	Variance YTD			Significant contributions to variance:
Music programming, cost of services and content	$33,674 35.9%	$26,145 34.9%	$7,529	28.8%	▲	Primarily due to costs related to equipment and installation sales and to acquisitions.
Selling and marketing	$10,875 11.6%	$9,036 12.0%	$1,839	20.4%	▲	Primarily due to additional employees to support growth and incremental selling costs from recent acquisitions.
Research and development, support and information technology	$8,508 9.1%	$6,636 8.8%	$1,872	28.2%	▲	Primarily due to IT costs related to Yokee Music and additional staff to support new technologies and growth, partially offset by capitalised costs related to internally developed intangible assets (refer to page 17).
General and administrative	$22,617 24.1%	$12,631 16.8%	$9,986	79.1%	▲	Primarily due to higher legal fees, additional staff to support international expansion and administrative costs related to recent acquisitions.
Depreciation, amortization and write-off	$15,674 16.7%	$12,549 16.7%	$3,125	24.9%	▲	Primarily due to the addition of intangible assets related to acquisitions.



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

Adjusted EBITDA for YTD 2018 increased to $29.8 million or 20.0%, from $24.8 million for YTD 2017. Adjusted EBITDA margin was 31.7% for YTD 2018 compared to 33.1% for YTD 2017. The increase in Adjusted EBITDA was primarily due to the acquisitions realized in Fiscal 2017 and Fiscal 2018, to the organic growth, and to the higher internally developed intangible assets capitalized, 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, restructuring and other various costs mainly included litigation fees (refer to page 19) and costs related to the integration of our recent acquisitions.

Research and Development, Support and Information Technology

For YTD 2018, demand for the Corporation's SVOD and B2C services increased significantly. In order to keep pace with increased customer and consumer demand, the Corporation grew its SVOD and B2C development team and concentrated research and development efforts on important SVOD and B2C capital projects. As a result of these new projects and their anticipated future benefits, the Corporation began to capitalize the qualified development costs and amortize them over their estimated useful life, in accordance with IFRS guidelines. Accordingly, for YTD 2018 the Corporation capitalized a total of $0.8 million of its development costs, net of $0.1 million of related R&D tax credits, compared to nil for YTD 2017.

Net Finance Expense (Income)

Finance expenses increased to $3.6 million from $1.0 million for YTD 2017. The increase was mainly related to negative change in fair value of contingent consideration.

Change in fair value of investments

For YTD 2018, a loss of $1.0 million was recorded compared to a gain of $0.7 million for YTD 2017. The loss is related to the translation of the investments denominated in U.S. dollars to Canadian dollars.

Income Taxes

The income tax expense was $0.4 million for YTD 2018 compared with $1.6 million for YTD 2017. The effective tax rate was (18.6)% for YTD 2018 compared with 20.8% for YTD 2017. The decrease in the effective tax rate is mainly due to the variation in the permanent differences.

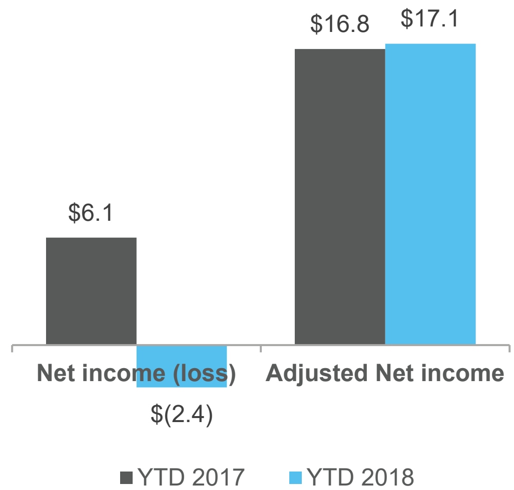
Net income (loss) and net income (loss) per share

For YTD 2018, a net loss of $2.4 million ($(0.04) per share) was recorded compared to a net income of $6.1 million for YTD 2017 ($0.12 per share). The decrease was mainly attributable to higher legal fees and amortization expense of intangible assets as well as the negative change in fair value of investments and contingent consideration, partially offset by higher operating results and lower income tax expense. 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

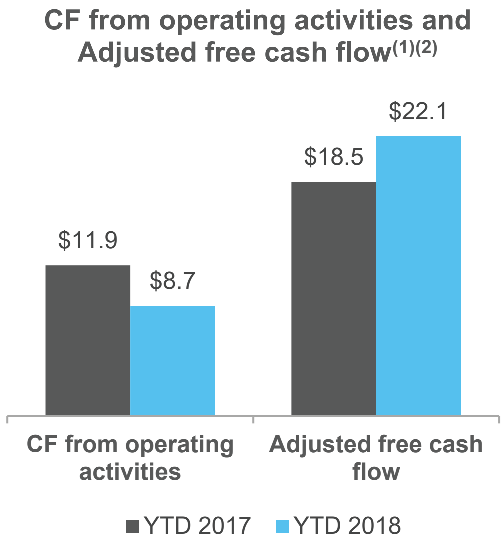
Adjusted Net income for YTD 2018 increased to $17.1 million ($0.32 per share) from $16.8 million ($0.33 per share) for YTD 2017. The increase was primarily due to higher Adjusted EBITDA partially offset by higher net finance and tax expenses.

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 NINE-MONTH PERIODS ENDED DECEMBER 31, 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 $8.7 million for YTD 2018 compared to $11.9 million for YTD 2017. The decrease was primarily due to the negative net change in working cash capital items associated with higher trade receivables and other current assets, as well as the increase in general and administrative expenses due to the recent acquisitions and organic growth. The 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 $22.1 million compared to $18.5 million for YTD 2017. The increase was mainly related to higher adjusted EBITDA and lower income taxes paid, partially offset by higher capital expenditures.

Financing Activities

Net cash flow generated from financing activities amounted to $16.1 million for YTD 2018 compared to $3.2 million for YTD 2017. The net change of $12.9 million in cash flow was mainly attributable to the net proceeds from the equity financing, partially offset by the decrease of the revolving facility, higher repayment of other payables and higher dividend payments.

Investing Activities

Net cash flow used in investing activities amounted to $26.2 million for YTD 2018 compared to $15.3 million for YTD 2017. The net change of $10.9 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. On December 12, 2017, the Court granted the Corporation's motion to stay, staying the litigation pending resolution of the IPRs, and dismissed without prejudice Stingray's motion for judgment on the pleadings.

Stingray v. Music Choice

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

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

SOCAN and Re:Sound legal proceedings

From May 2, 2017 until May 10, 2017, the Corporation, together with its Canadian Broadcast Distribution Undertaking customers (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 certain other key employees of the Corporation.

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

(in thousands of Canadian dollars)	Three-month period ended December 31, 2017 **Q3 2018**	Three-month period ended December 31, 2016 **Q3 2017**	Nine-month period ended December 31, 2017 **YTD 2018**	Nine-month period ended December 31, 2016 **YTD 2017**
Short-term employee benefits	1,014	768	3,162	2,439
Share-based compensation	258	219	650	586
Restricted and performance share units	133	192	362	284
Deferred share units	97	126	648	465
	1,502	**1,305**	**4,822**	**3,774**

Off-Balance Sheet Arrangements

The Corporation had no off-balance sheet arrangements, other than operating leases (which have been discussed under "Contractual Obligations"), that have, or are reasonably likely to have, a current or future material effect on its consolidated financial position, financial performance, liquidity, capital expenditures or capital resources.

Disclosure of Outstanding Share Data

Issued and outstanding shares and outstanding stock options consisted of:

	February 7, 2018	December 31, 2017
Issued and outstanding shares:		
Subordinate voting shares	39,604,740	39,599,040
Subordinate voting shares held in trust through employee share purchase program	(3,885)	(1,839)
Variable Subordinate voting shares	382,739	388,439
Multiple voting shares	16,294,285	16,294,285
	56,277,879	56,279,925
Outstanding stock options:		
Stock options	1,995,228	1,995,228

The Corporation has established a stock option plan to attract and retain employees, directors, officers and consultants. The plan provides for the granting of options to purchase subordinate voting shares. Under this plan, 2,500,000 subordinate voting shares have been reserved for issuance. In the third quarter of 2018, 21,052 options were exercised.

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 46 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 February 8, 2018, did not include the controls or procedures of the operations of Classica GmbH, 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

Dividend

The Corporation's dividend policy is at the discretion of the Board of Directors and may vary depending upon, among other things, our available cash flow, results of operations, financial condition, business growth opportunities and other factors that the Board of Directors may deem relevant.

On February 7, 2018, the Corporation declared a dividend of $0.055 per subordinate voting share, variable subordinate voting share and multiple voting share that will be payable on or around March 15, 2018 to shareholders on record as of February 28, 2018.

Additional Information

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

stingray.com