Stingray Digital Group Inc.
Form 51-102F4
Business Acquisition Report

Item 1 Identity of Company

1.1 Name and Address of Company

Stingray Digital Group Inc. ("Stingray")
730 Wellington Street
Montréal, Québec
H3C 1T4

1.2 Executive Officer

The following executive officer of Stingray is knowledgeable about the significant acquisition and this business acquisition report:

Jean-Pierre Trahan
Chief Financial Officer
514.664.1244 ext. 2290

Item 2 Details of Acquisition

2.1 Nature of Business Acquired

On October 26, 2018, Stingray and 10643432 Canada Inc. ("Acquisitionco"), a wholly-owned subsidiary of Stingray, completed the acquisition (the "Acquisition") of Newfoundland Capital Corporation Limited ("NCC") pursuant to an arrangement agreement entered into on May 2, 2018 between Stingray, Acquisitionco and NCC whereby Stingray and Acquisitionco directly or indirectly acquired all of the (i) Class A subordinate voting shares of NCC and (ii) Class B common shares of NCC pursuant to a plan of arrangement under the *Canada Business Corporations Act*. The shareholders of NCC are entitled to receive (i) approximately 0.15371 of a Subordinate Voting Share (or Variable Subordinate Voting Share, as applicable) of Stingray; and (ii) approximately $13.17 in cash for each NCC Share held, based on the total number of NCC Shares outstanding on the closing date of the Acquisition. In addition, Stingray assumed the net debt of NCC, which represented approximately $100.4 million as at October 25, 2018. Total consideration paid for the Acquisition amounts to approximately $494.4 million.

The Toronto Stock Exchange confirmed the delisting of the NCC Shares effective as of the close of markets on October 29, 2018 and NCC is expected to cease to be a reporting issuer in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia, Newfoundland and Labrador.

NCC operates in the radio broadcasting industry and broadcasts in a variety of formats based on knowledge of each market's needs. NCC owns Newcap Inc. which operates under the name "Newcap Radio", one of Canada's leading radio broadcasters with 101 licences across Canada. NCC reaches millions of listeners each week through a variety of formats and is a recognized industry leader in radio programming, sales and networking. NCC has 82 FM and 19 AM licences spanning the country, with concentrations in Alberta (30 radio stations) and in Newfoundland and Labrador (12 radio stations). NCC holds the second largest number of commercial radio licences in Canada. It is headquartered in Dartmouth, Nova Scotia and employs approximately 800 radio professionals, nationwide.

2.2 Date of Acquisition

October 26, 2018

2.3 Consideration

The consideration for the Acquisition was $14.75 per NCC share, representing a total consideration of approximately $494.4 million.

The NCC shareholders received and aggregate of 3,887,826 Subordinate Voting Shares and Variable Subordinate Voting Shares of Stingray, equivalent to approximately $40.0 million.

The cash element of the total consideration for the Acquisition amounted to approximately $454.4 million and was funded through a combination of the following:

- $450.0 million credit facilities, which were obtained from a banking syndicate pursuant to a seventh amended and restated credit agreement dated as of August 21, 2018;
- approximately $83.0 million gross proceeds (net proceeds of approximately $79.7 million) from the issuance of 7,981,000 subscription receipts (the "Public Subscription Receipts") sold through a public offering, on a bought deal basis, at a price of $10.40 per Public Subscription Receipt;
- approximately $40.0 million gross proceeds (net proceeds of approximately $38.4 million) from the issuance of 3,846,100 subscription receipts (the "Private Placement Subscription Receipts") sold through a private placement, on a bought deal basis, at a price of $10.40 per Private Placement Subscription Receipt;
- approximately $15.1 million from the issuance of 1,452,850 subscription receipts (the "Pre-emptive Subscription Receipts") sold through the exercise by some shareholders of subscription rights attached to the Multiple Voting Shares of Stingray at a price of $10.40 per Pre-emptive Subscription Receipt; and
- approximately $2.0 million from the issuance of 194,363 Multiple Voting Shares of Stingray (the "Pre-emptive Multiple Voting Shares") sold through the exercise by some shareholders of subscription rights attached to the Multiple Voting Shares of Stingray at a price of $10.29 per Pre-emptive Multiple Voting Share.

2.4 Effect on Financial Position

The acquisition of NCC would have increased Stingray's sales by approximately 133.8% to approximately $296.8 million on a *pro forma* basis for the year ended March 31, 2018. Stingray believes the Acquisition represents a unique and strategic acquisition opportunity, as NCC operates one of Canada's leading radio broadcasters, "Newcap Radio", which holds 101 terrestrial radio licences across seven provinces. Stingray believes that "Newcap Radio", as well as NCC's other radio broadcasting industry assets, will complement Stingray's current position as a leading B2B multi-platform music and in-store media solutions provider, expanding its high-quality music and video content platforms, currently consisting of digital cable TV, satellite TV, IPTV, the Internet, mobile devices and game consoles, to include radio broadcasting. In addition, with 72 NCC radio stations available through online and mobile applications, the Acquisition will allow Stingray to further strengthen its high quality online and mobile music broadcasting platform.

See the unaudited *pro forma* condensed consolidated financial statements of Stingray as well as the notes thereto, included in Schedule A hereto, for information on the effect of the Acquisition on Stingray's financial position.

The financing which was put in place in order to complete the Acquisition had an impact on the debt ratios of Stingray. Thus, Stingray will put in place strategies that will enable it to reduce its debt ratios in order to regain its financial flexibility and maintain the quality of its credit profile.

2.5 Prior Valuations

Not applicable.

2.6 Parties to Transaction

Other than the persons referred to in Section 2.1 hereof, no informed person, associate or affiliate of Stingray, as those terms are defined under applicable securities legislation, was party to the Acquisition.

2.7 Date of Report

November 6, 2018

Item 3 Financial Statements

The following financial statements (filed on SEDAR under NCC's profile www.sedar.com) are incorporated herein by reference as part of this business acquisition report:

a) The audited consolidated financial statements of NCC for the year ended December 31, 2017 (comprising the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years then ended), together with the notes thereto and the independent auditors' report thereon; and
b) The unaudited interim consolidated financial statements of NCC for the three- and six-month period ended June 30, 2018, together with the notes thereto.

The following financial information included in Schedule A hereto forms part of this business acquisition report:

a) The unaudited *pro forma* condensed consolidated financial statements of Stingray, consisting of *pro forma* consolidated statements of financial position as at June 30, 2018, *pro forma* consolidated statements of comprehensive income for the three-month period ended June 30, 2018, and *pro forma* consolidated statements of comprehensive income for the year ended March 31, 2018, together with the notes thereto.

Caution Regarding Forward-looking Information

This business acquisition report contains forward-looking information within the meaning of applicable Canadian securities laws. All statements other than statements of historical facts included in this business acquisition report, including statements regarding the prospects, plans, financial position and business strategy of Stingray may constitute forward-looking information within the meaning of applicable Canadian securities laws. 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 include 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 Stingray’s Annual Information Form for the year ended March 31, 2018 available on SEDAR. In addition, these risk factors include, but are not limited to: the possible failure to successfully integrate NCC with Stingray’s business, loss of certain key personnel of NCC, increased indebtedness, the assumption of unknown liabilities associated with the Acquisition, the assumption of pension and other employee benefit obligations from NCC, and the information provided by NCC not being accurate or complete.

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 business acquisition report. Such assumptions include, but are not limited to, the following: Stingray’s ability to generate sufficient revenue while controlling its costs and expenses; Stingray’s ability to manage its growth effectively; the absence of material adverse changes in Stingray’s industry or the global economy; trends in Stingray’s industry and markets; the absence of any changes in law, administrative policy or regulatory requirements applicable to Stingray’s business, including any change to its 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; Stingray’s ability to manage risks related to international expansion; Stingray’s ability to maintain good business relationships with its clients, agents and partners; Stingray’s ability to expand its sales and distribution infrastructure and its marketing; Stingray’s 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; Stingray’s ability to protect its technology and intellectual property rights; Stingray’s ability to manage and integrate acquisitions; Stingray’s ability to retain key personnel; and Stingray’s ability to raise sufficient debt or equity financing to support its business growth. Risks and uncertainties inherent to the nature of the Acquisition include, without limitation, the failure to realize the expected benefits of the Acquisition and general economic conditions. There can be no assurance that the anticipated strategic benefits and operational, competitive and cost synergies resulting from the Acquisition will be realized. If these assumptions are inaccurate, Stingray’s or the combined entity’s actual results could differ materially from those expressed or implied in such forward-looking statements. Accordingly, readers are cautioned not to place undue reliance on such statements.

All of the forward-looking information in this business acquisition report is qualified by these cautionary statements. Statements containing forward-looking information contained herein are made only as of the date of this business acquisition report. Stingray expressly disclaims any obligation to update or alter statements containing any forward-looking information, or the factors or assumptions underlying them, whether as a result of new information, future events or otherwise, except as required by law.

Pro Forma Financial Statements

The unaudited *pro forma* condensed consolidated financial statements of Stingray are attached as Schedule A to this business acquisition report. Such unaudited *pro forma* condensed consolidated financial statements have been prepared using certain of Stingray's condensed consolidated financial statements as well as certain of NCC's consolidated financial statements as more particularly described in the notes to such unaudited *pro forma* condensed consolidated financial statements. In preparing such unaudited *pro forma* condensed consolidated financial statements, Stingray has had limited access to the books and records of NCC and is not in a position to independently assess or verify the information provided by NCC, including NCC's consolidated financial statements that were used to prepare the unaudited *pro forma* condensed consolidated financial statements. Such financial statements are not intended to be indicative of the results that would actually have occurred, or the results expected in future periods, had the events reflected therein occurred on the dates indicated. Actual results may differ from those presented in the unaudited *pro forma* condensed consolidated financial statements. In preparing such financial statements, no adjustments have been made to reflect operating synergies, revenue opportunities and cost savings that could result from the operations of the combined company. The unaudited *pro forma* condensed consolidated financial statements exclude acquisition costs. Since such financial statements have been developed to retroactively show the effect of transactions that have occurred at a later date (even though this was accomplished by following generally accepted practice using reasonable assumptions), there are limitations inherent in the very nature of *pro forma* financial statements. The information contained in the unaudited *pro forma* condensed consolidated financial statements is therefore subject to the limitations and the disclaimers set forth in the notes to such financial statements. Undue reliance should not be placed on such information. The unaudited *pro forma* condensed consolidated financial statements should be read in conjunction with the notes accompanying such financial statements.

Schedule A

Unaudited *Pro Forma* Condensed Consolidated Financial Statements of Stingray Digital Group Inc.

Stingray Digital Group Inc.

Pro Forma Consolidated Statements of Financial Position
As at June 30, 2018
(Unaudited)
(In thousands of Canadian dollars)

	Stingray Digital Group Inc.	Newfoundland Capital Corporation Limited	Pro Forma Adjustments	Note	Stingray Digital Group Inc. Pro Forma
Assets					
Current assets					
Cash and cash equivalents	$ 4,324	$ -	$ -	3 o)	$ 4,324
Restricted cash	134,994	-	(134,994)	3 a) b) c)	-
Trade and other receivables	35,306	34,046	-		69,352
Research and development tax credits	849	-	-		849
Income tax receivable	1,511	-	1,439	3 h)	2,950
Inventories	2,164	-	-		2,164
Other current assets	8,736	1,478	(2,460)	3 a) b) c)	7,754
	187,884	35,524	(136,015)		87,393
Non-current assets					
Property and equipment	12,564	43,982	8,915	3 h)	65,461
Intangible assets, excluding broadcast licences	59,943	-	-		59,943
Broadcast licences	-	258,285	187,281	3 h)	445,566
Goodwill	97,914	20,015	76,059	3 h)	193,988
Investments	16,930	-	-		16,930
Investment in an associate	1,250	-	-		1,250
Investment in joint venture	846	-	-		846
Other non-current assets	925	2,111	-		3,036
Deferred tax assets	11,380	1,881	7,632	3 a) b) m)	20,893
Total assets	$ 389,636	$ 361,798	$ 143,872		$ 895,306
Liabilities and Equity					
Current liabilities					
Bank indebtedness	$ -	$ 1,709	$ (1,709)	3 h)	$ -
Accounts payable and accrued liabilities	36,836	19,413	-		56,249
Liabilities for subscription receipts	138,111	-	(138,111)	3 a) b) c)	-
Deferred revenues	1,362	-	-		1,362
Current portion of other payables	18,957	-	-		18,957
Current portion of long-term debt	-	102,787	(102,787)	3 h)	-
Income taxes payable	2,422	657	-		3,079
	197,688	124,566	(242,607)		79,647
Non-current liabilities					
Revolving facility	47,881	-	134,607	3 e)	182,488
Term loan	-	-	148,861	3 f)	148,861
Subordinated debt	-	-	49,476	3 g)	49,476
Other payables	11,570	-	21,891	3 m)	33,461
Other liabilities	-	11,735	-		11,735
Deferred tax liabilities	4,012	52,950	50,811	3 h)	107,773
Total liabilities	261,151	189,251	163,039		613,441
Shareholders' equity					
Share capital	146,402	32,630	142,749	3 a) b) c) d)	321,781
Contributed surplus	4,018	2,905	(2,905)		4,018
Deficit	(21,320)	137,266	(159,265)	3 h) m)	(43,319)
Accumulated other comprehensive income (loss)	(615)	(254)	254		(615)
Total equity	128,485	172,547	(19,167)		281,865
Total liabilities and equity	$ 389,636	$ 361,798	$ 143,872		$ 895,306

Stingray Digital Group Inc.

Pro Forma Consolidated Statements of Comprehensive Income
For the three month period ended June 30, 2018
(Unaudited)
(In thousands of Canadian dollars, except per share amounts)

	Stingray Digital Group Inc.	Newfoundland Capital Corporation Limited	Reclassifications	Pro Forma Adjustments	Note	Stingray Digital Group Inc. Pro Forma
Revenues	$ 34,456	$ 43,475	$ -	$ -		$ 77,931
Music programming, cost of services and content	13,212	-	(13,212)	-		-
Selling and marketing	3,428	-	(3,428)	-		-
Research and development, support and information technology	2,461	-	(2,461)	-		-
General and administrative	6,340	-	(6,340)	-		-
Operation costs	-	28,924	25,441	-		54,365
Depreciation, amortization and write-off	5,756	1,224	-	74	3 k)	7,054
Net finance (income) expense	1,921	-	1,177	3,452	3 l)	6,550
Accretion of other liabilities	-	57	(57)	-		-
Interest expenses	-	1,120	(1,120)	-		-
Change in fair value of investments	(497)	-	-	-		(497)
Business acquisition, integration, disposal and other (expense) income	-	1,257	-	-		1,257
Income before income taxes	1,835	10,893	-	(3,526)		9,202
Income taxes	489	3,158	-	(929)	3 l)	2,718
Net income	$ 1,346	$ 7,735	$ -	$ (2,597)		$ 6,484
Net income per share – Basic	0.02					0.09
Net income per share – Diluted	0.02					0.09
Weighted average number of shares – Basic	56,315,610			17,362,139	3 n)	73,677,749
Weighted average number of shares – Diluted	56,977,663			17,362,139	3 n)	74,339,802
Comprehensive income						
Net income	$ 1,346	$ 7,735	$ -	$ (2,597)		$ 6,484
Other comprehensive income						
Items that may be reclassified to profit and loss						
Exchange differences on translation of foreign operations	(1,979)	-	-	-		(1,979)
Total other comprehensive loss	(1,979)	-	-	-		(1,979)
Total comprehensive income	$ (633)	$ 7,735	$ -	$ (2,597)		$ 4,505

Stingray Digital Group Inc.

Pro Forma Consolidated Statements of Comprehensive Income
For the year ended March 31, 2018
(Unaudited)
(In thousands of Canadian dollars, except per share amounts)

	Stingray Digital Group Inc.	Newfoundland Capital Corporation Limited	Reclassifications	Pro Forma Adjustments	Note	Stingray Digital Group Inc. Pro Forma
Revenues	$ 126,953	$ 169,814	$ -	$ -		$ 296,767
Music programming, cost of services and content	44,227	-	(44,227)	-		-
Selling and marketing	14,705	-	(14,705)	-		-
Research and development, support and information technology	10,647	-	(10,647)	-		-
General and administrative	30,030	-	(30,030)	-		-
Operation costs	-	117,252	99,609	-		216,861
Depreciation, amortization and write-off	21,287	4,811	-	297	3 k)	26,395
Net finance (income) expense	3,174	-	4,605	12,543	3 j)	20,322
Accretion of other liabilities	-	245	(245)	-		-
Interest expenses	-	4,360	(4,360)	-		-
Impairment charge	-	5,500	-	-		5,500
Change in fair value of investments	600	-	-	-		600
Business acquisition, integration, disposal and other (expense) income	-	124	-	-		124
Income before income taxes	2,283	37,522	-	(12,840)		26,965
Income taxes (recovery)	(13)	10,475	-	(3,377)	3 l)	7,085
Net income	$ 2,296	$ 27,047	$ -	$ (9,463)		$ 19,880
Net income per share – Basic	0.04					0.28
Net income per share – Diluted	0.04					0.28
Weighted average number of shares – Basic	53,455,073			17,362,139	3 n)	70,817,212
Weighted average number of shares – Diluted	54,080,184			17,362,139	3 n)	71,442,323
Comprehensive income						
Net income	$ 2,296	$ 27,047	$ -	$ (9,463)		$ 19,880
Other comprehensive income						
Items that may be reclassified to profit and loss						
Exchange differences on translation of foreign operations	1,640	-	-	-		1,640
Items that will not be reclassified to profit and loss						
Remeasurements of post-employment benefit obligations, net of tax	-	(227)	-	-		(227)
Total other comprehensive income (loss)	1,640	(227)	-	-		1,413
Total comprehensive income	$ 3,936	$ 26,820	$ -	$ (9,463)		$ 21,293

1. Proposed Acquisition of Newfoundland Capital Corporation Limited

On October 26, 2018 (“the closing date”), Stingray Digital Group Inc. (the “Corporation”) and 10643432 Canada Inc. (“Acquisitionco”), a wholly-owned subsidiary of the Corporation, closed the arrangement agreement (the “Arrangement Agreement”) with Newfoundland Capital Corporation Limited (“NCC”) whereby, the Corporation and Acquisitionco acquired pursuant to a plan of arrangement (the “Arrangement”) under the *Canada Business Corporations Act* (“CBCA”) all of the (i) Class A subordinate voting shares of NCC and (ii) Class B common shares of NCC issued and outstanding immediately prior to the closing of the Arrangement, (the “Arrangement Closing”). The shareholders of NCC have received (i) 0.15371 of a Subordinate Voting Share (or Variable Subordinate Voting Share, as applicable) of the Corporation; and (ii) $13.17 in cash for each NCC Share held, based on the total number of NCC Shares outstanding on the date of the Arrangement Closing. Total consideration given for the acquisition of NCC (the “Acquisition”) amounts to $498,487 and is calculated with the most recent information available to the Corporation.

The Corporation financed the Acquisition through the net proceeds of (i) a public offering of 7,981,000 subscription receipts (the "Subscription Receipts") of the Corporation at a price $10.40 per subscription receipt contemplated by prospectus (the "Offering") for aggregate gross proceeds of $83,002, (ii) a private placement with CDP Investissements inc. (the “Private Placement Subscriber”), a wholly-owned subsidiary of Caisse de dépôt et placement du Québec pursuant to which the Private Placement Subscriber purchased an aggregate of 3,846,100 Subscription Receipts at a price of $10.40 per subscription receipt for aggregate gross proceeds of $39,999 (the "Concurrent Private Placement"), (iii) the exercise of 1,647,213 Subscription Rights for the purchase of the corresponding number of Pre-emptive Subscription Receipts (the “Pre-emptive Rights Exercise”) at a price between $10.29 and $10.40 and per Pre-emptive Subscription Receipt for aggregate proceeds to the Corporation of $17,110 and (iv) funds drawn from the new credit facilities provided by National Bank of Canada, as administrative agent, for a syndicate of financial institutions, consisting of a secured revolving credit facility in the maximum amount of $300,000 (the "Revolving Facility") and a non-revolving term facility in the maximum principal amount of $150,000, (the "Term Loan") and a subordinated debt provided by the Fonds de solidarité des travailleurs du Québec (FTQ) in the maximum amount of $50,000, (the ‘’Subordinated Debt” collectively with the Revolving Facility and the Term Loan, the “New Credit Facilities”).

2. Basis of Preparation

The accompanying unaudited pro forma consolidated financial statements of the Corporation have been prepared by Management of the Corporation to give effect to the Acquisition, the Offering, the Concurrent Private Placement, the Pre-emptive Rights Exercise and the New Credit Facilities. In Management’s opinion, these unaudited pro forma consolidated financial statements include all material adjustments necessary for a fair presentation in accordance with international Financial Reporting Standards ("IFRS").

The unaudited pro forma consolidated financial statements are not necessarily indicative of the operating results or financial condition that would have been achieved if the Acquisition had been completed on the dates or for the periods presented, nor do they purport or project the results of operations or financial position of the combined entities for any future period or as of any future date.

The pro forma adjustments and purchase price allocation have been determined from information available to the Management of the Corporation at this time. Accordingly, the purchase price allocation is subject to material changes.

The unaudited pro forma consolidated financial statements of the Corporation have been compiled from and include:

i. The unaudited pro forma consolidated statements of financial position as at June 30, 2018 which has been prepared from the unaudited interim consolidated statement of financial position of the Corporation and NCC as at June 30, 2018 and the pro forma assumptions and adjustments, as set out in Note 3.

(In thousands of Canadian dollars)

ii. The unaudited pro forma consolidated statements of comprehensive income for the three-month period ended June 30, 2018 which has been prepared from the unaudited consolidated statement of comprehensive income of the Corporation for the three-month period ended June 30, 2018, the unaudited consolidated statements of comprehensive income of NCC for the three- and six-month period ended June 30, 2018, and the pro forma assumptions and adjustments, as set out in Note 3.

iii. The unaudited pro forma consolidated statements of comprehensive income for the year ended March 31, 2018 which has been prepared from the audited consolidated statement of comprehensive income of the Corporation for the year ended March 31, 2018, the audited consolidated statements of comprehensive income of NCC for the year ended December 31, 2017, the unaudited consolidated statements of comprehensive income of NCC for the three-month periods ended March 31, 2018, and 2017, and the pro forma assumptions and adjustments, as set out in Note 3.

3. Pro Forma Assumptions and Adjustments

The unaudited pro forma consolidated statement of financial position as at June 30, 2018, the unaudited pro forma consolidated statement of comprehensive income for the three-month period ended June 30, 2018 and the unaudited pro forma consolidated statement of comprehensive income for year ended March 31, 2018 give effect to the Acquisition, the Offering, the Concurrent Private Placement, the Pre-emptive Rights Exercise and the New Credit Facilities as if they had occurred on June 30, 2018 and April 1, 2018 and April 1, 2017, as applicable, respectively.

Financing of the acquisition:

	Note		Amount
Aggregate purchase price		**$**	**498,487**
Financing			
Subscription Receipts issued to the Public	3 a)		83,002
Concurrent Private Placement	3 b)		39,999
Pre-emptive Subscription Receipts (exchangeable into Multiple Voting Shares)	3 c)		17,110
New Equity issued to NCC Shareholders	3 d)		40,006
New Revolving Facility	3 e)		183,884
Settlement of Existing Revolving Facility	3 e)		(47,881)
New Term Loan	3 f)		150,000
Subordinated Debt	3 g)		50,000
Financing costs, Subscription Receipts issue costs and transactions costs	3 a) b) e) f) h)		(17,633)
Total financing (net of financing, issuance and transaction costs)		**$**	**498,487**

a) On October 26, 2018, the Corporation closed the Offering of 7,981,000 Subscription Receipts, each of which entitled the holder thereof to receive one Subordinate Voting Share (or Variable Subordinate Voting Share as applicable) of the Corporation. The Subscription Receipts have been issued at a price of $10.40 per Subscription Receipt for aggregate gross proceeds of $83,002. The net proceeds to the Corporation will be approximately $78,626 after deducting the total underwriting fee and other costs directly related to the transaction of approximately $4,377. The increase to share capital will be $79,802 after adjustment for deferred income tax of $1,176.

b) On October 26, 2018, the Corporation closed the Concurrent Private Placement with Private Placement Subscriber whereby the Private Placement Subscriber purchased an aggregate of 3,846,100 Subscription Receipts at a price of $10.40 per Subscription Receipt for aggregate gross proceeds of $39,999. The net proceeds to the Corporation will be approximately $37,895 after deducting the total capital commitment fee payment and other transaction costs of approximately $2,105. The increase to share capital will be $38,462 after adjustment for deferred income tax of $567.

c) As a result of the Offering and the Concurrent Private Placement, the holders of Multiple Voting Shares have been issued Rights to Subscribe (as defined herein) for that number of subscription receipts of the Corporation (the "Pre-emptive Subscription Receipts") exchangeable into Multiple Voting Shares of the Corporation, which carry, in the aggregate, a number of voting rights sufficient to fully maintain the total voting rights (on a fully-diluted basis) associated with the then outstanding Multiple Voting Shares. Each Pre-emptive Subscription Receipt entitles the holder thereof to receive, one Multiple Voting Share for each Pre-emptive Subscription Receipt held of the Corporation. Certain members of the Boyko Group (as defined in the prospectus) have indicated to Stingray their intention of exercising 1,647,213 Subscription Rights for the purchase of the corresponding number of Pre-emptive Subscription Receipts (the "Pre-emptive Rights Exercise") at a price between $10.29 and $10.40 per Pre-emptive Subscription Receipt for aggregate proceeds to the Corporation of $17,110. No commission or other fee was paid to the Underwriters or any other underwriter or agent in connection with the Pre-emptive Rights Exercise.

d) The shareholders of NCC have received (i) 0.15371 of a Subordinate Voting Share (or Variable Subordinate Voting Share, as applicable) of the Corporation; and (ii) $13.17 in cash for each NCC Share held, based on the total number of NCC Shares outstanding on the date of the Arrangement Closing. The Corporation issued 3,887,826 Subordinate Voting Share of the Corporation, representing an amount of share capital of $40,006 issued on the date of the Arrangement closing. No commission or other fee was paid to the Underwriters or any other underwriter or agent in connection with the Arrangement Agreement.

e) On October 26, 2018, the Corporation entered into a new credit agreement with National Bank Financial Inc., as sole lead arranger and sole bookrunner (in such capacity, the "Arranger") for a 3-year revolving facility in the principal amount of up to $300,000 (the "Revolving Facility"). The Revolving Facility may be drawn in Canadian dollars in the form of prime rate loan or bankers' acceptance, in US dollars in the form of US base rate loan or LIBOR loan, or in Euro and British Pound in the form of LIBOR loan and in Australian dollars in the form of BBSY loan. The Revolving Facility bears interest at the reference rate plus an applicable margin which is determined with the Net Debt to EBITDA ratio of the Corporation. The applicable margin for borrowings in the form of prime rate loan or US base rate loan range from 0.375% to 2.00%. The applicable margin for borrowings in the form of bankers' acceptance, LIBOR loan, BBSY loan and letters of credit range from 1.375% to 3.00%. The maturity date of the Revolving Facility is 3 years from the closing date, with possibility of annual extension options. For the purpose of the pro forma consolidated statement of comprehensive income, the reference rate was assumed to be 4.35%. The Corporation has drawn $183,884 on the Revolving Facility. Financing fees of $1,396 related to the Revolving Facility have been netted against the Revolving Facility and will be amortized over the remaining life of the Revolving Facility, which is 36 months. The Corporation's existing Revolving facility has been concurrently refinanced, as such, an amount of $47,881 was netted against the new Revolving Facility in the pro forma consolidated statement of financial position.

f) On October 26, 2018, the Corporation entered into a 3-year non-revolving facility in the principal amount of $150,000 (the "Term Loan"). The Term Loan is available through a single draw on the date of closing of the acquisition in Canadian dollars in the form of prime rate loan or bankers' acceptance. The Term Loan bears interest at the reference rate plus an applicable margin which is determined with the Net Debt to EBITDA ratio of the Corporation. The applicable margin for borrowings in the form of prime rate loan range from 0.375% to 2.00%. The applicable margin for borrowings in the form of bankers' acceptance range from 1.375% to 3.00%. The maturity date of the Term Loan is 3 years from the closing date. For the purpose of the pro forma consolidated statement of comprehensive income, the reference rate was assumed to be

(In thousands of Canadian dollars)

4.35%. The Corporation has drawn $150,000 on the Term Loan. Financing fees of $1,139 related to the Term Loan have been netted against the Term Loan and amortized over the life of the Term Loan using the effective interest rate method over duration of the Term Loan.

g) On October 26, 2018, the Corporation entered into a new credit facility with FSTQ consisting of an unsecured subordinated debt in the principal amount of $50,000 (the "Subordinated Debt"). The Subordinated Debt is available through a single draw on the date of closing of the acquisition in Canadian dollars and bears interest at a range between 5.55% and 6.95% which is determined with the Net Debt to EBITDA ratio of the Corporation. The maturity date of the Term Loan is 5 years from the closing date. For the purpose of the pro forma consolidated statement of comprehensive income, the reference rate was assumed to be 6.95%. Financing fees of $524 related to the Subordinated Debt have been netted against the Subordinated Debt and amortized over the life of the Subordinated Debt using the effective interest rate method over duration of the Subordinated Debt.

Purchase price allocation:

h) The following table reflects the effect of NCC's preliminary purchase price allocation. The Corporation purchased all of the outstanding shares of NCC for total consideration of $498,487. The costs directly related to the Acquisition are estimated at $8,093 before tax (tax impact of $1,439 presented in income tax receivable of the unaudited pro forma consolidated statement of financial position), are non-recurring items that result from the transaction and have been recognized as an adjustment to cash and retained earnings in the unaudited pro forma consolidated statement of financial position as at June 30, 2018.

		Preliminary
Assets acquired :		
Trade and other receivables	$	34,046
Other current assets		1,478
Property and equipment		52,897
Broadcast licence		445,566
Goodwill		96,074
Other assets		2,111
Deferred tax assets		1,881
		634,053
Liabilities assumed :		
Accounts payable and accrued liabilities		19,413
Income tax payable		657
Other payables		11,735
Deferred tax liabilities		103,761
		135,566
Net assets acquired at fair value	$	498,487
Consideration given :		
Cash		353,985
New Equity issued		40,006
Debt repayment		104,496
	$	498,487

The above represents Management's preliminary assessment of the total consideration, net assets acquired and liabilities assumed. The fair value allocation of the purchase price will be finalized after the values of consideration, assets and liabilities have been definitively determined. Accordingly, the above fair value allocation is subject to change and such change may be material.

(In thousands of Canadian dollars)

i) The deferred income tax liability recorded in conjunction with the fair value of the Broadcast licence and certain tangible assets as a result of the purchase price allocation for the Acquisition is $50,811 and was based on an estimated effective tax rate of approximately 26.5%.

Other Pro Forma adjustments:

j) For the three-month period ended June 30, 2018, the effect of the issuance of the New Credit Facilities on the Finance expenses (income) amounted to $3,452, including $4,907 of new interest expense, and elimination of Stingray existing interest expense of $335, and NCC existing interest expense of $1,120. For the year ended March 31, 2018, the effect of the issuance of the New Credit Facilities on the Finance expenses (income) amounted to $12,543, including $18,348 of new interest expense, and elimination of Stingray existing interest expense of $1,445, and of NCC existing interest expense of $4,360. The existing NCC long-term debt was assumed by the Corporation upon closing of the Acquisition and immediately repaid (Note 3 e)). For the purpose of the pro forma consolidated statement of comprehensive income, NCC' interest expense has been eliminated.

k) For the purpose of the preliminary purchase price allocation, fair value adjustments were recognized on certain tangible assets. The amortization expense has been adjusted to record the additional amortization of tangible assets acquired as a result of the Acquisition (see Note 3 g)). The additional amortization expense for the three-month period ended June 30, 2018 amounted to $74 (for the year ended March 31, 2018 - $297). Broadcast licences are deemed indefinite life assets since they are renewed every seven years without significant cost, with the chance that the renewal will be denied assessed as unlikely; therefore, there is no foreseeable limit to the period over which broadcast licences are expected to generate net cash flows for the Corporation.

l) Adjustments to income tax recovery in the amount of $929 for the three-month period ended June 30, 2018 ($3,377 for the year ended March 31, 2018) to reflect, where required, the impact on income taxes of the adjustments described in note 3 j) and k).

m) Upon the Arrangement Closing, Management estimates that the Canadian Radio-television and Telecommunications Commission ("CRTC") will require the Corporation to pay tangible benefits corresponding to an amount of approximately $29,909 million, payable over a seven-year period in equal annual amounts. The Corporation recognized an other payable of $21,891 million in the unaudited pro forma consolidated statement of financial position, which reflects the fair value of the payment stream using a discount rate of 10.0%, which is the Corporation estimated effective interest rate plus a risk premium. The Corporation recorded a deferred tax asset of $5,889 related to the CRTC tangible benefits.

n) The basic and diluted net income per share has been calculated based on the following basic and diluted weighted average number of the Corporation common shares outstanding adjusted as follows:

(number of shares, except per share amount)	Three months ended June 30, 2018	Year ended March 31, 2018
Basic weighted-average number of shares per the Corporation consolidated financial statements	56,315,610	53,455,073
Issuance of shares (Note 3 a), b), c) and d))	17,362,139	17,362,139
Pro forma basic weighted-average number of shares	73,677,749	70,817,212
Effect of dilutive securities	662,053	625,111
Pro forma diluted weighted-average number of shares	74,339,802	71,442,323
Pro forma net income per share attributable to shareholders		
Basic	$0.09	$0.28
Diluted	$0.09	$0.28

o) Net adjustment to cash:

	Note		Amount
Subscription Receipts issued to the Public	3 a)	$	83,002
Concurrent Private Placement	3 b)		39,999
Pre-emptive Subscription Receipts (exchangeable into Multiple Voting Shares)	3 c)		17,110
New Revolving Facility	3 e)		183,884
Settlement of Existing Revolving Facility	3 e)		(47,881)
New Term Loan	3 f)		150,000
Subordinated Debt	3 g)		50,000
Financing costs, Subscription Receipts issue costs and transactions costs	3 a) b) e) f) h)		(17,633)
Consideration given for the Acquisition of NCC (cash and debt repayment)	3 h)		(458,481)
Net adjustment to cash		$	-

p) Although the Corporation believes cost savings and other synergies will be realized following the business combination, there can be no assurance that these cost savings or any other synergies will be achieved in full or at all and accordingly, they have not been reflected in the unaudited pro forma consolidated statements of comprehensive income.