STINGRAY

FIRST QUARTER REPORT

Fiscal 2022
For the three-month period ended June 30, 2021

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BASIS OF PREPARATION AND FORWARD-LOOKING STATEMENTS

The following is the quarterly financial report and Management's Discussion and Analysis ("MD&A") of the results of operations and financial position of Stingray 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 periods ended June 30, 2021 and 2020, and with the most recent audited consolidated financial statements and MD&A for the year ended March 31, 2021. This MD&A reflects information available to the Corporation as at August 3, 2021. Additional information relating to the Corporation is also available on SEDAR at www.sedar.com. The auditors of the Corporation have not performed a review of the interim financial report for the three-month periods ended June 30, 2021 and 2020.

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, 2021 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 shows stable results from its operations which allows users of the financial statements to better assess the trend in the profitability of the business. The Corporation believes that Adjusted free cash flow and Adjusted free cash flow per share are important measures when assessing the amount of cash generated after accounting for capital expenditures and non-core charges. It demonstrates cash available to make business acquisitions, pay dividends and reduce debt. The Corporation believes that Net debt and Net debt to Pro Forma Adjusted EBITDA are important to analyse the company's debt repayment capacity on an annualized basis, taking into consideration the annualized adjusted EBITDA of acquisitions made during the last twelve months. Each of these non-IFRS financial measures is not an earnings or cash flow measure recognized by International Financial Reporting Standards (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

Montreal-based Stingray Group Inc. (TSX: RAY.A; RAY.B) is a leading music, media, and technology company with over 1,000 employees worldwide. Stingray is a premium provider of curated direct-to-consumer and B2B services, including audio television channels, more than 100 radio stations, SVOD content, 4K UHD television channels, FAST channels, karaoke products, digital signage, in-store music, and music apps, which have been downloaded over 160 million times. Stingray reaches 400 million subscribers (or users) in 160 countries.

KEY PERFORMANCE INDICATORS(1)

For the three-month period ended June 30, 2021 ("Q1 2022"):

$64.8 M ▲ 23.9% from Q1 2021 Revenues	**$4.2 M** Or $0.06 per share Net income	**$16.3 M** ▼ 57.0% from Q1 2021 Cash flow from operating activities Or $0.23 per share
$24.2 M ▼5.2% from Q1 2021 Adjusted EBITDA	**$11.2 M** Or $0.16 per share Adjusted Net income	**$15.0 M** ▼ 16.8% from Q1 2021 Adjusted free cash flow Or $0.21 per share

Note:

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

FINANCIAL AND BUSINESS HIGHLIGHTS

Highlights of the first quarter ended June 30, 2021:

Compared to the quarter ended June 30, 2020 (“Q1 2021”):

- Revenues increased 23.9% to $64.8 million from $52.3 million;
- Adjusted EBITDA(1) decreased 5.2% to $24.2 million from $25.5 million. Adjusted EBITDA(1) by segment was $14.7 million or 41.2% of revenues for Broadcasting and Commercial Music, $10.8 million or 37.0% of revenues for Radio and $(1.3) million for Corporate;
- Net income was $4.2 million ($0.06 per share) compared with $7.0 million ($0.10 per share);
- Adjusted Net income(1) of $11.2 million ($0.16 per share) compared with $13.5 million ($0.18 per share);
- Cash flow from operating activities decreased 57.0% to $16.3 million compared to $38.0 million;
- Adjusted free cash flow(1) decreased 16.8% to $15.0 million, or $0.21 per share, compared to $18.0 million or $0.25 per share;
- Net debt to Pro Forma Adjusted EBITDA(1) ratio of 2.88x, and;
- 643,000 shares repurchased and cancelled for a total of $4.7 million.

Business Highlights:

- On August 3, 2021, the Corporation declared a dividend of $0.075 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend will be payable on or around September 15, 2021 to shareholders on record as of August 31, 2021.
- On July 5, 2021, the Corporation announced that it has acquired Calm Radio, the world’s largest online music streaming service focused on the wellness and relaxation markets. With this acquisition, Stingray grows its portfolio of curated music content, significantly increases its subscriber base and dives into the health and wellness industry.
- On June 4, 2021, the Corporation announced that it has partnered with Shaw Communications Inc. to make its Stingray Music TV app available to all Shaw TV IPTV customers across Western Canada. Shaw TV customers will have access to 2,000 professionally curated channels in over 100 genres including pop, rock, hip-hop, indie, country music and more at no extra cost.
- On May 5, 2021, the Corporation announced the launch of free, ad-supported TV channels and premium SVOD services with thirteen major OTT providers: Alteox (Luxembourg), Amazon Prime Video Channels (Italy, Spain and Netherlands), ChannelBox (United Kingdom), Maskatel (Canada), Pluto TV (Latin America and United States), Pzaz (Global), Rakuten TV (Europe), Redbox (United States), Rostelecom (Russia), Ruutu (Finland), Samsung TV Plus (Brazil, Mexico, Netherlands and Sweden) Totalplay (Mexico) and Zeasn (Austria and Germany). These distribution agreements grow Stingray’s audience over new platforms in new territories and add millions of potential viewers.
- On April 28, 2021, the Corporation announced that free, ad-supported channels Qello Concerts by Stingray and Stingray Karaoke have become available on Samsung TV Plus Mobile in Germany and the UK. Mobile and tablet users will access both channels on Samsung’s free ad-supported video service through the TV Plus App and the Samsung Free page. The distribution agreements grow Stingray’s potential reach by millions of users. The service was launched in June 2021 in Austria and Switzerland.

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

SELECTED CONSOLIDATED FINANCIAL INFORMATION

(in thousands of Canadian dollars, except per share amounts)	3 months					
	June 30, 2021 Q1 2022		June 30, 2020 Q1 2021		March 31, 2021 Q4 2021	
	$	% of revenues	$	% of revenues	$	% of revenues
Revenues	64,808	100.0 %	52,293	100.0 %	60,316	100.0 %
Operating expenses	42,907	66.2 %	28,294	54.2 %	38,941	64.6 %
Depreciation, amortization and write off	9,447	14.6 %	9,523	18.2 %	9,821	16.3 %
Net finance expense (income)(1)	5,253	8.1 %	4,601	8.8 %	(7,284)	(12.1) %
Change in fair value of investments	–	0.0 %	892	1.7 %	–	0.0 %
Acquisition, legal, restructuring and other expenses (income)	1,168	1.8 %	(397)	(0.8)%	2,714	4.5 %
Income before income taxes	6,033	9.3 %	9,380	17.9 %	16,124	26.7 %
Income taxes	1,833	2.8 %	2,359	4.5 %	4,047	6.7 %
Net income	4,200	6.5 %	7,021	13.4 %	12,077	20.0 %
Adjusted EBITDA(2)	24,155	37.3 %	25,481	48.7 %	23,638	39.2 %
Adjusted Net income(2)	11,238	17.3 %	13,509	25.8 %	11,981	19.9 %
Cash flow from operating activities	16,337	25.2 %	37,993	72.7 %	24,514	40.6 %
Adjusted free cash flow(2)	15,007	23.2 %	18,045	34.5 %	13,808	22.9 %
Net debt(2)	331,129	–	336,776	–	326,405	–
Net debt to Pro Forma Adjusted EBITDA(2)(3)	2.88x	–	2.91x	–	2.81x	–
Net income per share basic and diluted	0.06	–	0.10	–	0.17	–
Adjusted Net income per share basic(2)	0.16	–	0.18	–	0.17	–
Adjusted Net income per share diluted(2)	0.16	–	0.18	–	0.16	–
Cash flow from operating activities per share basic and diluted	0.23	–	0.52	–	0.34	–
Adjusted free cashflow per share basic and diluted(2)	0.21	–	0.25	–	0.19	–
Revenues by segment						
Broadcasting and Commercial Music	35,578	54.9 %	35,947	68.7 %	36,356	60.3 %
Radio	29,230	45.1 %	16,346	31.3 %	23,960	39.7 %
Revenues	64,808	100.0 %	52,293	100.0 %	60,316	100.0 %
Revenues by geography						
Canada	41,376	63.8 %	28,057	53.7 %	35,594	59.1 %
United States	10,278	15.9 %	10,302	19.7 %	10,942	18.1 %
Other Countries	13,154	20.3 %	13,934	26.6 %	13,780	22.8 %
Revenues	64,808	100.0 %	52,293	100.0 %	60,316	100.0 %

Notes:

(1) Interest paid during the Q1 2022 was $3.9 million (Q1 2021; $3.7 million and Q4 2021; $5.1 million)

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

(3) Refer to page 17 for a reconciliation of Pro Forma Adjusted EBITDA to the most directly comparable IFRS financial measure. Refer to “Forward-looking statements” and “Supplemental information on Non-IFRS measures” on page 2 and for reconciliations of Adjusted EBITDA to the most directly comparable IFRS financial measure, refer to “Supplemental information on Non-IFRS measures” on page 6.

SUPPLEMENTAL INFORMATION ON NON-IFRS MEASURES

Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Net income, Adjusted Net income per share, Adjusted free cash flow, Adjusted free cash flow per share, Net debt and Net debt to Proforma 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 and to Adjusted Net income:

	3 months		
	June 30, 2021	June 30, 2020	March 31, 2021
(in thousands of Canadian dollars)	**Q1 2022**	**Q1 2021**	**Q4 2021**
Net income	**4,200**	**7,021**	**12,077**
Net finance expense (income)	5,253	4,601	(7,284)
Change in fair value of investments	–	892	–
Income taxes	1,833	2,359	4,047
Depreciation and write-off of property and equipment	2,524	2,701	3,082
Depreciation of right-of-use assets	1,296	1,412	1,436
Amortization of intangible assets	5,627	5,410	5,303
Share-based compensation	164	166	235
Performance and deferred share unit expense	2,090	1,316	2,028
Acquisition, legal, restructuring and other expenses (income)	1,168	(397)	2,714
Adjusted EBITDA	**24,155**	**25,481**	**23,638**
Net finance expense (income), excluding mark-to-market losses (gains) on derivative financial instruments	(4,735)	(3,338)	(3,214)
Income taxes	(1,833)	(2,359)	(4,047)
Depreciation of property and equipment and write-off	(2,524)	(2,701)	(3,082)
Depreciation of right-of-use assets	(1,296)	(1,412)	(1,436)
Income taxes related to change in fair value of investments, share-based compensation, performance and deferred share unit expense, amortization of intangible assets, mark-to-market losses (gains) on derivative financial instruments and acquisition, legal, restructuring and other expenses (income)	(2,529)	(2,162)	122
Adjusted Net income	**11,238**	**13,509**	**11,981**

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

	3 months		
	June 30, 2021	June 30, 2020	March 31, 2021
(in thousands of Canadian dollars)	**Q1 2022**	**Q1 2021**	**Q4 2021**
Cash flow from operating activities	**16,337**	**37,993**	**24,514**
Add / Less :			
Acquisition of property and equipment	(2,077)	(703)	(1,929)
Acquisition of intangible assets other than internally developed intangible assets	(198)	(258)	(194)
Addition to internally developed intangible assets	(2,153)	(1,552)	(1,367)
Interest paid	(3,891)	(3,687)	(5,142)
Repayment of lease liabilities	(1,085)	(1,214)	(1,099)
Net change in non-cash operating working capital items	6,805	(11,412)	(344)
Unrealized loss (gains) on foreign exchange	101	(725)	(3,345)
Acquisition, legal, restructuring and other expenses (income)	1,168	(397)	2,714
Adjusted free cash flow	**15,007**	**18,045**	**13,808**

The following table shows the calculation of Net debt:

(in thousands of Canadian dollars)	**June 30, 2021**	**March 31, 2021**	**June 30, 2020**
Credit facilities	305,779	303,704	303,504
Subordinated debt	31,766	31,741	39,665
Cash and cash equivalents	(6,416)	(9,040)	(6,393)
Net debt	**331,129**	**326,405**	**336,776**

FINANCIAL RESULTS FOR THE PERIODS ENDED JUNE 30, 2021 AND 2020

CONSOLIDATED PERFORMANCE

Revenues

Revenues are detailed as follows:

(in thousands of Canadian dollars)	3 months		
	Q1 2022	Q1 2021	% Change
Revenues by geography			
Canada	41,376	28,057	47.5
United States	10,278	10,302	(0.2)
Other Countries	13,154	13,934	(5.6)
Revenues	64,808	52,293	23.9

Global

Revenues in Q1 2022 increased $12.5 million or 23.9% to $64.8 million, from $52.3 million for Q1 2021. The increase was primarily due the gradual easing of COVID-19 restrictions and the return to normal commercial operations, partially offset by the negative impact of foreign exchange.

Canada

Revenues in Canada in Q1 2022 increased $13.3 million or 47.5% to $41.4 million, from $28.1 million for Q1 2021. The increase was primarily due to the gradual easing of COVID-19 restrictions and the return to normal commercial operations.

United States

Revenues in the United States in Q1 2022 remained stable at $10.3 million compared to Q1 2021, due to the negative impact of foreign exchange, largely offset by organic growth in advertising revenues in the Broadcast and Commercial Music segment.

Other Countries

Revenues in Other countries in Q1 2022 decreased $0.8 million or 5.6% to $13.1 million, from $13.9 million for Q1 2021. The decrease was primarily due to a decrease in subscriptions revenue.

Operating expenses

Operating expenses in Q1 2022 increased $14.6 million or 51.6% to $42.9 million, from $28.3 million for Q1 2021. The operating expenses increase is due to lower Canadian Emergency Wage Subsidy (CEWS) (Q1 2022; $2.9 million and Q1 2021; $9.9 million), higher operating costs and increased variable expenses, caused by the gradual easing of COVID-19 restrictions and the return to normal commercial operations.

Adjusted EBITDA(1)

Adjusted EBITDA in Q1 2022 decreased $1.3 million or 5.2% to $24.2 million from $25.5 million for Q1 2021. Adjusted EBITDA margin in Q1 2022 was 37.3% compared to 48.7% for Q1 2021. The decrease in Adjusted EBITDA is due to lower CEWS and higher operating costs, partially offset by higher revenues, caused by the gradual easing of COVID-19 restrictions and the return to normal commercial operations.

Depreciation, amortization and write off

Depreciation, amortization and write off in Q1 2022 decreased $0.1 million or 0.8% to $9.4 million from $9.5 million for Q1 2021. The decrease was primarily due to less intangible assets to amortize compared to the prior period.

Net finance expense (income)

Net finance expense for Q1 2022 was $5.3 million compared to $4.6 million for Q1 2021. The increase was mainly related to a negative change in fair value of contingent consideration and to a lower foreign exchange gain.

Change in fair value of investments

In Q1 2022, there was no gain or loss on fair value of investments as the securities held in AppDirect Inc. were sold in Q3 2021. In Q1 2021, a loss of $0.9 million was recorded relating to an investment denominated in U.S. dollars converted to Canadian dollars.

Acquisition, legal, restructuring and other expenses (income)

	3 months		
(in thousands of Canadian dollars)	Q1 2022	Q1 2021	% Change
Acquisition	14	282	(268)
Legal	991	(780)	1,771
Restructuring and other	163	101	62
Acquisition, legal, restructuring and other expenses (income)	1,168	(397)	1,565

In Q1 2021, a gain on legal expenses was recorded due to the reversal of a provision for professional fees due to a change in estimates in the current quarter.

Income taxes

The income taxes expense recognized in comprehensive income was $1.8 million for Q1 2022 compared to an income taxes expense of $2.4 million for Q1 2021. The effective tax rate for Q1 2022 was 30.4% compared to 25.2% for Q1 2021. The variance in the effective tax rate is mainly due to the relative importance of permanent differences compared to Net income before income taxes.

Net income and net income per share

Net income in Q1 2022 was $4.2 million ($0.06 per share) compared to a Net income of $7.0 million ($0.10 per share) for Q1 2021. The decrease was mainly related to a gain on legal expenses in Q1 2021, to lower operating results and to a negative change in fair value of contingent consideration, partially offset by a loss on fair value of investments recorded in Q1 2021.

Adjusted Net income(1) and Adjusted Net income per share(1)

Adjusted Net income in Q1 2022 was $11.2 million ($0.16 per share), compared to $13.5 million ($0.18 per share) for Q1 2021. The decrease was mainly related to lower operating results and to a negative change in fair value of contingent consideration.

Note:

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

BUSINESS SEGMENT PERFORMANCE

BROADCASTING AND COMMERCIAL MUSIC

	3 months		
(in thousands of Canadian dollars)	Q1 2022	Q1 2021	% Change
Revenues	35,578	35,947	(1.0)
Operating expenses	20,916	15,580	34.2
Adjusted EBITDA[(1)]	**14,662**	**20,367**	**(28.0)**
Adjusted EBITDA margin[(1)]	**41.2%**	**56.7%**	**(27.3)**

Revenues

In Q1 2022, Broadcasting and Commercial Music revenues decreased $0.3 million or 1.0% to $35.6 million, from $35.9 million for Q1 2021. The decrease was primarily due to a negative foreign exchange rate impact, largely offset by an increase in advertising revenue and by the gradual easing of COVID-19 restrictions and the return to normal commercial operations.

Adjusted EBITDA[(1)]

In Q1 2022, Broadcasting and Commercial Music Adjusted EBITDA decreased $5.6 million or 28.0% to $14.7 million from $20.3 million for Q1 2021. The decrease in Adjusted EBITDA is due to lower CEWS and higher operating costs, both caused by the gradual easing of COVID-19 restrictions and the return to normal commercial operations.

RADIO

	3 months		
(in thousands of Canadian dollars)	Q1 2022	Q1 2021	% Change
Revenues	29,230	16,346	78.8
Operating expenses	18,405	10,585	73.9
Adjusted EBITDA[(1)]	**10,825**	**5,761**	87.9
Adjusted EBITDA margin[(1)]	**37.0%**	**35.2%**	5.1

Revenues

Radio revenues are derived from the sale of advertising airtime, which is subject to the seasonal fluctuations of the Canadian radio industry. Accordingly, the first and third quarter results tend to be the strongest and the second and fourth quarter results tend to be the weakest in a fiscal year. However, for Fiscal 2021, Radio revenues did not follow historical patterns due to the ongoing impact of the COVID-19 pandemic.

In Q1 2022, Radio revenues increased $12.9 million or 78.8% to $29.2 million from $16.3 million for Q1 2021. The increase was largely due to the gradual easing of COVID-19 restrictions and the return to normal commercial operations..

Adjusted EBITDA[(1)]

In Q1 2022, Radio Adjusted EBITDA increased $5.1 million or 87.9% to $10.8 million from $5.7 million for Q1 2021. The increase in Adjusted EBITDA is due to higher revenues, partially offset by lower CEWS and higher operating costs, all caused by the gradual easing of COVID-19 restrictions and the return to normal commercial operations.

Note:

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

CORPORATE

(in thousands of Canadian dollars)	3 months Q1 2022	Q1 2021	% Change
Operating expenses	3,586	2,129	68.4
Adjust:			
Share-based compensation	(164)	(166)	(1.2)
Performance and deferred share unit expense	(2,090)	(1,316)	58.8
Adjusted EBITDA(1)	**(1,332)**	**(647)**	**105.9**

Adjusted EBITDA(1)

Corporate Adjusted EBITDA represents the head office operating expenses less the share-based compensation and performance and deferred share unit expense. The increase in operating expenses is related to increased operating costs caused by the gradual easing of COVID-19 restrictions and the return to normal commercial operations.

Note:

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

Quarterly results

Revenues fluctuated over the last eight quarters from $76.6 million in the second quarter of Fiscal 2020 to $64.8 million in the first quarter of Fiscal 2022. The increase in Q3 2020 was mainly due to normal business seasonality in the Radio segment. The decrease in Q4 2020 and Q1 2021 were due to the impact of the COVID-19 pandemic. The increases in Q2 2021 and Q3 2021 were due to progressive improvements in Radio advertising bookings as provinces began lifting restrictions on social and economic activity and to normal business seasonality. The decrease in Q4 2021 was due to normal business seasonality. The increase in Q1 2022 is due to the gradual easing of COVID-19 restrictions and the return to normal commercial operations.

Adjusted EBITDA(1) fluctuated over the last eight quarters from $27.7 million in the second quarter of Fiscal 2020 to $24.2 million in the first quarter of Fiscal 2022. The increase in Q3 2020 was mainly due to normal business seasonality in the Radio segment. The decreases in Q4 2020 and Q1 2021 were mainly due to the impact of the COVID-19 pandemic on Radio revenues, which was partially offset by the CEWS and reduced operating costs in Q1 2021. The increase in Q2 2021 was due to progressive improvements in Radio advertising bookings as provinces begin lifting restrictions on social and economic activity, partially offset by higher operating costs and lower CEWS. The increase in Q3 2021 was due to continuing improvements in Radio advertising bookings and normal business seasonality and to a settlement with SOCAN (refer to page 17), partially offset by a special bonus to employees, lower CEWS and higher operating costs. The decrease in Q4 2021 was due to normal business seasonality and to a settlement with SOCAN in Q3 2021, partially offset by a special bonus to employees in Q3 2021. The increase in Q1 2022 is due to normal business seasonality and change in product mix, partially offset by higher operating costs.

Net income (loss) fluctuated over the last eight quarters from a net income of $5.2 million in the second quarter of Fiscal 2020 to $4.2 million in the first quarter of Fiscal 2022. In Q3 2020, the increase was due to mark-to-market gains on derivative financial instruments, positive change in fair value of investments, higher operating results and gain in foreign exchange, partially offset by higher legal expenses due to the settlement with Music Choice. In Q4 2020, the decrease was due to mark-to-market losses on derivative financial instruments, foreign exchange loss, lower positive change in fair value of investments and lower operating results, partially offset by lower income taxes expense. In Q1 2021, the increase was due to lower mark-to-market losses on derivative financial instruments and a foreign exchange gain, partially offset by the impact of the COVID-19 pandemic on revenues, higher income taxes expense and negative change in fair value of investments. In Q2 2021, the increase was due to higher operating results and positive change in mark-to-market on derivative financial instruments, partially offset by higher income taxes and legal expenses. In Q3 2021, the increase was due to higher operating results, positive change in fair value of contingent consideration, and higher gain in mark-to-market on derivative financial instruments, partially offset by a negative change in fair value of investments related to the sale of securities held in AppDirect Inc. In Q4 2021, the decrease was due to lower operating results, partially offset by higher gains in mark-to-market on derivative financial instruments. In Q1 2022, the decrease was due to a negative change in fair value of mark-to-market on derivative financial instruments and a lower foreign exchange gain, partially offset by lower income taxes expense, and lower acquisition and restructuring costs.

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

Summary of Consolidated Quarterly Results

(in thousands of Canadian dollars, except per share amounts)	June 30, 2021	March 31, 2021	Dec. 31, 2020	Sept. 30, 2020	June 30, 2020	March 31, 2020	Dec. 31, 2019	Sept. 30, 2019
	3 months							
	FY2022	FY2021	FY2021	FY2021	FY2021	FY2020	FY2020	FY2020
Revenues by segment								
Broadcasting and Commercial Music	35,578	36,356	40,186	39,169	35,947	38,483	39,894	38,742
Radio	29,230	23,960	32,379	25,125	16,346	29,915	41,419	37,831
Total revenues	**64,808**	**60,316**	**72,565**	**64,294**	**52,293**	**68,398**	**81,313**	**76,573**
Revenues by geography								
Canada	41,376	35,594	47,368	39,710	28,057	43,498	57,515	52,723
United States	10,278	10,942	10,693	10,091	10,302	10,236	9,575	9,035
Other countries	13,154	13,780	14,504	14,493	13,934	14,664	14,223	14,815
Total revenues	**64,808**	**60,316**	**72,565**	**64,294**	**52,293**	**68,398**	**81,313**	**76,573**
Adjusted EBITDA[(1)]	**24,155**	**23,638**	**33,993**	**31,156**	**25,481**	**28,217**	**31,033**	**27,671**
LTM Adjusted EBITDA[(1)]	**112,942**	**114,268**	**118,847**	**115,887**	**112,402**	**118,086**	**112,276**	**108,462**
Net income (loss)	**4,200**	**12,077**	**14,118**	**11,888**	**7,021**	**(8,486)**	**8,089**	**5,184**
Net income (loss) per share basic and diluted	0.06	0.17	0.19	0.16	0.10	(0.11)	0.11	0.07
Adjusted Net income[(1)]	**11,238**	**11,981**	**21,054**	**16,311**	**13,509**	**10,095**	**16,710**	**12,416**
Adjusted Net income per share basic[(1)]	0.16	0.17	0.29	0.22	0.18	0.13	0.22	0.16
Adjusted Net income per share diluted[(1)]	0.16	0.16	0.29	0.22	0.18	0.13	0.22	0.16
Cash flow from operations	**16,337**	**24,514**	**16,333**	**25,406**	**37,993**	**14,062**	**28,833**	**18,952**
Adjusted free Cash Flow[(1)]	**15,007**	**13,808**	**19,645**	**22,861**	**18,045**	**17,974**	**21,033**	**18,756**
Quarterly dividend	**0.075**	**0.075**	**0.075**	**0.075**	**0.075**	**0.075**	**0.075**	**0.070**

Note:

(1) Refer to "Supplemental information on Non-IFRS measures" on page 2 and 6. Last Twelve Months (LTM) Adjusted EBITDA represents the Adjusted EBITDA of the referenced period, plus the Adjusted EBITDA of the three quarters immediately preceding the referenced period.

Reconciliation of Quarterly Non-IFRS Measures

	3 months							
(in thousands of Canadian dollars)	June 30, 2021	March 31, 2021	Dec. 31, 2020	Sept. 30, 2020	June 30, 2020	March 31, 2020	Dec. 31, 2019	Sept. 30, 2019
	Fiscal 2022	Fiscal 2021	Fiscal 2021	Fiscal 2021	Fiscal 2021	Fiscal 2020	Fiscal 2020	Fiscal 2020
Net income (loss)	**4,200**	**12,077**	**14,118**	**11,888**	**7,021**	**(8,486)**	**8,089**	**5,184**
Net finance expense (income)	5,253	(7,284)	(1,290)	2,774	4,601	33,463	(4,383)	6,362
Change in fair value of investments	–	–	2,434	461	892	(1,914)	(4,781)	(188)
Income taxes	1,833	4,047	4,900	4,654	2,359	(4,165)	1,897	2,479
Depreciation and write-off of property and equipment	2,524	3,082	2,894	2,976	2,701	2,790	2,876	2,989
Depreciation of right-of-use assets	1,296	1,436	1,399	1,413	1,412	1,426	1,402	1,419
Amortization of intangible assets	5,627	5,303	5,478	5,188	5,410	5,659	5,494	5,935
Share-based compensation	164	235	231	219	166	258	238	257
Performance and deferred share unit expense	2,090	2,028	1,780	1,312	1,316	(1,507)	677	794
Acquisition, legal, restructuring and other expenses (income)	1,168	2,714	2,049	271	(397)	693	19,524	2,440
Adjusted EBITDA	**24,155**	**23,638**	**33,993**	**31,156**	**25,481**	**28,217**	**31,033**	**27,671**
Net finance expense (income), excluding mark-to-market losses (gains) on derivative financial instruments	(4,735)	(3,214)	(1,727)	(4,340)	(3,338)	(10,976)	(4,184)	(5,767)
Income taxes	(1,833)	(4,047)	(4,900)	(4,654)	(2,359)	4,165	(1,897)	(2,479)
Depreciation and write-off of property and equipment	(2,524)	(3,082)	(2,894)	(2,976)	(2,701)	(2,790)	(2,876)	(2,989)
Depreciation of right-of-use assets	(1,296)	(1,436)	(1,399)	(1,413)	(1,412)	(1,426)	(1,402)	(1,419)
Income taxes related to change in fair value of investments, share-based compensation, performance and deferred share unit expense, amortization of intangible assets, CRTC Tangible benefits, mark-to-market losses (gains) on derivative financial instruments and acquisition, legal, restructuring and other expenses (income)	(2,529)	122	(2,019)	(1,462)	(2,162)	(7,095)	(3,964)	(2,601)
Adjusted Net income	**11,238**	**11,981**	**21,054**	**16,311**	**13,509**	**10,095**	**16,710**	**12,416**

	3 months							
(in thousands of Canadian dollars)	June 30, 2021	March 31, 2021	Dec. 31, 2020	Sept. 30, 2020	June 30, 2020	March 31, 2020	Dec. 31, 2019	Sept. 30, 2019
	Fiscal 2022	Fiscal 2021	Fiscal 2021	Fiscal 2021	Fiscal 2021	Fiscal 2020	Fiscal 2020	Fiscal 2020
Cash flow from operating activities	**16,337**	**24,514**	**16,333**	**25,406**	**37,993**	**14,062**	**28,833**	**18,952**
Acquisition of property and equipment	(2,077)	(1,929)	(1,849)	(1,209)	(703)	(2,153)	(1,479)	(1,459)
Acquisition of intangible assets other than internally developed intangible assets	(198)	(194)	(649)	(212)	(258)	(463)	(495)	(292)
Addition to internally developed intangible assets	(2,153)	(1,367)	(1,838)	(1,671)	(1,552)	(1,534)	(1,286)	(1,559)
Interest paid	(3,891)	(5,142)	(6,312)	(2,912)	(3,687)	(3,819)	(4,150)	(4,493)
Repayment of lease liabilities	(1,085)	(1,099)	(1,255)	(1,443)	(1,214)	(1,180)	(1,295)	(1,303)
Net change in non-cash operating working capital items	6,805	(344)	15,858	6,530	(11,412)	7,262	(17,702)	6,143
Unrealized loss (gain) on foreign exchange	101	(3,345)	(2,692)	(1,899)	(725)	5,106	(917)	327
Acquisition, legal, restructuring and other expenses (income)	1,168	2,714	2,049	271	(397)	693	19,524	2,440
Adjusted free cash flow	**15,007**	**13,808**	**19,645**	**22,861**	**18,045**	**17,974**	**21,033**	**18,756**

LIQUIDITY AND CAPITAL RESOURCES
FOR THE PERIODS ENDED JUNE 30, 2021 AND 2020

	3 months	
(in thousands of Canadian dollars)	Q1 2022	Q1 2021
Operating activities	16,337	37,993
Financing activities	(14,537)	(31,599)
Investing activities	(4,424)	(2,513)
Net change in cash	(2,624)	3,881
Cash – beginning of period	9,040	2,512
Cash – end of period	6,416	6,393
Adjusted free cash flow(1)	**15,007**	**18,045**

Operating activities

Cash flow generated from operating activities amounted to $16.3 million for Q1 2022 compared to $38.0 million for Q1 2021. The decrease was mainly due to the negative change in non-cash operating items, to higher legal expenses and to lower operating results.

Financing activities

Net cash flow used in financing activities amounted to $14.5 million for Q1 2022 compared to $31.6 million for Q1 2021. The decrease was primarily due to lower repayment of credit facilities, partially offset by higher shares repurchased and by the repayment of contingent consideration for the acquisition of Marketing Sensorial México (MSM).

Investing activities

Net cash flow used in investing activities amounted to $4.4 million for Q1 2022 compared to $2.5 million for Q1 2021. The increase was primarily due to higher capital expenditures.

Adjusted free cash flow(1)

Adjusted free cash flow generated in Q1 2022 amounted to $15.0 million compared to $18.0 million for Q1 2021. The decrease was mainly related to higher capital expenditures and to lower operating results.

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

CONSOLIDATED FINANCIAL POSITION

The following table shows the main variances that have occurred in the consolidated financial position of the Corporation for the three-month period ended June 30, 2021:

(in thousands of Canadian dollars)	June 30, 2021	March 31, 2021	Variance		Significant contributions
Trade and other receivables	61,832	61,114	718	▲	Timing of payments by clients
Intangible assets	51,896	41,884	10,012	▲	Additions through business acquisition of Calm Radio, partially offset by amortization of intangible assets
Goodwill	337,273	337,897	(624)	▼	Foreign exchange differences
Accounts payable and accrued liabilities	53,940	53,146	794	▲	Timing of payments to suppliers
Other liabilities	65,545	60,027	5,518	▲	Balance payable and contingent consideration on business acquisition of Calm Radio, partially offset by repayment of contingent consideration for the acquisition of MSM
Credit facilities	305,779	303,704	2,075	▲	Refer to the graph on next page
Subordinated debt	31,766	31,741	25	▲	Amortization of deferred financing fees

Capital Resources

Our principal sources of liquidity are our net cash provided by operating activities and borrowings available under our revolving facility. Our principal uses of cash are to repay our debt, finance our acquisitions and capital expenditures, pay dividends, repurchase shares and provide for working capital. We expect that cash generated from operations and borrowings available under our current credit facilities will be sufficient to meet our liquidity needs in the foreseeable future.

The credit facilities consist of a $325.0 million revolving credit facility and a $69.4 million term loan, both maturing in October 2023. On May 28, 2021, the Corporation fully repaid, on maturity, its $20.0 million term loan.

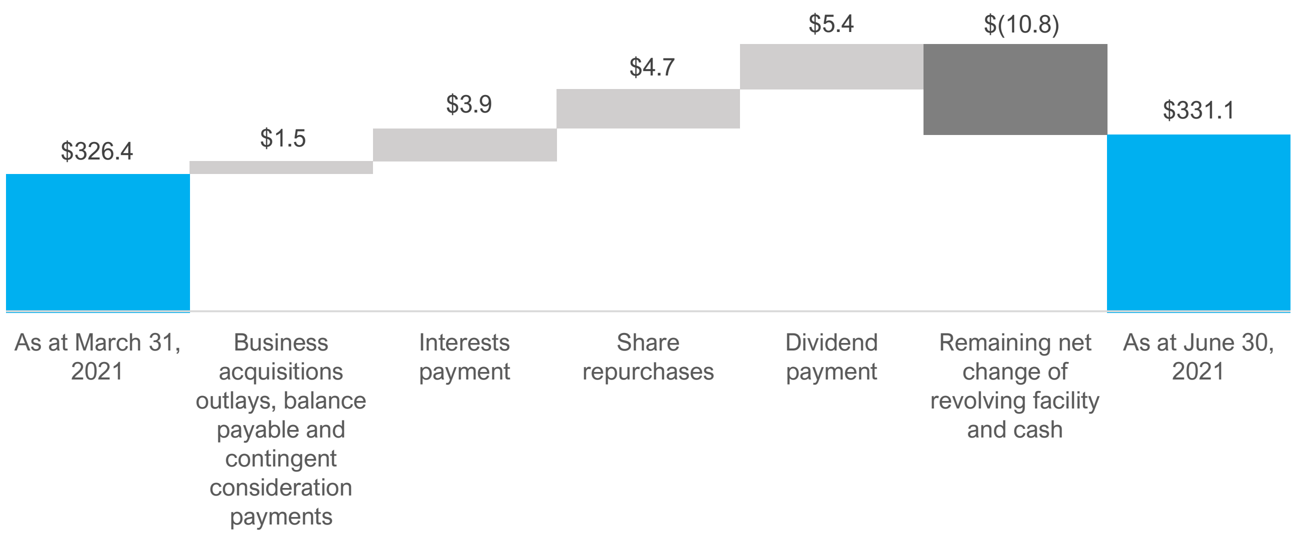
The Corporation is required to make consecutive quarterly capital repayments of 2.50% of the initial drawdown of the $69.4 million term loan. The remaining capital balance will be payable on maturity date, on October 25, 2023.

The credit facilities bear interest at either (a) the bank's prime rate plus an applicable margin based on a financial covenant or (b) the banker's acceptance rate plus an applicable margin based on a financial covenant. In addition, the Corporation incurs standby fees, varying between 0.40% and 0.63% based on a financial covenant.

As of June 30, 2021, the Corporation had cash and cash equivalents of $6.4 million, a subordinated debt of $31.8 million and credit facilities of $305.8 million, of which approximately $87.2 million was available.

The following table summarizes the impact on the Net debt that occurred in the three-month period ended June 30, 2021 including related ratios:

Movement in Net debt(1)(2)



(in thousands of Canadian dollars)	**June 30, 2021**	**March 31, 2021**
Last Twelve Months (LTM) Adjusted EBITDA(2)	112,942	114,268
Synergies and Adjusted EBITDA(2) for the months prior to the business acquisitions which are not already reflected in the results	842	190
COVID-19 mandated store closures required anticipated rollouts and deployments to be deferred	1,369	1,825
Pro Forma Adjusted EBITDA(2)	**115,153**	**116,283**
Net debt to Pro Forma Adjusted EBITDA(2)	**2.88**	**2.81**

Notes:
(1) In millions of Canadian dollars.
(2) Refer to "Supplemental information on Non-IFRS measures" on page 2 and 6. See page 12 to reconcile with LTM Adjusted EBITDA

SOCAN and Re:Sound legal proceedings

From May 2, 2017 until May 10, 2017, the Corporation, together with its Canadian Broadcast Distribution Undertaking customers (together, 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 (together, 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.

As of December 2020, the Objectors and SOCAN have entered into a binding memorandum of understanding that will result in a partial refund to the Objectors of past royalties paid to Canadian collective societies and a meaningfully reduced tariff burden for the present and future. As a result, $4.4 million was recognized as a reduction of expenses in Q3 2021.

Further, the Copyright Board has pre-released elements of its decision and the tariff for consultative purposes indicating that the final decision and tariff will be issued within the coming months.

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, 2021.

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. There have been no material changes to the nature or importance of the transactions between related parties since March 31, 2021.

Off-Balance Sheet Arrangements

The Corporation therefore has no off-balance sheet arrangements, except for the operating leases with terms of twelve months or less, leases of low-value assets or leases that are not in scope of IFRS 16, 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:

	July 31, 2021	June 30, 2021
Issued and outstanding shares:		
Subordinate voting shares	53,178,697	53,216,497
Subordinate voting shares held in trust through employee share purchase plan	(15,834)	(14,792)
Variable subordinate voting shares	382,805	377,705
Multiple voting shares	17,941,498	17,941,498
	71,487,166	71,520,908
Outstanding stock options:		
Stock options	3,471,085	3,471,085

The Corporation has 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, 10% of all multiple voting shares, subordinate voting shares and variable subordinate voting shares issued and outstanding on a non-diluted basis is reserved for issuance. During the first three months of Fiscal 2022, 60,000 options were exercised and 367,831 options were granted to eligible employees, subject to service vesting periods of 4 years.

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, 2021. The Corporation is not aware of any significant changes to the 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 Annual Information Form dated June 2, 2021. 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 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.

During the first quarter ended June 30, 2021, there have been no changes in the Corporation’s internal control over financial reporting that have materially affected, or are likely to materially affect, the Corporation’s ICFR.

Management’s assessment of and conclusion on the design and the effectiveness of the Corporation’s ICFR as at August 3, 2021, did not include the controls or procedures of the operations of Calm Radio. 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

On August 3, 2021, the Corporation declared a dividend of $0.075 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend will be payable on or around September 15, 2021 to shareholders on record as of August 31, 2021.

Additional Information

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

Consolidated Statements of Comprehensive Income

Three-month periods ended June 30, 2021 and 2020

(In thousands of Canadian dollars, except per share amounts)			3 months		
(Unaudited)	Note		June 30, 2021		June 30, 2020
Revenues	5	$	64,808	$	52,293
Operating expenses			42,907		28,294
Depreciation, amortization and write-off			9,447		9,523
Net finance expense (income)	6		5,253		4,601
Change in fair value of investments	14		—		892
Acquisition, legal, restructuring and other expenses (income)	7		1,168		(397)
Income before income taxes			6,033		9,380
Income taxes			1,833		2,359
Net income		$	4,200	$	7,021
Net income per share — Basic and Diluted		$	0.06	$	0.10
Weighted average number of shares – Basic			71,815,810		73,575,016
Weighted average number of shares – Diluted			72,362,785		73,650,598
Comprehensive income					
Net income		$	4,200	$	7,021
Other comprehensive loss					
Items that may be reclassified to profit and loss					
Exchange differences on translation of foreign operations			(863)		(708)
Total other comprehensive loss			(863)		(708)
Total comprehensive income		$	3,337	$	6,313

Net income is entirely attributable to Shareholders of the Corporation.

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

Consolidated Statements of Financial Position

June 30, 2021 and March 31, 2021

(In thousands of Canadian dollars) (Unaudited)	Note		June 30, 2021		March 31, 2021
Assets					
Current assets					
Cash and cash equivalents		$	6,416	$	9,040
Trade and other receivables			61,832		61,114
Income taxes receivable			2,326		3,801
Inventories			3,168		3,215
Other current assets			15,974		13,439
			89,716		90,609
Non-current assets					
Property and equipment	8		41,060		42,228
Right-of-use assets on leases	8		26,748		28,184
Intangible assets, excluding broadcast licences	8		51,896		41,884
Broadcast licences	8		272,988		272,988
Goodwill	8		337,273		337,897
Investments			3,301		3,046
Other non-current assets			1,318		1,335
Deferred tax assets			3,480		4,666
Total assets		$	827,780	$	822,837
Liabilities and Equity					
Current liabilities					
Credit facilities	9	$	7,500	$	27,462
Accounts payable and accrued liabilities			53,940		53,146
Dividend payable			—		5,409
Deferred revenues			6,066		4,970
Current portion of lease liabilities	10		4,139		4,479
Current portion of other liabilities	11		23,906		15,812
Income taxes payable			8,991		9,211
			104,542		120,489
Non-current liabilities					
Credit facilities	9		298,279		276,242
Subordinated debt			31,766		31,741
Deferred revenues			1,176		—
Lease liabilities	10		24,854		25,733
Other liabilities	11		41,639		44,215
Deferred tax liabilities			51,752		49,725
Total liabilities			554,008		548,145
Shareholders' equity					
Share capital	12		310,544		313,951
Contributed surplus			5,328		5,180
Deficit			(36,970)		(40,172)
Accumulated other comprehensive loss			(5,130)		(4,267)
Total equity			273,772		274,692
Subsequent event (note 15)					
Total liabilities and equity		$	827,780	$	822,837

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

Approved by the Board of Directors,

(Signed) Eric Boyko, Director

(Signed) Pascal Tremblay, Director

Consolidated Statements of Changes in Equity

Three-month periods ended June 30, 2021 and 2020

(In thousands of Canadian dollars, except number of share capital) (Unaudited)	Share Capital			Accumulated other comprehensive income (loss)		
	Number	Amount	Contributed surplus	Deficit	Cumulative Translation Account	Defined Benefit Plans	Total shareholder's equity
Balance at March 31, 2020	73,549,454	$ 322,366	$ 4,620	$ (56,407)	$ 3,891	$ (574)	$ 273,896
Issuance of shares upon exercise of options	14,035	55	(23)	—	—	—	32
Dividends	—	—	—	(5,518)	—	—	(5,518)
Share-based compensation	—	—	138	—	—	—	138
Employee share purchase plan	(15,255)	(81)	81	—	—	—	—
Net income	—	—	—	7,021	—	—	7,021
Other comprehensive loss	—	—	—	—	(708)	—	(708)
Balance at June 30, 2020	73,548,234	$ 322,340	$ 4,816	$ (54,904)	$ 3,183	$ (574)	$ 274,861
Balance at March 31, 2021	72,111,588	$ 313,951	$ 5,180	$ (40,172)	$ (3,775)	$ (492)	$ 274,692
Issuance of shares upon exercise of options (note 12)	60,000	321	(43)	—	—	—	278
Dividends	—	—	—	32	—	—	32
Repurchase and cancellation of shares (note 12)	(643,000)	(3,655)	—	(1,030)	—	—	(4,685)
Share-based compensation	—	—	118	—	—	—	118
Employee share purchase plan (note 12)	(7,680)	(73)	73	—	—	—	—
Net income	—	—	—	4,200	—	—	4,200
Other comprehensive loss	—	—	—	—	(863)	—	(863)
Balance at June 30, 2021	71,520,908	$ 310,544	$ 5,328	$ (36,970)	$ (4,638)	$ (492)	$ 273,772

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

Consolidated Statements of Cash Flows

Three-month periods ended June 30, 2021 and 2020

(In thousands of Canadian dollars) (Unaudited)	Note	3 months June 30, 2021	3 months June 30, 2020
Operating activities:			
Net income		$ 4,200	$ 7,021
Adjustments for:			
Depreciation, amortization and write-off		9,447	9,523
Share-based compensation, PSU and DSU expenses		2,254	1,482
Interest expense and standby fees	6	3,462	3,639
Mark-to-market losses on derivative financial instruments	6	518	1,263
Change in fair value of investments		—	892
Share of results of joint venture		58	(10)
Change in fair value of contingent consideration	6	586	(516)
Depreciation, amortization and accretion of other liabilities	6	510	793
Interest expense on lease liabilities	6, 10	417	389
Income tax expense		1,833	2,359
Income taxes paid		(143)	(254)
		23,142	26,581
Net change in non-cash operating items	13	(6,805)	11,412
		16,337	37,993
Financing activities:			
Increase (decrease) of credit facilities		1,757	(20,915)
Payment of dividend		(5,377)	(5,518)
Proceeds from the exercise of stock options		278	32
Shares repurchased and cancelled		(4,685)	—
Shares purchased under the employee share purchase plan		(73)	(81)
Interest paid		(3,891)	(3,687)
Payment of lease liabilities		(1,085)	(1,214)
Repayment of other liabilities		(1,461)	(216)
		(14,537)	(31,599)
Investing activities:			
Business acquisition, net of cash acquired	3	314	—
Acquisition of an investment		(310)	—
Acquisition of property and equipment		(2,077)	(703)
Acquisition of intangible assets other than internally developed intangible assets		(198)	(258)
Addition to internally developed intangible assets		(2,153)	(1,552)
		(4,424)	(2,513)
Increase (decrease) in cash and cash equivalents		(2,624)	3,881
Cash and cash equivalents, beginning of period		9,040	2,512
Cash and cash equivalents, end of period		$ 6,416	$ 6,393

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

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

1. BUSINESS DESCRIPTION AND BASIS OF CONSOLIDATION

Stingray Group Inc. (the "Corporation") is incorporated under the *Canada Business Corporations Act*. The Corporation is domiciled in Canada and its registered office is located at 730 Wellington, Montréal, Québec, H3C 1T4. The Corporation is a provider of multi-platform music services. It broadcasts high quality music and video content on a number of platforms including radio stations, premium television channels, digital TV, satellite TV, IPTV, the Internet, mobile devices and game consoles. A portion of the Corporation's revenue is derived from the sale of advertising airtime, which is subject to the seasonal fluctuations of the Canadian radio industry. Accordingly, the first and third quarter results tend to be the strongest and the second and fourth quarter results tend to be the weakest in a fiscal year. However, for Fiscal, 2021, Radio revenues did not follow historical patterns due to the ongoing impact of the coronavirus ("COVID-19") pandemic.

These interim consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries, Stingray Music USA Inc., 2144286 Ontario Inc., 4445694 Canada Inc., Pay Audio Services Limited Partnership, Music Choice Europe Limited, Stingray Digital International Ltd., Stingray Europe B.V., Transmedia Communications SA, SBA Music PTY Ltd., Stingray Music, S.A. de C.V., DJ Matic NV, Stingray Radio Inc. and Calm Radio Corp. and all these entities' wholly owned subsidiaries.

The auditors of the Corporation have not performed a review of the interim financial report for the three-month periods ended June 30, 2021 and 2020.

2. SIGNIFICANT CHANGES AND HIGHLIGHTS

The interim consolidated financial position and performance of the Corporation was particularly affected by the following events and transactions during the three-month period ended June 30, 2021:

- On June 30, 2021, the Corporation signed an agreement to acquire all of the outstanding shares of Calm Radio, a provider of online music focused on the wellness and relaxation markets, for total consideration of $8,171. It resulted in the recognition of goodwill (note 8), intangible assets (note 8) and contingent consideration (note 11).
- On May 28, 2021, the Corporation fully repaid, on maturity, its $20,000 term loan. Refer to note 9 for more information.

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

3. BUSINESS ACQUISITIONS

FISCAL 2022

Calm Radio Corp.

On June 30, 2021, the Corporation purchased all of the outstanding shares of Calm Radio, an online music streaming service focused on the wellness and relaxation markets, for total consideration of $8,171. As a result of the acquisition, goodwill of $39 was recognized related to the operating synergies expected to be achieved from integrating the acquired business into the Corporation's existing business. The goodwill will not be deductible for tax purposes.

The fair value of acquired trade receivables was $149, which represented the gross contractual amount. The contingent consideration arrangement requires the Corporation to pay, in cash, to the former owners, an amount not exceeding $8,000 over the next three years ending in August 2024, based on recurring monthly revenues targets. The fair value of the contingent consideration was determined using an income approach based on the estimated amount and timing of projected cash flows.

Had the acquisition occurred at the beginning of the fiscal year, revenues related to this acquired business would have been approximately $935 and net income would have been $51.

		Preliminary
Assets acquired:		
Cash and cash equivalents	$	314
Trade and other receivables		149
Other current assets		104
Property and equipment		83
Intangible assets		12,728
Goodwill		39
Deferred tax assets		142
		13,559
Liabilities assumed:		
Accounts payable and accrued liabilities		208
Deferred revenues		1,872
Deferred tax liabilities		3,308
		5,388
Net assets acquired at fair value	$	8,171
Consideration given:		
Balance payable on business acquisition	$	4,000
Contingent consideration		3,912
Working capital payable		259
	$	8,171

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

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

FISCAL 2021

Marketing Sensorial México

On May 6, 2020, the Corporation purchased all of the assets of Marketing Sensorial México, ("MSM") for total consideration of MXN 127,759 ($7,433). MSM is a Mexican leader in point-of-sale marketing solutions. As a result of the acquisition, goodwill of $2,947 was recognized related to the operating synergies expected to be achieved from integrating the acquired business into the Corporation's existing business. The intangible assets and goodwill will be deductible for tax purposes.

The Corporation finalized the assessment of the fair values of the assets acquired and liabilities assumed related to this acquisition and no adjustment to the preliminary assessment have been recorded in the consolidated statements of financial position.

		Final
Assets acquired :		
Property and equipment	$	1,765
Intangible assets		2,721
Goodwill		2,947
Net assets acquired at fair value	$	7,433
Consideration given :		
Balance payable on business acquisition	$	5,236
Contingent consideration		2,197
	$	7,433

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

4. SEGMENT INFORMATION

OPERATING SEGMENTS

The Corporation's operating segments are aggregated in two segments: *Broadcasting and commercial music* and *Radio*. The operating segments reflect how the Corporation manages its operations, resources and assets and how it measures its performance. Both operating segment's financial results are reviewed by the Chief operating decision maker ("CDOM") to make decisions about resources to be allocated to the segment and asses its performance based on adjusted earnings before interest, taxes, depreciation and amortization (thereafter "Adjusted EBITDA"), and for which distinct financial information is available. Adjusted EBITDA excludes from income before income taxes the following expenses: share-based compensation, performance and deferred share unit expense, depreciation, amortization and write-off, net finance expense (income), change in fair value of investments and acquisition, legal, restructuring and other expenses. There are no inter-segment revenues for the periods.

The Broadcasting and commercial music segment specializes in the broadcast of music and videos on multiple platforms and digital signage experiences and generates revenues from subscriptions or contracts.

The Radio segment operates several radio stations across Canada and generates revenues from advertising.

Corporate and eliminations is a non-operating segment comprising corporate and administrative functions that provide support and governance to the Corporation's operating business units.

(In thousands of Canadian dollars, unless otherwise stated)

The following tables present financial information by segment for the three-month periods ended June 30, 2021 and 2020.

	Broadcasting and commercial music		Radio		Corporate and eliminations		**Consolidated**	
	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021	**Q1 2022**	**Q1 2021**
Revenues	$ 35,578	$ 35,947	$ 29,230	$ 16,346	$ —	$ —	**$ 64,808**	**$ 52,293**
Operating expenses (excluding Share-based compensation and PSU and DSU expenses)	20,916	15,580	18,405	10,585	1,332	647	**40,653**	**26,812**
Adjusted EBITDA	14,662	20,367	10,825	5,761	(1,332)	(647)	**24,155**	**25,481**
Share-based compensation					164	166	**164**	**166**
PSU and DSU expenses					2,090	1,316	**2,090**	**1,316**
Depreciation, amortization and write-off					9,447	9,523	**9,447**	**9,523**
Net finance expense (income)					5,253	4,601	**5,253**	**4,601**
Change in fair value of investments					—	892	**—**	**892**
Acquisition, legal, restructuring and other expenses (income)					1,168	(397)	**1,168**	**(397)**
Income before income taxes							**6,033**	**9,380**
Income taxes							**1,833**	**2,359**
Net income							**$ 4,200**	**$ 7,021**

In Fiscal 2021, the Corporation applied and qualified for the Canada Emergency Wage Subsidy (“CEWS”), a Canadian federal government program created in response to the negative economic impact of the COVID 19 pandemic and designed to provide financial assistance to businesses who experienced a certain level of decrease in revenues to help them retain their employees. During the three-month period ended June 30, 2021, the Corporation recognized, as a reduction of operating expenses, the subsidies claimed under the CEWS and other programs amounting to $2,876 (2020 – nil).

The Corporation also received tax credits related to its research and development and multimedia activities, which amounted $548 (2020 – $281) and was recorded as a reduction of operating expenses.

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

	Broadcasting and commercial music		Radio		Corporate and eliminations		**Consolidated**	
	June 30, 2021	March 31, 2021	June 30, 2021	March 31, 2021	June 30, 2021	March 31, 2021	June 30, 2021	March 31, 2021
Total assets	$ 220,794	$ 217,256	$ 606,986	$ 605,581	$ —	$ —	**$ 827,780**	**$ 822,837**
Total liabilities[1]	$ 94,971	$ 85,194	$ 115,604	$ 116,727	$ 343,433	$ 346,224	**$ 554,008**	**$ 548,145**

[1] Total liabilities include operating liabilities, the Credit facilities and the Subordinated debt

	Broadcasting and commercial music		Radio		**Consolidated**	
	Q1 2022	Q1 2021	Q1 2022	Q1 2021	**Q1 2022**	**Q1 2021**
Acquisition of property and equipment	$ 1,337	$ 3,082	$ 334	$ 145	**$ 1,671**	**$ 3,227**
Addition to right-of-use assets on leases	$ 49	$ 394	$ 128	$ 12	**$ 177**	**$ 406**
Acquisition of intangible assets	$ 15,326	$ 4,432	$ —	$ —	**$ 15,326**	**$ 4,432**
Goodwill recorded on business acquisitions	$ 39	$ 2,947	$ —	$ —	**$ 39**	**$ 2,947**

Acquisition of property and equipment, intangible assets, broadcast licences and goodwill, includes those acquired through business acquisitions, whether they were paid or not.

Approximately 80% of the Corporation's non-current assets are located in Canada.

5. REVENUES

DISAGGREGATION OF REVENUES

The following table presents the Corporation's revenues disaggregated by reportable segment, primary geographical market and product.

	Reportable segments		
For the three-month period ended June 30, 2021	Broadcasting and commercial music	Radio	**Total revenues**
Geography			
Canada	$ 12,146	$ 29,230	**$ 41,376**
United States	10,278	—	**10,278**
Other countries	13,154	—	**13,154**
	35,578	29,230	**64,808**
Products			
Subscriptions [1]	31,605	—	**31,605**
Equipment and labor [2]	2,169	—	**2,169**
Advertising [2]	1,804	29,230	**31,034**
	$ 35,578	$ 29,230	**$ 64,808**

[1] Generally recognized over time
[2] Generally recognized at a point in time

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

For the three-month period ended June 30, 2020	Reportable segments Broadcasting and commercial music	Reportable segments Radio	Total revenues
Geography			
Canada	$ 11,711	$ 16,346	**$ 28,057**
United States	10,302	—	**10,302**
Other countries	13,934	—	**13,934**
	35,947	16,346	**52,293**
Products			
Subscriptions [(1)]	31,307	—	**31,307**
Equipment and labor [(2)]	3,815	—	**3,815**
Advertising [(2)]	825	16,346	**17,171**
	$ 35,947	$ 16,346	**$ 52,293**

(1) Generally recognized over time
(2) Generally recognized at a point in time

6. NET FINANCE EXPENSE (INCOME)

	3 months June 30, 2021	3 months June 30, 2020
Interest expense and standby fees	$ 3,462	$ 3,639
Mark-to-market losses on derivative financial instruments	518	1,263
Change in fair value of contingent consideration	586	(516)
Depreciation, amortization and accretion of other liabilities	510	793
Interest expense on lease liabilities	417	389
Foreign exchange gain	(240)	(967)
	$ 5,253	$ 4,601

7. ACQUISITION, LEGAL, RESTRUCTURING AND OTHER EXPENSES (INCOME)

	3 months June 30, 2021	3 months June 30, 2020
Acquisition	$ 14	$ 282
Legal	991	(780)
Restructuring and other	163	101
	$ 1,168	$ (397)

During the three-month period ended June 30, 2021, acquisition expenses, related to completed business acquisitions, amounting to $14 (2020 – $282) are included in acquisition expenses.

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

8. PROPERTY AND EQUIPMENT, RIGHT-OF-USE-ASSETS ON LEASES, INTANGIBLE ASSETS, BROADCAST LICENCES AND GOODWILL

	Property and equipment	Right-of-use assets on leases	Intangible assets	Broadcast licences	Goodwill
Year ended March 31, 2021					
Net book amount as at March 31, 2020	$ 45,732	$ 29,460	$ 54,490	$ 272,910	$ 337,824
Additions	6,493	4,697	8,933	78	—
Additions through business acquisition	1,765	—	2,721	—	2,947
Disposals and write-off	(1,058)	(372)	(2,457)	—	—
Depreciation of property and equipment	(10,907)	—	—	—	—
Depreciation of right-of-use assets on leases	—	(5,614)	—	—	—
Amortization of intangible assets	—	—	(21,379)	—	—
Foreign exchange differences	203	13	(424)	—	(2,874)
Net book amount as at March 31, 2021	$ 42,228	$ 28,184	$ 41,884	$ 272,988	$ 337,897
Three-month period ended June 30, 2021					
Net book amount as at March 31, 2021	$ 42,228	$ 28,184	$ 41,884	$ 272,988	$ 337,897
Additions	1,588	177	2,598	—	—
Additions through business acquisition	83	—	12,728	—	39
Disposals and write-off	(156)	(307)	—	—	—
Depreciation of property and equipment	(2,368)	—	—	—	—
Depreciation of right-of-use assets on leases	—	(1,296)	—	—	—
Amortization of intangible assets	—	—	(5,627)	—	—
Foreign exchange differences	(315)	(10)	313	—	(663)
Net book amount as at June 30, 2021	$ 41,060	$ 26,748	$ 51,896	$ 272,988	$ 337,273

9. CREDIT FACILITIES

The total credit facilities consist of a $325,000 revolving credit facility and a remaining $69,375 term loan, both maturing in October 2023. On May 28, 2021, the Corporation fully repaid, on maturity, its $20,000 term loan.

The credit facilities bear interest at either (a) the bank's prime rate plus an applicable margin based on a financial covenant or (b) the banker's acceptance rate plus an applicable margin based on a financial covenant. In addition, the Corporation incurs standby fees, varying between 0.40% and 0.63% based on a financial covenant.

The table below is a summary of the Credit facilities:

June 30, 2021	Total available	Drawn	Letter of credit	Net available
Committed credit facilities				
Revolving facility	$ 325,000	$ 237,066	$ 750	$ 87,184
Term facility	69,375	69,375	—	—
Total committed credit facilities	$ 394,375	$ 306,441	$ 750	$ 87,184
Less: unamortized deferred financing fees		(662)		
Balance, end of period		305,779		
Current portion		$ 7,500		
Non-current portion		$ 298,279		

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

March 31, 2021	Total available	Drawn	Letter of credit	Net available
Committed credit facilities				
Revolving facility	$ 325,000	$ 213,434	$ 750	$ 110,816
Term facilities	91,250	91,250	—	—
Total committed credit facilities	$ 416,250	$ 304,684	$ 750	$ 110,816
Less: unamortized deferred financing fees		(980)		
Balance, end of period		303,704		
Current portion		$ 27,462		
Non-current portion		$ 276,242		

As at June 30, 2021, letters of credit amounting to $750 (2020 – $750) reduced the availability on the revolving facility.

The Corporation is required to make consecutive quarterly capital repayments of 2.50% of the initial drawdown amount of the term facility. The remaining capital balance will be payable on maturity date, on October 25, 2023.

	Capital repayments of the term facility
2022	$ 7,500
2023	61,875
	$ 69,375

10. LEASE LIABILITIES

The following table presents a summary of the activity related to the lease liabilities of the Corporation for the three-month periods ended June 30, 2021 and 2020:

	3 months	
	June 30, 2021	June 30, 2020
Lease liabilities, beginning of period	**$ 30,212**	**$ 30,853**
Additions	177	406
Payment of lease liabilities, including related interest	(1,502)	(1,603)
Reassessment of the lease term	(300)	(248)
Interest expense on lease liabilities	417	389
Foreign exchange differences	(11)	23
Lease liabilities, end of period	**$ 28,993**	**$ 29,820**

Lease liabilities included in the Consolidated statements of financial position	**June 30, 2021**	**March 31, 2021**
Current portion	$ 4,139	$ 4,479
Non-current portion	$ 24,854	$ 25,733
	$ 28,993	**$ 30,212**

The following table presents the maturity analysis of contractual undiscounted cashflows related to the lease liabilities of the Corporation as of June 30, 2021:

Less than one year	$ 6,123
One to five years	16,600
More than five years	16,057
Total undiscounted lease liabilities as at June 30, 2021	**$ 38,780**

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

11. OTHER LIABILITIES

	June 30, 2021	March 31, 2021
CRTC tangible benefits	$ 28,121	$ 27,970
Contingent consideration	17,493	14,456
Balance payable on business acquisitions	4,063	100
Accrued pension benefit liability	5,962	6,112
Derivative financial instruments	5,888	5,370
Performance share unit payable	2,494	4,478
Other	1,524	1,541
	65,545	60,027
Current portion	(23,906)	(15,812)
	$ 41,639	$ 44,215

12. SHARE CAPITAL

Authorized:

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

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

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

Unlimited number of special shares, participating, without par value

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

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

Issued and outstanding:

The movements in share capital were as follows:

	Number of shares		Carrying amount
Year ended March 31, 2021			
Subordinate voting shares and variable subordinate voting shares			
As at March 31, 2020	55,607,956	$	304,140
Exercise of stock options	80,732		269
Repurchased and cancelled	(1,530,180)		(8,700)
Purchased and held in trust through employee share purchase plan	11,582		16
As at March 31, 2021	54,170,090	$	295,725
Multiple voting shares			
As at March 31, 2020 and 2021	17,941,498	$	18,226
	72,111,588	$	313,951
Three-month period ended June 30, 2021			
Subordinate voting shares and variable subordinate voting shares			
As at March 31, 2021	54,170,090	$	295,725
Exercise of stock options	60,000		321
Repurchased and cancelled	(643,000)		(3,655)
Purchased and held in trust through employee share purchase plan	(7,680)		(73)
As at June 30, 2021	53,579,410	$	292,318
Multiple voting shares			
As at March 31, 2021 and June 30, 2021	17,941,498	$	18,226
	71,520,908	$	310,544

Transactions for the three-month period ended June 30, 2021

During the period, 60,000 stock options were exercised and consequently, the Corporation issued 60,000 subordinate voting shares. The proceeds amounted to $278. An amount of $43 of contributed surplus related to those stock options was transferred to the subordinate voting shares' account balance.

On March 24, 2021, the Corporation declared a dividend of $0.075 per subordinate voting share, variable subordinate voting share, multiple voting share and subscription receipts. A dividend payable of $5,409 was accrued in the consolidated statement of financial position as at March 31, 2021. The dividend paid on June 15, 2021 was $5,377, which resulted in an adjustment of $32 in consolidated statements of changes in equity for the three-month period ended June 30, 2021.

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

Share repurchase program

On September 23, 2020, the Toronto Stock Exchange (the "TSX") approved the implementation of a share repurchase program, which took effect on September 29, 2020. This program allows the Corporation to repurchase up to an aggregate 3,485,155 subordinate voting shares and variable subordinate voting shares (collectively, the "Subordinate Shares"), representing approximately 10% of the Subordinate Shares issued and outstanding as at September 21, 2020. In accordance with TSX requirements, the Corporation is entitled to purchase, on any trading day, up to a total of 32,265 Subordinate Shares, representing 25% of the net average daily trading volume of the Subordinate Shares. When making such repurchases, the number of Subordinate Shares in circulation is reduced and the proportionate interest of all remaining shareholders in the Corporation's share capital is increased on a pro rata basis. All shares repurchased under the share repurchase program will be cancelled upon repurchase. The share repurchase period will end no later than September 24, 2021.

The following table summarizes the Corporation's share repurchase activities during the three-month period ended June 30, 2021:

Subordinate voting shares repurchased for cancellation *(unit)*		643,000
Average price per share	$	7.2855
Total repurchase cost	$	4,685
Repurchase resulting in a reduction of:		
Share capital	$	3,655
Deficit [1]	$	1,030

[1] The excess of net repurchase cost over the average book value of the Subordinate voting shares.

13. SUPPLEMENTAL CASH FLOW INFORMATION

	3 months			
		June 30, 2021		June 30, 2020
Trade and other receivables	$	(623)	$	8,709
Inventories		43		(799)
Other current assets		(2,450)		1,618
Other non-current assets		14		82
Accounts payable and accrued liabilities		(1,555)		2,243
Deferred revenues		390		114
Income taxes payable		(420)		218
Other liabilities		(2,204)		(773)
	$	(6,805)	$	11,412

Additions to property and equipment and intangible assets, excluding broadcast licences and intangible assets acquired through business combinations, not affecting cash and cash equivalents amounted to $(406) (2021 — $2,524) and $247 (2021 — $(99)), respectively, during three-month periods ended June 30, 2021 and 2020.

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

14. FINANCIAL INSTRUMENTS

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 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, 2021. The Corporation is not aware of any significant changes to the Corporation's risk factors from those disclosed at that time.

FAIR VALUES

The Corporation has determined that the carrying amount of cash and cash equivalents, trade and other receivables, accounts payable and accrued liabilities and current portion of other liabilities excluding the contingent consideration is a reasonable approximation of their fair value due to the short-term maturity of those instruments. As such, information on their fair values is not presented below. The fair value of the credit facilities approximates its carrying value as it bears interest at prime or banker's acceptance rates plus a credit spread, which approximate current rates that could be obtained for debts with similar terms and credit risk. The fair value of derivative financial instruments is determined using an evaluation of the estimated market value, adjusted for the credit quality of the counterparty. The carrying amount of CRTC tangible benefits and balance payable on business acquisitions is a reasonable approximation of their fair value as they are discounted using the effective interest rate, which approximate current rates that could be obtained with similar terms and credit risk.

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

As at June 30, 2021	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 6,416				
Trade and other receivables	58,941				
Financial assets measured at fair value					
Investments	$ 1,210	$ 1,210	$ —	$ —	$ 1,210
Financial liabilities measured at amortized cost					
Credit facilities	$ 305,779				
Subordinated debt	31,766				
Accounts payable and accrued liabilities	51,592				
CRTC tangible benefits	28,121				
Accrued pension benefit liability	5,962				
Balance payable on business acquisitions	4,063				
Financial liabilities measured at fair value					
Contingent consideration	$ 17,493	$ 17,493	$ —	$ —	$ 17,493
Derivative financial instruments	5,888	5,888	—	5,888	—

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

As at March 31, 2021	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 9,040				
Trade and other receivables	57,891				
Financial assets measured at fair value					
Investments	$ 900	$ 900	$ —	$ —	$ 900
Financial liabilities measured at amortized cost					
Credit facilities	$ 303,704				
Subordinated debt	31,741				
Accounts payable and accrued liabilities	49,398				
CRTC tangible benefits	27,970				
Accrued pension benefit liability	6,112				
Balance payable on business acquisitions	100				
Financial liabilities measured at fair value					
Contingent consideration	$ 14,456	$ 14,456	$ —	$ —	$ 14,456
Derivative financial instruments	5,370	5,370	—	5,370	—

Fair value measurement (Level 3):

	Investments	Contingent consideration
Three-month period ended June 30, 2020		
Opening amount as at March 31, 2020	$ 23,548	$ 17,831
Additions through business acquisition	—	2,197
Change in fair value	(892)	(516)
Settlements	—	(138)
Balance as at June 30, 2020	$ 22,656	$ 19,374
Three-month period ended June 30, 2021		
Opening amount as at March 31, 2021	$ 900	$ 14,456
Additions through business acquisition	—	3,912
Addition	310	—
Change in fair value	—	586
Settlements	—	(1,461)
Balance as at June 30, 2021	$ 1,210	$ 17,493

There were no changes in the valuation techniques for the contingent consideration and investments during the three-month periods ended June 30, 2021 and 2020.

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

INVESTMENTS

The Corporation has two equity instruments in private entities:

Space Factory Media Inc.

The fair value of the equity instrument in a private entity, Space Factory Media Inc., was estimated using a market comparison technique. The valuation model is based on market multiples derived from quoted price of companies comparable to the investment and the expected EBITDA on the investment.

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

The fair value of the investment as at June 30, 2021 was $310.

Nextologies

The fair value of the equity instrument in a private entity, Nextologies, was estimated using a market comparison technique. The valuation model is based on market multiples derived from quoted price of companies comparable to the investment and the expected EBITDA on the investment.

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

The fair value of the investment as at June 30, 2021 and 2020 was $900.

AppDirect

During the year ended March 31, 2021, the Corporation disposed of its investment in AppDirect. The fair value of the investment as at June 30, 2020 was $21,756.

For the three-month periods ended June 30, 2020, the fair value was measured by using the equity price from the latest external significant equity financing transaction, minus a liquidity discount of 15%. The liquidity discount was used to reflect the marketability of the asset. In measuring fair value, management used the best information available in the circumstances and also an approach that it believes market participants would use. There was no change in the fair value of this instrument during this three-month period as there were no external equity financing transactions or no other indicators of significant changes that could affect the fair value of the investment.

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

CONTINGENT CONSIDERATION

The contingent consideration related to business combinations is payable based on the achievement of targets for growth in revenues for a period from the date of the acquisition and upon renewal of client contracts. The fair value measurement of the contingent consideration is determined using unobservable (Level 3) inputs. These inputs include (i) the estimated amount and timing of projected cash flows; and (ii) the risk-adjusted discount rate used to present value the cash flows, which is based on the risk associated with the revenue targets being met. The contingent consideration is classified as a financial liability and is included in other liabilities (Note 11). The change in fair value is recognized in net finance expense (income) (Note 6).

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

DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation use derivative financial instruments to manage its interest rate risk on its credit facilities. These include interest rate swaps and swaptions.

The table below summarize the interest rate contracts effective as at June 30, 2021 and March 31, 2021:

Maturity	Currency	Fixed interest rate (when applicable)	Initial nominal value	Mark-to-market liabilities as at June 30, 2021	Mark-to-market liabilities as at March 31, 2021
Swaps					
October 25, 2024	CAD	0.81%	$ 50,000	$ 828	$ 945
October 25, 2024	CAD	1.33%	50,000	257	403
October 25, 2021	CAD	2.19%	50,000	280	494
October 25, 2024	CAD	2.29%	50,000	1,631	1,938
			200,000	2,996	3,780
Swaptions					
October 25, 2024	CAD	—	100,000	1,219	642
October 25, 2024	CAD	—	100,000	1,673	948
			$ 200,000	$ 2,892	$ 1,590
			$ 400,000	$ 5,888	$ 5,370

15. SUBSEQUENT EVENT

Dividend

On August 3, 2021, the Corporation declared a dividend of $0.075 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend will be payable on or around September 15, 2021 to shareholders on record as of August 31, 2021.

16. BASIS OF PREPARATION

a) **Statement of compliance:**

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a basis consistent with those accounting policies followed by the Corporation in the most recent audited consolidated annual financial statements. These interim consolidated financial statements have been prepared on a form in accordance with IAS 34 "Interim Financial Reporting". Accordingly, certain information, in particular the accompanying notes, normally included in the consolidated annual financial statements prepared in accordance with IFRS, has been omitted or condensed. Income taxes in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss. These interim consolidated financial statements should be read in conjunction with the consolidated annual financial statements and the note thereto for the year ended March 31, 2021.

The interim consolidated financial statements were authorized for issue by the Board of Directors on August 3, 2021.

b) **Use of estimates and judgments:**

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

In preparing these interim consolidated financial statements, the significant judgments made by management in applying the Corporation's accounting policies and the key sources of information were the same as the ones applied to the audited consolidated financial statements for the year ended March 31, 2021.

c) Functional and presentation currency:

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

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