Newfoundland Capital Corporation Limited
Third Quarter 2010
Period Ended September 30 ***(unaudited)***

Dartmouth, N.S. – October 28, 2010, Newfoundland Capital Corporation Limited (the "Company"), one of Canada's leading radio broadcasters, today announces its financial results for the third quarter ended September 30, 2010.

Highlights Double digit growth has continued into the third quarter.

- **Revenue** was $28.7 million in the quarter, $3.3 million higher than 2009; year-to-date revenue of $85.2 million was $10.4 million higher than last year. The 13% growth in the quarter and 14% growth year-to-date was primarily attributable to same station revenue growth.

- **Earnings before interest, taxes, depreciation and amortization ("EBITDA"[(1)])** were $6.4 million in the quarter and $16.9 million year-to-date, $2.8 million and $6.0 million higher than the respective periods in 2009. This is significant growth year over year and is net of $2.6 million in copyright fees which arose due to a Copyright Board ruling in July. Excluding this ruling, year-to-date EBITDA would have been 79% higher than the prior year.

- **Net income** in the quarter was $2.6 million and was $6.0 million year-to-date, $3.5 million and $3.9 million lower than their respective periods in 2009. Net income was lower due to a $5.6 million gain on disposal recorded in the third quarter of 2009 and the $1.6 million impairment loss in the second quarter of this year. If the results excluded these items, net income would have been higher by approximately $1.8 million year-to-date.

Significant events

- On August 5, 2010, the Company declared dividends of $0.06 per share on each of its Class A Subordinate Voting Shares and Class B Common Shares. This was paid September 15, 2010 to shareholders of record as at August 31, 2010. This represents a 20% increase over the $0.05 per share dividend which has historically been declared at this time of year.
- As announced in the previous quarter, the Copyright Board issued its ruling in July on certain tariffs which resulted in a $2.6 million increase in copyright fees year-to-date, of which $1.8 million related to previous years. As a result of this ruling, copyright fees as a whole have increased from 7.3% to 8.9% of revenue, subject to certain exemptions for low use and low revenue stations.

"This year has continued to exceed our expectations, with double digit revenue growth for the first nine months of the year", commented Rob Steele, President and Chief Executive Officer. "We are pleased with the growth in our major markets this year, which is a direct result of programming improvements as well as improved economic conditions. Our goal is to continue to post positive growth for the remainder of the year making 2010 a very successful year for the Company."

Financial Highlights – Third Quarter

(thousands of dollars except share information)	**2010**	2009
Revenue	$ **28,708**	25,408
EBITDA[(1)]	**6,409**	3,649
Net income (loss)	**2,604**	6,209
Earnings per share – basic	**0.08**	0.19
Share price, NCC.A (closing)	**7.75**	7.33
Weighted average number of shares outstanding *(in thousands)*	**32,972**	32,972
Total assets	**231,683**	240,086
Long-term debt, including current portion	**49,102**	65,840
Shareholders' equity	**107,849**	101,095

(1) Refer to page 17 for the reconciliation of EBITDA to net income.

Management's Discussion and Analysis

The purpose of the Management's Discussion and Analysis ("MD&A"), dated October 28, 2010, is to provide readers with additional complementary information regarding the financial condition and results of operations for Newfoundland Capital Corporation Limited (the "Company") and should be read in conjunction with the unaudited interim consolidated financial statements and related notes for the periods ended September 30, 2010 and 2009 as well as the annual audited consolidated financial statements and related notes and the MD&A contained in the Company's 2009 Annual Report. These documents along with the Company's Annual Information Form and other public information are filed electronically with various securities commissions in Canada through the System for Electronic Document Analysis and Retrieval ("SEDAR") and can be accessed at www.sedar.com. All amounts are stated in Canadian dollars. Certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted in Fiscal 2010.

Management's Discussion and Analysis of financial condition and results of operations contains forward-looking statements. These forward-looking statements are based on current expectations. The use of terminology such as "expect", "intend", "anticipate", "believe", "may", "will", and other similar terminology relate to, but are not limited to, our objectives, goals, plans, strategies, intentions, outlook and estimates. By their very nature, these statements involve inherent risks and uncertainties, many of which are beyond the Company's control, which could cause actual results to differ materially from those expressed in such forward-looking statements. Readers are cautioned not to place undue reliance on these statements. Unless otherwise required by applicable securities laws, the Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

CORPORATE PROFILE

Newfoundland Capital Corporation Limited (the "Company") is Canada's largest pure-play radio company, employing approximately 800 of the best radio professionals across the country. The Company's portfolio of radio assets includes 62 FM and 18 AM licences which can be heard throughout Canada. The Company reaches millions of listeners each week through a variety of formats and is a recognized industry leader in radio programming, sales and networking.

STRATEGY AND OBJECTIVES

The Company's long-term strategy is to maximize returns on existing operations, convert AM stations to FM, and add new licences through business and licence acquisitions and through the Canadian Radio-television and Telecommunications Commission ("CRTC") licence application process.

As stated in the 2009 Annual Report, this year the Company will continue to grow its existing operations by increasing advertising revenue and remaining focused on controlling discretionary costs to drive EBITDA margins. It will launch recently awarded AM to FM conversions – four in Alberta and two in Newfoundland and Labrador. Management continues to explore acquisition and expansion opportunities that fit the Company's acquisition objectives and it will make applications to the CRTC for new licences and additional AM to FM conversions. The Company's commitment to its talented employees, its customers, its listeners and to the communities it serves remains critical to its success.

CORPORATE DEVELOPMENTS

The following is a review of the key corporate developments which should be considered when reviewing the "Consolidated Financial Review" section. The results of the acquired or launched stations have been included in the consolidated financial statements since the respective acquisition and launch dates.

2010 Developments:

- February – launched the four repeater signals in Prince Edward Island.
- February – CFCB in Corner Brook, Newfoundland and Labrador celebrated its 50th anniversary.
- February – received CRTC approval to convert the AM station in Westlock, Alberta to FM. Planning for the conversion is underway.
- March – CFRQ-FM, otherwise known as Q104, serving Halifax, Nova Scotia was named mid-market station of the year during Canada Music Week.
- April – received CRTC approval to convert the AM station in Brooks, Alberta to FM. Conversion is underway.
- May – re-launched CHNO-FM as Rewind 103.9 playing Sudbury, Ontario's Greatest Hits.
- July – changed the format of CHNK-FM in Winnipeg, Manitoba, re-branding it as K-Rock 100.7 World Class Rock. The station plays primarily classic rock music as well as a diverse mix of blues and roots music.
- September – received CRTC approval for a repeater in Springvale, Newfoundland and Labrador.

2009 Developments:

- January – Launched the new FM station in Pincher Creek, Alberta playing country music.
- April – CRTC approved two AM to FM conversions for stations in St. Paul and High Prairie, Alberta. Planning for the St. Paul conversion is underway while the High Prairie station is expected to be on-air in the fall of 2010.
- June – CRTC approved the Company's applications to convert AM stations to FM in Wabush and Goose Bay, Newfoundland and Labrador. These conversions were launched in September 2010.
- June – Re-branded CFUL in Calgary, Alberta as a Contemporary Hits Radio format, branded as AMP Radio. This format is similar to the very popular Ottawa station, Hot 89.9, which was named the 2008 Contemporary Hits Radio station of the year.
- July – Completed the previously announced exchange of assets with Rogers Broadcasting Limited. The Company's Halifax AM licence was exchanged for Rogers' AM licence in Sudbury, Ontario plus $5.0 million.
- August – Launched Hot 93.5, the newly acquired Sudbury, Ontario radio station which was converted to FM. Its format is Top 40 and has been met with a very positive response from both listeners and clients.
- August – Launched the converted FM radio station in Athabasca, Alberta. 94.1 FM The River plays Classic Hits.
- November – The Company's stock was split on a three-for-one basis.
- December – Completed the previously announced sale of the broadcasting assets related to the two FM stations in Thunder Bay, Ontario for $4.5 million.

CONSOLIDATED FINANCIAL REVIEW

Consolidated Financial Results of Operation
(thousands of dollars, except percentages)

		Three months ended Sept. 30			Nine months ended Sept. 30		
		2010	2009	Growth	**2010**	2009	Growth
Revenue	$	**28,708**	25,408	13%	**85,199**	74,840	14%
Operating expenses		**22,299**	21,759	2%	**68,255**	63,923	7%
EBITDA[1]		**6,409**	3,649	76%	**16,944**	10,917	55%
Depreciation and amortization		**919**	964	(5%)	**2,713**	2,776	(2%)
Interest expense		**1,087**	911	19%	**2,637**	2,854	(8%)
Accretion of other liabilities		**171**	211	(19%)	**551**	665	(17%)
		4,232	1,563	-	**11,043**	4,622	-
Other (expense) income		**(188)**	1,077	-	**(109)**	3,082	-
Gain on disposal of broadcast licence (note 4)		**-**	5,616	-	**-**	5,616	-
Impairment charge		**-**	-	-	**(1,609)**	-	-
Earnings from continuing operations		**4,044**	8,256	(51%)	**9,325**	13,320	(30%)
Provision for income taxes		**1,440**	2,112	(32%)	**3,357**	3,510	(4%)
Net income from continuing operations		**2,604**	6,144	(58%)	**5,968**	9,810	(39%)
Net income from discontinued operations		**-**	65	-	**-**	95	-
Net income	$	**2,604**	6,209	(58%)	**5,968**	9,905	(40%)

(1) EBITDA - Earnings before interest, taxes, depreciation and amortization – refer to page 17 for reconciliation to net income.

A more thorough discussion on revenue, operating expenses and EBITDA are described in the section entitled “Financial Review by Segment”.

Revenue
In the quarter, consolidated revenue of $28.7 million was $3.3 million or 13% higher than last year; for the nine month period ended September 30, 2010 the increase was $10.4 million or 14%. This improvement was a result of increased revenue in the broadcasting segment.

Operating expenses
Consolidated operating expenses of $22.3 million were $0.5 million or 2% higher than the third quarter last year due to higher variable costs and year-to-date operating expenses of $68.3 million were $4.3 million or 7% higher than 2009. The increase year-to-date was due to higher variable costs and the increased copyright fees in the broadcasting segment further described below.

EBITDA
Consolidated EBITDA in the quarter of $6.4 million was $2.8 million or 76% higher than the same period in 2009. Year-to-date consolidated EBITDA of $16.9 million was $6.0 million or 55% higher than last year. Improved EBITDA was due to growth in the broadcasting segment. Excluding the Copyright Board ruling, year-to-date EBITDA would have been 79% higher than the prior year.

Depreciation and amortization
In the quarter and year-to-date, depreciation and amortization expense was comparable with the same periods in 2009.

Interest expense
Interest expense in the third quarter was slightly higher than the prior period due to increased rates in the Company's renewed credit facility. Year-to-date interest expense was less than the prior year due to the lower average debt balance.

Accretion of other liabilities
Accretion of other liabilities arises from discounting Canadian Content Development ("CCD") commitments to reflect the fair value of the obligations. The expense decreases as CCD obligations are drawn down.

Other income
Other income generally consists of gains and losses, realized and unrealized, on the Company's marketable securities. Third quarter unrealized losses were $0.3 million (2009 – gain of $1.3 million) and year-to-date unrealized gains were $0.5 million (2009 – gain of $3.3 million).

Gain on disposal of broadcasting licence
In July 2009, upon the completion of the radio asset exchange, the Company disposed of its AM licence in Halifax, Nova Scotia and recorded a gain of $5.6 million.

Broadcast licence impairment charge
During the second quarter, management conducted a broadcast licence impairment analysis for one of its reporting units due to a triggering event in which the Company's request for the removal of certain format restrictions on one of its Winnipeg broadcast licences was not approved by the CRTC. As a result of the analysis, management recorded a broadcast licence impairment charge of $1.6 million, which is more fully described in note 4 of the Company's unaudited interim consolidated financial statements.

Discontinued operations
In 2009, the Company disposed of its net assets associated with the two FM radio stations in Thunder Bay, Ontario and therefore, the 2009 comparative financial results of operations from this component were treated as discontinued operations.

Provision for income taxes
The provision for income taxes is lower than 2009 due to lower pre-tax earnings. The effective income tax rate approximated 36% in the quarter and year-to-date, slightly higher than the statutory rate of 34%. The effective rate for 2009 was lower than the current period because the prior period included gains which are taxed at one half of the normal tax rate.

Net income
Third quarter net income of $2.6 million was $3.6 million or 58% lower than last year. Net income year-to-date of $6.0 million decreased by $3.9 million or 40%. These declines were primarily a result of the $1.6 million broadcast licence impairment charge incurred in the second quarter this year and last year's $5.6 million gain on disposal in the third quarter. Excluding these items, year-to-date net income would have been $1.8 million higher than 2009.

Other comprehensive income ("OCI")
OCI consists of the net change in the fair value of the Company's cash flow hedges. These include interest rate swaps and an equity total return swap. The net change in the fair value of the interest rate swaps recorded in OCI in the quarter was after-tax expense of $0.1 million (2009 – $0.2 million after-tax income) and year-to-date was $0.2 million (2009 – $2.0

million after-tax income). The net change in the fair value of the equity total return swap recorded in OCI in the quarter was after-tax income of $0.2 million (2009 – $0.4 million after-tax expense). Year-to-date the after-tax income was less than $0.1 million (2009 – $0.4 million after-tax income).

FINANCIAL REVIEW BY SEGMENT

Consolidated financial figures include the results of operation of the Company's two separately reported segments – Broadcasting and Corporate and Other. The Company provides information about segment revenue, segment EBITDA and operating income because these financial measures are used by its key decision makers in making operating decisions and evaluating performance. For additional information about the Company's segmented information, see note 12 of the Company's unaudited interim consolidated financial statements.

Broadcasting Segment:

The broadcasting segment derives its revenue from the sale of broadcast advertising from its licences across the country. Advertising revenue can vary based on market and economic conditions, the audience share of a radio station, the quality of programming and the effectiveness of a company's team of sales professionals.

Reporting units within the broadcasting segment are managed and evaluated based on their revenue and EBITDA. Here are the key operating results of the broadcasting segment.

Broadcasting Financial Results of Operation

(thousands of dollars, except percentages)	**Three months ended Sept 30**			**Nine months ended Sept 30**		
	2010	2009	**% Change**	**2010**	2009	**% Change**
Revenue	$ **27,662**	24,329	14%	**82,433**	72,093	14%
Operating expenses	**19,541**	18,980	3%	**60,498**	56,195	8%
EBITDA	$ **8,121**	5,349	52%	**21,935**	15,898	38%
EBITDA margin	**29%**	22%	7%	**27%**	22%	5%

Revenue
Broadcasting revenue in the quarter of $27.7 million was $3.3 million or 14% better than last year. For the nine month period, broadcasting revenue was $82.4 million, an increase of $10.3 million or 14% over the same period in 2009. The increase came almost entirely from organic (same-station) revenue growth.

The significant revenue improvements were attributed to both local and national advertising revenue. Local revenue growth was 11% while national growth was 13%. Year-to-date, the Company achieved increases over the same period last year of 15% in its Western Canadian properties, a 12% increase in Central Canada and a 9% improvement in Atlantic Canada. These rates have exceeded industry growth rate of 5%.

The Company continues to benefit from successful ratings results and is optimistic that positive growth will carry on throughout 2010.

Operating expenses
For the quarter, broadcasting operating expenses were $19.5 million, up $0.6 million or 3% over last year. Year-to-date operating expenses were $60.5 million, $4.3 million or 8% higher than the same period in 2009. The increase in operating expenses was due to higher variable costs and the Copyright Board ruling which is described below.

In July 2010, the Copyright Board of Canada rendered a decision on an ongoing copyright fee issue. New tariffs were introduced and one component of the existing tariffs was increased. The ruling was retroactive to January 2008. The cumulative impact of this ruling year-to-date was a $2.6 million increase in operating expenses; of which $1.8 million related to prior years.

EBITDA

Broadcasting EBITDA for the third quarter was $8.1 million, $2.8 million or 52% higher than the same period in 2009. Year-to-date EBITDA was $21.9 million, $6.0 million or 38% higher than the first nine months of 2009. Excluding the effect of the increased copyright fees, EBITDA for the year-to-date period would have been $24.5 million, $8.6 million or 54% higher than last year. These significant EBITDA improvements were due to higher revenue and continued monitoring of discretionary costs which allowed the Company to improve EBITDA margins.

Corporate and Other Segment:

The Corporate and Other segment derives its revenue from hotel operations. Corporate and other expenses are related to head office functions and hotel operations.

Corporate and Other Financial Results of Operation

(thousands of dollars, except percentages)	Three months ended Sept 30			Nine months ended Sept 30		
	2010	2009	**% Change**	**2010**	2009	**% Change**
Revenue	$ **1,046**	1,079	(3%)	**2,766**	2,747	1%
Operating expenses	**2,758**	2,779	(1%)	**7,757**	7,728	-
EBITDA	$ **(1,712)**	(1,700)	(1%)	**(4,991)**	(4,981)	-

Revenue

Revenue for the third quarter was slightly lower (3%) than the same period in 2009. Year-to-date was slightly higher (1%) than the same period in 2009 both due to changes in hotel revenue.

Operating expenses

Corporate and Other operating expenses for the third quarter of 2010 and 2009 were $2.8 million. For the nine month period, Corporate and Other operating expenses of $7.8 million were on par with the same period in 2009.

EBITDA

Third quarter EBITDA and year-to-date EBITDA were on par with the same respective periods in 2009.

SELECTED QUARTERLY FINANCIAL INFORMATION

(thousands of dollars except per share data)	**2010**			**2009**				**2008**
	3rd	**2nd**	**1st**	**4th**	**3rd**	**2nd**	**1st**	**4th**
Revenue	$ **28,708**	30,785	25,706	30,458	25,408	26,772	22,660	29,306
Net income (loss)	**2,604**	2,127	1,237	5,461	6,209	3,144	552	(3,796)
Earnings per share								
– Basic	**0.08**	0.06	0.04	0.17	0.19	0.10	0.02	(0.12)
– Diluted	**0.08**	0.06	0.04	0.16	0.18	0.09	0.02	(0.12)

The Company's revenue and operating results vary depending on the quarter because of seasonal fluctuations in advertising sales. The 2010 second quarter net income was impacted by the broadcast licence impairment charge of $1.6 million. In 2009, a gain on the disposal of a broadcasting licence positively impacted net income by $5.6 million in the third quarter. In 2008, unrealized declines in the value of marketable securities affected net income by $4.6 million in the fourth quarter.

As a result of the requirement to adopt CICA 3064 "Goodwill and Intangible Assets" in 2009 which set new accounting standards related to start-up operations, the 2008 comparative figures were restated to include pre-operating costs that had been previously capitalized and amortized. The earnings per share information was restated to reflect the three-for-one stock split that occurred during the fourth quarter in 2009. Discontinued operations, as described in note 3 of the Company's unaudited interim consolidated financial statements, also impacted the comparative figures.

Selected cash flow information – three months ended September 30, 2010

Cash from operating activities was $8.1 million. During the quarter, the Company repaid long-term debt in the amount of $2.8 million, paid dividends of $2.0 million, purchased $1.1 million of property and equipment and paid $1.6 million toward CCD commitments.

Selected cash flow information – three months ended September 30, 2009

Cash from operating activities of $5.0 million combined with the $5.0 million cash proceeds on disposition of a broadcast licence was used primarily to repay $7.0 million of debt, to contribute $1.7 million toward CCD and to finance property and equipment additions of $1.3 million.

Selected cash flow information – nine months ended September 30, 2010

Cash from operating activities was $16.8 million. During the nine month period, the Company repaid $6.6 million of debt, paid dividends of $5.3 million, purchased $2.1 million of property and equipment and paid $2.4 million toward CCD commitments.

Selected cash flow information – nine months ended September 30, 2009

Cash from operating activities of $11.2 million, combined with the $5.0 million cash proceeds on disposition of a broadcast licence, was used to repay $8.8 million of debt, purchase property and equipment totalling $3.7 million and to contribute $3.1 million toward CCD.

Capital expenditures and capital budget

The capital expenditures for 2010 are expected to be approximately $5.0 million. The major planned expenditures include launching recently awarded AM to FM conversions as well as general improvements and upgrades. The Company continuously upgrades its broadcast equipment to improve operating efficiencies.

FINANCIAL CONDITION

Total assets

Assets of $231.7 million were $1.2 million lower than those reported at December 31, 2009. This was mainly due to the reduction of $1.6 million in broadcast licences due to an impairment charge in the second quarter.

Total liabilities

As at September 30, 2010 the Company's total liabilities were $123.8 million, $5.2 million lower than those reported at December 31, 2009 primarily due to the repayment of long-term debt in the amount of $7.6 million.

LIQUIDITY

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due or can do so only at excessive cost. The Company's growth is financed through a combination of the cash flows from operations and borrowings under the existing credit facility. One of management's primary goals is to maintain an optimal level of liquidity through the active management of the assets and liabilities as well as the cash flows.

Management deems its liquidity risk to be low and this is explained in the paragraphs that follow.

Credit facility and covenants

The Company's syndicated credit facility of $76.5 million expires in June 2012. The Company has chosen a revolving facility because it provides flexibility with no scheduled repayment terms. The cost of borrowing under the facility is approximately 2¼% higher than the facility in place prior to June 2010. Additional details on long-term debt are included in note 8 of the unaudited interim consolidated financial statements.

The Company is subject to covenants on its credit facility. The Company's bank covenants include certain maximum or minimum ratios such as a total debt to EBITDA ratio, interest coverage and a fixed charge coverage ratio. Other covenants include seeking prior approval for acquisitions or disposals in excess of a quantitative threshold. The Company was in compliance with the covenants throughout the quarter and at quarter end.

Funding sources

Cash flow from operations and funds available from the Company's $76.5 million credit facility have been the primary funding sources of working capital, capital expenditures, CCD payments, dividend payments, debt repayments, and other contractually required payments through the past several years. For the nine months ended September 30, 2010, the Company's cash generated from operating activities was $16.8 million, its long-term debt balance was $49.5 million and its bank indebtedness was $1.1 million which left $25.9 million available to be drawn upon from the credit facility.

Positive cash balances

The Company does not maintain any significant positive cash balances; instead it uses the vast majority of its positive cash balances to reduce debt and minimize interest expense. As a result, the Company nets its deposits in banks with bank indebtedness. The fact that the Company does not have positive cash positions on its balance sheet does not pose an increase to its liquidity risk because the Company generates cash from operations and, as part of its $76.5 million credit facility, it has a $5.0 million current operating credit line to fund any current obligations and it can also access any unused capacity in its credit facility to fund obligations.

Working capital requirements

As at September 30, 2010, the Company's working capital balance was $0.9 million. The cash from current receivables will be sufficient to cover the Company's current obligations to its suppliers and employees and in combination with ongoing cash from operations and the availability of cash from its debt facility, the Company will be able to meet all other current cash requirements as they arise. If cash inflows from customers are not sufficient to cover current obligations, because of timing issues, the Company has access to a $5.0 million operating credit line. The balance remaining on this operating credit line is $3.9 million.

Future cash requirements

Other than for operations, the Company's cash requirements are mostly for interest payments, repayment of debt, capital expenditures, CCD payments, dividends and other contractual obligations. Management anticipates that its cash flows from operations and the availability of the credit facility will provide sufficient funds to meet its cash requirements.

Based on the above discussion and internal analysis, management deems its liquidity risk to be low.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

There has been no substantial change in the Company's commitments and contractual obligations since the publication of the 2009 Annual Report.

SHARE CAPITAL

Stock split

Effective on November 25, 2009, the Class A Subordinate Voting Shares and Class B Common Shares were split on a three-for-one basis. Accordingly, the comparative number of shares and per share amounts have been retroactively adjusted to reflect the three-for-one split.

Outstanding share data

The weighted average number of shares outstanding at September 30, 2010 was 32,972,220 (2009 – 32,972,220). As of this date, there are 29,200,518 Class A Subordinate Voting Shares and 3,771,702 Class B Common Shares outstanding.

Dividends

Dividends of $0.06 per share were declared in August to all shareholders of record as of August 31, 2010. The dividends were paid on September 15, 2010. Annual dividends of $0.10 per share were declared in December to all shareholders of record as of December 31, 2009. Those dividends were paid January 29, 2010.

Share repurchases

The Company has approval under a Normal Course Issuer Bid to repurchase up to 583,991 Class A Subordinate Voting Shares ("Class A shares") and 75,453 Class B Common Shares. This bid expires February 8, 2011. Year-to-date in 2010 and in 2009, the Company did not repurchase any of its outstanding Class A shares.

Subsequent to quarter end, the Company received approval from the TSX to increase the allowable Class A shares repurchased under the Normal Course Issuer Bid to 1,459,978 Class A shares. All other terms of the bid remain the same.

EXECUTIVE COMPENSATION

Executive stock option plan

Compensation expense related to executive stock options for the three months ended September 30, 2010 was $0.1 million (2009 – $0.1 million). Refer to note 5 of the unaudited interim consolidated financial statements for further details relating to the executive stock option plan.

Stock appreciation rights plan
For the quarter ended September 30, 2010, the compensation expense related to stock appreciation rights ("SARS") was $0.4 million (2009 – $0.5 million). Year-to-date, the expense was $0.6 million (2009 – $1.4 million). The total obligation was $1.6 million (2009 – $1.4 million). Refer to note 7 of the unaudited interim consolidated financial statements for further details relating to SARS.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

For more detailed disclosures about derivative financial instruments and financial risk management, refer to note 10 of the unaudited interim consolidated financial statements.

Interest rate risk management
To hedge its exposure to fluctuating interest rates on its long-term debt, the Company has entered into interest rate swap agreements with Canadian chartered banks. The swap agreements expire in 2013 and involve the exchange of the three-month bankers' acceptance floating interest rate for a fixed interest rate. The difference between the fixed and floating rates is settled quarterly with the bank and recorded as an increase or decrease to interest expense. The aggregate notional amount of the swap agreements was $55.0 million (2009 – $60.0 million). The Company formally assesses effectiveness of the swaps at inception and on a regular basis and has concluded that the swaps are effective in offsetting changes in interest rates. The aggregate fair value of the swap agreements, which represents the amount that would be payable by the Company if the agreements were terminated at September 30, 2010 was $3.8 million (2009 – $4.2 million). After-tax, the unrealized non-cash loss recognized in OCI for the quarter was $0.1 million (2009 – $0.2 million after-tax income) and year-to-date was a non-cash after-tax loss of $0.2 million (2009 – $2.0 million after-tax income).

Share price volatility management
In July 2006, the Company entered into an agreement to hedge its obligations under the stock appreciation rights plan using an equity total return swap agreement to reduce the volatility in cash flow and earnings due to possible future increases in the Company's share price. Gains or losses realized on the quarterly settlement dates are recognized in income in the same period as the SARS compensation expense. Unrealized gains and losses, to the extent that the hedge is effective, are deferred and included in OCI until such time as the hedged item affects net income. If at any time the hedge is deemed to be ineffective or the hedge is terminated or de-designated, gains or losses, including those previously recognized in OCI, will be recorded in net income immediately.

The Company has concluded that this cash flow hedge is effective. The estimated fair value of the equity total return swap receivable at September 30, 2010 was $2.4 million (2009 – $1.8 million). After-tax the unrealized non-cash gain recognized in OCI for the quarter was $0.2 million (2009 – after-tax loss of $0.4 million) and year-to-date was less than $0.1 million (2009 – after-tax income of $0.4 million).

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The fair value of the Company's marketable securities is affected by changes in the quoted share prices in active markets. Such prices can fluctuate and are affected by numerous factors beyond the Company's control. In order to minimize the risk associated with changes in the share price of any one particular investment, the Company diversifies its portfolio by investing in various stocks in varying industries. It also conducts regular financial reviews of publicly available information related to its investments to determine if any identified risks are within tolerable risk levels. As at September 30, 2010, a 10% change in the share prices of each marketable security would result in a $0.4 million after-tax change in net income.

Credit risk management
Credit risk is the exposure that the Company faces with respect to amounts receivable from other parties. Credit exposure is managed through credit approval and monitoring procedures.

The Company is subject to normal credit risk with respect to its receivables. A large customer base and geographic dispersion minimize credit risk. The Company reviews its receivables for possible indicators of impairment on a regular basis and as such, it maintains a provision for potential credit losses.

At September 30, 2010, the Company's credit exposure as it related to its receivables continued to be slightly higher than in the past due to the recent Canadian economic conditions. The Company sells advertising airtime primarily to retail customers and since their results may also be impacted by the current economy, it is difficult to predict the impact this could have on the Company's receivables' balance. The Company believes its provision for potential credit losses to be adequate at this time given the current circumstances.

With regard to the Company's derivative instruments, the counterparty risk is managed by only dealing with Canadian Chartered Banks having high credit ratings.

Capital Management
The Company defines its capital as shareholders' equity. The Company's objective when managing capital is to pursue its strategy of growth through acquisitions and through organic operations so that it can continue to provide adequate returns for shareholders. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or repurchase shares. The Directors and senior management of the Company are of the opinion that from time to time the purchase of its shares at the prevailing market price would be a worthwhile investment and in the best interests of the Company and its shareholders. Material transactions and those considered to be outside the ordinary course of business, such as acquisitions and other major investments or disposals, are reviewed and approved by the Board of Directors.

Annual impairment testing of broadcast licences and goodwill
The Company performed its annual impairment analysis of its long-lived intangible assets, which consist of broadcast licences and goodwill. The Company's policy for assessing impairment remained unchanged from the accounting policy published in the 2009 annual report. As at August 31, 2010, the Company concluded that no provision for impairment was required for its broadcast licences and goodwill. This test factored in the lower intangible asset balance resulting from the impairment charge recognized in the second quarter of this year. In the prior year as at August 31, 2009, the Company concluded that no provision for impairment of broadcast licences or goodwill was required at that time.

FUTURE ACCOUNTING POLICIES

Section 1582 Business Combinations
During 2009, the CICA issued Handbook Section 1582 *Business Combinations* which replaces Section 1581 bearing the same name. This Section is effective for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted, and the changes align the standard with the guidance in International Financial Reporting Standards ("IFRS"). Of the amendments in the Section, the one that will represent the most significant change in how the Company accounts for business combinations is the determination of the cost of the purchase. The cost that is allocated to the fair value of the net assets acquired is the direct cost of the business combination; indirect costs such as legal or restructuring are expensed. The impact the changes will have on its consolidated results will continue to be monitored.

Section 1601 Consolidated Financial Statements and Section 1602 Non-controlling Interests

These Sections were issued and together replace Section 1600 *Consolidated Financial Statements*. These too are applicable for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. The new sections establish standards for the preparation of consolidated financial statements and for the accounting of a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The Company will continue to evaluate the impact of the amendments.

International Financial Reporting Standards

On February 13, 2008, the Accounting Standards Board confirmed that IFRS will be required for publicly accountable profit-oriented enterprises for fiscal years beginning on or after January 1, 2011. After that date, IFRS will replace Canadian GAAP for those enterprises. The Company will apply IFRS beginning January 1, 2011 and will present 2010 comparative figures using IFRS, starting in the first quarter of 2011.

The Company has committed adequate internal resources to oversee the IFRS project and external consultants have been engaged throughout the process. The Audit and Governance Committee is regularly updated on the status of the project. Management has satisfied itself that it has sufficient resources, systems and applications in place to meet its financial reporting requirements.

IFRS-1 *First-time Adoption of International Financial Reporting Standards* provides guidance for transition which generally requires an entity to apply all IFRS standards retrospectively, with prior period restatements, on adoption of the new standards. However, IFRS-1 also includes mandatory exceptions and certain exemptions which enable an entity to apply certain areas of the standards prospectively. Management has analysed the exceptions and exemptions available under IFRS-1 and is considering applying the exemptions listed in the table below. A brief description of the impact of applying these exemptions is discussed as well.

Exemption	**Impact**
Business combinations	The Company will elect to not restate any prior business combinations on adoption, to the extent the assets and liabilities meet the recognition criteria under the relevant IFRS standards. Broadcast licences and goodwill resulting from a business combination are not amortized under IFRS. The Company's previously recognized accumulated amortization of broadcast licences and goodwill in the amount of $6.8 million will be reversed resulting in an increase in retained earnings and a corresponding increase in broadcast licences and goodwill upon adoption of IFRS.
Fair value or revaluation as deemed cost	Due to the extensive cost involved in revaluing its property and equipment and the fact that most arose through business combinations, the Company has chosen not to revalue property and equipment on the transition date to its fair value.
Employee benefits	The Company has elected to charge to equity any unamortized actuarial gains/losses arising from the defined benefit pension plans. The financial impact of this election, along with other pension restatement entries, approximates a $2.0 million charge to equity.

Exemption	Impact
Share-based payment transactions	The Company will elect not to retrospectively apply the IFRS-2 *Share-Based Payments* standards for any executive stock options granted prior to November 2002 and for any options that have fully vested or have been exercised prior to transition date.

Management has identified the differences between Canadian GAAP and IFRS and has devoted considerable time and resources on those areas that will most significantly impact the Company. The following table sets forth the accounting standards that will most likely impact the Company's consolidated financial statements; however, the actual impact has not been fully measured and conclusions may differ as management continues its analysis. Some of the standards are in the process of being reviewed and/or modified and the impact of those changes could pose differences for the Company's consolidated financial statements as well. Management is monitoring these standards closely.

The following list shows the areas that management believes will present the most significant differences in accounting treatment based on the standards in effect as at September 30, 2010. It is not a complete and exhaustive list of all the Canadian GAAP and IFRS differences. Quantification of the impact is ongoing and will continue to be communicated as the transition date nears.

The following are the key accounting areas management believes will impact the Company's consolidated financial statements with a brief description of the likely impact.

Key accounting areas	Impact
IAS – 1 *Presentation of Financial Statements*	Additional financial statement note disclosures will be required.
IAS – 12 *Income Taxes*	Future income tax assets/liabilities will be referred to as deferred income tax assets/liabilities and no current classification will be permitted. The criteria to recognize and measure deferred income taxes may result in differences compared to existing future income tax calculations.
IAS – 16 *Property and Equipment*	Entities are required to split traditional asset categories into components based on varying useful lives which may result in changes to the amount of annual depreciation expense. This may also result in an adjustment to retained earnings upon adoption.
IAS – 19 *Employee Benefits*	An accounting policy choice is available for actuarial gains or losses after adoption; • an entity may elect to amortize the gains/losses using the corridor approach; • it may elect to recognize the gains/losses in net income annually; or • it may elect to recognize gains/losses in OCI annually. Under IFRS, there are differences in how defined benefit plan assets are valued and how an entity measures its plan asset valuation allowance, if any. This particular standard is under review by standard setters and any modification to it may dictate the accounting treatment the Company will adopt as it relates to actuarial gains and losses.

Key accounting areas	Impact
IAS – 36 Impairment of Assets	Impairment calculations under IFRS are done at the cash-generating unit ("CGU") which is defined as a unit that has independent cash inflows (as opposed to independent net cash flows under Canadian GAAP). Calculations are done using a discounted cash flow method under a one-step approach (as opposed to a two-step approach under Canadian GAAP). Goodwill is allocated and tested in conjunction with its related CGU or group of CGU's that benefit from collective synergies. Any impairment of intangible assets that occurs after the adoption of IFRS, other than goodwill, may be reversed. Due to the finer level of detail required for CGU analyses this may give rise to an increased chance of Broadcast licence and goodwill impairments.
IAS – 38 *Intangible Assets*	After analysing IAS 38, management has concluded that there will be no significant differences in how the Company measures its internally-developed broadcast licences under IFRS.
IAS – 39 *Financial Instruments: Recognition and Measurement*	This standard will effectively be replaced by new IFRS-9 *Financial Instruments* effective January 1, 2013 and may pose differences in how the Company classifies, recognizes and measures its financial instruments, including how it accounts for hedges. Earlier adoption may be permitted and the Company will monitor these standards closely.
IFRS – 2 *Share-based Payments*	The Company anticipates a change in how it measures executive compensation for its stock appreciation rights' plan because of differences related to pricing models, vesting periods and how to account for forfeiture.
IFRS – 3 *Business Combinations*	Under this standard, acquisition-related costs such as legal, accounting, and other administrative costs, cannot be capitalized; they are to be expensed as period costs. Under Canadian GAAP, these costs were included in the cost of the business combination and capitalized. The Company is still researching the treatment of other significant commitments that arise on business combinations that are payable to third parties, such as CCD commitments. The outcome of this research will impact the accounting for any future business acquisitions the Company undertakes. Currently these commitments, which are equal to 6% of the purchase price, are capitalized under Canadian GAAP.

At this time, management is on track with the conversion project; however it is not in a position to quantify the impact of all of the differences that will arise upon the adoption of IFRS. The Company will disclose more detailed information during its fourth quarter interim period as it proceeds with its analyses and conclusions. Certain analyses that will enable full disclosure are still being researched and their conclusions are important to the Company and its consolidated financial results.

CRITICAL ACCOUNTING ESTIMATES

There has been no substantial change in the Company's critical accounting estimates since the publication of the 2009 Annual Report.

OFF-BALANCE SHEET ARRANGEMENTS

The Company's off-balance sheet arrangements consist of operating leases. Other than these, which are considered in the ordinary course of business, the Company does not have any other off-balance sheet arrangements and does not expect to enter into any other such arrangement other than in the ordinary course of business.

RISKS AND OPPORTUNITIES

There has been no substantial change in the Company's risks and opportunities since the publication of the 2009 Annual Report with the exception of the decision on the copyright tariffs as disclosed above under the Broadcasting section.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

There were no changes in the Company's internal controls over financial reporting that occurred in the three months ending September 30, 2010 that have materially affected, or are likely to materially affect, the Company's internal controls over financial reporting.

OUTLOOK

The Company has experienced another impressive quarter by posting double digit revenue growth in its core operating segment. Management is optimistic that the positive growth will continue throughout the remainder of the year. The close monitoring of discretionary costs has helped the Company continue to increase its EBITDA margins

Management will carry on with its successful operating strategy and focus on the following:

- Continue to maximize operating margins from the existing stations by:
    - Managing costs to achieve the highest possible EBITDA margins without compromising the quality of the product;
    - Increasing revenues by providing creative solutions to advertisers, particularly with regard to local revenue where management has the most ability to influence buying decisions;
    - Augmenting audience share by providing locally-focused programming that delivers the music, news and information that local communities want.
- Plan and prepare to launch the approved AM to FM conversions;
- Review all acquisition opportunities that are cash accretive in the near term and that would complement the Company's strategy; and
- Apply for licences in new communities, and seek approval from the CRTC to convert additional AM stations to FM which will generate immediate top line growth.

Non-GAAP Measure

*[(1)]**EBITDA** is defined as net income from continuing operations excluding depreciation and amortization expense, interest expense, accretion of other liabilities, other expense (income), broadcast licence impairment charge and provision for income taxes. A calculation of this measure is as follows:*

	Three months ended Sept. 30		Nine months ended Sept. 30	
(thousands of dollars)	***2010***	*2009*	***2010***	*2009*
Net income from continuing operations	***$ 2,604***	*6,144*	***5,968***	*9,810*
Provision for income taxes	***1,440***	*2,112*	***3,357***	*3,510*
Gain on disposal of broadcast licence	**—**	*(5,616)*	**—**	*(5,616)*
Broadcast licence impairment charge	**—**	—	***1,609***	—
Other expense (income)	***188***	*(1,077)*	***109***	*(3,082)*
Accretion of other liabilities	***171***	*211*	***551***	*665*
Interest expense	***1,087***	*911*	***2,637***	*2,854*
Depreciation and amortization expense	***919***	*964*	***2,713***	*2,776*
EBITDA	***$ 6,409***	*3,649*	***16,944***	*10,917*

This measure is not defined by Generally Accepted Accounting Principles and is not standardized for public issuers. This measure may not be comparable to similar measures presented by other public enterprises. The Company has included this measure because the Company's key decision makers believe certain investors use it as a measure of the Company's financial performance and for valuation purposes. The Company also uses this measure internally to evaluate the performance of management. Beginning in 2010, other income, which is primarily the results from investment holdings, was excluded from the determination of EBITDA. Consolidated EBITDA for 2009 has been adjusted to reflect this reclassification.

Newfoundland Capital Corporation Limited

Notice of Disclosure of Non-Auditor Review of Interim Financial Statements for the three months and nine months ended September 30, 2010 and 2009

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, the interim financial statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor if an auditor has not performed a review of the interim financial statements.

The accompanying unaudited interim consolidated financial statements of the Company for the interim periods ended September 30, 2010 and 2009 have been prepared in accordance with Canadian generally accepted accounting principles and are the responsibility of the Company's management.

The Company's independent auditors, Ernst & Young LLP, have not performed a review of these interim consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Dated this 28th day of October, 2010

Interim Consolidated Balance Sheets

(unaudited)

(thousands of dollars)		**September 30 2010**	December 31 2009
ASSETS			
Current assets			
Marketable securities	$	**4,748**	4,923
Receivables		**23,541**	23,831
Prepaid expenses		**1,219**	778
Other assets		**2,423**	1,810
Future income tax assets		**1,151**	1,173
Total current assets		**33,082**	32,515
Property and equipment		**36,679**	37,248
Other assets		**4,621**	4,216
Broadcast licences *(note 4)*		**148,032**	149,641
Goodwill		**7,045**	7,045
Future income tax assets		**2,224**	2,188
	$	**231,683**	232,853
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Bank indebtedness	$	**1,095**	99
Accounts payable and accrued liabilities		**21,868**	17,118
Income taxes payable		**9,205**	6,836
Dividends payable		—	3,297
Current portion of long-term debt *(note 8)*		—	57,100
Total current liabilities		**32,168**	84,450
Long-term debt *(note 8)*		**49,102**	—
Other liabilities		**16,336**	18,946
Future income tax liabilities		**26,228**	25,668
Shareholders' equity		**107,849**	103,789
	$	**231,683**	232,853

See accompanying notes to the interim consolidated financial statements

Interim Consolidated Statements of Income
(unaudited)

(thousands of dollars except per share data)		Three months ended September 30 **2010**	2009	Nine months ended September 30 **2010**	2009
Revenue	$	**28,708**	25,408	**85,199**	74,840
Operating expenses		**22,299**	21,759	**68,255**	63,923
Depreciation and amortization		**919**	964	**2,713**	2,776
Operating income		**5,490**	2,685	**14,231**	8,141
Interest expense		**1,087**	911	**2,637**	2,854
Accretion of other liabilities		**171**	211	**551**	665
		4,232	1,563	**11,043**	4,622
Other (expense) income		**(188)**	1,077	**(109)**	3,082
Gain on disposal of broadcast licence *(note 3)*		**—**	5,616	**—**	5,616
Broadcast licence impairment charge *(note 4)*		**—**	—	**(1,609)**	—
Earnings from continuing operations before income taxes		**4,044**	8,256	**9,325**	13,320
Provision for income taxes		**1,440**	2,112	**3,357**	3,510
Net income from continuing operations		**2,604**	6,144	**5,968**	9,810
Net income from discontinued operations *(note 3)*		**—**	65	**—**	95
Net income	$	**2,604**	6,209	**5,968**	9,905
Earnings per share from continuing operations *(note 11)*					
– basic	$	**0.08**	0.19	**0.18**	0.30
– diluted		**0.08**	0.18	**0.18**	0.29
Earnings per share *(note 11)*					
– basic	$	**0.08**	0.19	**0.18**	0.30
– diluted		**0.08**	0.18	**0.18**	0.29

See accompanying notes to the interim consolidated financial statements

Interim Consolidated Statements of Shareholders' Equity

(unaudited)

(thousands of dollars)		Nine months ended September 30 **2010**	2009
Retained earnings, beginning of period	**$**	**60,616**	48,547
Net income		**5,968**	9,905
Dividends paid		**(1,978)**	—
Retained earnings, end of period		**64,606**	58,452
Capital stock		**42,913**	42,913
Contributed surplus *(note 6)*		**2,422**	2,097
Accumulated other comprehensive loss		**(2,092)**	(2,367)
Total shareholders' equity	**$**	**107,849**	101,095

See accompanying notes to the interim consolidated financial statements

Interim Consolidated Statements of Comprehensive Income

(unaudited)

(thousands of dollars)	Three months ended September 30 **2010**	2009	Nine months ended September 30 **2010**	2009
Net income	**$ 2,604**	6,209	**5,968**	9,905
Other comprehensive income:				
Change in fair values of cash flow hedges				
Interest rate swaps *(note 10(b))*:				
Increase (decrease) in fair value net of $328 settlement	**(164)**	295	**(278)**	2,563
Reclassification to net income of realized interest expense	**22**	17	**52**	167
Credit risk adjustment	**3**	—	**(59)**	—
Related income tax recovery (expense)	**36**	(80)	**76**	(724)
	(103)	232	**(209)**	2,006
Total equity return swap *(note 10(c))*:				
Unrealized increase (decrease) in fair value	**701**	(53)	**956**	2,072
Reclassification to net income of realized gains	**(462)**	(465)	**(936)**	(1,524)
Related income tax recovery (expense)	**(78)**	114	**(6)**	(159)
	161	(404)	**14**	389
Other comprehensive income (loss)	**58**	(172)	**(195)**	2,395
Comprehensive income	**$ 2,662**	6,037	**5,773**	12,300

See accompanying notes to the interim consolidated financial statements

Interim Consolidated Statement of Accumulated Other Comprehensive Loss

(unaudited)

(thousands of dollars)		Nine months ended September 30 **2010**	2009
Accumulated other comprehensive loss, beginning of period	**$**	**(1,897)**	(4,762)
Other comprehensive (loss) income for the period		**(195)**	2,395
Accumulated other comprehensive loss, end of period	**$**	**(2,092)**	(2,367)

See accompanying notes to the interim consolidated financial statements

Interim Consolidated Statements of Cash Flows

(unaudited)

(thousands of dollars)		Three months ended September 30 2010	2009	Nine months ended September 30 2010	2009
Operating Activities					
Net income from continuing operations	$	**2,604**	6,144	**5,968**	9,810
Items not involving cash					
Depreciation and amortization		**919**	964	**2,713**	2,776
Future income taxes		**461**	2,325	**613**	3,583
Executive stock-based compensation plans *(notes 5 and 7)*		**496**	537	**899**	1,488
Accretion of other liabilities		**171**	211	**551**	665
Gain on disposal of broadcast licence *(note 3)*		**—**	(5,616)	**—**	(5,616)
Unrealized losses (gains) on marketable securities		**271**	(1,310)	**(546)**	(3,284)
Broadcast licence impairment charge *(note 4)*		**—**	—	**1,609**	—
Other		**(512)**	(283)	**(1,094)**	(1,363)
		4,410	2,972	**10,713**	8,059
Change in non-cash working capital relating to operating activities from continuing operations		**3,667**	1,927	**6,057**	2,961
Cash flow from continuing operating activities		**8,077**	4,899	**16,770**	11,020
Discontinued operations		**—**	96	**—**	174
		8,077	4,995	**16,770**	11,194
Financing Activities					
Change in bank indebtedness		**(817)**	(955)	**996**	(797)
Long-term debt repayments		**(2,000)**	(6,000)	**(7,600)**	(8,005)
Dividends paid		**(1,978)**	—	**(5,275)**	—
Other		**(419)**	—	**(419)**	—
		(5,214)	(6,955)	**(12,298)**	(8,802)
Investing Activities					
Property and equipment additions		**(1,121)**	(1,270)	**(2,107)**	(3,733)
Canadian Content Development payments		**(1,626)**	(1,713)	**(2,431)**	(3,136)
Proceeds from disposal of asset *(note 3)*		**—**	5,000	**—**	5,000
Other		**(116)**	(57)	**66**	(523)
		(2,863)	1,960	**(4,472)**	(2,392)
Cash, beginning and end of period	$	**—**	—	**—**	—
Supplemental Cash Flow Information					
Interest paid	$	**1,268**	965	**3,019**	2,631
Income taxes paid		**57**	308	**380**	1,092

See accompanying notes to the interim consolidated financial statements

1. ACCOUNTING PRESENTATIONS AND DISCLOSURES

The interim financial statements presented herein were prepared by the Company and follow the same accounting policies and their methods of application as the 2009 annual financial statements. These financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") for interim financial statements. They do not include all of the information and disclosures required by GAAP for annual financial statements. Accordingly, these financial statements should be read in conjunction with the Company's audited consolidated financial statements and the accompanying notes contained in the Company's 2009 Annual Report.

Certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

2. FUTURE ACCOUNTING POLICIES

Section 1582 Business Combinations
During 2009, the CICA issued Handbook Section 1582 *Business Combinations* which replaces Section 1581 bearing the same name. This Section is effective for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted, and the changes align the standard with the guidance in International Financial Reporting Standards ("IFRS"). Of the amendments in the Section, the one that will represent the most significant change in how the Company accounts for business combinations is the determination of the cost of the purchase. The cost that is allocated to the fair value of the net assets acquired is the direct cost of the business combination; indirect costs such as legal or restructuring are expensed. The impact the changes will have on its consolidated results will continue to be monitored.

Section 1601 Consolidated Financial Statements and Section 1602 Non-controlling Interests
These Sections were issued and together replace Section 1600 *Consolidated Financial Statements*. These too are applicable for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. The new sections establish standards for the preparation of consolidated financial statements and for the accounting of a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The Company will continue to evaluate the impact of the amendments.

3. DISCONTINUED OPERATIONS AND BROADCAST LICENCE DISPOSALS

The Company disposed of its net assets associated with the two FM radio stations located in Thunder Bay, Ontario in 2009. The financial results of operations from this component have been treated as discontinued operations in the consolidated statements of income and cash flows for 2009. The results of this component were also excluded from the comparative figures from the Broadcasting segment results in segmented information presented in note 12. Selected financial information for the reporting unit included in discontinued operations is presented below.

		Three months ended September 30		Nine months ended September 30	
(thousands of dollars)		**2010**	2009	**2010**	2009
Net income from operations from discontinued component	$	—	95	—	140
Income tax expense		—	(30)	—	(45)
Net income from discontinued operations	$	—	65	—	95

In the third quarter of 2009, the Company finalized the previously announced asset exchange transaction with Rogers Broadcasting Limited (“Rogers” – a Division of Rogers Communications Inc. RCI.A and RCI.B). The transaction involved the exchange of the Company’s AM broadcast licence in Halifax, Nova Scotia for Rogers’ AM broadcast licence in Sudbury, Ontario. The fair value of the asset given up was determined to be $6,898,000. Consideration received was $5,000,000 cash and the Sudbury AM broadcast licence valued at $1,898,000. As a result of this asset exchange, the Company increased its licence value by $1,898,000 for the Sudbury licence, increased CCD obligations by $523,000 related to the new licence, decreased the licence carrying value by $689,000 related to the Halifax AM licence given up and recorded a gain on the disposal of the Halifax licence totalling $5,616,000. The assets obtained and the results of their operations have been consolidated effective as of August 25, 2009.

4. BROADCAST LICENCE IMPAIRMENT CHARGE

During the second quarter, management recorded an impairment charge of $1,609,000 related to its Winnipeg, Manitoba broadcast licences. The Company had applied to the Canadian Radio-television and Telecommunications Commission (“CRTC”) for relief of certain restrictions imposed on one of its licences in Winnipeg and the application was unsuccessful. As a result, the Company performed an impairment test of the licences in Winnipeg and determined that a portion was impaired.

Annual impairment testing of broadcast licences and goodwill

The Company performed its annual impairment analysis of its long-lived intangible assets, which consist of broadcast licences and goodwill. The Company’s policy for assessing impairment remained unchanged from the accounting policy published in the 2009 annual report. As at August 31, 2010, the Company concluded that no provision for impairment was required for its broadcast licences and goodwill. This test factored in the lower intangible asset balance resulting from the impairment charge recognized in the second quarter of this year. In the prior year as at August 31, 2009, the Company concluded that no provision for impairment of broadcast licences or goodwill was required at that time.

5. CAPITAL STOCK

Stock split

On November 25, 2009, the Class A Subordinate Voting Shares and Class B Common Shares were split on a three-for-one basis. Accordingly, the comparative number of shares and per share amounts have been retroactively adjusted to reflect the three-for-one split.

Share repurchases

The Company has approval under a Normal Course Issuer Bid to repurchase up to 583,991 Class A Subordinate Voting Shares ("Class A shares") and 75,453 Class B Common Shares. This bid expires February 8, 2011. The Company did not repurchase any of its outstanding Class A shares during the third quarter in 2010 and 2009.

Subsequent to quarter end, the Company received approval from the TSX to increase the allowable Class A shares repurchased under the Normal Course Issuer Bid to 1,459,978 Class A shares. All other terms of the bid remain the same. A copy of the amended notice of intention to make a normal course issuer bid may be obtained, without charge, by contacting the Company at 745 Windmill Road, Dartmouth, N.S. B3B 1C2 or by calling (902) 468-7557.

Executive stock option plan

No options were granted pursuant to the executive stock option plan during the third quarters in 2010 and 2009. Year-to-date, 60,000 options (2009 – 90,000) were granted at a weighted average exercise price of $6.77 (2009 – $5.83). The options vest at a rate of twenty-five percent on the date of grant and twenty-five percent on each of the three succeeding anniversary dates and the options expire March 4, 2015. No options were exercised to date in 2010 (2009 – nil). Compensation expense related to stock options for the three months ended September 30, 2010 was $80,000 (2009 – $53,000) and year-to-date expense was $265,000 (2009 – $152,000).

6. CONTRIBUTED SURPLUS

(thousands of dollars)		**2010**	2009
Balance, January 1	$	**2,157**	1,945
Executive stock option plan compensation expense		**265**	152
Balance, September 30	**$**	**2,422**	2,097

7. STOCK APPRECIATION RIGHTS

A total of 1,745,000 stock appreciation rights ("SARS" or "rights") have been granted since 2006 at a weighted-average reference price of $5.75. The SARS' expiry dates range from March 2011 to February 2015. As at September 30, 2010, 270,000 rights had expired and 416,350 rights had been exercised. The rights vest at a rate of 50% at the end of year three, 25% at the end of year four and 25% at the end of year five and are exercisable as they vest. At the date of exercise, cash payments are made to the holders based on the difference between the market value of the Company's Class A shares and the reference price. All rights granted under this plan expire on the 60th day following the 5th anniversary of the grant date. For the quarter ended September 30, 2010, 6,000 SARS (2009 – 30,000) were exercised for cash proceeds of $8,400 (2009 –

7. STOCK APPRECIATION RIGHTS *(continued)*

$32,000) and year-to-date 386,350 SARS were exercised (2009 – 30,000) for cash proceeds of $550,000 (2009 – $32,000). Compensation expense in the third quarter was $416,000 (2009 – $516,000) and year-to-date expense was $634,000 (2009 – $1,368,000). The total obligation for SARS compensation was $1,629,000, of which $1,450,000 was current and classified as accounts payable and accrued liabilities (2009 – compensation payable was $1,403,000, of which $927,000 was current).

8. LONG-TERM DEBT

(thousands of dollars)	**September 30 2010**	December 31 2009
Revolving term credit facility of $76.5 million, renewable bi-annually, maturing June 2012	**$ 49,500**	57,100
Less: Current portion	**—**	57,100
Less: Debt transaction costs, net of accumulated amortization of $58 (2009 – $nil)	**(398)**	—
	$ 49,102	—

During the second quarter, the Company extended its $76.5 million revolving term credit facility with the bank to mature in June 2012. The transaction costs associated with negotiating the new facility were $456,000 and these are being amortized over the term of the debt.

Long-term debt bears interest at bankers' acceptance rates plus a premium based on certain financial ratios. To manage interest rate risk and ensure stability in the Company's interest costs, the Company has interest rate swap agreements on a portion of long-term debt which fixes the floating bankers' acceptance rate.

9. EMPLOYEE BENEFIT PLANS

	Three months ended September 30		Nine months ended September 30	
(thousands of dollars)	**2010**	2009	**2010**	2009
Defined contribution plan expense	**$ 348**	342	**1,073**	1,044
Defined benefit plan expense	**119**	125	**356**	375

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Estimated fair value of financial instruments
Current assets and current liabilities' carrying values are representative of their fair values due to the relatively short period to maturity. The fair value of long-term debt approximates the carrying value because the interest charges under the terms of the long-term debt are based on the 3-month Canadian banker's acceptance rates. The fair values of Canadian Content Development commitments approximated their carrying values as they were recorded at the net present values of their future cash flows, using discount rates ranging from 8.0% to 14.3%.

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(continued)*

Estimated fair value of financial instruments *(continued)*
The following table outlines the hierarchy of inputs used in the calculation of fair value for each financial instrument:

(thousands of dollars) Description	Total	Level 1 Quoted prices in active markets for identical assets	Level 2 Significant other observable inputs	Level 3 Significant unobservable inputs
Cash and bank indebtedness	**$ (1,095)**	(1,095)	—	—
Marketable securities	**4,748**	4,748	—	—
Accounts receivable	**23,541**	—	23,541	—
Equity total return swap receivable	**2,423**	—	2,423	—
Accounts payable and accrued liabilities	**(19,116)**	—	(19,116)	—
Long-term debt	**(49,500)**	—	(49,500)	—
CCD commitments	**(7,056)**	—	(7,056)	—
Interest rate swap payable	**(3,799)**	—	(3,799)	—

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities
Level 2: other techniques for which all inputs that have a significant effect on the recorded value are observable, either directly or indirectly
Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The following sections discuss the Company's risk management objectives and procedures as they relate to credit risk, market risk, liquidity risk and capital risk.

Credit risk
Credit exposure on financial instruments arises from the possibility that a counterparty to an instrument in which the Company is entitled to receive payment fails to perform. The maximum credit exposure approximated $26,000,000 as at September 30, 2010, which included accounts receivable and the equity total return swap receivable.

The Company is subject to normal credit risk with respect to its receivables. A large customer base and geographic dispersion minimize the concentration of credit risk. Credit exposure is managed through credit approval and monitoring procedures. The Company does not require collateral or other security from clients for trade receivables; however the Company does perform credit checks on customers prior to extending credit. Based on the results of credit checks, the Company may require upfront deposits or full payments on account prior to providing service. The Company reviews its receivables for possible indicators of impairment on a regular basis and as such it maintains a provision for potential credit losses which totaled $1,455,000 as at September 30, 2010. The Company is of the opinion that the provision for potential

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(continued)*

Credit risk (continued)

losses adequately reflects the credit risk associated with its receivables. Approximately 86% of trade receivables are outstanding for less than 90 days. Amounts would be written off directly against accounts receivable and against the allowance only if and when it was clear the amount would not be collected due to customer insolvency. Historically, the significance and incidence of amounts written off directly against receivables have been low. The total amount written off in the third quarter was $262,000, and year-to-date was $523,000.

As at September 30, 2010, the Company's credit exposure related to its receivables continued to be slightly higher than in the past due to the recent Canadian economic conditions. The Company sells advertising airtime primarily to retail customers and since their results may also be affected by the current economy, it is difficult to predict the impact this could have on the Company's receivables' balance. The Company believes its provision for potential credit losses is adequate at this time given the current economic circumstances.

With regard to the Company's derivative instruments, the counterparty risk is managed by only dealing with Canadian Chartered Banks having high credit ratings.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, which includes quoted share prices in active markets, interest rates and the Company's quoted share price as it relates to the stock appreciation rights plan.

a) *Managing risk associated with fluctuations in quoted share prices of marketable securities*

   The fair value of the Company's marketable securities is affected by changes in the quoted share prices in active markets. Such prices can fluctuate and are affected by numerous factors beyond the Company's control. In order to minimize the risk associated with changes in the share price of any one particular investment, the Company diversifies its portfolio by investing in various stocks in varying industries. It also conducts regular financial reviews of publicly available information related to its investments to determine if any identified risks are within tolerable risk levels. As at September 30, 2010, a 10% change in the share prices of each marketable security would result in a $400,000 after-tax change in net income.

   For the quarter ended September 30, 2010, the change in fair value of marketable securities, recorded in other income, was an unrealized loss of $271,000 (2009 – gain $1,310,000) and year-to-date was an unrealized gain of $546,000 (2009 – $3,284,000).

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(continued)*

b) *Interest rate risk management*

To hedge its exposure to fluctuating interest rates on its long-term debt, the Company has entered into interest rate swap agreements with Canadian Chartered Banks. The swap agreements involve the exchange of the three-month bankers' acceptance floating interest rate for a fixed interest rate. The difference between the fixed and floating rates is settled quarterly with the bank and recorded as an increase or decrease to interest expense. The Company elected to apply hedge accounting and as such formally assesses effectiveness of the swaps at inception and on a regular basis and has concluded that the swaps are effective in offsetting changes in interest rates.

Interest rate fluctuations would have an impact on the Company's results. A 0.5% change in the floating interest rates would have impacted OCI due to changes in fair value of the interest rate swaps by approximately $600,000 after-tax. There would have been no impact to net income.

The Company has two interest rate swap agreements; one has a notional value of $10,000,000 and expires in June 2013, and the other has a notional amount of $45,000,000 and expires in May 2013. In 2008, the Company early terminated interest rate swap agreements resulting in a fair value payable of $349,000 which was blended into the interest rate of the $45,000,000 swap. This fair value payable is being transferred from OCI to net income (as interest expense) over the remaining term of the original swap agreements which expire between 2009 and 2011. The before-tax amount related to the $349,000 fair value payable transferred to net income from OCI for the quarter was $17,000 (2009 – $17,000). The year-to-date amount transferred to net income was $50,000 (2009 – $87,000).

Total before-tax interest expense transferred for the quarter from OCI to net income was $22,000 (2009 – $17,000) and for the year the amount was $52,000 (2009 – $167,000). In January 2010, the Company settled $5,000,000 of the $15,000,000 swap which resulted in a payout of $328,000. $5,000,000 of the remaining $10,000,000 swap has been de-designated and therefore, hedge accounting no longer applies on this portion. Of the amount of pre-tax interest expense transferred to net income from OCI, $21,000 related to the de-designated portion (2009 – $nil) in the quarter, and for the year the amount was $31,000 (2009 – $nil).

The Company has measured its own credit risk in relation to its interest rate swaps and as a result has recognized a $3,000 gain in OCI (2009 – $nil) in the third quarter and a loss of $59,000 year-to-date (2009 – $nil).

The aggregate fair value payable of the swap agreements was $3,799,000 (2009 – $4,233,000).

c) *Share price volatility risk management*

In July 2006, the Company entered into a cash-settled equity total return swap agreement to manage its exposure to fluctuations in its stock-based compensation costs related to the SAR plan. Compensation costs associated with the SAR Plan fluctuate as a result of changes in the market price of the Company's Class A shares.

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(continued)*

c) Share price volatility risk management (continued)

The Corporation entered into this swap for a total of 1,275,000 notional Class A shares with a hedged price of $5.85. The swap expires in July 2011.

The swap includes an interest and dividend component. Interest is accrued and payable by the Company on quarterly settlement dates. Any dividends paid on the Class A shares are reimbursed to the Company on the quarterly settlement dates.

The Company elected to apply hedge accounting and in order to qualify for hedge accounting, there must be reasonable assurance that the instrument is and will continue to be an effective hedge. At the inception of the hedge and on an ongoing basis, the Company formally assesses and documents whether the hedging relationship is effective in offsetting changes in cash flows of the hedged item. Gains or losses realized on the quarterly settlement dates are recognized in net income in the same period as the SAR Plan compensation expense. Unrealized gains and losses, to the extent that the hedge is effective, are deferred and included in OCI until such time as the hedged item affects net income. If at any time, the hedge is deemed to be ineffective or the hedge is terminated or de-designated, gains or losses, including those previously recognized in OCI, will be recorded in net income immediately.

As at September 30, 2010, the Company has de-designated 686,350 of the 1,275,000 notional Class A shares; therefore, hedge accounting no longer applies on the de-designated portion. A total of $462,000 before-tax gains were transferred from OCI to net income in the quarter (2009 – $465,000) and the amount year-to-date was $936,000 (2009 – $1,524,000). Of the amount transferred to net income, the gain in the quarter that related to the de-designated portion was $386,000 (2009 – $20,000) and year-to-date it was $959,000 (2009 – $442,000).

The estimated fair value of the equity total return swap receivable, classified as current other assets, based on the Class A shares' market price at September 30, 2010 was $2,423,000 (2009 – $1,838,000 of which $1,321,000 was current).

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due or can do so only at excessive cost. The Company's growth is financed through a combination of the cash flows from operations and borrowings under the existing credit facility. One of management's primary goals is to maintain an optimal level of liquidity through the active management of the assets and liabilities as well as the cash flows. Other than for operations, the Company's cash requirements are mostly for interest payments, repayment of debt, capital expenditures, CCD payments, dividends and other contractual obligations that are disclosed below.

The Company's credit facility expires on June 30, 2012. The Company was in full compliance with its bank covenants throughout the quarter and at quarter end.

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(continued)*

Liquidity risk *(continued)*
The Company's liabilities have contractual maturities which are summarized below:

Obligation *(thousands of dollars)*		**12 months**	**2011 - 2015**	**Thereafter**
Long-term debt	$	—	49,500	—
Bank indebtedness		**1,095**	—	—
Accounts payable and accrued liabilities		**19,116**	—	—
Income taxes payable		**9,205**	—	—
CCD commitments		**2,752**	4,198	106
	$	**32,168**	53,698	106

Capital risk
The Company defines its capital as shareholders' equity. The Company's objective when managing capital is to pursue its strategy of growth through acquisitions and through organic operations so that it can continue to provide adequate returns for shareholders.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or repurchase shares. The Directors and senior management of the Company are of the opinion that from time to time the purchase of its shares at the prevailing market price would be a worthwhile investment and in the best interests of the Company and its shareholders. Material transactions and those considered to be outside the ordinary course of business, such as acquisitions and other major investments or disposals, are reviewed and approved by the Board of Directors.

To comply with Federal Government directions, the Broadcasting Act and regulations governing radio stations (the "Regulations"), the Company has imposed restrictions respecting the issuance, transfer and, if applicable, voting of the Company's shares. Restrictions include limitations over foreign ownership of the issued and outstanding voting shares. Pursuant to such restrictions, the Company can prohibit the issuance of shares or refuse to register the transfer of shares or, if applicable, prohibit the voting of shares in circumstances that would or could adversely affect the ability of the Company, pursuant to the provisions of the Regulations, to obtain, maintain, renew or amend any licence required to carry on any business of the Company, including a licence to carry on a broadcasting undertaking, or to comply with such provisions or with those of any such licence.

The Company is subject to covenants on its credit facility. The Company's bank covenants include certain maximum or minimum ratios such as total debt to EBITDA ratio, interest coverage and fixed charge coverage ratio. Other covenants include seeking prior approval for acquisitions or disposals in excess of a quantitative threshold. The Company was in compliance with the covenants throughout the quarter and at quarter end.

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(continued)*

Capital risk *(continued)*

Financial projections are updated and reviewed regularly to reasonably ensure that financial debt covenants will not be breached in future periods. The Company monitors the covenants and foreign ownership status of the issued and outstanding voting shares and presents this information to the Board of Directors quarterly. The Company was in compliance with all the above as at September 30, 2010.

11. EARNINGS PER SHARE

	Three months ended September 30		Nine months ended September 30	
(thousands)	**2010**	2009	**2010**	2009
Weighted average common shares used in calculation of basic earnings per share	**32,972**	32,972	**32,972**	32,972
Incremental common shares calculated in accordance with the treasury stock method	**1,121**	1,194	**1,116**	1,053
Weighted average common shares used in calculation of diluted earnings per share	**34,093**	34,166	**34,088**	34,025

12. SEGMENTED INFORMATION

The Company has two reportable segments – Broadcasting and Corporate and Other. The Broadcasting segment consists of the operations of the Company's radio and television licences. This segment derives its revenue from the sale of broadcast advertising. This reportable segment is a strategic business unit that offers different services and is managed separately. The Company evaluates performance based on earnings before interest, taxes, depreciation and amortization. Corporate and Other consists of a hotel and the head office functions. Its revenue relates to hotel operations. Details of segment operations are set out below. Results from the Thunder Bay reporting unit have been excluded from 2009 figures as a result of accounting for discontinued operations as described in note 3. Beginning in 2010 other income, which is primarily the results from investment holdings, was excluded from the determination of operating income (loss). The comparative information for 2009 has been adjusted to reflect this reclassification.

(thousands of dollars)	Broadcasting	Corporate & Other	Total	Broadcasting	Corporate & Other	Total
	Three months ended Sept 30			Nine months ended Sept 30		
2010						
Revenue	**$ 27,662**	**1,046**	**28,708**	**82,433**	**2,766**	**85,199**
Operating expenses	**19,541**	**2,758**	**22,299**	**60,498**	**7,757**	**68,255**
Depreciation and amortization	**845**	**74**	**919**	**2,499**	**214**	**2,713**
Operating income (loss)	**$ 7,276**	**(1,786)**	**5,490**	**19,436**	**(5,205)**	**14,231**
Assets employed				**$212,486**	**19,197**	**231,683**
Broadcast licences				**148,032**	**—**	**148,032**
Goodwill				**7,045**	**—**	**7,045**
Capital expenditures	**$ 1,054**	**67**	**1,121**	**1,908**	**199**	**2,107**
2009						
Revenue	$ 24,329	1,079	25,408	72,093	2,747	74,840
Operating expenses	18,980	2,779	21,759	56,195	7,728	63,923
Depreciation and amortization	886	78	964	2,546	230	2,776
Operating income (loss)	$ 4,463	(1,778)	2,685	13,352	(5,211)	8,141
Assets employed				$219,001	21,085	240,086
Broadcast licences				149,641	—	149,641
Goodwill				7,045	—	7,045
Capital expenditures	$ 1,259	11	1,270	3,679	54	3,733

Transfer agent and registrar

The transfer agent and registrar for the shares of the Company is the CIBC Mellon Trust Company at its offices in Halifax and Toronto. For shareholder account inquiries:

Telephone: 1-800-387-0825
(toll free in North America)
e-mail: inquiries@cibcmellon.com
or write to:
Newfoundland Capital Corporation
c/o CIBC Mellon Trust Company
P.O. Box 7010
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Investor relations contact

Institutional and individual investors seeking financial information about the Company are invited to contact Scott G. M. Weatherby, Chief Financial Officer and Corporate Secretary (902) 468-7557
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Stock exchange listing and symbols

The Company's Class A Subordinate Voting Shares and Class B Common Shares are listed on the Toronto Stock Exchange under the symbols NCC.A and NCC.B.

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