

Attention Business/Entertainment Editors:
Newfoundland Capital Corporation Limited - Second Quarter 2009 - Period
Ended June 30 (unaudited)

DARTMOUTH, NS, July 30 /CNW/ - Newfoundland Capital Corporation Limited (the "Company"), one of Canada's leading radio broadcasters, today announces its financial results for the second quarter ended June 30, 2009.

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Highlights

- Revenue has continued to show growth for the first six months of fiscal 2009. Consolidated revenue was \$26.8 million in the quarter, on par with 2008 and \$49.4 million year-to-date, a 3% increase over last year. While advertising revenue slowed during the second quarter, the Company is outpacing industry which has experienced negative growth in recent months.
- Earnings before interest, taxes, depreciation and amortization ("EBITDA" (1)) were \$6.2 million in the quarter and \$9.3 million year-to-date, \$3.7 million and \$3.5 million lower than the respective prior periods due to lower investment income. Excluding investment income, EBITDA was \$5.2 million in the quarter, 23% higher than the prior year.
- Net income in the quarter was \$3.1 million and \$3.7 million year-to-date, \$3.0 million lower than the same periods last year primarily due to lower investment income.

Significant events

- The Company announced in July that it entered into an agreement to sell its two FM radio stations in Thunder Bay, Ontario for \$4.5 million. This is subject to approval by the Canadian Radio-television and Telecommunications Commission ("CRTC").
- Subsequent to quarter end, the Company completed its agreement to divest of CFDR-AM in Halifax, Nova Scotia in exchange for an AM station in Sudbury, Ontario and proceeds of \$5.0 million which were used to reduce debt.

"We have maintained a positive growth rate for the first half of the year despite the fact that industry-wide, many companies are experiencing declining growth rates", commented Rob Steele, President and Chief Executive Officer. "Our short-term goals are to continue growing existing operations and reducing debt. Our research and continued focus on programming have gained us market share in key locations such as Edmonton and Calgary, Alberta. These gains position us well to maintain better than industry growth rates for the second half of the year."

Financial Highlights - Second Quarter (thousands of dollars except share information)	2009	(restated) (2) 2008
Revenue	\$ 26,772	26,798
EBITDA(1)	6,222	9,933
Net income	3,144	6,157
Earnings per share - basic	0.29	0.56

	- diluted	0.28	0.54
Share price, NCC.A (closing)		22.00	19.00
Weighted average number of shares outstanding (in thousands)		10,991	10,991

Total assets		237,790	240,375
Long-term debt		71,840	66,500
Shareholders' equity		95,005	107,627

- (1) Refer to page 14 for the reconciliation of EBITDA to net income.
(2) Refer to page 11 for additional information on restatement of comparative figures.

Management's Discussion and Analysis

The following interim discussion and analysis of financial condition and results of operations of Newfoundland Capital Corporation Limited (the "Company") has been prepared as of July 30, 2009. The purpose of the Management's Discussion and Analysis ("MD&A") is to provide readers with additional complementary information regarding the Company's financial condition and results of operations and should be read in conjunction with the unaudited interim consolidated financial statements and related notes for the periods ended June 30, 2009 and 2008 as well as the annual audited consolidated financial statements and related notes and the MD&A contained in the Company's 2008 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.

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. 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

The Company is one of Canada's leading radio broadcasters with 81 licences across 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 has not changed since the publication of the Company's 2008 Annual Report. Maximizing returns on existing operations, converting AM stations to FM, and adding new licences through business and licence acquisitions and through the Canadian Radio-television and Telecommunications Commission ("CRTC") licence application process form the basis of the long-term plan.

While management is committed to long-term growth, due to the uncertain economic climate its short-term goals have been re-aligned to focus on growth of existing operations and reducing debt. Acquisition opportunities that fit the Company's growth strategy will continue to be explored; however, management will not proceed with any transactions, projects or activities that

are not cash accretive in the near term, pose unnecessary risks, or result in increasing debt to a level beyond management's tolerance. Decisions as to proceeding with new undertakings will be made in the best interest of the Company and its shareholders.

The decision to divest of the two FM radio stations in Thunder Bay, Ontario was made because there was little opportunity to expand the presence of the Company and build on a cluster of stations in close proximity to Thunder Bay. The Company therefore decided to divest itself of these non-core properties and re-deploy the capital for other uses.

Corporate Developments

The following is a review of the key corporate developments which should be considered when reviewing the "Consolidated Financial Review" section.

2009 developments

- January 2009 - Received CRTC approval for four new FM repeater licences. These will allow the Company to broadcast the two FM stations in Charlottetown, Prince Edward Island to two new communities in the same province.
- March 2009 - Hot 89.9, located in Ottawa, Ontario, was named the 2008 Contemporary Hits Radio station of the year during Canada Music Week.
- April 2009 - CRTC approved two AM to FM conversions for stations in St. Paul and High Prairie, Alberta.
- June 2009 - CRTC approved the Company's applications to convert AM stations to FM in Wabush and Goose Bay, Newfoundland and Labrador.
- June 2009 - Re-launched CFUL in Calgary, Alberta as a Contemporary Hits Radio format, branded as AMP Radio. This format is similar to Hot 89.9 in Ottawa, Ontario which has been a very successful station for the Company.
- July 2009 - Announced it had entered into an agreement to divest of its two FM radio stations in Thunder Bay, Ontario for cash consideration of \$4.5 million. The transaction is subject to CRTC approval.

2008 developments

- March 2008 - Re-launched two stations in Alberta; CIQX-FM in Calgary as XL103-FM, and CKRA-FM in Edmonton as Capital-FM. Both feature Classic Hits from the 60's, 70's, and 80's and are outperforming their predecessors.
- June 2008 - Launched three new FM stations in Fort McMurray, Alberta, and in Kentville and Sydney, Nova Scotia. The formats are Classic Rock for Fort McMurray and Kentville while the Sydney station plays Top 40 music.
- July 2008 - Completed the purchase of the remaining 50% interest in Metro Radio Group Inc. for \$8.5 million. Metro Radio Group Inc. operates CKUL-FM in Halifax, Nova Scotia.
- July 2008 - Announced an agreement to exchange radio stations with Rogers Broadcasting Limited ("Rogers" - a Division of Rogers Communications Inc. RCI.A and RCI.B) subject to approval from the CRTC. The Company will exchange its AM broadcast licence in Halifax, Nova Scotia and receive in return Rogers' AM licence in Sudbury, Ontario and cash consideration of \$5.0 million. Both simultaneously submitted applications for this transfer of assets along with applications

requesting conversion of the AM licences to FM. In November 2008, the CRTC approved these applications. The new Sudbury FM will be launched in the third quarter. The transaction closed subsequent to quarter end and the proceeds were used to reduce debt.

- July 2008 - CRTC approved the Company's application for a new FM repeating signal in Pincher Creek, Alberta. This was on-air in early January 2009.
- December 2008 - CRTC approved the Company's application to convert an AM signal to FM in Athabasca, Alberta. The FM station will be launched in the third quarter.

The results of the above acquired or launched stations have been included in the consolidated financial statements since the respective acquisition and launch dates.

Consolidated Financial Review

For full details explaining the variances in revenue, other income, operating expenses and EBITDA, please refer to the section entitled "Financial Review by Segment".

Revenue

In the quarter consolidated revenue of \$26.8 million was on par with last year. Year-to-date consolidated revenue of \$49.4 million was \$1.4 million or 3% higher than the prior year. The improvement was derived from the Broadcasting segment.

Other income

Other income for the quarter of \$1.0 million was lower than last year's \$5.7 million. Year-to-date other income of \$2.0 million was also lower than last year's \$6.6 million. In the prior year the Company had significant unrealized gains.

Operating expenses

Consolidated operating expenses of \$21.5 million were \$1.0 million or 4% lower than the second quarter last year. For the six months ended June 30, 2009, consolidated operating expenses of \$42.2 million were \$0.3 million or 1% higher than 2008.

Earnings before interest, taxes, depreciation and amortization ("EBITDA" (1))

Consolidated EBITDA in the quarter was \$6.2 million, \$3.7 million lower than last year while year-to-date EBITDA of \$9.3 million was lower than 2008 by \$3.5 million. These declines were due to higher Other income in 2008.

Depreciation and amortization

For the quarter and year-to-date, depreciation and amortization expense was slightly higher than last year due to a larger asset base.

Interest expense

Interest expense of \$0.9 million was on par with the same quarter last year. Year-to-date, interest expense of \$1.9 million was \$0.1 million higher than the prior year due to higher average debt levels.

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 in the quarter and for the six month period was on par with last year.

Income taxes

The effective income tax rate of 26% this quarter and 28% year-to-date was lower than the statutory rate of 36% mainly because investment income is taxed at one-half the normal tax rate.

Net income

Net income in the quarter was \$3.1 million and \$3.7 million year-to-date; \$3.0 million lower than the respective periods in 2008. In 2008 the company had significant unrealized investment gains in income.

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 after-tax income recorded in OCI for the interest rate swaps was \$1.7 million in the quarter (2008 - \$0.1 million) and year-to-date was \$1.8 million (2008 - after-tax expense of \$0.3 million). The after-tax gain related to the equity total return swap was \$0.4 million for the quarter (2008 - \$0.2 million after-tax loss). Year-to-date, the after-tax gain was \$0.8 million (2008 - \$0.3 million after-tax loss).

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 11 of the Company's unaudited interim consolidated financial statements.

As a result of adopting a new accounting policy, as required by the Canadian Institute of Chartered Accountants (more fully described in note 2 of the Company's unaudited interim consolidated financial statements), the 2008 operating expenses were restated to include costs that were previously capitalized as pre-operating costs for comparative purposes only. Operating expenses were increased by \$0.4 million in the quarter and by \$0.8 million year-to-date.

As more fully disclosed in note 4 of the Company's unaudited interim consolidated financial statements, the revenue, operating expenses and EBITDA from discontinued operations have been excluded from the Broadcasting segment results presented in the table below for 2009 and 2008.

Financial Results by Segment (thousands of dollars, except percentages)

	Three months ended June 30			Six months ended June 30		
	2009	2008	Growth	2009	2008	Growth

Revenue						
Broadcasting	\$ 25,967	25,919	-	47,764	46,392	3%
Corporate and Other	805	879	(8%)	1,668	1,615	3%

Consolidated revenue	26,772	26,798	-	49,432	48,007	3%

Other income						
Corporate and Other	998	5,688	-	2,005	6,605	-
Consolidated revenue and Other income	27,770	32,486	(15%)	51,437	54,612	(6%)
Operating expenses						
Broadcasting	18,847	19,478	(3%)	37,215	36,352	2%
Corporate and Other	2,701	3,075	(12%)	4,949	5,472	(10%)
Consolidated operating expenses	21,548	22,553	(4%)	42,164	41,824	1%
EBITDA						
Broadcasting	7,120	6,441	11%	10,549	10,040	5%
Corporate and Other	(898)	3,492	-	(1,276)	2,748	-
Consolidated EBITDA	\$ 6,222	9,933	(37%)	9,273	12,788	(27%)
EBITDA Margins	2009	2008	Growth	2009	2008	Growth
Broadcasting	27%	25%	2%	22%	22%	-
Consolidated	22%	31%	(9%)	18%	23%	(5%)

Broadcasting segment

The Broadcasting segment derives its revenue from the sale of broadcast advertising from its 81 licences across the country. The performance of all reporting units within this segment is evaluated based on the same financial measure - EBITDA.

Broadcasting revenue in the quarter of \$26.0 million was on par with last year; however, on a year-to-date basis, Broadcasting revenue grew by 3% to \$47.8 million. Industry-wide, advertising revenue has slowed; however, the Company has managed to outpace industry and achieve overall growth to-date.

The increases were attributable to the new FM stations launched in summer 2008 and strong results posted in Atlantic Canada where same-station revenue has exceeded last year by 3%. Generally, revenue for the stations in Alberta and Ontario has continued to show some softening; however, management expects the Company to continue to outpace the industry. The Bureau of Broadcast Measurement ("BBM") released its spring ratings in May and important market share gains were realized in Calgary and Edmonton, Alberta.

Looking at the split between national and local revenue, the Company continues to achieve very strong numbers locally but is being negatively affected by the overall lower spend by national advertisers. The relationships with local advertisers, customers and the communities in which the Company operates have been instrumental in maintaining positive growth overall.

For the quarter, Broadcasting operating expenses were \$18.8 million, a decrease of \$0.6 million or 3% from last year. Year-to-date operating expenses

per share									
- Basic	0.29	0.05	(0.34)	(0.69)	0.56	0.05	0.51	0.11	
- Dilu- ted	0.28	0.05	(0.34)	(0.69)	0.54	0.05	0.49	0.11	

Liquidity and capital resources

Below is a summary of cash inflows and outflows for the quarters and the six month periods ended June 30, 2009 and 2008.

Selected cash flow information - three months ended June 30, 2009

Cash from operating activities of \$2.2 million was used primarily to finance property and equipment additions of \$1.9 million.

Selected cash flow information - three months ended June 30, 2008

Cash from operating activities of \$3.9 million combined with net long-term debt borrowings of \$2.0 million were used largely to finance property and equipment additions of \$2.5 million and to repurchase capital stock for \$1.8 million.

Selected cash flow information - six months ended June 30, 2009

Cash from operating activities of \$6.2 million was used to purchase property and equipment totalling \$2.5 million, to repay \$2.0 million of long-term debt and to contribute \$1.4 million toward CCD.

Selected cash flow information - six months ended June 30, 2008

Cash from operating activities of \$3.3 million combined with net long-term debt proceeds of \$5.5 million were used mainly to finance property and equipment additions of \$4.1 million, to repurchase capital stock for \$1.8 million and to pay CCD in the amount of \$1.1 million.

Capital Structure and Debt Financing

As at June 30, 2009, the Company had \$2.2 million of current bank indebtedness outstanding and \$71.8 million of long-term debt. The working capital of \$5.7 million was \$0.5 million higher than the December 31, 2008 balance which was due to a decrease in current liabilities. The capital structure consisted of 40% equity (\$95.0 million) and 60% debt (\$142.8 million).

Credit Facility and Future Financing

The Company's syndicated credit facility of \$80.0 million is a revolving credit facility. The maturity date is June 2010. Management views this facility as a long-term obligation since it is expected to be renewed prior to the maturity date and as a result, there will be no scheduled repayments within one year. Given the current credit markets, it is expected that interest costs and bank fees will increase upon renewal; however, the exact amount of these increases are difficult to predict at this time. The Company has chosen this type of credit facility because it provides flexibility with no scheduled repayment terms.

The Company is subject to covenants on its credit facility. The Company's debt covenants include certain maximum or minimum ratios such as total debt ratio, interest coverage and fixed charge coverage ratio. Other covenants include dividend payment restrictions, seeking prior approval for capital expenditures over a certain dollar limit, acquisitions in excess of a quantitative threshold and limits on the number of shares that can be

repurchased in any given year. The Company was in compliance with the covenants throughout the quarter and at quarter end.

Capital Expenditures and Capital Budget

The capital expenditures for 2009 are expected to be approximately \$5.0 million. One-half of the \$5.0 million has been incurred to-date and was financed by cash provided from operations. The major capital 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.

Future Cash Requirements and 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, Canadian Content Development payments, dividends and other contractual obligations disclosed below. Cash generated from operations, the availability of the credit facility, along with the cash proceeds of \$9.5 million resulting from two business transactions (notes 4 and 13 of the unaudited interim consolidated financial statements) will provide sufficient funds to meet the Company's cash requirements.

Commitments and Contractual Obligations

There has been no substantial change in the Company's commitments and contractual obligations since the publication of the 2008 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.

Financial Condition

Capital employed

Assets at quarter end totalled \$237.8 million, up from \$235.8 million at December 31, 2008 due to increases in property and equipment and other non-current assets.

Share repurchases

The Company has approval under a Normal Course Issuer Bid to repurchase up to 486,659 Class A Subordinate Voting Shares ("Class A shares") and 62,877 Class B Common Shares. This bid expires February 8, 2010. The Company has not repurchased any of its outstanding Class A shares in 2009. During the second quarter in 2008, the Company repurchased 100,000 of its Class A shares for a total cost of \$1.8 million.

Outstanding share data

The weighted average number of shares outstanding was 10,991,000 as compared to last year's 11,041,000; the reduction due to the repurchase of

Class A shares in April 2008 pursuant to the Normal Course Issuer Bid. As at July 30, 2009, there are 9,733,189 Class A shares and 1,257,551 Class B Common Shares outstanding.

Executive Compensation

Executive stock option plan

Compensation expense related to stock options for the three months ended June 30, 2009 was less than \$0.1 million (2008 - less than \$0.1 million) and year-to-date was \$0.1 million (2008 - \$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 three months ended June 30, 2009, the compensation expense related to stock appreciation rights ("SARs") was \$0.7 million (2008 - recovery of \$0.1 million). The year-to-date expense was \$0.9 million (2008 - less than \$0.1 million). Refer to note 7 of the unaudited interim consolidated financial statements for further details relating to SARs.

Derivative Financial Instruments

For more detailed disclosures about derivative financial instruments and financial risk management, refer to note 9 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 aggregate notional amount of the swap agreements was \$60.0 million (2008 - \$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 June 30, 2009 was \$4.5 million (2008 - \$0.5 million). After-tax, the unrealized income recognized in OCI for the quarter was \$1.7 million (2008 - \$0.1 million) and on a year-to-date basis was \$1.8 million (2008 - unrealized expense of \$0.3 million).

Share price volatility management

To hedge its obligations under the stock appreciation rights plan, the Company entered into 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. The Company has concluded that this cash flow hedge is effective. The estimated fair value of the equity total return swap receivable at June 30, 2009 was \$1.9 million (2008 - \$0.6 million). After-tax the unrealized non-cash gain recognized in OCI for the quarter was \$0.4 million (2008 - loss of \$0.2 million) and year-to-date was \$0.8 million (2008 - loss of \$0.3 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. Despite the Company's intent to minimize this risk, the current stock market volatility has caused significant fluctuations in all its marketable securities. While it is uncertain when this volatility will fully stabilize, there has been improvement in the markets recently. Since December 31, 2008, the market value of the securities has increased by \$2.0 million. As at June 30, 2009, a 10% change in the share prices of each marketable security would result in a \$0.5 million after-tax change in net income.

Credit Risk

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 June 30, 2009, the Company's credit exposure as it related to its receivables was deemed 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 maintains a provision for potential credit losses and it believes the provision to be adequate at this time given the current circumstances. The provision approximated \$1.2 million as at June 30, 2009. Approximately 87% of trade receivables are outstanding for less than 90 days.

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. With regard to the interest rate swaps and the equity total return swap, the Company does not anticipate any counterparties that it currently transacts with will fail to meet their obligations as the counterparties are Canadian Chartered Banks.

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.

The Board of Directors has deferred the determination of the amount of dividends to be declared in 2009 until its December Board meeting.

Adoption of new accounting policies

Effective January 1, 2009, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064 - Goodwill and Intangible Assets. This Section establishes the standard for recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of this Section resulted in a change in how

the Company accounts for its pre-operating costs related to new station launches. Prior to adopting this policy, the Company capitalized pre-operating costs and amortized them over the initial term of the related broadcast licences. Capitalization of these costs is no longer permitted and therefore will be recorded in net income as incurred. For pre-operating balances that existed on January 1, 2009, they were accounted for retrospectively with restatement of comparative figures in accordance with Section 1506 Accounting Changes.

As a result of adopting this accounting policy, the effects on the comparative unaudited interim consolidated statements of income are presented below:

(thousands of dollars)	Three months ended June 30 2008	Six months ended June 30 2008
Operating expenses increased by	\$ 425	760
Amortization expense decreased by	(134)	(268)
Provision for income tax expense decreased by	(77)	(130)
Net income decreased by	\$ (214)	(362)
Basic and diluted earnings per share decreased by	\$ (0.02)	(0.03)

The impact on the unaudited interim consolidated balance sheets was as follows:

(thousands of dollars)	December 31 2008	June 30 2008
Other assets reduced by	\$ (2,858)	(2,975)
Long-term future income tax liabilities reduced by	(824)	(855)
Retained earnings reduced by	(2,034)	(2,120)

In 2009, amendments were made to certain paragraphs in CICA Section 3862 Financial Instruments - Disclosures which aligns the standard more closely with International Financial Reporting Standards ("IFRS"). Specifically, it provides enhanced disclosure requirements around fair value measurement of financial instruments and disclosure of liquidity risk. The amended paragraphs are to be applied for fiscal years ending on or after September 30, 2009. Earlier adoption is permitted. The Company does not anticipate any significant impact from the adoption of these disclosure requirements.

During 2009, the CICA issued EIC-173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities which requires an entity to consider its own credit risk and that of its counterparty to a financial instrument when determining the fair value of financial assets and liabilities. This applies to the Company's derivative instruments. The adoption of this EIC did not have a significant impact on the Company.

Future Accounting Policy Changes

Following is a brief description of accounting policies that will be adopted by the Company in future.

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 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 Company will continue to evaluate the impact of these amendments.

Section 1601 Consolidated Financial Statements and Section 1602 Non-controlling Interests were also 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.

On February 13, 2008, the Accounting Standards Board confirmed that International Financial Reporting Standards 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. The Company is currently evaluating the impact of adopting IFRS. Specifically, management is in the process of identifying the IFRS standards that are most likely to impact the Company and those that will require the most resources for implementation. Management is also in the process of making decisions as it relates to adopting IFRS for the first time and considering the exceptions and exemptions permitted under IFRS-1 First-time Adoption of International Financial Reporting Standards. Management is in the process of quantifying the impact the changes will have on its consolidated results.

Subsequent Events

In July 2009, the Company announced it had entered into an agreement to dispose of its two FM radio stations in Thunder Bay, Ontario for \$4.5 million. This transaction is subject to CRTC approval. Net assets related to this divestiture were presented as assets and liabilities held for disposal in the unaudited interim consolidated balance sheets and net income from these stations was accounted for as discontinued operations. More information is contained in note 4 of the unaudited interim consolidated financial statements.

In July 2009, the Sudbury/Halifax licence exchange transaction with Rogers was finalized. The \$5.0 million consideration received was used to repay debt.

Critical Accounting Estimates

There has been no substantial change in the Company's critical accounting estimates since the publication of the 2008 Annual Report.

Risks and Opportunities

There has been no substantial change in the Company's risks and opportunities since the publication of the 2008 Annual Report; however, presented below is an update on the status of CRTC Part II Licence Fees reported in the 2008 Annual Report.

The Company continues to accrue for CRTC Part II Licence Fees subsequent to the April 2008 Federal Court of Appeal decision to reverse a prior decision that ruled that the fees were an unlawful tax. An appeal was launched by the Canadian Association of Broadcasters ("CAB") in December 2008 and the Supreme Court of Canada granted the CAB leave to appeal. The hearing is scheduled for October 2009. To date, the Company has \$1.9 million accrued for Part II Fees.

Changes in Internal Controls over Financial Reporting

There were no changes in the Company's internal controls over financial reporting that occurred in the six months ending June 30, 2009 that have materially affected, or are likely to materially affect, the Company's internal controls over financial reporting.

Outlook

The Company posted revenue growth in its core operating segment for the first six months of the year. Given the current uncertain economic climate, it is difficult to predict if growth will be sustainable throughout the rest of the year; however, the economy has begun to show some signs of improvement. The Company will do its best to endeavour to outpace industry growth rates with its increased market share in some key locations.

Management will continue its efforts to manage costs to achieve EBITDA targets in the Broadcasting segment. Free cash flow will be used to repay long-term debt.

The status of the Company's current growth initiatives are as follows:

- The new Sudbury, Ontario FM station is expected to be launched in the third quarter. This second station in Sudbury will allow the Company to operate with economies of scale and improve operating margins in that market;
- The Athabasca, Alberta AM station is being converted to FM and is expected to be on-air in the third quarter;
- Management is in the planning stages of launching four repeater licences in Prince Edward Island and will begin planning the AM to FM conversions in St. Paul and High Prairie, Alberta and in Wabush and Goose Bay, Newfoundland and Labrador; and
- Management continues to be active in submitting applications to the CRTC for new licences and for AM to FM conversions.

The Company has enjoyed recent gains in ratings, it has reduced costs without impacting product quality, and it has a very talented pool of employees. The economy has begun to show signs of improvement and the Company is positioned to benefit when the economy improves.

Non-GAAP Measure

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

(thousands of dollars)	Three months ended		Six months ended	
	2009	2008	2009	2008
Net income from continuing operations	\$ 3,081	6,118	3,665	6,711
Provision for income taxes	1,067	1,821	1,398	2,116
Accretion of other liabilities	227	242	454	484
Interest expense	935	922	1,943	1,850
Depreciation and amortization expense	912	830	1,813	1,627
EBITDA	\$ 6,222	9,933	9,273	12,788

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.

Newfoundland Capital Corporation Limited

Notice of Disclosure of Non-Auditor Review of Interim Financial Statements for the three months and six months ended June 30, 2009 and 2008

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 June 30, 2009 and 2008 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 30th day of July, 2009

Interim Consolidated Balance Sheets
(unaudited)

	June 30	(restated) December 31
(thousands of dollars)	2009	2008

ASSETS		
Current assets		
Marketable securities (note 9)	\$ 6,170	4,196
Receivables	20,942	23,621
Prepaid expenses	1,323	965
Other assets (note 9(c))	856	-
Future income tax assets	3,656	4,156
Current assets held for disposal (note 4)	429	442
	-----	-----
Total current assets	33,376	33,380
Property and equipment	37,481	36,807
Other assets	5,501	4,167
Broadcast licences (notes 3 and 4)	148,396	148,396
Goodwill	7,045	7,045
Future income tax assets	2,113	2,069
Non-current assets held for disposal (note 4)	3,878	3,912
	-----	-----
	\$ 237,790	235,776

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities		
Bank indebtedness	\$ 2,161	2,003
Accounts payable and accrued liabilities	17,424	17,446
Income taxes payable	8,056	8,719
Current portion of long-term debt	-	5
	-----	-----
Total current liabilities	27,641	28,173
Long-term debt (note 9)	71,840	73,840
Other liabilities	20,419	23,953
Future income tax liabilities	21,297	19,575
Non-current liabilities held for disposal (note 4)	1,588	1,592
Shareholders' equity	95,005	88,643
	-----	-----
	\$ 237,790	235,776

Commitments and contingencies (notes 9 and 12)
Subsequent events (notes 4 and 13)
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 June 30		Six months ended June 30	
	2009	2008 (restated)	2009	2008 (restated)
Revenue	\$ 26,772	26,798	49,432	48,007
Other income	998	5,688	2,005	6,605
	-----	-----	-----	-----
	27,770	32,486	51,437	54,612
Operating expenses (notes 2 and 12)	21,548	22,553	42,164	41,824
Depreciation	899	818	1,788	1,603
Amortization of deferred charges (note 2)	13	12	25	24
	-----	-----	-----	-----
Operating income	5,310	9,103	7,460	11,161
Interest expense (note 9)	935	922	1,943	1,850
Accretion of other liabilities (note 9)	227	242	454	484
	-----	-----	-----	-----
	4,148	7,939	5,063	8,827
Provision for income taxes (note 2)	1,067	1,821	1,398	2,116
	-----	-----	-----	-----
Net income from continuing operations	3,081	6,118	3,665	6,711
Net income from discontinued operations (note 4)	63	39	31	20
	-----	-----	-----	-----
Net income	\$ 3,144	6,157	3,696	6,731
	-----	-----	-----	-----
Earnings per share from continuing operations (note 10)				
- basic	\$ 0.28	0.56	0.33	0.61
- diluted	0.27	0.54	0.32	0.59

Earnings per share (note 10)					
- basic	\$	0.29	0.56	0.34	0.61
- diluted		0.28	0.54	0.33	0.59

See accompanying notes to the interim consolidated financial statements

Interim Consolidated Statements of Shareholders' Equity
(unaudited)

(thousands of dollars)	Six months ended June 30 (restated)	
	2009	2008
Retained earnings, beginning of period, as originally stated	\$ 50,581	59,621
Retrospective application of change in accounting policy (note 2)	(2,034)	(1,758)
Retained earnings, beginning of period, as restated	48,547	57,863
Net income	3,696	6,731
Repurchase of capital stock	-	(1,373)
Retained earnings, end of period	52,243	63,221
Capital stock	42,913	42,913
Contributed surplus (note 6)	2,044	1,857
Accumulated other comprehensive loss	(2,195)	(364)
Total shareholders' equity	\$ 95,005	107,627

See accompanying notes to the interim consolidated financial statements

Interim Consolidated Statements of Comprehensive Income
(unaudited)

(thousands of dollars)	Three months ended June 30 (restated)		Six months ended June 30 (restated)	
	2009	2008	2009	2008
Net income	\$ 3,144	6,157	3,696	6,731
Other comprehensive income:				
Change in fair values of cash flow hedges				
Interest rate swaps (note 9(b)):				
Unrealized increase (decrease) in fair value	2,326	143	2,268	(466)
Reclassification to net income of realized interest expense	39	40	150	71
Related income tax recovery (expense)	(644)	(45)	(644)	118
	1,721	138	1,774	(277)

Total equity return swap				
(note 9(c)):				
Unrealized increase				
(decrease) in fair value	1,275	(425)	2,125	(425)
Reclassification to net				
income of realized				
losses (gains)	(741)	122	(1,059)	(23)
Related income tax recovery				
(expense)	(121)	103	(273)	153
	-----	-----	-----	-----
	413	(200)	793	(295)
	-----	-----	-----	-----
Other comprehensive income				
(loss)	2,134	(62)	2,567	(572)
	-----	-----	-----	-----
Comprehensive income	\$ 5,278	6,095	6,263	6,159
	-----	-----	-----	-----

See accompanying notes to the interim consolidated financial statements

Interim Consolidated Statement of Accumulated Other Comprehensive Loss
(unaudited)

	Six months ended	
	June 30	
(thousands of dollars)	2009	2008
	-----	-----
Accumulated other comprehensive (loss) income,		
beginning of period	\$ (4,762)	208
Other comprehensive income (loss) for the		
period	2,567	(572)
	-----	-----
Accumulated other comprehensive loss,		
end of period	\$ (2,195)	(364)
	-----	-----

See accompanying notes to the interim consolidated financial statements

Interim Consolidated Statements of Cash Flows
(unaudited)

	Three months ended		Six months ended	
	June 30		June 30	
	(restated)		(restated)	
(thousands of dollars)	2009	2008	2009	2008
	-----	-----	-----	-----
Operating Activities				
Net income from continuing				
operations	\$ 3,081	6,118	3,665	6,711
Items not involving cash from				
continuing operations				
Depreciation and amortization	912	830	1,813	1,627
Future income taxes	1,035	1,841	1,258	1,805
Executive stock-based				
compensation plans				
(notes 5 and 7)	720	(16)	951	102
Accretion of other liabilities				
(note 9)	227	242	454	484
Unrealized gains on marketable				
securities (note 9)	(982)	(4,830)	(1,974)	(5,530)
Other	(712)	90	(1,080)	(97)
	-----	-----	-----	-----

	4,281	4,275	5,087	5,102
Change in non-cash working capital relating to operating activities from continuing operations	(2,115)	(373)	1,033	(1,883)

Cash flow from continuing operating activities	2,166	3,902	6,120	3,219
Discontinued operations	31	(35)	79	34

	2,197	3,867	6,199	3,253

Financing Activities				
Change in bank indebtedness	579	104	158	1,271
Long-term debt borrowings	-	2,000	-	5,500
Long-term debt repayments	-	(6)	(2,005)	(12)
Repurchase of capital stock (note 5)	-	(1,805)	-	(1,805)
Dividends paid	-	-	-	(1,664)

	579	293	(1,847)	3,290

Investing Activities				
Property and equipment additions	(1,867)	(2,461)	(2,463)	(4,062)
Canadian Content Development payments	(905)	(564)	(1,423)	(1,050)
Other	(4)	(1,135)	(466)	(1,431)

	(2,776)	(4,160)	(4,352)	(6,543)

Cash, beginning and end of period	\$ -	-	-	-

Supplemental Cash Flow Information				
Interest paid	\$ 846	787	1,666	1,647
Income taxes paid	714	43	784	115

See accompanying notes to the interim consolidated financial statements				

Notes to the Interim Consolidated Financial Statements - June 30, 2009 and 2008 (unaudited)

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 2008 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 2008 Annual Report.

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

The Company's accounting policies have remained unchanged since the 2008 Annual Report with the exception of the adoption of new accounting policies described in note 2.

2. ADOPTION OF NEW ACCOUNTING POLICIES

Impact of adopting new accounting policies

Effective January 1, 2009, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064 - Goodwill and Intangible Assets. This Section establishes the standard for recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of this Section resulted in a change in how the Company accounts for its pre-operating costs related to new station launches. Prior to adopting this policy, the Company capitalized pre-operating costs and amortized them over the initial term of the related broadcast licences. Capitalization of these costs is no longer permitted and therefore will be recorded in net income as incurred. For pre-operating balances that existed on January 1, 2009, they were accounted for retrospectively with restatement of comparative figures in accordance with Section 1506 Accounting Changes.

As a result of adopting this accounting policy, the effects on the comparative interim consolidated statements of income are presented below:

(thousands of dollars)	Three months ended June 30 2008	Six months ended June 30 2008
Operating expenses increased by	\$ 425	760
Amortization expense decreased by	(134)	(268)
Provision for income tax expense decreased by	(77)	(130)
Net income decreased by	\$ (214)	(362)
Basic and diluted earnings per share decreased by	\$ (0.02)	(0.03)

The impact on the interim consolidated balance sheets was as follows:

(thousands of dollars)	December 31 2008	June 30 2008
Other assets decreased by	\$ (2,858)	(2,975)
Future income tax liabilities decreased by	(824)	(855)
Retained earnings reduced by	\$ (2,034)	(2,120)

In 2009, certain paragraphs were amended in CICA Section 3862 Financial Instruments - Disclosures which aligns the standard more closely with International Financial Reporting Standards. Specifically, it provides enhanced disclosure requirements around fair value measurement of financial instruments and disclosure of liquidity risk. The amended paragraphs are to be applied for fiscal years ending on or after September 30, 2009. Earlier adoption is permitted. The Company does not

anticipate any significant impact from the adoption of these disclosure requirements.

During 2009, the CICA issued EIC-173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities which requires an entity to consider its own credit risk and that of its counterparty to a financial instrument when determining the fair value of financial assets and liabilities. This applies to the Company's derivative instruments. The adoption of this EIC did not have a significant impact on the Company.

Impact of adopting future accounting policies

Following is a brief description of accounting policies that will be adopted by the Company in future.

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 Company will continue to evaluate the impact of the amendments.

Section 1601 Consolidated Financial Statements and Section 1602 Non-controlling Interests were also 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.

In 2009, the CICA amended certain paragraphs in CICA Section 3862 Financial Instruments - Disclosures which aligns the standard more closely with IFRS. Specifically, it provides enhanced disclosure requirements around fair value measurement of financial instruments and disclosure of liquidity risk. The amended paragraphs are to be applied for fiscal years ending on or after September 30, 2009. Earlier adoption is permitted. The Company does not anticipate any significant impact from the adoption of these disclosure requirements.

On February 13, 2008, the Accounting Standards Board confirmed that International Financial Reporting Standards 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. The Company is currently evaluating the impact of adopting IFRS. Specifically, management is in the process of identifying the IFRS standards that are most likely to impact the Company and those that will require the most resources for implementation. Management is also in the process of making decisions as it relates to adopting IFRS for the first time and considering the exceptions and exemptions permitted under IFRS-1 First-time Adoption of International Financial Reporting Standards. Management is in the process of quantifying the impact the changes will have on its consolidated results.

3. BROADCAST LICENCE ADDITIONS

During 2008, the Company launched its new FM radio stations in Carbonear, Newfoundland and Labrador, Lac LaBiche and Fort McMurray, Alberta and Kentville and Sydney, Nova Scotia. Upon the launch dates, the Company became obligated to pay \$225,000 in Canadian Content Development ("CCD") commitments per year for seven years. Using the amortized cost basis to record these commitments on the consolidated balance sheets, \$1,235,000 was capitalized as broadcast licences and recorded in other liabilities. Costs incurred related to the award of new broadcast licences such as application costs were also capitalized bringing the total amount capitalized to broadcast licences related to these stations to \$1,496,000.

4. ASSETS HELD FOR DISPOSAL AND DISCONTINUED OPERATIONS

On July 14, 2009, the Company announced it had entered into an agreement to dispose of the net assets associated with its two FM radio stations located in Thunder Bay, Ontario for proceeds of \$4,500,000. As such, the Company is required to apply the guidance in CICA Section 3475 Disposal of Long-lived Assets and Discontinued Operations. The financial results from this reporting unit have been treated as discontinued operations in the interim consolidated statements of income and cash flows for both 2009 and 2008. The assets and liabilities held for disposal have been segregated on the interim consolidated balance sheets. The results of this reporting unit were also excluded from the Broadcasting segment results in segmented information presented in note 11 of the interim consolidated financial statements.

This transaction is subject to the approval of the Canadian Radio-television and Telecommunications Commission ("CRTC").

Selected financial information for the reporting unit included in discontinued operations is presented below:

(thousands of dollars)	Three months ended		Six months ended	
	2009	2008	2009	2008
Revenue	\$ 579	625	1,037	1,154
Income before income taxes	93	57	46	29
Provision for income taxes	(30)	(18)	(15)	(9)
Net income from discontinued operations	\$ 63	39	31	20

The major classes of assets and liabilities held for disposal are as follows:

(thousands of dollars)	June 30 2009	December 31 2008
Current assets:		
Accounts receivable and other current assets	\$ 429	442
Non-current assets:		
Property and equipment	\$ 501	535
Broadcast licences	3,377	3,377
	\$ 3,878	3,912

Non-current liabilities:		
Future income tax liabilities	(1,588)	(1,592)

Net assets of discontinued operations	\$ 2,719	2,762

5. CAPITAL STOCK

Share repurchases

The Company has approval under a Normal Course Issuer Bid to repurchase up to 486,659 Class A Subordinate Voting Shares ("Class A shares") and 62,877 Class B Common Shares. This bid expires February 8, 2010. The Company has not repurchased any of its outstanding Class A shares in 2009. During the second quarter in 2008, the Company repurchased 100,000 of its Class A shares for a total cost of \$1,805,000 which resulted in reducing capital stock by \$432,000 and retained earnings by \$1,373,000.

Executive stock option plan

No options were granted pursuant to the executive stock option plan during the second quarters in 2009 and 2008. On a year-to-date basis, 30,000 options (2008 - 35,000) were granted at a weighted average exercise price of \$17.50 (2008 - \$19.99). 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 February 24, 2014. No options were exercised to date in 2009 (2008 - nil). Compensation expense related to stock options for the three months ended June 30, 2009 was \$52,000 (2008 - \$44,000) and year-to-date expense was \$99,000 (2008 - \$79,000).

6. CONTRIBUTED SURPLUS

(thousands of dollars)

Balance, January 1, 2008	\$	1,778
Executive stock option plan compensation expense		79

Balance, June 30, 2008		1,857
Executive stock option plan compensation expense		187

Balance, June 30, 2009	\$	2,044

7. STOCK APPRECIATION RIGHTS

In January 2006, the Company granted 425,000 stock appreciation rights ("SARs") at a reference price of \$16.53. In 2007, 90,000 SARs were granted at a weighted average reference price of \$19.83. On February 24, 2009, 50,000 SARs were granted at a reference price of \$17.20. As at June 30, 2009, 85,000 SARs were expired and 5,000 SARs were 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. The rights 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 SARs granted under this plan expire on the 60th day following the 5th anniversary of the grant date. For the quarter ended June 30, 2009, the compensation expense related to SARs was \$668,000 (2008 - recovery of \$60,000) and year-to-date expense

was \$852,000 (2008 - \$23,000). The total obligation at June 30, 2009 was \$919,000 of which \$460,000 was current (2008 - long-term compensation payable of \$780,000).

8. EMPLOYEE BENEFIT PLANS

(thousands of dollars)	Three months ended		Six months ended	
	June 30		June 30	
	2009	2008	2009	2008
Defined contribution plan expense	\$ 362	309	702	657
Defined benefit plan expense	125	126	250	252

9. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company's financial instruments are categorized and measured as follows:

Asset / Liability	Classification	Measurement
Cash and bank indebtedness	Held for trading	Fair value
Marketable securities	Held for trading	Fair value
Receivables	Loans and receivables	Amortized cost using EIM(x)
Accounts payable and accrued liabilities	Other liabilities	Amortized cost using EIM
Long-term debt	Other liabilities	Amortized cost using EIM
Canadian Content Development commitments, included in other liabilities	Other liabilities	Amortized cost using EIM

(x)EIM - effective interest method

Marketable securities and cash are able to be settled in the near term; therefore, they meet the criteria required to classify them as held for trading. Instruments classified as held for trading are measured at fair value with unrealized gains and losses recorded immediately in net income. The fair value of marketable securities is based on the quoted share prices in active markets. Additional information on marketable securities is disclosed under the section entitled "Market risk" below.

Financial instruments classified as loans and receivables and other liabilities are measured using amortized cost using EIM. Under the EIM, interest income and expense are calculated and recorded using the effective interest rate which is the rate that exactly discounts estimated future cash receipts or payments throughout the expected life of the financial instrument. Interest income and expense related to financial assets and financial liabilities are being recorded using the EIM. Interest expense on long-term debt for the second quarter was \$921,000 (2008 - \$717,000) and year-to-date was \$1,913,000 (2008 - \$1,550,000). Second quarter accretion expense on Canadian Content Development commitments ("CCD") aggregated \$227,000 (2008 - \$242,000) and year-to-date accretion was \$454,000 (2008 - \$484,000) based on EIM rates ranging from 8% to 14.3%.

Transaction costs directly attributable to financial instruments classified as other than held for trading are included in the initial carrying value of such instruments and are amortized using EIM.

In accordance with the accounting policy for financial instruments, the Company has conducted a search for embedded derivatives in its contractual arrangements dated or modified subsequent to January 1, 2003. An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. When certain conditions are met, an embedded derivative is separated from the host contract and accounted for separately as a derivative on the balance sheet at fair value. The Company's policy is to recognize embedded derivatives on the consolidated balance sheet, when applicable. Because there are no embedded derivatives at this time, this rule has no impact on the interim consolidated financial statements of the Company.

The Company's risk management objectives and procedures are described below:

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. Despite the Company's intent to minimize this risk, the current stock market volatility continues to cause fluctuations in all its marketable securities. It is uncertain when this volatility will stabilize. For the quarter ended June 30, 2009, the change in fair value of marketable securities, recognized in other income, was an unrealized gain of \$982,000 (2008 - \$4,830,000). Year-to-date, the unrealized gain recorded in other income was \$1,974,000 (2008 - \$5,530,000). As at June 30, 2009, a 10% change in the share prices of each marketable security would result in a \$505,000 after-tax change in net income.

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 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.

In 2008, the Company entered into two new interest rate swap agreements; one has a notional value of \$15,000,000 and expires in June 2013, and the other has a notional amount of \$45,000,000 and expires in May 2013. Three former interest rate swap agreements, having an aggregated notional value of \$45,000,000 were terminated at that time and as a result the fair value of these agreements (\$349,000 payable) was blended into the interest rate of the new \$45,000,000 swap agreement. This fair value payable is being transferred from other comprehensive income ("OCI") to net income (as interest expense) over the remaining term of the original three swap agreements which expired between 2009 and 2011. The amount related to this fair value payable transferred to net income from OCI for the quarter was \$17,000 (2008 - \$24,000) while the year-to-date amount was \$70,000 (2008 - \$24,000).

The aggregate notional amount of the Company's swap agreements was \$60,000,000 (2008 - \$60,000,000). The aggregate fair value of the swap agreements, which represents the amount that would be payable by the Company if the agreements were terminated on June 30, 2009, was \$4,528,000 (2008 - \$547,000). The before-tax unrealized income recognized in OCI in the quarter was \$2,326,000 (2008 - \$143,000) while year-to-date was \$2,268,000 (2008 - unrealized expense of \$466,000). In the quarter, the total amount transferred from OCI to net income was \$39,000 (2008 - \$40,000) and for the year the amount was \$150,000 (2008 - \$71,000). Income tax expense for the quarter and year-to-date on this swap was \$644,000 (2008 - income tax expense of \$45,000 for the quarter and a recovery of \$118,000 year-to-date).

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. The Company entered into this swap for a total of 425,000 notional Class A shares with a hedged price of \$17.55.

The swap expires July 2011; however, the Company may elect to terminate the agreement prior to that date if the Class A share market price is equal to or less than the SAR Plan reference price of \$16.53. The swap is settled on every quarterly settlement date. If the Company's share price is in excess of the hedged price on the settlement date, the Company is entitled to receive the difference per share, and if the Company's share price is less than the hedged price, the Company is obligated to pay the difference per share. A settlement date can automatically be triggered if the share price drops by 10% or more since the last scheduled settlement date. In this event, the Company must cash settle on that date based on that day's share price; however, on the quarterly settlement date if the share price has rebounded, the Company is reimbursed an amount equal to the difference between the hedged price and the share price which triggered the automatic settlement.

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.

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.

The Company has concluded that this cash flow hedge is effective. The estimated fair value of the equity total return swap receivable at June 30, 2009 was \$1,891,000, of which \$856,000 was current (2008 - \$616,000, all of which was classified as current). Before tax, the unrealized gain recognized in OCI for the quarter was \$1,275,000 (2008 - unrealized loss of \$425,000) and for the six months ended June 30, 2009, the unrealized gain in OCI was \$2,125,000 (2008 - unrealized loss of \$425,000). On a before-tax basis, realized gains of \$741,000 were transferred from OCI to net income in the quarter (2008 - realized losses of \$122,000) and the year-to-date realized gains transferred were \$1,059,000 (2008 - \$23,000). Income tax expense for the quarter on this swap was \$121,000 (2008 - income tax recovery of \$103,000) and for the year was \$273,000 (2008 - income tax recovery of \$153,000).

Credit risk

Credit risk is the exposure that the Company faces with respect to amounts receivable from other parties. The maximum credit exposure approximated \$23,000,000 as at June 30, 2009, 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. 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 approximated \$1,225,000 as at June 30, 2009. Approximately 87% 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.

At June 30, 2009, the Company's credit exposure as it related to its receivables was slightly higher than in the past reporting periods 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.

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. With regard to the interest rate swaps and the equity total return swap, the Company does not anticipate any counterparties that it currently transacts with will fail to meet their obligations as the counterparties are Canadian Chartered Banks.

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, Canadian Content Development payments, dividends and other contractual obligations disclosed below. Cash generated from operations, the availability of the credit facility, along with the cash proceeds of \$9.5 million resulting from two business transactions (notes 4 and 13) will provide sufficient funds to meet the Company's cash requirements.

The Company's liabilities have contractual maturities which are summarized below:

Obligation (thousands of dollars)	Current	2010 -	
		2014	Thereafter
Long-term debt	\$ -	71,840	-
CCD commitments	1,760	9,492	287
Operating leases	1,470	8,663	2,891
Pension funding obligation	250	2,500	3,200
	\$ 3,480	92,495	6,378

The revolving credit facility matures June 2010. Management views this facility as a long-term obligation since it is expected to be renewed prior to the maturity date and as a result, there will be no scheduled repayments within one year. The Company chooses this type of credit facility because it provides flexibility with no scheduled repayment terms.

Capital risk 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.

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 debt covenants include certain maximum or minimum ratios such as total debt ratio, interest coverage and fixed charge coverage ratio. Other covenants include dividend payment restrictions, seeking prior approval for capital expenditures over a certain dollar limit, acquisitions in excess of a quantitative threshold and limits on the number of shares that can be repurchased in any given year. The Company was in compliance with the covenants throughout the quarter and at quarter end.

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 June 30, 2009.

10. EARNINGS PER SHARE

(thousands)	Three months ended		Six months ended	
	June 30		June 30	
	2009	2008	2009	2008
Weighted average common shares used in calculation of basic earnings per share	10,991	10,991	10,991	11,041
Incremental common shares calculated in accordance with the treasury stock method	341	317	321	330
Weighted average common shares used in calculation of diluted earnings per share	11,332	11,308	11,312	11,371

11. 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. This segment's revenue relates to hotel operations while the Other income is investment income.

Details of segment operations are set out below. 2008 figures were restated upon adopting CICA Handbook Section 3064 - Goodwill and Intangible Assets as discussed in note 2. Results from the Thunder Bay reporting unit have been excluded as a result of accounting for discontinued operations as described in note 4.

(thousands of dollars)	Broad-casting	Corpo- rate & Other	Total	Broad-casting	Corpo- rate & Other	Total
	Three months ended June 30			Six months ended June 30		
2009						
Revenue	\$ 25,967	805	26,772	47,764	1,668	49,432
Other income	-	998	998	-	2,005	2,005
	25,967	1,803	27,770	47,764	3,673	51,437
Operating expenses	18,847	2,701	21,548	37,215	4,949	42,164
Depreciation and Amortization	836	76	912	1,661	152	1,813
Operating income (loss)	\$ 6,284	(974)	5,310	8,888	(1,428)	7,460
Assets employed				\$217,058	20,732	237,790
Goodwill				\$ 7,045	-	7,045
Capital expenditures	\$ 1,849	18	1,867	2,421	42	2,463
2008 (restated)						
Revenue	\$ 25,919	879	26,798	46,392	1,615	48,007
Other income	-	5,688	5,688	-	6,605	6,605
	25,919	6,567	32,486	46,392	8,220	54,612
Operating expenses	19,478	3,075	22,553	36,352	5,472	41,824
Depreciation and Amortization	753	77	830	1,478	149	1,627
Operating income	\$ 5,688	3,415	9,103	8,562	2,599	11,161
Assets employed				\$206,332	34,043	240,375
Goodwill				\$ 4,859	-	4,859
Capital expenditures	\$ 2,403	58	2,461	3,933	129	4,062

12. COMMITMENTS AND CONTINGENCIES

In 2007, the Company ceased to accrue CRTC Part II Licence fees because of a court ruling at that point in time. On April 28th, 2008, the Federal Court of Appeal reversed the original decision and found that the fees were a valid regulatory charge. As a result of this decision, in the second quarter of 2008, the Company recognized the obligation as it pertained to these fees retroactively to January 1, 2007. The amount recorded in operating expenses was \$915,000: \$613,000 related to fiscal 2007, \$133,000 related to the first quarter of 2008 and \$169,000 to the second quarter. An appeal was launched by the Canadian Association of Broadcasters ("CAB") in December 2008 and the Supreme Court of Canada granted the CAB leave to appeal. The hearing is scheduled for October 2009. To date, the Company has approximately \$1,900,000 accrued for Part II Fees.

13. SUBSEQUENT EVENT

Subsequent to quarter end, the previously disclosed agreement with Rogers Broadcasting Limited ("Rogers") to exchange broadcast licences was finalized. The Company exchanged its AM broadcast licence in Halifax, Nova Scotia for Rogers' AM licence in Sudbury, Ontario and cash consideration of \$5,000,000. The station in Sudbury will be converted from AM to FM and launched in the third quarter. As a result of this transaction, the Company is committed to make Canadian Content Development ("CCD") payments of \$99,000 per year for the next seven years, beginning in 2010.

About Newfoundland Capital Corporation Limited

Newfoundland Capital Corporation Limited (TSX: NCC.A, NCC.B) is one of Canada's leading radio broadcasters with 81 licences across 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.

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