Newfoundland Capital Corporation Limited

Second Quarter 2013

Period Ended June 30 ***(unaudited)***

Dartmouth, N.S. – August 8, 2013, Newfoundland Capital Corporation Limited ("Company") today announces its financial results for the second quarter ending June 30, 2013.

Highlights

- **Revenue** for the second quarter of $35.8 million was $1.5 million or 4% higher than last year. Year-to-date revenue of $64.9 million was $3.1 million or 5% higher than 2012. The growth was primarily due to organic increases.
- **Earnings before interest, taxes, depreciation and amortization ("EBITDA"[(1)])** of $10.3 million in the quarter were $1.1 million or 12% higher than last year and year-to-date EBITDA of $15.5 million was $1.6 million or 11% higher than 2012. The increase in EBITDA was due to higher revenue and because last year's operating expenses included non-cash amounts of $0.8 million in the quarter and $1.1 million year-to-date related to the extension of executive stock option expiry dates. Normalizing EBITDA to exclude these amounts from 2012, EBITDA was 4% higher than the second quarter last year and the year-to-date EBITDA was 3% higher than 2012.
- **Profit for the period** of $6.0 million was $2.2 million or 59% higher than the same quarter last year. Year-to-date profit of $8.1 million was $3.5 million or 78% higher than the same period in 2012. The combination of lower interest expense and lower unrealized mark-to-market losses contributed to increased profit compared to last year.
- **The Board of Directors declared a dividend** of $0.06 per share on each of the Company's Class A Subordinate Voting Shares and Class B Common Shares on August 8, 2013, payable on September 13, 2013 to all shareholders of record as at August 30, 2013.

Significant events

- During the second quarter, the Company launched its new FM stations in Miramichi and Fredericton, New Brunswick. Both 95.9 Sun FM in Miramichi and Up! 93.1 in Fredericton have been well received by the communities.
- In the second quarter, the Company repurchased a total of 464,390 shares for $4.3 million pursuant to its Normal Course Issuer Bid. Subsequent to quarter end, 219,500 shares were repurchased for $1.9 million.
- The Canadian Radio-television and Telecommunications Commission ("CRTC") recently awarded the Company a new FM licence in Clarenville, Newfoundland and Labrador as well as a new repeater licence in Wabasca, Alberta.
- Subsequent to quarter end, the Company announced it had entered into an agreement to acquire CHNI-FM in Saint John, New Brunswick. In July, the Company also announced it had entered into an agreement to sell CHFT-FM in Fort McMurray, Alberta. Both transactions are subject to CRTC approval.

"Revenue and EBITDA continue to show positive growth despite flat industry growth", commented Rob Steele, President and Chief Executive Officer. "We're very pleased with our organic results and also very pleased that we are expanding our operations. We have successfully launched our radio stations in Miramichi and Fredericton, New Brunswick and look forward to seeking out other opportunities to grow."

Financial Highlights – Second Quarter

(thousands of dollars except share information)	**2013**	2012
Revenue	**$ 35,819**	34,325
EBITDA[(1)]	**10,296**	9,177
Profit for the period	**5,972**	3,759
Earnings per share – basic	**0.21**	0.13
Earnings per share – diluted	**0.20**	0.12
Share price, NCC.A (closing)	**8.75**	7.75
Weighted average number of shares outstanding *(in thousands)*	**28,902**	30,072
Total assets	**235,900**	236,674
Long-term debt	**49,000**	48,807
Shareholders' equity	**123,294**	123,739

(1) Refer to page 10 "Non-IFRS Accounting Measure".

MANAGEMENT'S DISCUSSION AND ANALYSIS

The purpose of the Management's Discussion and Analysis ("MD&A") 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 condensed interim consolidated financial statements ("interim financial statements") and related notes for the periods ended June 30, 2013 and 2012 prepared in accordance with International Financial Reporting Standards ("IFRS"), as well as the annual audited consolidated financial statements and related notes prepared in accordance with IFRS and the MD&A contained in the Company's 2012 Annual Report. The Company's second quarter 2013 interim financial statements and the accompanying notes have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB") and using the accounting policies described therein. These interim financial statements include the accounts of the Company and other entities in which the Company controls in accordance with IAS 27 "Consolidated and Separate Financial Statements" and are reported in Canadian dollars. These documents along with the Company's Annual Information Form, its Management Proxy Circular dated February 28, 2013 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. This information is also available on the Company's website at www.ncc.ca.

The Board of Directors, upon recommendation of the Audit and Governance Committee, approved the content of this MD&A on August 8, 2013. Disclosure contained in this document is current to this date, unless otherwise stated.

Management's Discussion and Analysis of financial condition and results of operations contains forward-looking statements and forward-looking information within the meaning of Canadian provincial securities laws. These forward-looking statements are based on current expectations. The use of terminology such as "expect", "intend", "anticipate", "believe", "may", "will", "should", "would", "plan" and other similar terminology relate to, but are not limited to, 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. As a result, there is no guarantee that any forward-looking statements will materialize and readers are cautioned not to place undue reliance on these statements. Assumptions, expectations and estimates made in the preparation of forward-looking statements and risks that could cause our actual results to differ materially from our current expectations are discussed in detail in the Risks and Opportunities section of this MD&A. 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 owns and operates Newcap Radio, which is one of Canada's leading radio broadcasters with 88 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. It 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 74 FM and 14 AM licences which can be heard throughout Canada. Most of our stations are globally accessible via the internet and various mobile device applications, allowing listeners the flexibility to tune in to our stations at anytime from anywhere. The shares of the Company trade on the Toronto Stock Exchange under the symbols NCC.A and NCC.B.

STRATEGY AND OBJECTIVES

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

This year the Company expects to continue to grow its existing operations by increasing advertising revenue and remaining focused on controlling discretionary costs to drive EBITDA margins. It has successfully integrated the operations acquired in Nova Scotia and has launched the new FM stations in New Brunswick. The Company will now focus on launching the recently awarded licences in Newfoundland and Labrador and Alberta. The Company will continue to explore acquisition and expansion opportunities that fit the Company's acquisition objectives and it will make applications to the CRTC for new licences. The Company's commitment to its talented employees, its customers, its listeners and to the communities it serves remains critical to its success.

Achieving strong financial results when operating a stand-alone station in a market where one of the competitors operates two stations is difficult. The decision to sell CHFT-FM in Fort McMurray, Alberta made sense since the buyer, Harvard Broadcasting Inc., also operates a stand-alone FM in Fort McMurray and adding a second station will level the competitive market.

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 interim financial statements since the respective acquisition and launch dates.

2013 Developments:

- January – completed the acquisition of CKCH-FM, The Eagle, in Sydney, Nova Scotia.
- January – received CRTC approval to convert the Port Au Choix, Newfoundland and Labrador AM station to FM. It was launched in late April.
- March – re-branded CFRK-FM in Fredericton as The New Hot 92.3.
- April – received CRTC approval to convert the Wainwright, Alberta AM station to FM. This is expected to be on air in the fall of 2013.
- April – launched 95.9 Sun FM in Miramichi, New Brunswick with a Top 40 format.
- May – the Company announced that it was no longer exploring the sale of its Western assets.
- May – received CRTC approval for a new FM licence in Wabasca, Alberta (a repeater of CHSL-FM in Slave Lake, Alberta) and a new FM licence to serve Clarenville, Newfoundland and Labrador. The new FM in Wabasca is expected to launch in the fall of 2013 while the new FM in Clarenville is not expected to launch until 2014.
- June – launched the Company's second FM in Fredericton, New Brunswick. Up! 93.1 features a Classic Hits format.
- July – entered into an agreement to acquire CHNI-FM in Saint John, New Brunswick from Rogers Broadcasting Ltd., subject to CRTC approval.
- July – entered into an agreement with Harvard Broadcasting Inc. to sell CHFT-FM in Fort McMurray, Alberta, subject to CRTC approval.

2012 Developments:

- January – launched the St. Paul, Alberta AM to FM conversion.
- February – completed the acquisition of broadcasting assets related to FM licences in Penticton and Kelowna, British Columbia.
- February – received CRTC approval to convert the Stettler, Alberta AM station to FM. The FM country station was launched in October 2012.
- May – the CRTC awarded the Company two FM licences in New Brunswick, one in Miramichi and the other in Fredericton. Miramichi was launched in April 2013 and the Fredericton FM was launched in June 2013.

CONSOLIDATED FINANCIAL REVIEW

Consolidated Financial Results of Operation

(thousands of Canadian dollars, except percentages and per share data)	Three months ended June 30			Six months ended June 30		
	2013	2012	**Growth**	**2013**	2012	**Growth**
Revenue	**$ 35,819**	34,325	4%	**64,871**	61,792	5%
Operating expenses	**(25,523)**	(25,148)	1%	**(49,412)**	(47,899)	3%
EBITDA[(1)]	**10,296**	9,177	12%	**15,459**	13,893	11%
Depreciation, amortization and accretion of other liabilities	**(1,117)**	(1,125)	(1%)	**(2,210)**	(2,234)	(1%)
Interest expense	**(74)**	(1,034)	(93%)	**(1,060)**	(1,884)	(44%)
Other expense	**(592)**	(1,087)	(46%)	**(501)**	(3,279)	(85%)
Profit before provision for income taxes	**8,513**	5,931	44%	**11,688**	6,496	80%
Provision for income taxes	**(2,541)**	(2,172)	17%	**(3,621)**	(1,956)	85%
Profit for the period	$ **5,972**	3,759	59%	**8,067**	4,540	78%
Earnings per share						
– Basic	**0.21**	0.13	—	**0.28**	0.15	—
– Diluted	**0.20**	0.12	—	**0.27**	0.14	—

(1) EBITDA – Earnings before interest, taxes, depreciation and amortization – refer to page 10"Non-IFRS Accounting Measure"

Revenue

In the quarter, consolidated revenue of $35.8 million was $1.5 million or 4% higher than last year; for the six month period ended June 30, 2013 revenue of $64.9 million was $3.1 million or 5% higher than 2012. This improvement came exclusively from the broadcasting segment.

Operating expenses
Consolidated operating expenses of $25.5 million were $0.4 million or 1% higher than the second quarter last year and year-to-date operating expenses of $49.4 million were $1.5 million or 3% higher than 2012. Last year's operating expenses included non-cash amounts of $0.8 million in the quarter and $1.1 million year-to-date related to the extension of expiry dates of executive stock options. Excluding these amounts from comparative figures, consolidated operating expenses were actually $1.1 million (or 4%) and $2.6 million (or 5%) higher in the second quarter and year-to-date, respectively. These increases were mainly attributed to higher variable costs consistent with higher revenue.

EBITDA
Consolidated EBITDA in the quarter of $10.3 million was $1.1 million or 12% higher than last year and year-to-date EBITDA of $15.5 million was $1.6 million or 11% higher than 2012. The increase in EBITDA was due to higher revenue and because last year's operating expenses included non-cash amounts of $0.8 million in the quarter and $1.1 million year-to-date related to the extension of executive stock option expiry dates. Normalizing EBITDA to exclude these amounts from 2012 operating expenses, EBITDA was 4% higher than the second quarter last year and the year-to-date EBITDA was 3% higher than 2012.

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

Depreciation, amortization and accretion of other liabilities
In the quarter and year-to-date, depreciation and amortization expense was slightly higher than 2012 due to a higher depreciable asset base; however, accretion of other liabilities was lower than last year. 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.

Interest expense
Interest expense in the quarter and year-to-date was lower than the same periods last year because of the accounting for the Company's interest rate swap whereby $0.8 million of interest recovery was transferred from OCI to profit in the quarter and year-to-date.

Other expense
Other expense generally consists of gains and losses, realized and unrealized, on the Company's marketable securities. In the second quarter of 2013, the Company recognized mark-to-market unrealized losses of $0.4 million compared to $0.6 million last year. For the six months ended June 30, 2013, the mark-to-market unrealized losses were $0.2 million as compared to $2.9 million in 2012. Also included in *Other expense*, as part of the acquisition in Sydney, Nova Scotia, the Company recognized acquisition-related CCD costs of $0.2 million. In 2012, a transaction gain and acquisition-related CCD costs, which netted to just under $0.1 million, were charged to *Other expense.* These costs were a result of the purchase of stations in British Columbia. Refer to note 3 in the interim financial statements for additional details.

Provision for income taxes
In the quarter, the effective tax rate was 30% and the year-to-date rate was 31% which was on par with the statutory rate of 31%.

Profit for the period
Profit for the period of $6.0 million was $2.2 million or 59% higher than the same quarter last year. Year-to-date profit of $8.1 million was $3.5 million or 78% higher than the same period in 2012. The combination of lower interest expense and lower unrealized mark-to-market losses contributed to increased profit compared to last year.

Other comprehensive income ("OCI")
OCI includes the net change in the fair value of the Company's cash flow hedge and actuarial gains and losses arising on the Company's defined benefit pension plans. The after-tax gain included in OCI in the second quarter of 2013 was $0.2 million (2012 – $0.2 million) while the year-to-date after-tax gain was $0.4 million (2012 – $0.6 million).

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 profit 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 10 of the Company's interim 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.

Cash-generating units ("CGU's") within the broadcasting segment are managed and evaluated based on their revenue and EBITDA. The following summarizes the key operating results of the broadcasting segment.

Broadcasting Financial Results of Operations

(thousands of Canadian dollars, except percentages)		Three months ended June 30			Six months ended June 30		
		2013	2012	**% Change**	**2013**	2012	**% Change**
Revenue	$	**34,914**	33,441	4%	**63,198**	60,048	5%
Operating expenses		**(22,487)**	(21,604)	4%	**(43,569)**	41,449	5%
EBITDA	$	**12,427**	11,837	5%	**19,629**	18,599	6%
EBITDA margin		**36%**	35%	1%	**31%**	31%	—

Revenue
Broadcasting revenue in the quarter of $34.9 million was $1.5 million or 4% better than last year. Year-to-date broadcasting revenue of $63.2 million was $3.2 million or 5% higher than 2012. The growth was primarily due to organic increases. Year-to-date, the overall industry growth rate was flat.

The Central Canadian radio properties led the way in revenue growth for the Company achieving an increase of 21% in the quarter and year-to-date. The Western Canadian properties also performed well increasing revenue by 6% in the quarter and year-to-date.

The Company has continued to experience strong listener ratings and this has contributed to revenue growth.

Operating expenses
For the quarter, broadcasting operating expenses were $22.5 million, up $0.9 million or 4% over last year. Year-to-date broadcasting operating expenses of $43.6 million were $2.1 million or 5% higher than 2012. The increases were due to higher variable costs in line with higher revenue.

EBITDA
Second quarter broadcasting EBITDA of $12.4 million was $0.6 million or 5% higher than 2012 while year-to-date broadcasting EBITDA of $19.6 million was $1.0 million or 6% higher than last year. Higher revenue was the main reason EBITDA results improved in both periods.

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 Canadian dollars, except percentages)		Three months ended June 30			Six months ended June 30		
		2013	2012	**% Change**	**2013**	2012	**% Change**
Revenue	$	**905**	884	2%	**1,673**	1,744	(4%)
Operating expenses		**(3,036)**	(3,544)	(14%)	**(5,843)**	(6,450)	(9%)
EBITDA	$	**(2,131)**	(2,660)	20%	**(4,170)**	(4,706)	11%

Revenue
Hotel revenue was slightly higher in the quarter compared to 2012; however, it was lower year-to-date due to reduced occupancy.

Operating expenses
Second quarter operating expenses of $3.0 million were $0.5 million or 14% lower than the same period in 2012 while year-to-date operating expenses of $5.8 million were $0.6 million or 9% lower than last year. In 2012, as a result of extending the expiry dates of certain executive stock options, the Company recognized a non-cash expense of $0.8 million in the second quarter and $1.1 million year-to-date.

EBITDA
EBITDA improved over the same periods last year because of lower operating expenses as explained above.

SELECTED QUARTERLY FINANCIAL INFORMATION

The Company's revenue and operating results vary depending on the quarter. The first quarter is generally a period of lower retail spending and as a result, advertising revenue is generally lower. The fourth quarter tends to be a period of higher retail spending. The third quarter of 2012 was adversely impacted by impairment charges of $7.5 million related to television operations in Lloydminster, Alberta. In the first and second quarters of 2012, unrealized mark-to-market investment losses lowered profit as did the non-cash stock-based compensation expense related to extending stock option expiry dates. Positively impacting the 2011 fourth quarter were the reversal of previous broadcast licence impairment charges, gains on disposal of assets and mark-to-market unrealized gains.

(thousands of Canadian dollars except per share data)		**2013**		2012				2011	
		2nd	1st	4th	3rd	2nd	1st	4th	3rd
Revenue	$	**35,819**	29,052	35,459	33,698	34,325	27,466	34,700	31,905
Profit for the period		**5,972**	2,095	7,405	(1,061)	3,759	781	12,975	4,334
Earnings per share									
– Basic		**0.21**	0.07	0.25	(0.04)	0.13	0.03	0.43	0.14
– Diluted		**0.20**	0.07	0.24	(0.04)	0.12	0.02	0.41	0.14

Selected cash flow information – six months ended June 30, 2013
Cash flows from operating activities of $11.3 million were used to repurchase capital stock for $4.3 million, purchase property and equipment for $3.6 million, pay dividends of $2.6 million and purchase broadcasting assets in Nova Scotia for $2.0 million.

Selected cash flow information – six months ended June 30, 2012
Cash flows from operating activities of $6.8 million combined with net borrowings of $8.2 million were used to purchase broadcasting assets in British Columbia for $7.0 million, purchase property and equipment for $2.3 million, pay dividends of $2.7 million and repurchase capital stock for $2.2 million.

Capital expenditures and capital budget
The capital expenditures for 2013 are expected to total approximately $5.5 million. The major planned expenditures include the capital costs associated with launching the new FM licences in Miramichi and Fredericton, New Brunswick as well as general improvements and upgrades. The Company continuously upgrades its broadcast equipment to improve operating efficiencies.

FINANCIAL CONDITION

Total assets
Assets of $235.9 million were $3.5 million higher than December 31, 2012. This was primarily due to the additions of property and equipment and the business acquisition completed in January 2013.

Liabilities, shareholders' equity and capital structure
As at June 30, 2013, the Company had $1.3 million of current bank indebtedness outstanding and $49.0 million of long-term debt. The capital structure consisted of 52% equity ($123.3 million) and 48% liabilities ($112.6 million) at quarter end.

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
In June 2013, the Company extended the expiry date of its $90.0 million revolving credit facility to June 30, 2015. The Company chooses 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 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.

Cash flow from operations and funds available from the Company's $90.0 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.

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 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 June 30, 2013, the Company's working capital was $0.5 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.

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 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 2012 Annual MD&A (dated February 28, 2013) with the exception of the increase in long-term debt and the acquisition of CHNI-FM in Saint John, New Brunswick (which is subject to CRTC approval).

SHARE CAPITAL

Outstanding share data
The weighted average number of shares outstanding at June 30, 2013 was 29,043,000 (2012 – 30,201,000). As of this date, there are 24,757,981 Class A Subordinate Voting Shares ("Class A Shares") and 3,770,222 Class B Common Shares ("Class B Shares") outstanding.

Share repurchases
The Company has approval under a Normal Course Issuer Bid to repurchase up to 1,272,093 Class A Subordinate Voting Shares ("Class A shares") and 75,404 Class B Common Shares ("Class B shares"). This bid expires May 20, 2014. During the second quarter and year-to-date, 464,390 shares were repurchased for $4.3 million. 270,634 shares were repurchased for $2.2 million for the six month period ended June 30, 2012. As a result of the share repurchases, capital stock was reduced by $0.7 million (2012 – $0.4 million) and retained earnings by $3.7 million (2012 – $1.8 million). In July, subsequent to quarter end, the Company repurchased 219,500 shares for $1.9 million.

Dividends
Dividends of $0.09 per share were declared in December to all shareholders of record as of December 31, 2012. Dividends of $2.6 million were paid January 31, 2013. On August 8, 2013, the Board of Directors declared dividends of $0.06 per share to all shareholders of record as at August 30, 2013, payable on September 13, 2013.

SHARE-BASED COMPENSATION PLANS

Executive stock option plan
During the quarter, no options were granted or exercised (2012 – Nil) pursuant to the Company's executive stock option plan. Year-to-date, 60,000 options (2012 – Nil) were exercised using the cashless exercise option resulting in 43,724 shares issued from treasury (2012 – Nil). Compensation expense related to the stock option plan in the quarter was less than $0.1 million (2012 – $0.8 million). Year-to-date compensation expense was less than $0.1 million (2012 – $1.1 million). Last year's amount included a non-cash expense of $0.8 million in the quarter and $1.1 million year-to-date as a result of the Toronto Stock Exchange ("TSX") and Board of Directors' approval to extend the expiry dates of 2,140,000 stock options by 5 years. Refer to note 6 of the interim financial statements for further details relating to the executive stock option plan.

Stock appreciation rights plan
During the second quarter, 30,000 stock appreciation rights ("SARs") (2012 – 15,000) were exercised for cash proceeds of $0.1 million (2012 – less than $0.1 million). 45,000 SARS were exercised year-to-date (2012 – 70,000) for cash proceeds of $0.2 million (2012 – $0.1 million). For the quarter ended June 30, 2013, the compensation expense related to SARS was a recovery of $0.1 million (2012 – less than $0.1 million). Year-to-date, the expense was less than $0.1 million (2012 – recovery of $0.1 million). The obligation at quarter end was $0.3 million (2012 – $0.5 million). Refer to note 6 of the interim 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 8 of the interim financial statements.

Interest rate risk management

To hedge its exposure to fluctuating interest rates on its long-term debt, the Company enters into interest rate swap agreements with Canadian chartered banks. The notional amount of the ongoing swap agreement was $45.0 million (2012 – $55.0 million). One of the Company's swap agreements with a notional amount of $10.0 million expired in June 2013. In 2012, the Company completed a blend and extend of its $45.0 million swap agreement to extend the expiry date of the agreement to May 2017 and to take advantage of lower interest rates. The interest rate on this swap was reduced by approximately 200 basis points. Additional details are provided in note 8(b) of the interim financial statements.

The swap agreement involves 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 fair value payable of the swap agreement was $0.2 million (2012 – $1.5 million). The Company applies hedge accounting. The net change in OCI was a $0.2 million gain in the quarter (2012 – $0.2 million) and a gain of $0.4 million year-to-date (2012 – $0.6 million).

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 profit in the same period as the stock appreciation rights' compensation expense.

Realized before-tax losses recorded in second quarter profit were $0.2 million (2012 – less than $0.1 million). Year-to-date realized before-tax losses were $0.1 million (2012 – $0.1 million). The estimated fair value of the equity total return swap receivable, classified as current other asset, at June 30, 2013 was $0.7 million (2012 – $0.7 million).

In July, subsequent to quarter end, the remaining outstanding 228,600 notional SARS were unwound. As a result, the equity total return swap receivable balance is $Nil as of this date.

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 industries and only invests a certain amount of funds in marketable securities. 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.

Credit risk management

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. The Company is of the opinion that the provision for potential losses adequately reflects the credit risk associated with its receivables. 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 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. 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.

SUBSEQUENT EVENTS

In July 2013, the Company announced it had entered into an agreement to purchase CHNI-FM in Saint John, New Brunswick from Rogers Broadcasting Ltd. The Company also announced it had entered into an agreement with Harvard Broadcasting Inc. to sell CHFT-FM in Fort McMurray, Alberta. Both transactions are subject to CRTC approval.

CRITICAL ACCOUNTING ESTIMATES

There has been no substantial change in the Company's critical accounting estimates since the publication of the 2012 Annual MD&A dated February 28, 2013.

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 2012 Annual MD&A dated February 28, 2013.

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, 2013 that have materially affected, or are likely to materially affect, the Company's internal controls over financial reporting.

OUTLOOK

The Company's core operating objective remains the same – to deliver revenue and EBITDA growth. To date in 2013, the Company has delivered on these goals and it expects to continue to deliver positive results throughout the year.

Recently the Company successfully launched its two new FM stations in Miramichi and Fredericton, New Brunswick. It is working presently on launching the new FM station in Clarenville, Newfoundland and Labrador and also on launching the repeating signal in Wabasca, Alberta. In addition to these current projects, the Company announced the potential acquisition, subject to CRTC approval, of an FM station in Saint John, New Brunswick which would give the Company presence in all of New Brunswick's major radio markets. Management will continue to review new opportunities available through the CRTC application process and through acquisitions.

Non-IFRS Accounting Measure

*[1]**EBITDA** is calculated as revenue less operating expenses (which include direct cost of sales and general and administrative expenses) as reported in the Company's interim condensed consolidated income statements. EBITDA may be calculated and presented by operating segment or for the consolidated results of the Company. The Company believes this is an important measure because the Company's key decision makers use this measure internally to evaluate the performance of management. The Company's key decision makers also believe certain investors use it as a measure of the Company's financial performance and for valuation purposes.*

EBITDA is therefore calculated before (i) non-cash expenses such as depreciation, amortization and accretion of other liabilities, (ii) interest expense and (iii) items not indicative of the Company's core operating results, and not used in the evaluation of the operating segments or the consolidated Company's performance such as Other expense. A calculation of this measure is as follows:

	Three months ended June 30		Six months ended June 30	
(thousands of Canadian dollars)	***2013***	*2012*	***2013***	*2012*
Profit for the period	***$ 5,972***	*3,759*	***8,067***	*4,540*
Provision for income tax expense	***2,541***	*2,172*	***3,621***	*1,956*
Other expense	***592***	*1,087*	***501***	*3,279*
Interest expense	***74***	*1,034*	***1,060***	*1,884*
Depreciation, amortization and accretion of other liabilities	***1,117***	*1,125*	***2,210***	*2,234*
EBITDA	***$ 10,296***	*9,177*	***15,459***	*13,893*

EBITDA is not defined by IFRS and is not standardized for public issuers. This measure may not be comparable to similar measures presented by other public enterprises.

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, 2013 and 2012

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 condensed interim consolidated financial statements ("interim financial statements") of the Company for the three months and six months ended June 30, 2013 and 2012 have been prepared in accordance with International Financial Reporting Standards 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 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 8th day of August, 2013

Interim Condensed Consolidated Statements of Financial Position

(unaudited)

(thousands of Canadian dollars)	Notes		**June 30 2013**	December 31 2012
Assets				
Current assets				
Marketable securities	8(a)	$	**4,043**	4,244
Receivables	8		**25,957**	26,971
Prepaid expenses			**1,632**	1,281
Other assets	8(c)		**663**	736
Total current assets			**32,295**	33,232
Non-current assets				
Property and equipment	3		**37,354**	35,251
Other assets	3		**297**	2,292
Broadcast licences	3		**154,922**	151,830
Goodwill	3		**7,422**	6,109
Deferred income tax assets			**3,610**	3,682
Total assets		$	**235,900**	232,396
Liabilities and Shareholders' Equity				
Current liabilities				
Bank indebtedness		$	**1,258**	429
Accounts payable and accrued liabilities			**16,991**	16,174
Dividends payable			**—**	2,625
Income taxes payable			**13,535**	15,008
Total current liabilities			**31,784**	34,236
Non-current liabilities				
Long-term debt			**49,000**	47,904
Other liabilities	6,8(b)		**11,929**	12,026
Deferred income tax liabilities			**19,893**	19,102
Total liabilities			**112,606**	113,268
Shareholders' equity			**123,294**	119,128
Total liabilities and shareholders' equity		$	**235,900**	232,396

Subsequent events (note 11)

See accompanying notes to the interim financial statements

Interim Condensed Consolidated Income Statements

(unaudited)

(thousands of Canadian dollars except per share data)	Notes		Three months ended June 30 **2013**	2012	Six months ended June 30 **2013**	2012
Revenue		$	**35,819**	34,325	**64,871**	61,792
Operating expenses			**(25,523)**	(25,148)	**(49,412)**	(47,899)
Depreciation, amortization and accretion of other liabilities			**(1,117)**	(1,125)	**(2,210)**	(2,234)
Interest expense			**(74)**	(1,034)	**(1,060)**	(1,884)
Other expense	3, 8(a)		**(592)**	(1,087)	**(501)**	(3,279)
Profit before provision for income taxes			**8,513**	5,931	**11,688**	6,496
Provision for income tax (expense) recovery						
Current			**(2,096)**	(1,823)	**(3,149)**	(2,075)
Deferred			**(445)**	(349)	**(472)**	119
			(2,541)	(2,172)	**(3,621)**	(1,956)
Profit for the period		$	**5,972**	3,759	**8,067**	4,540
Earnings per share	9					
– basic		$	**0.21**	0.13	**0.28**	0.15
– diluted			**0.20**	0.12	**0.27**	0.14

See accompanying notes to the interim financial statements

Interim Condensed Consolidated Statements of Comprehensive Income

(unaudited)

(thousands of Canadian dollars)	Notes		Three months ended June 30 **2013**	2012	Six months ended June 30 **2013**	2012
Profit for the period		$	**5,972**	3,759	**8,067**	4,540
Other comprehensive income:						
Cash flow hedges:						
Net movement on interest rate swaps	8(b)		**249**	327	**555**	786
Income tax recovery (expense)			**(67)**	(89)	**(151)**	(212)
Other comprehensive income			**182**	238	**404**	574
Comprehensive income		$	**6,154**	3,997	**8,471**	5,114

See accompanying notes to the interim financial statements

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

(unaudited)

(thousands of Canadian dollars)		**Issued share capital (note 4)**	**Contributed surplus (note 5)**	**Accumulated other comprehensive loss**	**Retained earnings (note 4)**	**Total**
Balance at January 1, 2013	$	38,079	2,614	(1,630)	80,065	119,128
Profit for the period		—	—	—	8,067	8,067
Other comprehensive income		—	—	404	—	404
Total comprehensive income		—	—	404	8,067	8,471
Repurchase of share capital		(667)	—	—	(3,675)	(4,342)
Executive stock option compensation expense		—	37	—	—	37
Balance at June 30, 2013	**$**	**37,412**	**2,651**	**(1,226)**	**84,457**	**123,294**

See accompanying notes to the interim financial statements

(thousands of Canadian dollars)		**Issued share capital (note 4)**	**Contributed surplus (note 5)**	**Accumulated other comprehensive loss**	**Retained earnings (note 4)**	**Total**
Balance at January 1, 2012	$	39,779	1,400	(2,729)	81,216	119,666
Profit for the period		—	—	—	4,540	4,540
Other comprehensive income		—	—	574	—	574
Total comprehensive income		—	—	574	4,540	5,114
Repurchase of share capital		(396)	—	—	(1,774)	(2,170)
Executive stock option compensation expense		—	1,129	—	—	1,129
Balance at June 30, 2012	**$**	**39,383**	**2,529**	**(2,155)**	**83,982**	**123,739**

See accompanying notes to the interim financial statements

Interim Condensed Consolidated Statements of Cash Flows

(unaudited)

(thousands of Canadian dollars)	Notes	Six months ended June 30 2013	2012
Operating Activities			
Profit before provision for income taxes		$ **11,688**	6,496
Items not involving cash			
Depreciation, amortization and accretion of other liabilities		**2,210**	2,234
Share-based compensation expense	6	**54**	1,061
Unrealized losses on marketable securities	8(a)	**201**	2,931
Other		**295**	338
		14,448	13,060
Net change in non-cash working capital		**2,879**	2,581
		17,327	15,641
Interest paid		**(1,381)**	(2,421)
Income taxes paid		**(4,621)**	(6,397)
Net cash flows from operating activities		**11,325**	6,823
Financing Activities			
Change in bank indebtedness		**829**	(269)
Long-term debt borrowings		**3,000**	10,500
Long-term debt repayments		**(2,000)**	(2,000)
Dividends paid	4	**(2,625)**	(2,730)
Repurchase of capital stock	4	**(4,342)**	(2,170)
		(5,138)	3,331
Investing Activities			
Acquisition of broadcasting assets	3	**(2,040)**	(6,978)
Property and equipment additions		**(3,600)**	(2,321)
Canadian Content Development commitment payments		**(509)**	(791)
Other		**(38)**	(64)
		(6,187)	(10,154)
Cash, beginning and end of period		$ **—**	—

See accompanying notes to the interim financial statements

1. REPORTING ENTITY

Newfoundland Capital Corporation Limited (the "Company") is incorporated in Nova Scotia, Canada. The address of the Company's registered office of business is 745 Windmill Road, Dartmouth, Nova Scotia, B3B 1C2. The Company's primary activity is radio broadcasting. These unaudited condensed interim consolidated financial statements ("interim financial statements") comprise the financial position of the Company and its subsidiaries, together referred to as the "Company". The Company's revenue is derived primarily from the sale of advertising airtime which is subject to seasonal fluctuations.

These interim financial statements were authorized for issue in accordance with a resolution of the Board of Directors on August 8, 2013.

2. BASIS OF PREPARATION

Statement of Compliance

These interim financial statements have been prepared in accordance with International Accounting Standards 34 ("IAS"), Interim Financial Reporting, and accordingly, they do not include all of the information and disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements. The same accounting policies and methods of computation were followed in the preparation of these interim financial statements as were followed in the preparation of the annual financial statements for the year ended December 31, 2012. Accordingly, these interim financial statements should be read together with the annual financial statements for the year ended December 31, 2012 prepared in accordance with IFRS.

These interim financial statements have been prepared in accordance with those IFRS standards and IFRS Interpretations Committee ("IFRIC") interpretations issued and effective or issued and early adopted as at the date of these statements (August 8, 2013). All amounts are expressed in Canadian dollars, rounded to the nearest thousand (unless otherwise specified). The functional currency of the Company and each of its subsidiaries is the Canadian dollar.

3. ACQUISITION OF BROADCASTING ASSETS

Business Acquisition – 2013

On January 2, 2013, the Company acquired 70.1% of the shares of 3221809 Nova Scotia Limited which operates the CKCH-FM radio station in Sydney, Nova Scotia. The Company previously held 29.9% of the shares and as a result, this was a business combination achieved in stages whereby the Company was required to measure the acquisition-date fair value of the 29.9% equity interest the day immediately preceding the transaction. The fair value was determined to be $600,000 which closely approximated the carrying value of the investment and therefore no gains or losses were recorded as a result.

Total consideration was $4,425,000 and this was made up of the fair value of the initial 29.9% investment of $600,000, the assumption of a note having a fair value of $1,425,000 and cash paid of $2,400,000. The major net assets acquired included the FM broadcast licence, property and equipment and a small amount of working capital. Trade accounts receivable having a gross contractual amount receivable of $246,000 were included in working capital. The contractual cash flows not expected to be collected were estimated to be $34,000 and this was factored in the determination of fair value. The purchase price allocation, as set out in the table below, has been finalized.

The Company already operates an FM radio station in Sydney, and complementing it with this FM station was the reason for the acquisition. This will allow the Company to increase its revenue base and benefit from cost synergies which is why goodwill in the amount of $1,313,000 arose on this transaction. Goodwill is not deductible for tax purposes. The purchase was financed by the Company's credit facility.

3. ACQUISITION OF BROADCASTING ASSETS *(continued)*

Business Acquisition – 2013 *(continued)*

The purchase price was allocated to the net assets acquired on the basis of the estimated fair values on the acquisition date using the acquisition method of accounting. The following table sets out the net assets acquired and their estimated acquisition date fair values:

(thousands of Canadian dollars)		**CKCH-FM**
Working capital	**$**	**197**
Deferred tax asset on tax loss carryforwards		**215**
Property and equipment		**767**
Broadcast licence		**2,387**
Goodwill		**1,313**
Total assets acquired		**4,879**
Deferred tax liabilities on property and equipment and broadcast licences		**(454)**
Net assets acquired	**$**	**4,425**

In order for the acquisition to have been approved by the Canadian Radio-television and Telecommunications Commission ("CRTC"), the Company had to commit to additional Canadian Content Development ("CCD") payments of $222,000, payable in equal instalments over seven years. This financial liability was recognized on the statement of financial position as *other liabilities* and its fair value was determined based on discounting cash flows using the effective interest method ("EIM"). Under EIM, accretion expense is calculated and recorded using the effective interest rate (3.9%) that exactly discounts estimated future cash payments throughout the seven year life of the CCD commitment to the fair value at initial recognition. The amount of CCD expensed in *Other expense* in the income statement was $191,000.

Earnings of this acquisition have been included in profit as of the date of acquisition on January 2, 2013. Revenue recognized to-date in the income statement related to the acquisition was $343,000 and the net loss was $138,000, which includes the $191,000 CCD expensed on the acquisition date.

Business Acquisitions – 2012

On February 26, 2012 the Company acquired from Great Valleys Radio Ltd. broadcasting assets related to CIGV-FM in Penticton, British Columbia for cash consideration of $2,002,000. The assets acquired included the FM broadcast licence, property and equipment and a small amount of working capital. The accounting calculation related to the allocation of the purchase price resulted in the recognition of a transaction gain of $311,000 which was recognized in the period as *Other expense*. The purchase price allocation, as set out in the table below, has been finalized.

On the same date, the Company acquired from Sun Country Radio Ltd. the broadcasting assets, and assumed certain liabilities, related to CKKO-FM in Kelowna, British Columbia for $4,976,000, subject to minor working capital adjustments. The assets acquired included the FM broadcast licence, property and equipment and certain other working capital items while the liabilities assumed related to the remaining CCD attached to the licence. Included in working capital are trade accounts receivable having a gross contractual amount receivable of $240,000. The contractual cash flows not expected to be collected was estimated to be $36,000 and this has been factored in the determination of fair value. The purchase price allocation, as set out in the table below, has been finalized.

The primary reason for these acquisitions is that the Company seeks growth and these two FM stations provided the opportunity to expand operations into British Columbia. The purchases were financed by the Company's credit facility.

The purchase price was allocated to the net assets acquired on the basis of the estimated fair values on the acquisition date using the acquisition method of accounting. The following table sets out the net assets acquired and their estimated acquisition date fair values:

(thousands of Canadian dollars)		**CIGV-FM Penticton**	**CKKO-FM Kelowna**	**Total**
Working capital	**$**	2	110	112
Property and equipment		300	840	1,140
Broadcast licences		2,059	4,142	6,201
Total assets acquired		2,361	5,092	7,453
Deferred tax liabilities		(48)	—	(48)
CCD commitments assumed		—	(116)	(116)
Net assets acquired	**$**	2,313	4,976	7,289
Transaction gain		(311)	—	(311)
Cash consideration	**$**	**2,002**	**4,976**	**6,978**

4. SHARE CAPITAL

Outstanding share capital
Outstanding share capital was 28,747,703 at June 30, 2013 (2012 – 30,059,357).

Share repurchases
The Company has approval under a Normal Course Issuer Bid to repurchase up to 1,272,093 Class A Subordinate Voting Shares ("Class A shares") and 75,404 Class B Common Shares ("Class B shares"). This bid expires May 20, 2014. During the second quarter and year-to-date, 464,390 shares were repurchased for $4,342,000. 270,634 shares were repurchased for $2,170,000 for the six month period ended June 30, 2012. As a result of the share repurchases, capital stock was reduced by $667,000 (2012 – $396,000) and retained earnings by $3,675,000 (2012 – $1,774,000). In July, subsequent to quarter end, the Company repurchased 219,500 Class A shares for $1,879,000.

Dividends
In December 2012, the Company declared a dividend of $0.09 per share on each of its Class A shares and Class B shares. $2,625,000 was paid to shareholders year-to-date (2012 – $2,730,000). On August 8, 2013, subsequent to quarter end, the Company declared dividends of $0.06 per share payable September 13, 2013 to all shareholders of record as at August 30, 2013.

Exercise of stock options
Pursuant to the Company's executive stock option plan disclosed in note 6, no options were exercised in the second quarter (2012 – Nil). 60,000 options were exercised year-to-date in 2013 using the cashless exercise option resulting in 43,724 shares issued from treasury (2012 – Nil).

5. CONTRIBUTED SURPLUS

		Six months ended June 30	
(thousands of Canadian dollars)		**2013**	2012
Balance January 1	$	**2,614**	1,400
Executive stock option plan compensation expense *(note 6)*		**37**	1,129
Balance June 30	$	**2,651**	2,529

6. SHARE-BASED COMPENSATION

The following is a summary of the Company's compensation expense related to share-based compensation plans:

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. As at June 30, 2013, 125,000 stock appreciation rights ("SARS" or "rights") were outstanding. The SARS' expiry dates range from April 2014 to February 2015. 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.

No SARS were granted to-date in 2013 or 2012. 30,000 SARS were exercised in the quarter for cash proceeds of $115,000 (2012 – 15,000 SARS exercised for $24,000). Year-to-date, 45,000 SARS were exercised for cash proceeds of $171,000 (2012 – 70,000 exercised for $90,000). Compensation expense in the second quarter was a recovery of $58,000 (2012 – $32,000) and year-to-date, the expense was $17,000 (2012 – recovery of $68,000). The total obligation for SARS compensation was $300,000 of which $281,000 was current and classified as accounts payable and accrued liabilities (2012 – compensation payable was $465,000 of which $398,000 was current).

Executive stock options
A total of 2,470,000 stock options are outstanding pursuant to the Company's executive stock option plan. The options generally vest as follows: twenty-five percent on the date of grant and twenty-five percent on each of the three succeeding anniversary dates. Option holders may elect to exercise their options on a cashless basis in which case capital shares are issued from treasury based on a formula that takes into account the market value of the Company's Class A shares and the option's strike price.

6. SHARE-BASED COMPENSATION *(continued)*

Executive stock options *(continued)*
No options were granted or exercised during the second quarter (2012 – Nil). Year-to-date, 60,000 options were exercised (2012 – Nil). Compensation expense related to the stock option plan in the quarter was $17,000 (2012 – $789,000) and year-to-date compensation expense was $37,000 (2012 – $1,129,000). Last year's amount included a non-cash expense of $752,000 in the quarter and $1,052,000 year-to-date as a result of the Toronto Stock Exchange ("TSX") and Board of Directors' approval to extend the expiry dates of 2,140,000 stock options by 5 years.

7. EMPLOYEE BENEFIT PLANS

		Three months ended June 30		Six months ended June 30	
(thousands of Canadian dollars)		**2013**	2012	**2013**	2012
Defined contribution plan expense	$	**411**	400	**821**	798
Defined benefit plan expense		**98**	84	**197**	168

8. 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 CCD commitments approximated their carrying values as they were recorded at the net present values of their future cash flows, using discount rates ranging from 3.9% to 12.2%. Accretion expense arising on CCD obligations was $50,000 for the quarter (2012 – $87,000) and $91,000 year-to-date (2012 – $167,000).

The following table outlines the hierarchy of inputs used in the calculation of fair value for each financial instrument:

(thousands of Canadian dollars)			**Level 1**	**Level 2**	**Level 3**
Description		**Total**	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs
Financial assets at fair value through profit or loss:					
Cash and bank indebtedness	$	**(1,258)**	(1,258)	—	—
Marketable securities		**4,043**	4,043	—	—
Loans and receivables:					
Accounts receivable		**25,957**	—	25,957	—
Equity total return swap receivable		**663**	—	663	—
Items accounted for as hedges:					
Interest rate swap payable		**(207)**	—	(207)	—
Other liabilities at amortized cost					
Accounts payable and accrued liabilities, net of current portion of CCD and interest swaps		**(15,471)**	—	(15,471)	—
Long-term debt		**(49,000)**	—	(49,000)	—
CCD commitments		**(3,163)**	—	(3,163)	—

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.

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

Offsetting financial assets and liabilities

The Company sets off its positive cash balances with bank indebtedness in accordance with its mirror-netting agreement with a Canadian Chartered Bank. Positive cash balances at June 30, 2013 were equal to $326,000 while negative cash balances were $1,584,000 which net to $1,258,000. The Company does not set off any other financial instruments.

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

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 maximum credit exposure approximated $26,600,000 as at June 30, 2013, which included accounts receivable and the equity total return swap receivable. 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 $1,050,000 as at June 30, 2013. The Company is of the opinion that the provision for potential losses adequately reflects the credit risk associated with its receivables. Approximately 90% 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 second quarter was $57,000, bringing the year-to-date total to $178,000, which represents a very small portion of accounts receivable and revenue. 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 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 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 June 30, 2013, a 10% change in the share prices of each marketable security would result in an estimated $340,000 change in profit.

For the quarter ended June 30, 2013, the change in fair value of marketable securities, recorded in *Other expense*, was an unrealized loss of $418,000 (2012 – $627,000). Year-to-date, the loss was $201,000 (2012 – $2,931,000).

b) *Interest rate risk management*

To hedge its exposure to fluctuating interest rates on its long-term debt, the Company enters into interest rate swap agreements with Canadian Chartered Banks. One swap having a notional value of $10,000,000 expired in June 2013. The other swap has a notional amount of $45,000,000 and expires in May 2017. The swap agreement involves 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 swap at inception and on a regular basis.

In 2012, the Company amended the terms of its $45,000,000 swap agreement to extend the expiry date and to take advantage of lower interest rates. The interest rate on this swap was reduced by approximately 200 basis points. The aggregate fair value payable of the swap agreement at the time of extension was $1,375,000 and this was blended into the new fixed rate of interest of the swap. This amount is being transferred from OCI to interest expense over the term of the original agreement which ended in May 2013.

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

Market risk *(continued)*

b) Interest rate risk management (continued)

As at June 30, 2013, the $45,000,000 swap was ineffective for accounting purposes. As a result the change in fair value of the swap, from the time the swap was deemed ineffective in May 2012, is being transferred from OCI to profit. Because of market interest rate increases in the second quarter, the change in the fair value payable was significant and as a result, interest recovery amounts were transferred from OCI to profit in the amount of $831,000 in the quarter (2012 –$100,000) and $810,000 year-to-date (2012 – $100,000).

At quarter end, the aggregate fair value payable of the swap agreement was $207,000 (2012 – $1,514,000). The before-tax change in fair value of the swaps recorded in OCI for the second quarter was a gain of $900,000 (2012 – $421,000) and year-to-date was a gain of $879,000 (2012 – $926,000). Of the fair value change recorded in OCI, a significant amount of net interest recoveries were transferred out of OCI into profit. For the second quarter, the before-tax net interest recovery of $651,000 (2012 – $94,000) transferred from OCI to profit consisted primarily of $831,000 (2012 – $100,000) related to hedge ineffectiveness, as described above offset by $229,000 of expense arising from the blend and extend fair value balance noted above. Year-to-date, the net recovery of interest of $324,000 (2012 – $140,000) transferred from OCI to profit consisted primarily of $810,000 (2012 – $100,000) related to hedge ineffectiveness, offset by $573,000 (2012 – $115,000) of expense arising from the blend and extend fair value balance noted above.

A 0.5% change in the projected floating interest rates during the remaining term of the hedge agreements would have impacted the fair value of the interest rate swaps by approximately $635,000 which would have flowed through profit since the swap was ineffective for accounting purposes as at June 30, 2013.

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 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 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 2011, the Company wound up a large portion of the equity total return swap and amended its terms, extending the expiry date from 2011 to 2013. The amended swap no longer qualifies for hedge accounting and therefore all gains or losses are recorded immediately in profit. The recognition of gains and losses through OCI no longer applies. As at June 30, 2013, there were 228,600 notional SARS outstanding. The swap expired in July 2013.

The estimated fair value of the equity total return swap current receivable balance at June 30, 2013 was $663,000 (2011 – $697,000). Realized before-tax losses recorded in second quarter profit were $151,000 (2012 – $39,000) and year-to-date before-tax losses were $58,000 (2012 – $94,000).

In July, subsequent to quarter end, the remaining outstanding 228,600 notional SARS were unwound. As a result, the equity total return swap receivable balance is $Nil as of this date.

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 that are disclosed below.

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

Liquidity risk *(continued)*

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

Obligation *(thousands of Canadian dollars)*		**12 months**	**2014 - 2017**	**Thereafter**
Long-term debt	$	**—**	49,000	—
Bank indebtedness		**1,258**	—	—
Accounts payable and accrued liabilities, net of current portion of undiscounted CCD commitments		**15,461**	—	—
Income taxes payable		**13,535**	—	—
CCD commitments, undiscounted		**1,308**	1,775	316
	$	**31,562**	50,775	316

In June 2013, the Company extended the expiry date of its $90.0 million revolving credit facility to June 30, 2015.

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.

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, 2013.

9. EARNINGS PER SHARE

	Three months ended June 30		Six months ended June 30	
(thousands)	**2013**	2012	**2013**	2012
Weighted average common shares used in calculation of basic earnings per share	**28,902**	30,072	**29,043**	30,201
Effect of dilution related to executive stock options	**1,280**	1,105	**1,315**	1,116
Weighted average common shares used in calculation of diluted earnings per share	**30,182**	31,177	**30,358**	31,317

10. Operating Segment 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 revenue and segment profit (loss). 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.

(thousands of Canadian dollars)	Broadcasting	Corporate & Other	Total	Broadcasting	Corporate & Other	Total
	Three months ended June 30			Six months ended June 30		
2013						
Revenue	**$ 34,914**	**905**	**35,819**	**63,198**	**1,673**	**64,871**
Operating expenses	**(22,487)**	**(3,036)**	**(25,523)**	**(43,569)**	**(5,843)**	**(49,412)**
Segment profit (loss)	**$ 12,427**	**(2,131)**	**10,296**	**19,629**	**(4,170)**	**15,459**
Depreciation, amortization and accretion of other liabilities	**(1,047)**	**(70)**	**(1,117)**	**(2,077)**	**(133)**	**(2,210)**
Interest expense	**—**	**(74)**	**(74)**	**—**	**(1,060)**	**(1,060)**
Other expense	**(183)**	**(409)**	**(592)**	**(318)**	**(183)**	**(501)**
Profit (loss) before provision for income taxes	**11,197**	**(2,684)**	**8,513**	**17,234**	**(5,546)**	**11,688**
Total assets				**222,255**	**13,645**	**235,900**
Total liabilities				**(49,291)**	**(63,315)**	**(112,606)**
Other disclosures						
Broadcast licences				**154,922**	**—**	**154,922**
Goodwill				**7,422**	**—**	**7,422**
Capital expenditures	**$ (2,566)**	**(32)**	**(2,598)**	**(3,487)**	**(113)**	**(3,600)**
	Three months ended June 30			Six months ended June 30		
2012						
Revenue	$ 33,441	884	34,325	60,048	1,744	61,792
Operating expenses	(21,604)	(3,544)	(25,148)	(41,449)	(6,450)	(47,899)
Segment profit (loss)	$ 11,837	(2,660)	9,177	18,599	(4,706)	13,893
Depreciation, amortization and accretion of other liabilities	(1,057)	(68)	(1,125)	(2,096)	(138)	(2,234)
Interest expense	—	(1,034)	(1,034)	—	(1,884)	(1,884)
Other expense	—	(1,087)	(1,087)	—	(3,279)	(3,279)
Profit (loss) before provision for income taxes	10,780	(4,849)	5,931	16,503	(10,007)	6,496
Total assets				$ 219,633	17,041	236,674
Total liabilities				(77,798)	(35,137)	(112,935)
Other disclosures						
Broadcast licence				157,913	—	157,913
Goodwill				6,109	—	6,109
Capital expenditures	$ (1,279)	(66)	(1,345)	(2,240)	(81)	(2,321)

11. Subsequent Events

In July 2013, the Company announced it had entered into an agreement to purchase CHNI-FM in Saint John, New Brunswick from Rogers Broadcasting Ltd. The Company also announced it had entered into an agreement with Harvard Broadcasting Inc. to sell CHFT-FM in Fort McMurray, Alberta. Both transactions are subject to CRTC approval. The agreed amounts were $750,000 and $5,000,000, respectively.

Transfer agent and registrar
The transfer agent and registrar for the shares of the Company is Canadian Stock Transfer Company Inc. as agent for 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@canstockta.com
or write to: Newfoundland Capital Corporation Limited
c/o The Canadian Stock Transfer Company
P.O. Box 700, Station B
Montreal, QC H3B 3K3

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
E-mail: investorrelations@ncc.ca
web: www.ncc.ca

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.

Newfoundland Capital Corporation Limited
745 Windmill Road, Dartmouth, Nova Scotia
Canada B3B 1C2
Tel: (902) 468-7557
Fax: (902) 468-7558
E-mail: ncc@ncc.ca
Web address: www.ncc.ca