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Attention Business/Entertainment Editors:
Newfoundland Capital Corporation Limited - Second Quarter 2007 - Period Ended June 30 (unaudited)

DARTMOUTH, NS, Aug. 9 /CNW/ - August 9, 2007, 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, 2007.

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Highlights

Newly launched stations contribute to the Company's track record of positive revenue growth.

- Revenue growth of 7% to $26.2 million in the quarter and 6% to $45.7 million year-to-date is primarily due to incremental growth from new stations, which include Calgary, Alberta and Charlottetown, Prince Edward Island.
- Earnings before interest, taxes, depreciation and amortization ("EBITDA"(1)) were $7.2 million in the quarter and $7.3 million year-to-date. Excluding the effect of last year's marketable securities gains, $6.7 million in the quarter and $8.7 million year-to-date, consolidated EBITDA improved $2.2 million in the quarter and $1.1 million year to date.
- Net income of $5.8 million ($0.53 per share) in the quarter was $1.7 million lower than 2006 due to lower investment income. Year-to-date, net income of $13.2 million ($1.19 per share) was $4.5 million better than 2006 driven by a $3.8 million gain on disposal of an equity accounted investment and a $10.8 million gain realized on the disposal of Halterm Income Fund Trust Units.
- A dividend of $0.15 per share was declared by the Board of Directors subsequent to quarter end.

Significant events

The Company has taken steps to streamline its corporate structure in situations where it owns less than 100% of a subsidiary. As part of this initiative, the Company entered into agreements to purchase two minority interest positions in certain of its broadcast properties, and in another case, it sold a minority interest in one broadcast property. The Company continues to have success in obtaining new FM licences from the Canadian Radio-television and Telecommunications Commission ("CRTC"). More details are as follows:

- In May, the Company acquired for $10.7 million the 24% minority shareholder's interest in 3937844 Canada Inc. which holds 21 of the Company's 33 licences in Alberta.
- In July, the Company entered into an agreement to acquire the 38% minority interest in Atlantic Stereo Limited, which operates the two FM licences in Moncton, New Brunswick, for $6.9 million. The purchase is subject to CRTC approval.
- In April, the Company disposed of its 29.9% interest in Larche Communications (Kitchener) Inc. which operates an FM radio station in Kitchener-Waterloo, Ontario for proceeds of $4.0 million.
- In July the CRTC awarded the Company two new FM licences, one in Sydney and one in Kentville, Nova Scotia, and the right to convert an AM signal to FM in Carbonear, Newfoundland and Labrador.

"We are pleased with the approvals granted to us by the CRTC this year, which include two new FM licences and the right to convert three AM stations to FM. Owning 100% of all our licences in Alberta and Moncton, New Brunswick

will allow us to fully capitalize on our strong competitive position in those regions", commented Rob Steele, President and Chief Executive Officer. Referring to the Company's financial performance, he stated: "Financial results in the quarter and year-to-date are in line with expectations and we are continuing to monitor operating expenses to generate year-over-year growth in broadcasting EBITDA."

Financial Highlights - Second Quarter (thousands of dollars except share information)	2007	2006
Revenue	$ 26,159	24,522
EBITDA(1)	7,158	11,666
Net income	5,807	7,506
Earnings per share - basic	0.53	0.67
- diluted	0.51	0.65
Share price, NCC.A (closing)	19.25	17.00
Weighted average number of shares outstanding (in thousands)	11,062	11,220
Total assets	215,312	212,820
Long-term debt	49,013	52,252
Shareholders' equity	101,215	91,108

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 August 9, 2007. 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, 2007 and 2006 as well as the annual audited consolidated financial statements and related notes and the MD&A contained in the Company's 2006 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. 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 76 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 overall goal is to increase value for shareholders. To accomplish

this, the Company seeks to achieve growth by adding new licences to its portfolio of assets through business and licence acquisitions and through the Canadian Radio-television and Telecommunications Commission ("CRTC") licence application process, by converting AM stations to FM, and by maximizing returns on existing operations. The section below describes some of the Company's developments to date.

Corporate developments

The corporate developments below should be considered when reviewing the "Overview of consolidated operating results" section.

2007 developments

- January 19, 2007 - the Company's investment in Halterm Income Fund Trust Units was disposed of for $14.5 million. The proceeds were used to repay long-term debt.

- February 1, 2007 - the CRTC approved the Company's application to convert its AM signal to FM in Edson, Alberta. The Classic Hits FM station has been on-air since July.

- March 19, 2007 - the Company successfully launched the new Calgary, Alberta FM station, FUEL 90.3, featuring an Adult Album Alternative format. Upon the launch date, the Company capitalized to broadcast licences the costs that were associated with obtaining the new licence in the amount of $4.9 million. Additional information is contained in Note 3 of the unaudited interim consolidated financial statements.

- April 4, 2007 - the Company's request to convert its AM station in Halifax, Nova Scotia to FM was approved. The CRTC imposed certain conditions associated with this approval. The Company is currently examining its options with respect to the conditions.

- April 12, 2007 - the Company disposed of its 29.9% interest in Larche Communications (Kitchener) Inc. which operates an FM radio station in Kitchener-Waterloo, Ontario for proceeds of $4.0 million resulting in a gain on disposal of $3.8 million.

- May 16, 2007 - the Company acquired the minority shareholder's 23.7% interest in 3937844 Canada Inc. for cash consideration of $10.7 million. As a result, $0.5 million was added to the value of broadcast licences. 3937844 Canada Inc. owns and operates 21 of the Company's 33 licences throughout the province of Alberta. Additional information is contained in Note 3 of the unaudited interim consolidated financial statements.

- July 4, 2007 - subsequent to the second quarter, the Company received approval by the CRTC to convert its AM licence to FM in Carbonear, Newfoundland and Labrador. The FM station is expected to be on-air within the next twelve months.

- July 6, 2007 - subsequent to the second quarter, the CRTC approved the Company's application for two new FM licences in Nova Scotia, one in Sydney and one in Kentville. Work towards launching these stations is in progress with official launch dates expected to be within the next twelve months.

- July 11, 2007 - subsequent to the second quarter, the Company entered into an agreement to acquire the 37.8% non-controlling interest in Atlantic Stereo Limited which operates the two FM licences in Moncton, New Brunswick for cash consideration of $6.9 million. The purchase is subject to CRTC approval.

2006 developments

- January 18, 2006 - awarded a new FM radio licence in Lac La Biche, Alberta. This is the first commercial radio station to serve this community and is expected to launch in the fourth quarter of 2007.

- March 10, 2006 - awarded full-station status, from repeater status, in Bonnyville, Alberta which allows the Company to originate and broadcast from that community. KOOL-FM, featuring contemporary hits, was launched in May 2006.

- March 23, 2006 - the CRTC approved the purchase of CKJS Limited which held the CKJS-AM broadcast licence in Winnipeg, Manitoba. The transaction was completed April 30, 2006 for aggregate consideration of $2.3 million. Additional information is contained in Note 3 of the unaudited interim consolidated financial statements.

- March 24, 2006 - awarded an FM radio licence in Charlottetown, Prince Edward Island and a conversion of the Company's existing station, CHTN-AM, from an AM to FM signal. The stations were launched in the Summer of 2006.

- August 2, 2006 - the CRTC awarded the Company a second FM licence in Calgary, Alberta which was launched in March 2007.

- November 15, 2006 - awarded a new FM radio licence to broadcast in Fort McMurray, Alberta. The station is expected to launch in the Fall of 2007.

The results of the above incremental operations have been included in the consolidated financial statements since the respective acquisition and launch dates.

Overview of consolidated operating results

The Company has one separately reportable segment - broadcasting, which derives its revenue from the sale of broadcast advertising. Corporate and other derives its revenue from hotel operations.

Revenue

(thousands of dollars except percentages)	Three months ended June 30 2007	2006	Growth Total	Growth Organic	Six months ended June 30 2007	2006	Growth Total	Growth Organic
Revenue								
Broadcasting	$ 25,275	23,767	6%	2%	44,003	41,538	6%	2%
Corporate and other	884	755	17%	17%	1,674	1,547	8%	8%
	$ 26,159	24,522	7%	3%	45,677	43,085	6%	2%

Consolidated revenue of $26.2 million in the quarter represented a 7% improvement over last year's quarter while year-to-date revenue of $45.7 million was 6% higher than the same period last year. In the broadcasting segment, organic revenue growth was 2% in the quarter and

year-to-date. Total broadcasting growth was derived primarily by the incremental revenue associated with the recent launch of FUEL-FM in Calgary, Alberta and last summer's launch of K-Rock in Charlottetown, Prince Edward Island. Corporate and other revenue was higher than last year due to an increase in hotel revenue in the second quarter.

Other income (expense)

Other income in the second quarter was $5.7 million lower than last year while year-to-date figures were down $9.4 million. This is due to the $6.7 million and $8.7 million marketable securities gains realized in the second quarter and the six months ended June 30, 2006, respectively. Excluding these 2006 gains, other income would have been $1.0 million better than last year in the quarter and $0.7 million lower than 2006 on a year-to-date basis.

Operating expenses

In the second quarter and year-to-date, operating expenses were 2% higher than the same periods last year. The increase is in line with higher variable costs associated with higher revenue. Other operating expenses remained flat, year-over-year.

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

(thousands of dollars except percentages)	Three months ended June 30				Six months ended June 30			
			Growth				Growth	
	2007	2006	Total	Organic	2007	2006	Total	Organic
EBITDA(1)								
Broadcasting	$ 7,937	7,373	8%	6%	11,252	9,915	14%	13%
Corporate and other	(779)	4,293	-	-	(3,986)	4,950	-	-
	$ 7,158	11,666	(39%)	(39%)	7,266	14,865	(51%)	(51%)
% of Revenue								
Broadcasting	31%	31%	-	1%	26%	24%	2%	2%
Total	26%	37%	(11%)	(11%)	16%	28%	(12%)	(13%)

Broadcasting EBITDA has continued to improve and at $7.9 million was ahead of the same quarter last year by 8% and the $11.3 million year-to-date was 14% better. Consolidated EBITDA was lower in the quarter and for the six month period due to the gains recognized in 2006. These gains totaling $6.7 million in the quarter and $8.7 million year-to-date were recognized in the 2006 Corporate and other EBITDA results. Excluding the effects of these, consolidated EBITDA would have been $2.2 million better in the quarter and $1.1 million better for the six months ended June 30, 2007.

Depreciation and amortization

Depreciation and amortization expense was 11% higher than the second quarter last year and 8% higher than year-to-date comparatives. The reason for these increases is the higher depreciable asset base in 2007.

Interest expense

Interest expense was lower than last year. The Company's lower long-term debt balance helped to offset slightly higher interest rates.

Accretion of other liabilities

Accretion of other liabilities arises from discounting Canadian Content Development commitments to reflect the fair value of the obligations. The expense recognized in the quarter and the six months ended June 30, 2007 was not significantly different from the same periods in 2006.

Loss (income) on equity accounted investment

The Company's 29.9% interest in Larche Communications (Kitchener) Inc. was sold on April 12, 2007 and as a result, there was no amount for income on equity accounted investment this quarter. Year-to-date results include the Company's proportionate share of the losses realized up to March 31, 2007.

Gain on disposal of equity accounted investment

The Company disposed of its interest in Larche Communications (Kitchener) Inc. for proceeds of $4.0 million which resulted in a $3.8 million gain.

Gain on disposal of long-term investment

On January 19, 2007, the Halterm Income Fund Trust Units were disposed of for proceeds of $14.5 million (2006 - $0.4 million) which resulted in a gain of $10.8 million (2006 - $0.2 million).

Income taxes

The effective income tax rate in the quarter was 32% and 25% for the six month period ended June 30, 2007. These rates are consistent with the lower tax rate attributed to the realized capital gains. The effective tax rate was higher than the prior period because in June 2006 the Company re-measured its future income tax assets and liabilities due to the enactment of lower general corporate tax rates in Canada, resulting in a future income tax recovery of $1.3 million.

Non-controlling interest in subsidiaries' earnings

Non-controlling interest in subsidiaries' earnings in the quarter and year-to-date was lower than 2006. This is attributed to the fact that the Company purchased one of its minority interests during the second quarter, no longer requiring the use of non-controlling interest accounting since the acquisition date.

Net income

	Three months ended June 30		Six months ended June 30	
(thousands of dollars)	2007	2006	2007	2006
Net income	$ 5,807	7,506	13,215	8,673

Net income in the second quarter was $1.7 million or 23% lower than last year due to lower investment income this year. Year-to-date net income was $4.5 million or 52% better than last year primarily due to gains that arose from the disposals of Halterm Income Fund Trust Units and the equity accounted investment in Larche Communications (Kitchener) Inc.

Selected Quarterly Financial Information

The Company's revenue is derived primarily from the sale of advertising airtime which is subject to seasonal fluctuations. The first quarter of the year is generally a period of lower retail spending. Other factors affecting the variability of net income in the quarters presented below are as follows. The net loss in the third quarter of 2005 included the $3.5 million Halterm settlement. In 2006, a gain realized on marketable securities positively affected the second quarter while the third quarter was negatively impacted by a $1.6 million decline in the value of marketable securities. The 2007 first quarter's net income is impacted by the gain on disposal of the Halterm Income Fund Trust Units and the second quarter is affected by the gain on disposal of the minority interest in Larche Communications (Kitchener) Inc.

(thousands of dollars except per share data)	2007		2006				2005	
	2nd	1st	4th	3rd	2nd	1st	4th	3rd
Revenue	$ 26,159	19,518	28,064	22,788	24,522	18,563	24,600	19,359
Net income (loss)	5,807	7,408	3,285	9	7,506	1,167	2,691	(1,245)
Earnings per share								
- Basic	0.53	0.67	0.29	0.00	0.67	0.10	0.24	(0.11)
- Diluted	0.51	0.64	0.28	0.00	0.65	0.10	0.23	(0.11)

Liquidity and capital resources

Selected cash flow information - three months ended June 30, 2007

The cash from operating activities of $1.1 million was $8.0 million lower than the same period last year due to lower investment income and a reduction in the non-cash working capital. The long-term debt borrowings of $9.0 million, combined with the $4.0 million proceeds from the disposition of the equity accounted investment and other cash inflows were used to buy the non-controlling interest in 3937844 Canada Inc. for $10.7 million, and to repurchase capital stock for $3.7 million.

Selected cash flow information - three months ended June 30, 2006

The 2006 second quarter cash provided by operating activities was $9.0 million. This cash was primarily used to repay long-term debt borrowings of $4.5 million, to acquire CKJS Limited for $2.3 million and to buy $1.2 million of property and equipment.

Selected cash flow information - six months ended June 30, 2007

The cash used in operating activities was $2.5 million compared to last year's source of cash of $8.0 million. The decrease was due to the lower investment income. The aggregate proceeds of $18.5 million from the disposals of Halterm Income Fund Trust Units and the equity accounted investment were primarily used to acquire the non-controlling interest in 3937844 Canada Inc.

for $10.7 million, to repurchase capital stock of $3.7 million and to purchase property and equipment of $1.8 million.

Selected cash flow information - six months ended June 30, 2006

The cash from operating activities of $8.0 million was used to finance the CKJS Limited business acquisition in the amount of $2.3 million, property and equipment of $1.9 million, capital stock repurchases for $1.6 million and to pay $1.7 million in dividends.

Expenditures in capital assets in the second quarter and year-to-date were related to the launch of the new FM licence in Calgary, Alberta and the work to date on the AM to FM conversion in Edson, Alberta. In the next twelve months, the Company will spend approximately $10.0 million to launch new licences, complete the AM to FM conversions, to relocate to new premises in Ottawa, Ontario and to perform other upgrades throughout the Company.

The Company expects its level of cash flow for the remainder of 2007, combined with availability from its credit facility, to be sufficient to fund working capital, capital expenditures, contractual obligations and other cash requirements as described above.

Credit facility and capital structure

The Company's syndicated credit facility has not changed since the publication of the 2006 Annual Report. The revolving credit facility is renewed annually; the current maturity date is April 2008. This type of credit facility provides flexibility because there are no scheduled repayment terms. Covenants for the facility require that the Company maintain certain financial ratios. The Company was in compliance with the covenants throughout the quarter and at quarter end, and expects to be for the foreseeable future. As at June 30, 2007 the Company had $4.3 million of bank indebtedness outstanding and $49.0 million of long-term debt, of which less than $0.1 million was current. Working capital was $6.7 million compared to $9.2 million as at December 31, 2006; the decline was due to the decrease in current assets.

Contractual obligations

In addition to the Company's contractual obligations disclosed in the 2006 Annual Report, the Company is committed to Canadian Content Development payments related to the conversions of AM to FM signals and the new FM licences described under "Corporate Developments". The commitments aggregating $1.3 million are payable at a rate of $0.2 million per year for seven years.

Financial condition

Capital employed

Assets at quarter end totalled $215.3 million, down from $216.3 million at December 31, 2006 primarily due to the decrease in current assets. At quarter end the capital structure consisted of 47% equity ($101.2 million) and 53% debt ($114.1 million). Total bank debt is 53% of equity, compared to the year end ratio of 60%. The total bank debt to EBITDA ratio, calculated in accordance with the Company's credit facility, was 3.2 to 1.

Share repurchases

The Company has approval under a Normal Course Issuer Bid to repurchase up to 497,012 Class A Subordinate Voting Shares ("Class A shares") and 62,913 Class B Common Shares. This bid expires January 29, 2008. In the quarter, no Class A shares were repurchased. For the same period in 2006, 20,200 Class A shares were purchased for a total cost of $0.3 million. Year-to-date, the Company repurchased 198,800 of its outstanding Class A shares (2006 - 95,100) for a total cost of $3.7 million (2006 - $1.6 million) which resulted in reducing capital stock by $0.8 million (2006 - $0.4 million) and retained earnings by $2.9 million (2006 - $1.2 million).

Outstanding share data

The weighted average number of shares outstanding was 11,062,000 as compared to last year's 11,220,000; the reduction mainly due to share repurchases. As at August 9, 2007, there are 9,833,000 Class A shares and 1,258,000 Class B Common Shares outstanding.

Executive compensation

Cashless exercise of stock options

In May 2007, the Company received shareholder and Toronto Stock Exchange ("TSX") approval to amend certain aspects of the Executive Stock Option Plan, including the option to exercise options on a cashless basis. On May 31, 2007, 195,000 options were exercised on a cashless basis to acquire Class A shares of the Company at a weighted average exercise price of $12.75. The Company issued 67,271 Class A shares with an aggregate value equal to the difference between the exercise price of the options and the fair market value of the Company's Class A shares. The fair market value of the Class A shares was based on the volume weighted average trading price of one Class A share on the TSX over the period of five consecutive trading days ended on and including the day prior to May 31, 2007. This transaction resulted in increasing capital stock and decreasing contributed surplus by $0.7 million.

Executive stock option plan

Pursuant to the Executive Stock Option Plan, 20,000 (2006 - 5,050) Class A shares were issued in the second quarter for proceeds of $0.2 million (2006 - less than $0.1 million). An additional 67,271 Class A shares were issued as a result of a cashless exercise of 195,000 options during the quarter, described above. This brings the total to 91,021 (2006 - 5,050) issued Class A shares with cash proceeds of $0.2 million (2006 - less than $0.1 million). No options were granted in the quarter or year-to-date. Last year, the Company granted 115,000 options at a weighted average exercise price of $16.53. The Company has 760,000 stock options outstanding for Class A shares at prices ranging from $7.30 to $16.53, of which 630,000 are vested. In May 2006, the expiry date of certain options subject to expire was extended resulting in a one-time charge to compensation expense in the amount of $0.8 million. Compensation expense related to stock options for the three months ended June 30, 2007 was $0.1 million (2006 - $0.9 million) and year-to-date was $0.2 million (2006 - $1.1 million).

Stock appreciation rights plan

In January 2006, the Company granted 425,000 stock appreciation rights at a reference price of $16.53. 30,000 of these rights have expired due to forfeiture. On March 2, 2007, 5,000 stock appreciation rights were granted at a reference price of $18.41. 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 rights granted under this plan expire on the 60th day following the 5th anniversary of the grant date. For the three months ended June 30, 2007, the compensation expense related to the stock appreciation rights plan was $0.1 million (2006 - less than $0.1 million). Year-to-date compensation expense was $0.2 million (2006 - less than $0.1 million) and the total obligation included in other liabilities was $0.3 million (2006 - less than $0.1 million).

Derivative financial instruments and financial risk management

Interest rate risk management

The Company has two interest rate swap agreements having a notional amount of $20.0 million and $5.0 million, expiring February 27, 2009 and February 27, 2011, respectively (2006 - $30.0 million). The Company enters into interest rate swap agreements to hedge interest rate risk on a portion of its long-term debt whereby the Company will exchange the three-month bankers' acceptance floating interest rate for a fixed interest rate during the term of the agreements. 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. The estimated fair value of the interest rate swaps at June 30, 2007 was a receivable of $0.2 million. The net change in the fair value of the swaps recognized as a gain in other comprehensive income ("OCI") in the second quarter aggregated $0.3 million, before income tax expense of $0.1 million. Year-to-date the net change in fair value recognized in OCI was a gain of $0.4 million, before income tax expense of $0.1 million. For the same period last year, the fair value of the swap agreements was a receivable of $0.1 million; however, this was not recorded since prior to January 1, 2007 there was no requirement to adjust derivatives designated as hedges on the balance sheet at their fair value when they qualified for hedge accounting. The accumulated loss at January 1, 2007 of $0.2 million was recorded, net of income tax recoveries of $0.1 million, as a transition adjustment to opening accumulated other comprehensive income ("AOCI").

Share price volatility management

In July 2006, the Company entered into an agreement to hedge its obligations under the stock appreciation rights plan ("SAR Plan") using an equity total return swap agreement to reduce the volatility in cash flow and earnings due to possible future increases in the Company's share price. Gains or losses realized on the quarterly settlement dates are recognized in income in the same period as the 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 gain receivable recorded in other assets as at June 30, 2007 was $0.7 million. Of this balance, $0.5 million is the unrealized portion. The net change in the fair value of the swap in the quarter, recognized in OCI as a gain, was $0.1 million; the year-to-date amount was $0.6 million. OCI income tax expense related to this cash flow hedge in the quarter was less than $0.1 million while the year-to-date amount was $0.2 million. Realized before-tax gains in the quarter of $0.1 million were transferred from OCI to net income; the year-to-date amount was $0.2 million. The accumulated loss at January 1, 2007 related to this cash flow hedge was $0.1 million and was recorded, net of income tax recoveries of less than $0.1 million, as a transition adjustment to opening AOCI.

Credit risk management

Credit exposure on financial instruments arises from the possibility that a counterparty to an instrument in which the Company is entitled to receive payment of an unrealized gain fails to perform. Credit exposure is managed through credit approval and monitoring procedures. 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. At June 30, 2007 and 2006, there was no credit exposure to the Company related to its financial instruments.

The Company is subject to normal credit risk with respect to its receivables and it maintains a provision for potential credit losses. A large customer base and geographic dispersion minimize this risk.

Adoption of new accounting policies

The Company's accounting policies have remained unchanged since the 2006 Annual Report except for the accounting policies adopted January 1, 2007 as a result of new policies issued by the Canadian Institute of Chartered Accountants ("CICA"): Section 1530 Comprehensive Income, Section 3855 Financial Instruments - Recognition and Measurement and Section 3865 Hedges. The changes in the accounting policies were applied retroactively without restatement.

Section 1530 Comprehensive Income

This Section introduces the concept of comprehensive income which consists of net income and OCI and represents the change in equity during a period from transactions and other events from non-owner sources. Items to be recognized in OCI include unrealized changes in the fair value of the effective portion of cash flow hedging instruments, gains or losses on financial assets classified as available-for-sale and the associated income tax effect of OCI components. Amounts recognized in OCI eventually are reclassified to the income statement. As a result of adopting this Section, the Company's consolidated financial statements now include a consolidated statement of comprehensive income and a consolidated statement of AOCI. AOCI is a separate line item reported in the statement of shareholders' equity.

Section 3855 Financial Instruments - Recognition and Measurement

Section 3855 prescribes that all financial instruments are to be recorded on the consolidated balance sheets at their fair value upon adoption of this policy and on initial recognition of financial instruments. Thereafter, measurement at fair value is required except for financial instruments classified as held-to-maturity investments, loans and receivables or other financial liabilities, which are to be measured at amortized cost using the effective interest method ("EIM"). The Company has classified its financial assets and liabilities according to the provisions covered under Section 3855; details are included in Note 2 of the unaudited interim consolidated financial statements.

Instruments classified as held for trading are measured at fair value with unrealized gains and losses recorded immediately in net income. Fair value of marketable securities is based on the quoted share prices in active markets. For the quarter ended June 30, 2007, the change in fair value of marketable securities, recognized in other income (expense) in the consolidated income statements, was a gain of $1.0 million reducing the year-to-date loss to $0.6 million. The Company's marketable securities are able to be sold in the near term and this meets the criteria to classify these assets as held for trading.

Assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Fair value of the Company's available-for-sale asset on January 1, 2007 was based on the quoted unit price in active markets.

The 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.

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 floating interest rate is reflective of the market interest rate available to the Company. The carrying values of the Company's other financial assets and liabilities approximate their fair values as at June 30, 2007.

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 the EIM.

In accordance with Section 3855, the Company 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. This rule has no impact on the consolidated financial statements of the Company at this time.

Section 3865 Hedges

This Section applies to designated hedging relationships and provides guidance by specifying how hedge accounting is applied and what disclosures are required. In particular, derivatives designated as hedges must be recorded on the balance sheet at fair value on adoption date; off-balance sheet accounting is no longer permitted. Gains and losses from any ineffectiveness in hedging relationships must now be identified, measured and recorded in net income immediately. Gains and losses arising from the hedged risk in a cash flow hedge, to the extent that the hedging relationship is effective, are deferred and included in other comprehensive income until such time as the hedged item affects net income.

Transitional adjustments due to the adoption of new accounting policies

As at January 1, 2007, the Company's investment in Halterm Income Fund Trust Units was classified as an available-for-sale asset. It was disposed of on January 19, 2007 for proceeds of $14.5 million which resulted in an after-tax gain on disposal of $8.9 million. Section 3855 stipulates that available-for-sale assets are to be recorded at fair value on the balance sheet on the transition date and Section 1530 specifies that unrealized gains or losses on available-for-sale assets are to be recorded in OCI until the gains or losses are realized. As a result, on January 1, 2007, the Company adjusted the carrying value of the investment and opening accumulated other comprehensive income by $8.9 million. On the date of disposal, the realized gain was transferred from OCI to net income.

As at January 1, 2007, net cash flow hedge losses aggregating $0.1 million were recorded as an adjustment to opening AOCI as a result of recognizing the derivatives at fair value on the balance sheet. For further information on the effect of adopting these new accounting policies on the Company's derivative financial instruments, refer to Note 7 of the unaudited interim consolidated financial statements.

Future accounting policy changes

The CICA released new sections that will be applicable to the Company effective for years beginning on or after October 31, 2007. Section 1535 Capital Disclosures introduces new disclosure requirements surrounding an entity's objectives, policies and procedures for managing capital. Section 3862 Financial Instruments - Disclosures and Section 3863 - Financial Instruments - Presentation build on Section 3861 and provide additional presentation and disclosure guidance for financial instruments. Other than the additional disclosure and presentation requirements, the Company anticipates no significant financial impact as a result of adopting these new Sections January 1, 2008.

Subsequent events

As disclosed under "Corporate developments", in July the Company was successful in its CRTC applications for two new FM licences in Sydney and Kentville, Nova Scotia and for an AM to FM conversion in Carbonear,

Newfoundland and Labrador. As a result, the Company is committed to pay $0.1 million toward Canadian Content Development every year for the next seven years.

On July 11, 2007, the Company entered into an agreement to acquire the 37.8% minority interest in Atlantic Stereo Limited, which operates the two FM licences in Moncton, New Brunswick, for cash consideration of $6.9 million. The purchase is subject to CRTC approval.

On August 9, 2007, the Company declared dividends of $0.15 per share on each of its Class A shares and Class B Common shares payable September 14, 2007 to shareholders of record as at August 31, 2007.

Critical accounting estimates

There has been no substantial change in the Company's critical accounting estimates since the publication of the 2006 Annual Report except for certain estimates required in determining fair value in conjunction with the adoption of new accounting policies described in Note 2 of the unaudited interim consolidated financial statements.

Risks and opportunities

There has been no substantial change in the Company's risks and opportunities since the publication of the 2006 Annual Report.

Changes in internal controls over financial reporting

There were no changes in the Company's internal controls over financial reporting that occurred in the three months and six months ending June 30, 2007 that have materially affected, or are likely to materially affect, the Company's internal controls over financial reporting.

Outlook

The Company's primary objectives for the remainder of the year include:

- Effectively managing expenditures while at the same time improving programming and marketing strategies to improve EBITDA.

- Launching the new FM licences in Lac La Biche and Fort McMurray, Alberta.

- Integrating new stations into the Company's operating platform. The Company will begin working on launching the new licences in Sydney and Kentville, Nova Scotia as soon as possible.

- More AM to FM conversions, wherever possible. The CRTC awarded the Company the ability to convert AM signals to FM in Edson, Alberta, Halifax, Nova Scotia and Carbonear, Newfoundland and Labrador. The Edson station was launched subsequent to quarter end, and management hopes to complete the other conversions as soon as possible. Other opportunities to convert from AM to FM will be explored throughout the remainder of the year.

Management remains focused on accretive acquisitions as opportunities present themselves.

Non-GAAP Measure

(1)EBITDA is defined as net income excluding depreciation and amortization expense, interest expense, accretion of other liabilities, loss (income) on equity accounted investment, gain on disposal of equity accounted investment, gain on disposal of long-term investment, provision for income taxes and non-controlling interest in subsidiaries' earnings. A calculation of this measure is as follows:

(thousands of dollars)	Three months ended June 30 2007	2006	Six months ended June 30 2007	2006
Net income	$ 5,807	7,506	13,215	8,673
Non-controlling interest in subsidiaries' earnings	190	233	292	314
Provision for income taxes	2,847	1,780	4,413	1,970
Gain on disposal of long-term investment	-	-	(10,843)	(168)
Gain on disposal of equity accounted investment	(3,826)	-	(3,826)	-
Loss (income) on equity accounted investment	-	(42)	14	5
Accretion of other liabilities	408	390	648	716
Interest expense	730	893	1,468	1,607
Depreciation and amortization expense	1,002	906	1,885	1,748
EBITDA	$ 7,158	11,666	7,266	14,865

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 publicly traded companies. 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, 2007 and 2006

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 three months and six months ended June 30, 2007 and 2006 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 9th day of August, 2007

Interim Consolidated Balance Sheets
(unaudited)

(thousands of dollars)	June 30 2007	December 31 2006
Assets		
Current assets		
Marketable securities	$ 13,574	12,404
Receivables	20,268	20,783
Note receivable	-	927
Prepaid expenses	1,411	610
Other asset (note 2)	-	3,704
Total current assets	35,253	38,428
Property and equipment	32,569	32,392
Other assets	4,862	8,069
Broadcast licences (note 3)	136,526	131,267
Goodwill	4,337	4,337
Future income tax assets	1,765	1,794
	$ 215,312	216,287
Liabilities and Shareholders' Equity		
Current liabilities		
Bank indebtedness	$ 4,348	802
Accounts payable and accrued liabilities	15,742	19,459
Dividends payable	-	1,680
Income taxes payable	8,452	7,236
Current portion of long-term debt	23	23
Total current liabilities	28,565	29,200
Long-term debt	49,013	53,771
Other liabilities	20,337	17,083
Future income tax liabilities	15,170	13,631
Non-controlling interest in subsidiaries (note 3)	1,012	11,680
Shareholders' equity	101,215	90,922
	$ 215,312	216,287

Commitments (note 11)
Subsequent events (note 12)
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 2007	2006	Six months ended June 30 2007	2006
Revenue	$ 26,159	24,522	45,677	43,085
Other income (expense)	1,221	6,893	(279)	9,128
	27,380	31,415	45,398	52,213
Operating expenses	20,222	19,749	38,132	37,348
Depreciation	815	780	1,590	1,504
Amortization of deferred charges	187	126	295	244

Operating income	6,156	10,760	5,381	13,117
Interest	730	893	1,468	1,607
Accretion of other liabilities (note 3)	408	390	648	716
Loss (income) on equity accounted investment	-	(42)	14	5
Gain on disposal of equity accounted investment (note 3)	(3,826)	-	(3,826)	-
Gain on disposal of long-term investment (note 2)	-	-	(10,843)	(168)
	8,844	9,519	17,920	10,957
Provision for income taxes (note 8)	2,847	1,780	4,413	1,970
	5,997	7,739	13,507	8,987
Non-controlling interest in subsidiaries' earnings	190	233	292	314
Net income	$ 5,807	7,506	13,215	8,673
Earnings per share (note 9)				
- basic	$ 0.53	0.67	1.19	0.77
- diluted	0.51	0.65	1.15	0.75

See accompanying notes to the interim consolidated financial statements

Interim Consolidated Statements of Shareholders' Equity
(unaudited)

(thousands of dollars)	Six months ended June 30 2007	2006
Retained earnings, beginning of period	$ 45,525	38,441
Net income	13,215	8,673
Repurchase of capital stock (note 4)	(2,890)	(1,178)
Retained earnings, end of period	55,850	45,936
Capital stock	43,345	43,287
Contributed surplus	1,567	1,885
Accumulated other comprehensive income (note 2)	453	-
Total shareholders' equity	$ 101,215	91,108

See accompanying notes to the interim consolidated financial statements

Interim Consolidated Statements of Comprehensive Income
(unaudited)

	Three months ended June 30	Six months ended June 30

(thousands of dollars)	2007	2007
Net income	$ 5,807	13,215
Other comprehensive income (loss):		
Net change in fair values of cash flow hedges (note 7)		
Net change in fair value of interest rate swaps	306	357
Net change in fair value of equity total return swap	81	554
Income tax on net change in fair value of interest rate swap and equity total return swap	(145)	(335)
	242	576
Net change in fair value of asset available-for-sale (note 2)		
Realized gain on disposal of Halterm Income Fund Trust Units transferred to net income, net of income taxes of $1,952	-	(8,891)
Other comprehensive income (loss)	242	(8,315)
Comprehensive income	$ 6,049	4,900

See accompanying notes to the interim consolidated financial statements

Interim Consolidated Statement of Accumulated Other Comprehensive Income (unaudited)

(thousands of dollars)	Six months ended June 30 2007
Accumulated other comprehensive income, beginning of period	$ -
Transition adjustment for cash flow hedges, net of income tax recovery of $77 (note 2 and 7)	(123)
Transition adjustment for unrealized gains associated with available-for-sale investment, net of income taxes of $1,952 (note 2)	8,891
Accumulated other comprehensive income, beginning of period	8,768
Other comprehensive income (loss) for the period	(8,315)
Accumulated other comprehensive income, end of period	$ 453

See accompanying notes to the interim consolidated financial statements

Interim Consolidated Statements of Cash Flows
(unaudited)

Three months ended Six months ended

(thousands of dollars)	June 30 2007	2006	June 30 2007	2006
Operating Activities				
Net income	$ 5,807	7,506	13,215	8,673
Items not involving cash				
Depreciation and amortization	1,002	906	1,885	1,748
Future income taxes	1,626	(77)	1,196	41
Executive stock-based compensation plans (note 4 and 6)	209	908	408	1,073
Accretion of other liabilities (note 3)	408	390	648	716
Gain on disposal of equity accounted investment (note 3)	(3,826)	-	(3,826)	-
Gain on disposal of long-term investment (note 2)	-	-	(10,843)	(168)
Non-controlling interest in subsidiaries' earnings	190	233	292	314
Other	(220)	(126)	(385)	(156)
	5,196	9,740	2,590	12,241
Change in non-cash working capital relating to operating activities	(4,135)	(694)	(5,072)	(4,218)
	1,061	9,046	(2,482)	8,023
Financing Activities				
Change in bank indebtedness	787	(930)	3,546	491
Long-term debt borrowings	9,000	-	9,000	3,500
Long-term debt repayments	(267)	(4,456)	(13,758)	(4,533)
Issuance of capital stock (note 4)	153	43	185	43
Repurchase of capital stock (note 4)	(3,737)	(343)	(3,737)	(1,583)
Dividends paid	-	-	(1,680)	(1,695)
Canadian Content Development commitment payments	(561)	(795)	(858)	(913)
Other	-	-	(605)	(302)
	5,375	(6,481)	(7,907)	(4,992)
Investing Activities				
Note receivable	1,000	1,000	1,000	1,000
Property and equipment additions	(770)	(1,231)	(1,767)	(1,889)
Acquisition of businesses, licences and non-controlling interest (note 3)	(10,745)	(2,296)	(10,745)	(2,296)

Proceeds from disposal of Halterm Income Fund Trust Units and equity accounted investment (note 2 and 3)	4,000	-	18,547	399
Deferred charges	(320)	(9)	(696)	(415)
Employee share purchase loan repayment	-	-	2,826	-
Other	399	(29)	1,224	170
	(6,436)	(2,565)	10,389	(3,031)
Cash, beginning and end of period	$ -	-	-	-
Supplemental Cash Flow Information				
Interest paid	$ 735	1,111	1,606	1,745
Income taxes paid	197	415	762	974

See accompanying notes to the interim consolidated financial statements

Notes to the Interim Consolidated Financial Statements
- June 30, 2007 and 2006
(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 2006 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 2006 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 2006 Annual Report with the exception of the adoption of new accounting policies described in Note 2.

2. ADOPTION OF NEW ACCOUNTING POLICIES

Effective January 1, 2007, the Company has adopted the following new accounting policies as issued by the Canadian Institute of Chartered Accountants ("CICA"): Section 1530 Comprehensive Income, Section 3855 Financial Instruments - Recognition and Measurement and Section 3865 Hedges. The changes in the accounting policies were applied retroactively without restatement.

Section 1530 Comprehensive Income

This Section introduces the concept of comprehensive income which

consists of net income and other comprehensive income ("OCI") and represents the change in equity during a period from transactions and other events from non-owner sources. Items to be recognized in OCI include unrealized changes in the fair value of the effective portion of cash flow hedging instruments, gains or losses on financial assets classified as available-for-sale and the associated income tax effect of OCI components. Amounts recognized in OCI eventually must be reclassified to the income statement. As a result of adopting this Section, the Company's consolidated financial statements now include a consolidated statement of comprehensive income and a consolidated statement of accumulated other comprehensive income ("AOCI"). AOCI is a separate line item reported in the statement of shareholders' equity.

Section 3855 Financial Instruments - Recognition and Measurement

Section 3855 prescribes that all financial instruments are to be recorded on the consolidated balance sheets at their fair value upon adoption of this policy and on initial recognition of financial instruments. Thereafter, measurement at fair value is required except for financial instruments classified as held-to-maturity investments, loans and receivables or other financial liabilities, which are to be measured at amortized cost using the effective interest method ("EIM"). The Company has classified its financial instruments as shown in the table below. Subsequent to fair value recognition on January 1, 2007, the adoption date, the financial instruments will be measured as follows based on their classification:

Asset / Liability	Classification	Measurement
Cash and bank indebtedness	Held for trading	Fair value
Marketable securities	Held for trading	Fair value
Investment in Halterm Income Fund Trust Units	Available-for-sale	Fair value
Receivables	Loans and receivables	Amortized cost using EIM
Note receivable	Loans and receivables	Amortized cost using EIM
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

Instruments classified as held for trading are measured at fair value with unrealized gains and losses recorded immediately in net income. Fair value of marketable securities is based on the quoted share prices in active markets. For the quarter ended June 30, 2007, the change in fair value of marketable securities, recognized in other income (expense) in the consolidated income statements, was a gain of $1,011,000 reducing the year-to-date loss to $627,000. The Company's marketable securities are able to be sold in the near term and this meets the criteria to classify these assets as held for trading.

Assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Fair value of the Company's available-for-sale asset on January 1, 2007 was based on the quoted unit price in active markets.

The 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.

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 floating interest rate is reflective of the market interest rate available to the Company. The carrying values of the Company's other financial assets and liabilities approximate their fair values as at June 30, 2007.

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 Section 3855, the Company 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. This rule has no impact on the consolidated financial statements of the Company at this time.

Section 3865 Hedges

This Section applies to designated hedging relationships and provides guidance by specifying how hedge accounting is applied and what disclosures are required. In particular, derivatives designated as hedges must be recorded on the balance sheet at fair value on adoption date; off-balance sheet accounting is no longer permitted. Gains and losses from any ineffectiveness in hedging relationships must now be identified, measured and recorded in net income immediately. Gains and losses arising from the hedged risk in a cash flow hedge, to the extent that the hedging relationship is effective, are deferred and included in other comprehensive income until such time as the hedged item affects net income.

Transitional adjustments due to the adoption of new accounting policies

As at January 1, 2007, the Company's investment in Halterm Income Fund Trust Units was classified as an available-for-sale asset with a book value of $3,704,000. It was disposed of on January 19, 2007 for proceeds of $14,547,000 which resulted in a gain on disposal of $10,843,000 ($8,891,000 after-tax). In 2006, certain units were disposed of for proceeds of $399,000 resulting in a $168,000 gain ($138,000 after-tax). Section 3855 stipulates that available-for-sale assets are to be recorded at fair value on the balance sheet on the transition date and Section 1530 specifies that unrealized gains or losses on available-for-sale assets are to be recorded in OCI until the gains or losses are realized. As a result, on January 1, 2007, the Company adjusted the carrying value of the investment and opening accumulated other comprehensive income by $8,891,000. On the date of disposal, the realized gain was transferred from OCI to net income.

As at January 1, 2007, cash flow hedge losses aggregating $200,000, net of income tax recoveries of $77,000, were recorded as an adjustment to

opening AOCI as a result of recognizing the derivatives at fair value on the balance sheet. For further information on the effect of adopting these new accounting policies on the Company's derivative financial instruments, refer to Note 7.

3. ADDITIONS, ACQUISITIONS AND DISPOSALS

Broadcast licence additions

On March 19, 2007, the Company launched its new FM radio station in Calgary, Alberta. Upon the launch date, the Company became obligated to pay $1,000,000 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, $4,718,000 was capitalized as broadcast licences and recorded in other liabilities. Costs incurred related to the award of new broadcast licences such as application costs are also capitalized bringing the total amount capitalized to broadcast licences related to this station to $4,907,000.

Business acquisitions

On May 16, 2007, the Company acquired the minority shareholder's 23.66% interest in 3937844 Canada Inc. for cash consideration of $10,745,000. In addition, cash consideration of $255,000 was paid regarding a loan due to the minority interest shareholder. 3937844 Canada Inc. owns and operates twenty-one licences throughout the province of Alberta. The original 76.34% had been acquired in April 2002 for $30,660,000. The Company accounted for this acquisition of non-controlling interest as a step purchase. The acquisition was financed by the Company's credit facility.

The excess of the purchase price over the net book value of the non-controlling interest acquired was allocated to the net identifiable assets acquired on the basis of their estimated fair market values using the purchase method of accounting. The allocation of the $391,000 excess was as follows: $504,000 to broadcast licences and $113,000 as a future tax liability.

On April 30, 2006, the Company acquired 100% of the common shares of CKJS Limited ("CKJS") entitling it to the property, assets, broadcast licence and rights of CKJS used in connection with the operation of an AM radio station in Winnipeg, Manitoba. Consideration was $2,296,000 and the fair value of the most significant assets acquired and liabilities assumed was allocated as follows: broadcast licences - $1,630,000, goodwill - $727,000, fixed assets - $550,000, customer-related intangible assets - $310,000 and future income tax liabilities - $629,000. The customer-related intangible assets were included in other assets and are being amortized on a straight-line basis over twenty years. Goodwill was not deductible for tax purposes.

Disposal of equity accounted investment

On April 12, 2007, the Company disposed of its 29.9% interest in Larche Communications (Kitchener) Inc. which operates an FM radio station in Kitchener, Ontario. The proceeds were $4,000,000 which resulted in a gain on disposal of $3,826,000.

Accretion expense on Canadian Content Development

CCD commitments are capitalized as broadcast licences and recorded as other liabilities and are measured based on the amortized cost using EIM. This measurement basis gives rise to accretion expense which amounted to $408,000 for the second quarter (2006 - $390,000) and $648,000 year-to-date (2006 - $716,000).

4. CAPITAL STOCK

Share repurchases

The Company has approval under a Normal Course Issuer Bid to repurchase up to 497,012 Class A Subordinate Voting Shares ("Class A shares") and 62,913 Class B Common Shares. This bid expires January 29, 2008. In the quarter, no Class A shares were repurchased (2006 - 20,200 Class A shares were purchased for a total cost of $343,000). Year-to-date, the Company repurchased 198,800 of its outstanding Class A shares (2006 - 95,100) for a total cost of $3,737,000 (2006 - $1,583,000), paid in April, which resulted in reducing capital stock by $847,000 (2006 - $405,000) and retained earnings by $2,890,000 (2006 - $1,178,000).

Cashless exercise of stock options

In May 2007, the Company received shareholder and Toronto Stock Exchange ("TSX") approval to amend certain aspects of the Executive Stock Option Plan, including the option to exercise options on a cashless basis. On May 31, 2007, 195,000 options were exercised on a cashless basis to acquire Class A shares of the Company at a weighted average exercise price of $12.75. The Company issued 67,271 Class A shares with an aggregate value equal to the difference between the exercise price of the options and the fair market value of the Company's Class A shares. The fair market value of the Class A shares was based on the volume weighted average trading price of one Class A share on the TSX over the period of five consecutive trading days ended on and including the day prior to May 31, 2007. This transaction resulted in increasing capital stock and decreasing contributed surplus by $693,000.

Executive stock option plan

Pursuant to the Executive Stock Option Plan, 20,000 (2006 - 5,050) Class A shares were issued in the second quarter for proceeds of $153,000 (2006 - $43,000). An additional 67,271 Class A shares were issued as a result of a cashless exercise of 195,000 options during the quarter, described above. This brings the total to 91,021 (2006 - 5,050) issued Class A shares with proceeds of $185,000 (2006 - $43,000) for the six months of this year. No options were granted in the quarter or year-to-date. Last year, the Company granted 115,000 options at a weighted average exercise price of $16.53. In May 2006, the expiry date of certain options subject to expire was extended resulting in a one-time charge to compensation expense in the amount of $790,000. Compensation expense related to stock options for the three months ended June 30, 2007 was $75,000 (2006 - $894,000) and year-to-date was $177,000 (2006 - $1,050,000).

5. EMPLOYEE BENEFIT PLANS

	Three months ended June 30		Six months ended June 30	
(thousands of dollars)	2007	2006	2007	2006
Defined contribution plan expense	$ 344	300	664	697
Defined benefit plan expense	125	132	251	264

6. STOCK APPRECIATION RIGHTS

In January 2006, the Company granted 425,000 stock appreciation rights at a reference price of $16.53. 30,000 of these rights have expired due to

forfeiture. On March 2, 2007, 5,000 stock appreciation rights were granted at a reference price of $18.41. 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 rights granted under this plan expire on the 60th day following the 5th anniversary of the grant date. For the three months ended June 30, 2007, the compensation expense was $134,000 (2006 - $14,000). Year-to-date compensation expense was $231,000 (2006 - $23,000) and the total obligation included in other liabilities was $334,000 (2006 - $23,000).

7. DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(a) Interest rate risk management

The Company has two interest rate swap agreements having a notional amount of $20,000,000 and $5,000,000, expiring February 27, 2009 and February 27, 2011, respectively (2006 - $30,000,000). The Company enters into interest rate swap agreements to hedge interest rate risk on a portion of its long-term debt whereby the Company will exchange the three-month bankers' acceptance floating interest rate for a fixed interest rate during the term of the agreements. 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. The estimated fair value of the interest rate swaps at June 30, 2007 was a receivable of $205,000. The net change in the fair value of the swaps recognized as a gain in OCI in the second quarter aggregated $306,000, before income tax expense of $113,000. Year-to-date the net change in fair value recognized in OCI was a gain of $357,000, before income tax expense of $133,000. For the same period last year, the fair value of the swap agreements was a receivable of $95,000; however, this was not recorded since prior to January 1, 2007 there was no requirement to adjust derivatives designated as hedges on the balance sheet at their fair value when they qualified for hedge accounting. The accumulated loss at January 1, 2007 of $153,000 was recorded, net of income tax recoveries of $60,000, as a transition adjustment to opening accumulated other comprehensive income.

(b) 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 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 during any 24 hour trading period, the share price drops by 10% or more. 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 other 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 other comprehensive income 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 gain receivable recorded in other assets as at June 30, 2007 was $723,000. Of this balance, $514,000 is the unrealized portion. The net change in the fair value of the swap in the quarter, recognized in OCI as a gain, was $81,000; the year-to-date amount was $554,000. OCI income tax expense related to this cash flow hedge in the quarter was $32,000 while the year-to-date amount was $202,000. Realized before-tax gains in the quarter of $125,000 were transferred from OCI to net income; the year-to-date amount was $209,000. The accumulated loss at January 1, 2007 related to this cash flow hedge was $47,000 and was recorded, net of income tax recoveries of $17,000, as a transition adjustment to opening AOCI.

(c) Credit risk management

Credit exposure on financial instruments arises from the possibility that a counterparty to an instrument in which the Company is entitled to receive payment of an unrealized gain fails to perform. Credit exposure is managed through credit approval and monitoring procedures. 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. At June 30, 2007 and 2006, there was no credit exposure to the Company related to its financial instruments.

The Company is subject to normal credit risk with respect to its receivables and it maintains a provision for potential credit losses. A large customer base and geographic dispersion minimize this risk.

8. INCOME TAXES

In June 2006, the Federal government enacted a decline in the general corporate income tax rate from 22% to 19% which will be phased in over a period between January 1, 2008 and January 1, 2010. Certain Provincial governments also reduced general corporate income tax rates. Future income tax assets and liabilities were re-measured using the newly enacted tax rates that are expected to be in effect when the related future tax assets and liabilities are settled. This resulted in a non-cash future income tax recovery of $1,300,000 in June 2006 netted against the provision for income taxes.

9. EARNINGS PER SHARE

	Three months ended June 30	Six months ended June 30

(thousands)	2007	2006	2007	2006
Weighted average common shares used in calculation of basic earnings per share	11,062	11,220	11,098	11,221
Incremental common shares calculated in accordance with the treasury stock method	417	299	412	321
Weighted average common shares used in calculation of diluted earnings per share	11,479	11,519	11,510	11,542

10. SEGMENTED INFORMATION

The Company has one separately reportable segment - broadcasting, which consists of the operations of the Company's radio and television stations. This segment derives its revenue from the sale of broadcast advertising. The reportable segment is a strategic business unit that offers different services and is managed separately. The Company evaluates performance based on earnings before depreciation and amortization. Corporate and other consists of a hotel and the head office functions. Its revenue relates to hotel operations and its other income relates to investment income. Details of segment operations are set out below.

(thousands of dollars)	Broad-casting	Corp-orate & other	Total	Broad-casting	Corp-orate & other	Total
	Three months ended June 30			Six months ended June 30		
2007						
Revenue	$ 25,275	884	26,159	44,003	1,674	45,677
Other income (expense)	-	1,221	1,221	-	(279)	(279)
	25,275	2,105	27,380	44,003	1,395	45,398
Operating expenses	17,338	2,884	20,222	32,751	5,381	38,132
Depreciation and Amortization	936	66	1,002	1,754	131	1,885
Operating income (loss)	$ 7,001	(845)	6,156	9,498	(4,117)	5,381
Assets employed				$193,269	22,043	215,312
Goodwill	$ -	-	-	4,337	-	4,337
Capital expenditures	$ 629	141	770	1,534	233	1,767
2006						
Revenue	$ 23,767	755	24,522	41,538	1,547	43,085
Other income	-	6,893	6,893	-	9,128	9,128
	23,767	7,648	31,415	41,538	10,675	52,213
Operating expenses	16,394	3,355	19,749	31,623	5,725	37,348

Depreciation and amortization	848	58	906	1,638	110	1,748
Operating income	$ 6,525	4,235	10,760	8,277	4,840	13,117
Assets employed				$173,907	38,913	212,820
Goodwill	$ 727	-	727	4,337	-	4,337
Capital expenditures	$ 1,104	127	1,231	1,724	165	1,889

11. COMMITMENTS

During the first quarter, the Canadian Radio-television and Telecommunications Commission ("CRTC") awarded the Company conversions from AM signals to FM in Edson, Alberta and Halifax, Nova Scotia. As a result of these approvals, the Company is obligated to pay $45,000 in Canadian Content Development commitments per year for seven years. The Company recognizes CCD commitments on its consolidated balance sheets as broadcast licences and other liabilities on the dates the station conversions are completed and launched. Refer to the subsequent events described in Note 12 for information on the Company's additional commitments.

12. SUBSEQUENT EVENTS

On July 4, 2007, the Company received approval to convert its AM licence to FM in Carbonear, Newfoundland and Labrador by the CRTC. On July 6, 2007, the CRTC awarded the Company two new FM licences in Nova Scotia; one to serve Kentville and one to serve Sydney. As a result, the Company has committed to pay an aggregate of $140,000 annually for seven years towards Canadian Content Development.

On July 11, 2007, the Company entered into an agreement to acquire the 37.8% minority interest in Atlantic Stereo Limited, which operates the two FM licences in Moncton, New Brunswick, for cash consideration of $6.9 million. The purchase is subject to CRTC approval.

On August 9, 2007, the Company declared a dividend of $0.15 per share on each of its Class A shares and Class B Common shares for all shareholders of record as at August 31, 2007.

About Newfoundland Capital Corporation Limited

Newfoundland Capital Corporation Limited (TSX: NCC.A, NCC.B) is one of Canada's leading radio broadcasters with 76 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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