

Attention Business and Entertainment Editors:
Newfoundland Capital Corporation Limited Second Quarter 2005

Period Ended June 30 (unaudited)

DARTMOUTH, NS, July 27 /CNW/ - Newfoundland Capital Corporation Limited (NCC), one of Canada's leading small and medium market radio broadcasters, today announces its financial results for the second quarter ended June 30, 2005.

Growth in organic advertising revenue from existing radio stations and incremental revenue generated by the recent acquisitions in Thunder Bay, Ontario and Lloydminster, Alberta have positively contributed to the second quarter and year-to-date results. The Company continues to expand its geographic reach in Canada, adding two new radio licences in Ontario this quarter. Highlights of the second quarter are as follows:

- Revenue growth of 16% to \$20.9 million in the quarter, 17% to \$36.6 million year-to-date.
- Earnings before interest, taxes, depreciation and amortization (EBITDA(1)) improved by \$1.0 million compared to the same quarter last year, and by \$2.5 million over the six month period ended in June 2004.
- Second quarter net income improved by \$0.5 million or \$0.06 per share, as compared to the second quarter last year. Excluding the one-time after-tax gain of \$2.0 million in 2004, year-to-date net income increased by \$1.5 million, or \$0.14 per share.
- The acquisition of radio broadcasting assets in Thunder Bay, Ontario was completed on May 30, 2005.
- The Company was awarded a new FM licence in Ottawa, Ontario by the Canadian Radio-television and Telecommunications Commission (CRTC) on June 23, 2005. This second FM station in Ottawa complements the Company's existing station and provides additional operating and programming efficiencies in that market.

"We are diligently investing resources in growing this Company by focusing on acquiring assets in underserved markets across the country. The first half of this year has met our objectives, not only in terms of operating results, but also in terms of the success we have had with acquisitions, their integration into our operations and the granting of new licences," commented Rob Steele, President and Chief Executive Officer.

The Company continues to seek out accretive and high quality radio station assets by selectively applying for new licences and developing a pipeline of acquisitions. Several new licence applications are currently before the CRTC and two purchase agreements for broadcasting assets in Red Deer, Alberta and Winnipeg, Manitoba are pending approval.

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Financial Highlights - Second Quarter

(thousands of dollars except share information)

| | 2005 | 2004 |
|--|-----------|--------|
| Revenue | \$ 20,915 | 18,061 |
| EBITDA(1) | 6,008 | 5,025 |
| Net income | 3,090 | 2,558 |
| Earnings per share - basic and diluted | 0.27 | 0.21 |

| | | |
|---|---------|---------|
| Share price, NCC.SV.A (closing) | 15.00 | 11.00 |
| Weighted average number of shares outstanding (in thousands) | 11,392 | 11,925 |
| ----- | | |
| Total assets | 184,477 | 151,641 |
| Long-term debt | 38,566 | 14,084 |
| Shareholders' equity | 86,323 | 85,368 |
| ----- | | |

(1) Refer to page 7 for the reconciliation of EBITDA to net income.

Management's Discussion and Analysis

The following interim discussion and analysis of financial condition and results of operations has been prepared as of July 27, 2005. It should be read in conjunction with the unaudited consolidated financial statements contained in this interim report and the Management's Discussion and Analysis and the audited consolidated financial statements and related notes contained in the 2004 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. The financial information presented herein has been prepared on the basis of Canadian generally accepted accounting principles (GAAP).

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 Newfoundland Capital Corporation Limited (the Company) is one of Canada's leading small and medium market radio broadcasters with 67 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.

Business and Licence Acquisitions On May 30, 2005, the Company acquired broadcasting assets in Thunder Bay, Ontario from Big Pond Communications (2000) Inc. The primary assets acquired consisted of an FM radio licence and equipment. Total consideration was \$1.9 million and was financed through the existing bank credit facility. Operating results from this acquisition are accounted for in the consolidated statements of income since May 30, 2005.

On January 31, 2005, the Company completed its acquisition of radio, television and outdoor advertising assets located in Lloydminster, Alberta. The consolidated statements of income include the results of operations from the acquisition date. Consideration of \$13.7 million was financed by the Company's existing credit facility and the primary assets acquired were broadcast licences and property and equipment.

Further information with respect to these acquisitions is provided in Note 2 to the interim financial statements.

The Company has agreements in place to purchase broadcasting assets in Winnipeg, Manitoba and Red Deer, Alberta for an aggregate consideration of \$11.0 million. These acquisitions are subject to Canadian Radio-television and Telecommunications Commission (CRTC) approval.

Approvals of New Licences by the CRTC The Company was awarded a new FM

licence in Ottawa, Ontario by the CRTC in June 2005. The alternative rock station will broadcast at 88.5 FM and is expected to be on-air by the end of this year. This is an important step for the Company as the new station complements the existing Ottawa station and is located in one of Canada's major radio revenue markets. The Company expects to invest approximately \$1.5 million in capital expenditures for this station, primarily for broadcast equipment. As part of the approval for this new licence, the Company has also committed \$1.0 million per year for seven years to fund Canadian Talent Development.

In November 2004, the Company was awarded a new FM broadcast licence to serve Fredericton, the provincial capital of New Brunswick. The "Classic Rock" radio station format to be broadcast at 92.3 FM will be on-air in July 2005. When this station is launched, the Company will be obligated to fund Canadian Talent Development commitments of \$0.1 million per year for seven years.

To better serve smaller communities in Alberta which currently have AM services, the Company requested approval from the CRTC for three new FM licences and permission to convert three AM signals to FM. The launch of six new FM services in Alberta began in 2004 with stations launched in Hinton, Cold Lake and Jasper. In January of this year the Wainwright station went on-air. Branded Wayne-FM, the station is showcasing adult contemporary music. The two remaining stations in Brooks and Camrose will be on-air in 2005 and are expected to contribute positively to the Company's operating performance.

Consolidated Operating Results

| (thousands of dollars except percentages) | Three months ended June 30 | | | | Six months ended June 30 | | | |
|---|----------------------------|---------------|------------|-----------|--------------------------|---------------|------------|-----------|
| | 2005 | 2004 | Growth | | 2005 | 2004 | Growth | |
| | | | Total | Organic | | | Total | Organic |
| Revenue | | | | | | | | |
| Broadcasting | \$ 20,160 | 17,352 | 16% | 7% | 35,125 | 29,825 | 18% | 10% |
| Corporate and other | 755 | 709 | 6% | 6% | 1,479 | 1,515 | (2%) | (2%) |
| | <u>\$ 20,915</u> | <u>18,061</u> | <u>16%</u> | <u>7%</u> | <u>36,604</u> | <u>31,340</u> | <u>17%</u> | <u>9%</u> |

Strong revenue growth, as demonstrated during the first quarter, continued into the second quarter of 2005. Consolidated revenue was \$20.9 million in the quarter, a 16% improvement over last year's results, and \$36.6 million year-to-date, a 17% improvement over the same period last year. The increases are due to a combination of same station (organic) growth and new revenue from the acquisitions in Thunder Bay, Ontario and Lloydminster, Alberta. Corporate and other revenue was on par with last year.

The Company has experienced an increased demand for radio advertising over the last six months resulting in improved sales of advertising inventory. The strength in national advertising sales and increases in local sales led to favourable second quarter revenue growth. Ottawa's results, in particular, continue to increase as a result of the station maturing in the market.

Other income declined in the second quarter when compared to last year, but was 18% higher year-to-date due to higher income from investments in the first quarter.

Operating expenses of \$15.1 million in the quarter and \$28.6 million year-to-date were \$1.6 million and \$2.9 million higher than the same respective periods last year. Over \$2.0 million of this year-to-date increase was a result of operating expenses related to the integration of the new Thunder Bay and Lloydminster operations. The remainder was due to the variable costs associated with higher revenue. Other operating expense increases were in line with inflation.

| (thousands of dollars except percentages) | Three months ended June 30 | | | | Six months ended June 30 | | | |
|---|----------------------------|-------|--------|---------|--------------------------|---------|--------|---------|
| | | | Growth | | | | Growth | |
| | 2005 | 2004 | Total | Organic | 2005 | 2004 | Total | Organic |
| EBITDA(1) | | | | | | | | |
| Broadcasting | \$ 7,458 | 5,925 | 26% | 22% | 11,083 | 8,517 | 30% | 25% |
| Corporate and other | (1,450) | (900) | (61%) | (61%) | (1,979) | (1,959) | (1%) | (1%) |
| | \$ 6,008 | 5,025 | 20% | 15% | 9,104 | 6,558 | 39% | 33% |
| % of Revenue | | | | | | | | |
| Broadcasting | 37% | 34% | 3% | 5% | 32% | 29% | 3% | 4% |
| Total | 28% | 27% | 1% | 2% | 24% | 20% | 4% | 4% |

Earnings before interest, taxes, depreciation and amortization (EBITDA(1)) have increased by \$1.0 million over last year's second quarter and \$2.5 million over the six month period ended June 30, 2004. Broadcasting EBITDA has continued its upward trend in the second quarter growing to \$7.5 million and \$11.1 million year-to-date. Organic revenue improvements led to the majority of this growth and contributed to the increase in EBITDA as a percentage of revenue. In addition, operating expenses as a percentage of revenue decreased as a result of management's objective to streamline operations. Corporate and other EBITDA declined this quarter but is on par with the 2004 year-to-date figure. Lower investment income in the quarter, as compared to last year was the reason for this decline.

Depreciation and amortization expense is \$0.1 million higher than the second quarter and the six month period of last year due to an increased depreciable asset base. Interest expense of \$0.4 million in the quarter and \$0.7 million year-to-date exceeded last year due to higher average debt levels resulting from the recent business and licence acquisitions.

The income from the equity accounted investment is a minimal loss in both the second quarter and year-to-date. The Kitchener-Waterloo FM licence has incurred operating losses and the Company has recognized its proportionate share of the net loss.

The effective income tax rate was 34% in the quarter and year-to-date. The 2004 comparative rate was lower due to a reduced rate applicable to the gain realized on the disposal of the equity investment in Optipress Inc.

The deduction from income for non-controlling interest in subsidiaries' earnings is comparable with 2004.

| (thousands of dollars except per share data) | Three months ended | | Six months ended | |
|--|--------------------|---------|------------------|---------|
| | June 30 | June 30 | June 30 | June 30 |
| | 2005 | 2004 | 2005 | 2004 |
| Net income | \$ 3,090 | 2,558 | 4,586 | 5,125 |

Net income exceeded the results for the second quarter of last year by \$0.5 million. Excluding the \$2.0 million after-tax gain on disposal of the equity investment in 2004, net income to date improved by \$1.5 million over last year. This is due to improved operating results and additional income related to the Thunder Bay and Lloydminster operations.

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. Because of this, revenue and net income are lower than the other quarters. Net income in the first quarter of 2004 included the recognition of the gain on disposal of the equity investment.

| (thousands of dollars except per share data) | 2005 | | | 2004 | | | 2003 | |
|---|-----------|--------|--------|--------|--------|--------|--------|--------|
| | 2nd | 1st | 4th | 3rd | 2nd | 1st | 4th | 3rd |
| Revenue | \$ 20,915 | 15,689 | 19,069 | 16,120 | 18,061 | 13,279 | 17,747 | 15,416 |
| Net income | 3,090 | 1,496 | 3,432 | 1,607 | 2,558 | 2,567 | 2,297 | 1,256 |
| Earnings per share | | | | | | | | |
| - basic | 0.27 | 0.13 | 0.29 | 0.13 | 0.21 | 0.21 | 0.19 | 0.11 |
| - diluted | 0.27 | 0.13 | 0.29 | 0.13 | 0.21 | 0.21 | 0.19 | 0.10 |

Liquidity and Capital Resources In the second quarter, the Company's cash flow from operating activities was \$1.6 million, on par with last year. In financing activities, long-term debt borrowings of \$3.0 million were offset by the repurchase of capital stock for \$0.9 million and the \$0.3 million repayment of bank indebtedness resulting in a net source of cash of \$1.8 million. Last year the Company repaid \$1.7 million of bank debt. During the second quarter, the Company used \$3.4 million of cash in investing activities as compared to last year's \$0.1 million use of cash. This quarter's increased use of cash was mainly a result of property and equipment additions of \$2.3 million and the \$1.9 million licence acquisition in Thunder Bay.

Year-to-date, the Company's cash flow from operating activities was \$1.7 million; \$2.6 million lower than last year due to the change in non-cash working capital. \$17.3 million of cash was provided from financing activities compared to last year's use of cash of \$15.1 million. Proceeds from long-term borrowings of \$23.5 million were used to acquire businesses and licences and to repurchase capital stock for \$4.9 million. The Company also paid \$1.2 million of dividends. Last year, \$12.5 million was used to repay long-term debt and \$1.2 million to pay dividends. Year-to-date, the Company used \$19.0 million in investing activities compared to last year's source of cash of \$10.8 million. This year, business and licence acquisitions accounted for \$15.6 million with an additional \$3.4 million spent on property and equipment additions. Last year, the disposal of the equity investment generated proceeds of \$11.3 million.

The majority of the investment in capital assets related to the new services and upgrades in Alberta. Other capital improvements consisted of expenditures in Edmonton where the Company merged its stations and employees into one consolidated location, expenditures for the new station in Fredericton and new premises in Charlottetown. The total budget for capital expenditures for 2005 approximates \$5.0 million with an additional \$1.5 million devoted to the new station in Ottawa, Ontario as described above.

The Company has committed to the business and licence acquisitions described above in the amount of \$11.0 million.

On July 27, 2005, the Board of Directors of the Company declared a dividend of \$0.15 cents per share on each of its Class A Subordinate Voting (NCC.SV.A) and Class B Common (NCC.MV.B) shares. The dividend is payable on August 31, 2005 to shareholders of record at the close of business on August 15, 2005.

The Company's syndicated credit facilities have not changed since the publication of the 2004 Annual Report. The current credit facility allows sufficient capacity to fund the announced acquisitions. Covenants for the facility require that the Company maintain certain financial ratios. The Company was in compliance with these covenants throughout the quarter and expects to be in compliance with these covenants for the foreseeable future.

As at June 30, 2005 the Company had \$0.7 million of current bank

indebtedness outstanding and \$38.6 million of long-term debt of which less than \$0.1 million was current. The working capital was \$4.6 million and compares favourably with the year end working capital deficiency of \$2.2 million. The primary reason for this positive change was the increase in current assets.

Contractual Obligations There have been no substantial changes to the Company's contractual obligations since the publication of the 2004 Annual Report other than the increase in long-term debt previously described.

Capital Employed Assets at quarter end totalled \$184.5 million, up from \$155.7 million at December 31, 2004. This increase was primarily due to the addition of the Thunder Bay and Lloydminster assets. At quarter end the capital structure consisted of 47% equity (\$86.3 million) and 53% debt (\$98.2 million). Total bank debt is 45% of equity, compared to the year end ratio of 18%. The increased bank debt to equity ratio is primarily the result of financing the Thunder Bay and Lloydminster acquisitions. The ratio of total bank debt to the trailing four quarters' EBITDA is 2.2 to 1.

The Company received approval under a Normal Course Issuer Bid to repurchase up to 523,000 Class A Subordinate Voting Shares and 63,000 Class B Common Shares. This bid expires January 27, 2006. During the quarter, the Company repurchased 64,000 (2004 - nil) of its outstanding Class A shares for a total cost of \$0.9 million (2004 - nil). Year-to-date, the Company repurchased 348,000 (2004 - 50,000) of its outstanding Class A shares for a total cost of \$4.9 million (2004 - \$0.6 million).

In the quarter the Company issued 18,700 (2004 - 50,000) Class A shares for proceeds of \$0.2 million (2004 - \$0.4 million) pursuant to the executive stock option plan. This brings the total to 21,200 (2004 - 107,000) Class A shares with proceeds of \$0.2 million (2004 - \$0.9 million) for the first six months of this year. In the second quarter, and for the six months ended June 30, 100,000 options have been granted at a weighted average exercise price of \$13.80. The weighted average number of shares outstanding was 11.5 million, down from the prior year's 11.9 million due to the repurchase of shares.

As at July 27, 2005, there are 10,140,000 Class A Subordinate Voting Shares and 1,258,000 Class B Common Shares outstanding. The Company has 883,800 stock options outstanding for Class A Subordinate Voting Shares at prices ranging from \$7.30 to \$13.80, of which 658,800 are vested.

Critical Accounting Estimates There has been no substantial change in the Company's critical accounting estimates since the publication of the 2004 Annual Report.

Risks and Opportunities There has been no substantial change in the Company's risks and opportunities since the publication of the 2004 Annual Report with the following exceptions.

In connection with the disposition of the Company's interest in a container terminal ("Halterm") to the Halterm Income Fund (the "Fund") in May 1997, the Company indemnified Halterm for any material increases in the base rental fee payable by Halterm to the Halifax Port Corporation for the first ten years of the first lease renewal term which commenced January 1, 2001. The indemnity is only applicable to the extent, if any, that such increases in the base rental fee result in a reduction in distributions to Fund unitholders to a level below that anticipated in the forecast included in the prospectus for the initial public offering of trust units of the Fund. On February 25, 2005 the Fund filed an Originating Notice and Statement of Claim pursuing a claim of \$1,800,000 with respect to this indemnity for 2003 and a claim of \$2,300,000 for 2004. The Company has filed a Statement of Defence and will defend this claim vigorously. The extent of liability, if any, arising from this action is not determinable at this time.

Management has complied with the CRTC's Public Notice 2005-10 which

imposed a condition of licence relating to Local Sales Agreements. All conditions were satisfied within the appropriate time frame in the affected markets. Management has taken steps to minimize reductions in operating efficiencies that may be experienced by stations in the affected markets.

In Public Notice 2005-61 the CRTC approved three subscription-based radio licences. As part of the conditions of the approved licences these subscription-based services are restricted from providing local content and broadcasting local advertisements. These factors combined with other restrictions are expected to minimize the impact on conventional radio broadcasters.

Outlook Advertising revenue momentum continues to look positive for the remainder of the year. The Company's financial performance will benefit from overall market growth, new radio station assets and the improved ratings of its stations located in competitive markets.

In May, the Bureau of Broadcast Measurement (BBM) released its spring ratings showing the Company's radio stations maintained or increased their audience reach. The stations ranked exceptionally well within their respective competitive markets, demonstrating that the Company's dedication to community-based promotional initiatives, and targeted programming, contribute to sustaining and improving operating profits.

In terms of integration activities, the Company is presently incorporating its Thunder Bay acquisition into its programming, networking and sales infrastructure. The Lloydminster acquisition is contributing positively to operating results and shareholder value after a successful transition period.

Organic growth combined with the additions of the Thunder Bay and Lloydminster operations into the Company's broadcasting network will continue to enhance operating results in 2005. The new station launches in Fredericton, New Brunswick and Ottawa, Ontario are expected to add incremental income in the second half of the year.

Non-GAAP Measure

(1) EBITDA is defined as net income excluding depreciation and amortization expense, interest expense, loss on equity accounted investment, gain on disposal of equity 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 | | Six months ended | |
|--|--------------------|--------------|------------------|--------------|
| | 2005 | 2004 | 2005 | 2004 |
| Net income | \$ 3,090 | 2,558 | 4,586 | 5,125 |
| Non-controlling interest in subsidiaries' earnings | 195 | 161 | 213 | 178 |
| Provision for income taxes | 1,729 | 1,467 | 2,455 | 2,110 |
| Gain on disposal of equity investment | - | - | - | (2,451) |
| Loss on equity accounted investment | 10 | 117 | 44 | 142 |
| Interest expense | 373 | 213 | 677 | 433 |
| Depreciation and amortization expense | 611 | 509 | 1,129 | 1,021 |
| EBITDA | \$ 6,008 | 5,025 | 9,104 | 6,558 |

This measure is not defined by generally accepted accounting principles and is not standardized for public issuers. This measure may not be comparable to similar measures presented by other public enterprises. The Company has included this measure because the Company's key decision makers believe

certain investors use it as a measure of the Company's financial performance and for valuation purposes. The Company also uses this measure internally to evaluate the performance of management.

Newfoundland Capital Corporation Limited
 Notice of Disclosure of Non-Auditor Review of Interim Financial
 Statements for the three months and six months ended June 30, 2005 and
 2004

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, 2005 and 2004 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 27th day of July, 2005

Consolidated Balance Sheets
 (unaudited)

| (thousands of dollars) | June 30 2005 | December 31 2004 |
|---|-----------------|---------------------|
| ----- | | |
| ASSETS | | |
| Current assets | | |
| Short-term investments | \$ 5,769 | 2,560 |
| Receivables | 20,284 | 16,148 |
| Note receivable | 898 | 950 |
| Prepaid expenses | 1,635 | 907 |
| | ----- | |
| Total current assets | 28,586 | 20,565 |
| Property and equipment | 25,885 | 18,045 |
| Other assets | 15,150 | 15,541 |
| Broadcast licences (note 2) | 111,997 | 99,805 |
| Goodwill (note 2) | 1,117 | - |
| Future income tax assets | 1,742 | 1,768 |
| | ----- | |
| | \$ 184,477 | 155,724 |
| ----- | | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities | | |
| Bank indebtedness | \$ 670 | 519 |
| Accounts payable and accrued liabilities | 15,937 | 13,944 |
| Dividends payable | - | 1,173 |
| Income taxes payable | 7,335 | 7,151 |
| Current portion of long-term debt | 23 | 23 |
| | ----- | |
| Total current liabilities | 23,965 | 22,810 |

| | | |
|--|------------|---------|
| Long-term debt | 38,566 | 15,073 |
| Other liabilities | 14,407 | 11,762 |
| Future income tax liabilities | 10,437 | 8,963 |
| Non-controlling interest in subsidiaries | 10,779 | 10,868 |
| Shareholders' equity | 86,323 | 86,248 |
| | ----- | ----- |
| | \$ 184,477 | 155,724 |

Contingency (note 9)

See accompanying notes to consolidated financial statements

Consolidated Statements of Income
(unaudited)

| (thousands of dollars except per share data) | Three months ended | | Six months ended | |
|--|--------------------|--------|------------------|---------|
| | June 30 | | June 30 | |
| | 2005 | 2004 | 2005 | 2004 |
| Revenue | \$ 20,915 | 18,061 | 36,604 | 31,340 |
| Other income | 230 | 503 | 1,075 | 913 |
| | ----- | ----- | ----- | ----- |
| | 21,145 | 18,564 | 37,679 | 32,253 |
| Operating expenses | 15,137 | 13,539 | 28,575 | 25,695 |
| Depreciation | 517 | 413 | 934 | 830 |
| Amortization of deferred charges | 94 | 96 | 195 | 191 |
| | ----- | ----- | ----- | ----- |
| Operating earnings | 5,397 | 4,516 | 7,975 | 5,537 |
| Interest expense | 373 | 213 | 677 | 433 |
| Loss on equity accounted investment | 10 | 117 | 44 | 142 |
| Gain on disposal of equity investment (note 3) | - | - | - | (2,451) |
| | ----- | ----- | ----- | ----- |
| | 5,014 | 4,186 | 7,254 | 7,413 |
| Provision for income taxes | 1,729 | 1,467 | 2,455 | 2,110 |
| | ----- | ----- | ----- | ----- |
| | 3,285 | 2,719 | 4,799 | 5,303 |
| Non-controlling interest in subsidiaries' earnings | 195 | 161 | 213 | 178 |
| | ----- | ----- | ----- | ----- |
| Net income | \$ 3,090 | 2,558 | 4,586 | 5,125 |
| | ----- | ----- | ----- | ----- |
| Earnings per share (note 7) | | | | |
| - basic | \$ 0.27 | 0.21 | 0.40 | 0.43 |
| - diluted | 0.27 | 0.21 | 0.39 | 0.42 |

See accompanying notes to consolidated financial statements

Consolidated Statements of Shareholders' Equity
(unaudited)

| (thousands of dollars) | Six months ended | |
|------------------------|------------------|-------|
| | June 30 | |
| | 2005 | 2004 |
| | ----- | ----- |

| | | |
|--|-----------|--------|
| Retained earnings, beginning of period | \$ 40,446 | 34,429 |
| Net income | 4,586 | 5,125 |
| Repurchase of capital stock (note 4) | (3,404) | (343) |
| | ----- | ----- |
| Retained earnings, end of period | 41,628 | 39,211 |
| Capital stock | 44,061 | 45,616 |
| Contributed surplus | 634 | 541 |
| | ----- | ----- |
| Total shareholders' equity | \$ 86,323 | 85,368 |

See accompanying notes to consolidated financial statements

Consolidated Statements of Cash Flows
(unaudited)

| (thousands of dollars) | Three months ended | | Six months ended | |
|---|--------------------|---------|------------------|----------|
| | June 30 | | June 30 | |
| | 2005 | 2004 | 2005 | 2004 |
| ----- | | | | |
| Operating Activities | | | | |
| Net income | \$ 3,090 | 2,558 | 4,586 | 5,125 |
| Items not involving cash | | | | |
| Depreciation and amortization | 611 | 509 | 1,129 | 1,021 |
| Future income taxes | 998 | 463 | 1,500 | 958 |
| Gain on disposal of equity investment | - | - | - | (2,451) |
| Employee benefit plans | (8) | 29 | (17) | (275) |
| Non-controlling interest in subsidiaries' earnings | 195 | 161 | 213 | 178 |
| Other | 60 | 92 | 125 | 119 |
| | ----- | ----- | ----- | ----- |
| | 4,946 | 3,812 | 7,536 | 4,675 |
| Change in non-cash working capital relating to operating activities | (3,384) | (2,186) | (5,847) | (436) |
| | ----- | ----- | ----- | ----- |
| | 1,562 | 1,626 | 1,689 | 4,239 |
| ----- | | | | |
| Financing Activities | | | | |
| Net change in bank indebtedness | (318) | (1,140) | 151 | (1,127) |
| Long-term debt borrowings | 3,000 | - | 23,500 | - |
| Long-term debt repayments | (6) | (525) | (12) | (12,547) |
| Issuance of capital stock (note 4) | 159 | 400 | 180 | 856 |
| Repurchase of capital stock (note 4) | (889) | - | (4,881) | (553) |
| Dividends paid | - | - | (1,173) | (1,190) |
| Canadian Talent Development commitment payments | (149) | (247) | (183) | (339) |
| Other | - | (9) | (309) | (170) |
| | ----- | ----- | ----- | ----- |
| | 1,797 | (1,521) | 17,273 | (15,070) |
| ----- | | | | |
| Investing Activities | | | | |
| Note receivable | 1,000 | 1,000 | 1,000 | 1,000 |
| Property and equipment | | | | |

| | | | | |
|--|---------|-------|----------|--------|
| additions | (2,313) | (651) | (3,351) | (865) |
| Business and licence acquisitions (note 2) | (1,906) | - | (15,620) | - |
| Proceeds from disposition of equity investment (note 3) | - | - | - | 11,295 |
| Investment in Halterm Income Fund Trust Units | - | (224) | (268) | (322) |
| Deposit for business and licence acquisitions | - | (500) | (200) | (500) |
| Deferred charges | (270) | (24) | (331) | (57) |
| Other | 130 | 294 | (192) | 280 |
| | (3,359) | (105) | (18,962) | 10,831 |
| Cash, beginning and end of period | \$ - | - | - | - |

Supplemental Cash Flow
Information

| | | | | |
|-------------------|--------|-----|-----|-----|
| Interest paid | \$ 290 | 179 | 726 | 378 |
| Income taxes paid | 328 | 637 | 841 | 778 |

See accompanying notes to consolidated financial statements

Notes to Consolidated Financial Statements - June 30, 2005 and 2004
(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 2004 annual financial statements, except for the newly adopted policy described below. 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 2004 Annual Report.

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

The accounting policy adopted during the three months and six months ended June 30, 2005 is as follows:

Deferred tenant inducement

In common with many lease agreements, the Company receives tenant inducements in exchange for making long-term commitments for leased premises. These inducements may be in the form of rent-free periods, reduced rent, or the provision of leasehold improvements. These inducements are being recognized as reduced rental expense on a straight-line basis over the term of the lease.

2. BUSINESS AND LICENCE ACQUISITIONS

On May 30, 2005, the Company acquired the broadcasting assets of Big Pond Communications (2000) Inc. (Big Pond) in Thunder Bay, Ontario, the primary asset being an FM radio licence. The Company acquired the assets of Shortell's Limited (Shortell's) and its related companies, in Lloydminster, Alberta on January 31, 2005. The assets included three radio and two television broadcasting licences and an outdoor advertising business. The transactions were accounted for using the purchase method and the results of operations have been included in the consolidated financial statements since the respective acquisition dates.

The following table summarizes the estimated fair value of all the assets acquired and liabilities assumed at the dates of acquisition. The allocation of the purchase price is subject to change as a result of certain post-closing matters.

| (thousands of dollars) | Big Pond | Shortell's | Six months ended June 30, 2005 |
|--|----------|------------|--------------------------------------|
| Working capital | \$ (437) | 636 | 199 |
| Property and equipment | 225 | 2,706 | 2,931 |
| Other assets | - | 205 | 205 |
| Broadcast licences | 2,196 | 9,876 | 12,072 |
| Goodwill | - | 1,117 | 1,117 |
| Total assets acquired | 1,984 | 14,540 | 16,524 |
| Other liabilities | (78) | (326) | (404) |
| Net assets acquired | 1,906 | 14,214 | 16,120 |
| Deposit for business and licence acquisition | - | (500) | (500) |
| Cash consideration | \$ 1,906 | 13,714 | 15,620 |

An intangible long-term agreement, expiring in August 2011, valued at \$205,000 is included in other assets. Amortization is being charged on a straight-line basis over the term of the agreement. Goodwill of \$838,000 is expected to be deductible for tax purposes.

When broadcast licences are acquired, the acquirer becomes obligated to fund Canadian Talent Development. These obligations are included in other liabilities. A \$600,000 provision for professional fees and restructuring costs (employee relocation and involuntary termination costs) related to the acquisitions is included in working capital of which \$387,000 remains payable at June 30, 2005.

The transactions were financed by the Company's existing credit facility.

3. DISPOSAL OF EQUITY INVESTMENT

During the first quarter of 2004, the Company sold its 1,411,800 shares of Optipress Inc. for proceeds of \$11,295,000 and recognized a gain on disposal of \$2,451,000.

4. CAPITAL STOCK

The Company has approval under a Normal Course Issuer Bid to repurchase up to 523,000 Class A Subordinate Voting Shares and 63,000 Class B Common Shares. This bid expires January 27, 2006. During the quarter, the Company repurchased 64,000 (2004 - nil) of its outstanding Class A shares for a total cost of \$889,000 (2004 - nil). Year-to-date, the Company repurchased 348,000 (2004 - 50,000) of its outstanding Class A shares for a total cost of \$4,881,000 (2004 - \$553,000). As a result of these share repurchases, capital stock was reduced by \$1,477,000 (2004 - \$210,000) and retained earnings reduced by \$3,404,000 (2004 - \$343,000).

In the quarter the Company issued 18,700 (2004 - 50,000) Class A shares for proceeds of \$159,000 (2004 - \$400,000) pursuant to the executive stock option plan. This brings the total to 21,200 (2004 - 107,000) Class A shares with proceeds of \$180,000 (2004 - \$856,000) for the first six months of this year. In the quarter, and for the six months ended June 30, 2005, 100,000 options were granted at a weighted average price of \$13.80. Compensation expense related to stock options for the quarter was \$101,000 (2004 - \$51,000) and year-to-date compensation expense was \$190,000 (2004 - \$132,000).

5. EMPLOYEE BENEFIT PLANS

| (thousands of dollars) | Three months ended June 30 | | Six months ended June 30 | |
|---|-------------------------------|------|-----------------------------|------|
| | 2005 | 2004 | 2005 | 2004 |
| Defined contribution plan expense | \$ 177 | 214 | 424 | 431 |
| Defined benefit plan expense (recovery) | 114 | 150 | 228 | (32) |

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company has entered into two interest rate swap agreements to hedge interest rate risk 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 notional amount of the swaps totals \$15,000,000; \$10,000,000 expires July 4, 2005 and \$5,000,000 expires July 4, 2006. 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 fair value of the interest rate swap agreements at period end is a net payable of \$83,000 (2004 - \$200,000) and has not been recognized in the accounts as the interest rate swaps qualify for hedge accounting.

7. EARNINGS PER SHARE

| (thousands) | Three months ended June 30 | | Six months ended June 30 | |
|--|-------------------------------|--------|-----------------------------|--------|
| | 2005 | 2004 | 2005 | 2004 |
| Weighted average common shares used in calculation of basic earnings per share | 11,392 | 11,925 | 11,489 | 11,933 |
| Incremental common shares calculated in | | | | |

| | | | | |
|--|-----|-----|-----|-----|
| accordance with the treasury stock method | 194 | 166 | 209 | 179 |
|--|-----|-----|-----|-----|

| | | | | |
|---|--------|--------|--------|--------|
| Weighted average common shares used in calculation of diluted earnings per share | 11,586 | 12,091 | 11,698 | 12,112 |
|---|--------|--------|--------|--------|

8. 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 and operating earnings. 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) | Corporate & Broadcasting | | | Corporate & Broadcasting | | |
|----------------------------------|--------------------------------|---------|--------|--------------------------------|---------|---------|
| | other | Total | other | Total | other | Total |
| | Three months ended June 30 | | | Six months ended June 30 | | |
| 2005 | | | | | | |
| Revenue | \$ 20,160 | 755 | 20,915 | 35,125 | 1,479 | 36,604 |
| Other income | - | 230 | 230 | - | 1,075 | 1,075 |
| | 20,160 | 985 | 21,145 | 35,125 | 2,554 | 37,679 |
| Operating expenses | 12,702 | 2,435 | 15,137 | 24,042 | 4,533 | 28,575 |
| Depreciation and amortization | 551 | 60 | 611 | 1,000 | 129 | 1,129 |
| Operating earnings (loss) | \$ 6,907 | (1,510) | 5,397 | 10,083 | (2,108) | 7,975 |
| Assets employed | | | | \$158,627 | 25,850 | 184,477 |
| Goodwill | | | | 1,117 | - | 1,117 |
| Capital expenditures | \$ 2,173 | 140 | 2,313 | 3,197 | 154 | 3,351 |
| 2004 | | | | | | |
| Revenue | \$ 17,352 | 709 | 18,061 | 29,825 | 1,515 | 31,340 |
| Other income | - | 503 | 503 | - | 913 | 913 |
| | 17,352 | 1,212 | 18,564 | 29,825 | 2,428 | 32,253 |
| Operating expenses | 11,427 | 2,112 | 13,539 | 21,308 | 4,387 | 25,695 |

| | | | | | | |
|----------------------------------|----------|-------|-------|-----------|---------|---------|
| Depreciation and amortization | 427 | 82 | 509 | 856 | 165 | 1,021 |
| ----- | | | | | | |
| Operating earnings (loss) | \$ 5,498 | (982) | 4,516 | 7,661 | (2,124) | 5,537 |
| ----- | | | | | | |
| Assets employed | | | | \$132,582 | 19,059 | 151,641 |
| Capital expenditures | \$ 544 | 107 | 651 | 739 | 126 | 865 |
| ----- | | | | | | |
| ----- | | | | | | |

9. CONTINGENCY

In connection with the disposition of the Company's interest in a container terminal ("Halterm") to the Halterm Income Fund (the "Fund") in May 1997, the Company indemnified Halterm for any material increases in the base rental fee payable by Halterm to the Halifax Port Corporation for the first ten years of the first lease renewal term which commenced January 1, 2001. The indemnity is only applicable to the extent, if any, that such increases in the base rental fee result in a reduction in distributions to Fund unitholders to a level below that anticipated in the forecast included in the prospectus for the initial public offering of trust units of the Fund. On February 25, 2005 the Fund filed an Originating Notice and Statement of Claim pursuing a claim of \$1,800,000 with respect to this indemnity for 2003 and a claim of \$2,300,000 for 2004. The Company has filed a Statement of Defence and will defend this claim vigorously. The extent of liability, if any, arising from this action is not determinable at this time.

About Newfoundland Capital Corporation Limited

Newfoundland Capital Corporation Limited (TSX: NCC.SV.A, NCC.MV.B) is one of Canada's leading small and medium market radio broadcasters with 67 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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(NCC.SV.A. NCC.MV.B.)

CO: Newfoundland Capital Corporation Limited

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