Newfoundland Capital Corporation Limited

First Quarter 2012

Period Ended March 31 ***(unaudited)***

Dartmouth, N.S. – May 2, 2012, Newfoundland Capital Corporation Limited ("Company") today announces its financial results for the first quarter ending March 31, 2012.

Highlights

- **Revenue** of $27.5 million was $0.9 million or 3% higher than last year. This increase was primarily attributable to organic (same-station) revenue growth.

- **Earnings before interest, taxes, depreciation and amortization ("EBITDA"[1])** of $4.7 million in the quarter were $0.3 million or 5% lower than last year due to higher stock-based compensation expense. Excluding this expense, EBITDA would have been 9% higher than 2011.

- **Profit for the period** was $0.8 million as compared to $2.9 million the same period last year. The primary reason for this decline was due to $2.3 million mark-to-market unrealized losses on marketable securities, compared to unrealized gains of $1.3 million in 2011.

Significant events

- In January the Company attended hearings related to its applications for new FM licences in Miramichi and Fredericton, New Brunswick. Decisions by the Canadian Radio-television and Telecommunications Commission ("CRTC") are expected later this year.

- In February the Company completed the purchase of broadcasting assets related to FM stations in Penticton and Kelowna, British Columbia for cash consideration of approximately $7.0 million.

- The CRTC approved the Company's application to convert its AM station in Stettler, Alberta to FM.

- Subsequent to quarter end, the Company repurchased 250,300 shares for $2.0 million pursuant to its Normal Course Issuer Bid.

"Coming off a record year in 2011, the Company has continued to grow revenue and outpace the industry rate of 2%", commented Rob Steele, President and Chief Executive Officer. "We recently completed the acquisition of the two FM operations in British Columbia and we continue to look for other expansionary opportunities."

Financial Highlights – First Quarter

(thousands of dollars except share information)	**2012**	2011
Revenue	$ **27,467**	26,553
EBITDA[1]	**4,716**	4,967
Profit for the period	**781**	2,908
Earnings per share – basic	**0.03**	0.10
Earnings per share – diluted	**0.02**	0.09
Share price, NCC.A (closing)	**7.84**	7.20
Weighted average number of shares outstanding *(in thousands)*	**30,330**	30,608
Total assets	**233,523**	229,503
Long-term debt	**50,759**	62,714
Shareholders' equity	**121,123**	101,754

(1) Refer to page 10 for the reconciliation of EBITDA to profit.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The purpose of the Management's Discussion and Analysis ("MD&A") is to provide readers with additional complementary information regarding the financial condition and results of operations for Newfoundland Capital Corporation Limited (the "Company") and should be read in conjunction with the unaudited condensed interim consolidated financial statements ("interim financial statements") and related notes for the periods ended March 31, 2012 and 2011 prepared in accordance with International Financial Reporting Standards ("IFRS"), as well as the annual audited consolidated financial statements and related notes prepared in accordance with IFRS and the MD&A contained in the Company's 2011 Annual Report. The Company's first quarter 2012 interim financial statements and the accompanying notes have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB") and using the accounting policies described therein. These interim financial statements include the accounts of the Company and other entities in which the Company controls in accordance with IAS 27 "Consolidated and Separate Financial Statements" and are reported in Canadian dollars. These documents along with the Company's Annual Information Form, its Management Proxy Circular dated March 14, 2012 and other public information are filed electronically with various securities commissions in Canada through the System for Electronic Document Analysis and Retrieval ("SEDAR") and can be accessed at www.sedar.com. This information is also available on the Company's website at www.ncc.ca.

The Board of Directors, upon recommendation of the Audit and Governance Committee, approved the content of this MD&A on May 2, 2012. Disclosure contained in this document is current to this date, unless otherwise stated.

Management's Discussion and Analysis of financial condition and results of operations contains forward-looking statements and forward-looking information within the meaning of Canadian provincial securities laws. These forward-looking statements are based on current expectations. The use of terminology such as "expect", "intend", "anticipate", "believe", "may", "will", "should", "would", "plan" and other similar terminology relate to, but are not limited to, objectives, goals, plans, strategies, intentions, outlook and estimates. By their very nature, these statements involve inherent risks and uncertainties, many of which are beyond the Company's control, which could cause actual results to differ materially from those expressed in such forward-looking statements. As a result, there is no guarantee that any forward-looking statements will materialize and readers are cautioned not to place undue reliance on these statements. Assumptions, expectations and estimates made in the preparation of forward-looking statements and risks that could cause our actual results to differ materially from our current expectations are discussed in detail in the Risks and Opportunities section of this MD&A. Unless otherwise required by applicable securities laws, the Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

CORPORATE PROFILE

Newfoundland Capital Corporation Limited owns and operates Newcap Radio, which is one of Canada's leading radio broadcasters with 83 licences across Canada. The Company reaches millions of listeners each week through a variety of formats and is a recognized industry leader in radio programming, sales and networking. It is Canada's largest pure-play radio company, employing approximately 800 of the best radio professionals across the country. The Company's portfolio of radio assets includes 66 FM and 17 AM licences which can be heard throughout Canada. Most of our stations are globally accessible via the internet and various mobile device applications, allowing listeners the flexibility to tune in to our stations at anytime from anywhere. The shares of the Company trade on the Toronto Stock Exchange under the symbols NCC.A and NCC.B.

STRATEGY AND OBJECTIVES

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

This year the Company expects to continue to grow its existing operations by increasing advertising revenue and remaining focused on controlling discretionary costs to drive EBITDA margins. It will integrate the operations acquired in British Columbia, launch recently awarded AM to FM conversions and continue to explore acquisition and expansion opportunities that fit the Company's acquisition objectives and it will make applications to the CRTC for new licences. The Company's commitment to its talented employees, its customers, its listeners and to the communities it serves remains critical to its success.

CORPORATE DEVELOPMENTS

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

2012 Developments:

- January – launched the St, Paul, Alberta AM to FM conversion.

- January – attended CRTC hearings in support of the Company's applications for new FM licences in Miramichi and Fredericton, New Brunswick. Decisions by the CRTC are expected later this year.
- February – completed the acquisition of broadcasting assets related to FM licences in Penticton and Kelowna, British Columbia for cash consideration approximating $7.0 million.
- February – received CRTC approval to convert the Stettler, Alberta AM station to FM. The Company expects to launch this FM conversion in the summer of 2012.

2011 Developments:

- February – launched Brooks, Alberta AM to FM conversion.
- June – launched AM to FM conversion in Grand Cache, Alberta.
- July – the repeater in North West River, Newfoundland and Labrador was launched.
- September – launched Westlock, Alberta AM to FM conversion.
- November – the Company sold the broadcasting assets related to CKJS AM and CHNK FM in Winnipeg, Manitoba for $5.7 million.

CONSOLIDATED FINANCIAL REVIEW

Consolidated Financial Results of Operations

(thousands of dollars, except percentages and per share data)		**March 31, 2012**	March 31, 2011	**% Change**
Revenue	$	**27,467**	26,553	3%
Operating expenses		**22,751**	21,586	5%
EBITDA(1)		**4,716**	4,967	(5%)
Depreciation and amortization		**1,029**	990	4%
Interest expense		**850**	1,160	(27%)
Accretion of other liabilities		**80**	129	(38%)
		2,757	2,688	3%
Other income (expense)		**(2,192)**	1,583	—
Profit from continuing operations before provision for income taxes		**565**	4,271	(87%)
Provision for income taxes (recovery)		**(216)**	1,323	—
Profit from continuing operations	$	**781**	2,948	(74%)
Loss from discontinued operations		—	(40)	(100%)
Profit for the period		**781**	2,908	(73%)
Earnings per share – continuing operations				
– Basic		**0.03**	0.10	—
– Diluted		**0.02**	0.09	—
Earnings per share				
– Basic		**0.03**	0.10	—
– Diluted		**0.02**	0.09	—

(1) EBITDA - Earnings before interest, taxes, depreciation and amortization – refer to page 10 for reconciliation to net income

Revenue

In the quarter, consolidated revenue of $27.5 million was $0.9 million or 3% higher than last year; this improvement came exclusively from the broadcasting segment.

Operating expenses

Consolidated operating expenses of $22.8 million were $1.2 million or 5% higher than the first quarter last year. The increase was primarily due to higher corporate expenses in the Corporate and Other segment, along with higher variable costs in the Broadcasting segment.

EBITDA

Consolidated EBITDA in the quarter of $4.7 million was $0.3 million or 5% lower than last year. The decrease was due to the higher expenses in the Corporate and Other segment. Excluding the change in these expenses, EBITDA would have been 9% higher than 2011.

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

Depreciation and amortization

In the quarter, depreciation and amortization expense was higher than 2011 because of a higher asset base.

Interest expense
Interest expense in the first quarter was lower than the prior year due to lower average debt levels and lower interest rates.

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

Other income (expense)
Other income generally consists of gains and losses, realized and unrealized, on the Company's marketable securities. In the first quarter of 2012, the Company recognized mark-to-market unrealized losses of $2.3 million compared to mark-to-market gains of $1.3 million in the first quarter of 2011. As part of the acquisitions in British Columbia, the Company recognized a transaction gain and acquisition-related CCD costs in Other income (expense) which net to just under $0.1 million. Refer to note 5 in the interim financial statements for additional details.

Provision for income taxes
In the first quarter of 2012, the Company had an income tax recovery of $0.2 million. Excluding a $0.6 million recovery related to certain tax provisions, the effective tax rate is higher than the statutory rate of 31% because of the tax treatment of the unrealized mark-to-market value decline in the quarter.

Loss from discontinued operations
In 2011, the Company disposed of its broadcasting assets in Winnipeg, Manitoba and therefore the comparative financial results of operations were treated as discontinued operations in the income statement.

Profit for the period
First quarter profit was $0.8 million as compared to $2.9 million the same period last year. The primary reason for this decline was due to $2.3 million mark-to-market unrealized losses on marketable securities, compared to unrealized gains of $1.3 million in 2011.

Other comprehensive income ("OCI")
OCI consists of the net change in the fair value of the Company's cash flow hedges and actuarial gains and losses arising on the Company's defined benefit pension plans. The changes in fair values of the interest rate swap cash flow hedges are recorded in OCI. The after-tax gains included in OCI in the first quarter of 2012 were $0.3 million, on par with 2011.

FINANCIAL REVIEW BY SEGMENT

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

Broadcasting Segment

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

Cash-generating units ("CGU's") within the broadcasting segment are managed and evaluated based on their revenue and EBITDA. The following summarizes the key operating results of the broadcasting segment. The comparative figures exclude the results of discontinued operations more fully described in note 4 of the interim financial statements.

Broadcasting Financial Results of Operations

(thousands of dollars, except percentages)		**March 31, 2012**	March 31, 2011	**% Change**
Revenue	**$**	**26,607**	25,740	3%
Operating expenses		**19,845**	19,430	2%
EBITDA		**6,762**	6,310	7%
EBITDA margin		**25%**	25%	—

Revenue
Broadcasting revenue in the quarter of $26.6 million was $0.9 million or 3% better than last year. The increase came primarily from organic (same-station) revenue growth. The overall industry growth rate was 2%.

The Atlantic Canadian radio properties led the way in revenue growth for the Company achieving an increase of 6% in the quarter.

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

Operating expenses
For the quarter, broadcasting operating expenses were $19.8 million, up $0.4 million or 2% over last year. The increases were due to increased variable costs in line with higher revenue and inflation.

EBITDA
First quarter broadcasting EBITDA of $6.8 million was $0.5 million or 7% better than 2011 due to higher revenue.

Corporate and Other Segment

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

Corporate and Other Financial Results of Operations

(thousands of dollars, except percentages)		**March 31, 2012**	March 31, 2011	**% Change**
Revenue	**$**	**860**	813	6%
Operating expenses		**2,906**	2,156	35%
EBITDA	**$**	**(2,046)**	(1,343)	(52%)

Revenue
Revenue in the first quarter of $0.9 million was slightly higher than last year due to higher hotel revenue.

Operating expenses
Operating expenses of $2.9 million were $0.7 million or 35% higher than the first quarter last year because of higher net corporate costs. The increase in operating expenses was due to the accounting for stock-based compensation expense in the quarter. The expense related to executive stock options was $0.3 million higher than 2011 because of the extension of expiry dates of certain options, more fully disclosed in note 8 of the interim financial statements. Net gains related to the equity total return swap plan was $0.4 million lower than 2011.

EBITDA
EBITDA was 52% lower than the same quarter last year due to higher expenses as explained above.

SELECTED QUARTERLY FINANCIAL INFORMATION

The Company's revenue and operating results vary depending on the quarter. The first quarter is generally a period of lower retail spending and as a result, advertising revenue is generally lower. The fourth quarter tends to be a period of higher retail spending. In the first quarter of 2012, unrealized mark-to-market investment losses lowered profit. Positively impacting the 2011 fourth quarter were the reversal of previous broadcast licence impairment charges and the mark-to-market unrealized gains. In 2010 the Company recognized the increased copyright fees in the second quarter and the broadcast licence impairment charge in the fourth quarter. The results from discontinued operations have been excluded from the comparative figures for revenue.

(thousands of Canadian dollars		**2012**	2011				2010		
except per share data)		**1st**	4th	3rd	2nd	1st	4th	3rd	2nd
Revenue	**$**	**27,467**	34,700	31,905	33,448	26,553	31,839	28,378	30,406
Profit for the period		**781**	12,975	4,334	5,895	2,908	3,910	2,933	3,357
Earnings per share									
– Basic		**0.03**	0.43	0.14	0.19	0.10	0.12	0.09	0.10
– Diluted		**0.02**	0.41	0.14	0.19	0.09	0.12	0.09	0.10

Selected cash flow information – three months ended March 31, 2012
In the quarter, cash flows from operating activities of $2.0 million combined with net borrowings of $9.2 million were used to purchase broadcasting assets in British Columbia for $7.0 million, purchase property and equipment for $1.0 million and pay dividends of $2.7 million.

Selected cash flow information – three months ended March 31, 2011
In the quarter, cash flows from operating activities of $1.7 million combined with net borrowings of $10.0 million were used to fund the repurchase of capital stock of $8.7 million, pay dividends of $1.9 million and to purchase property and equipment totaling $0.9 million.

Capital expenditures and capital budget
The capital expenditures for 2012 are expected to total approximately $6.0 million. The major planned expenditures include launching AM to FM conversions, capital expansion in British Columbia as well as general improvements and upgrades. The Company continuously upgrades its broadcast equipment to improve operating efficiencies.

FINANCIAL CONDITION

Total assets
Assets of $233.5 million were $0.4 million lower than December 31, 2011. This was largely due to collection efforts to reduce trade receivables.

Liabilities, shareholders' equity and capital structure
As at March 31, 2012, the Company had $0.2 million of current bank indebtedness outstanding and $50.8 million of long-term debt. The capital structure consisted of 52% equity ($121.1 million) and 48% liabilities ($112.4 million) at quarter end.

LIQUIDITY

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

Credit facility and covenants
The Company's syndicated credit facility of $90.0 million is a revolving credit facility. The Company chooses this type of credit facility because it provides flexibility with no scheduled repayment terms. The maturity date is June 2013. The Company is subject to covenants on its credit facility. The Company's bank covenants include certain maximum or minimum ratios such as total debt to EBITDA ratio, interest coverage and fixed charge coverage ratio. Other covenants include seeking prior approval for acquisitions or disposals in excess of a quantitative threshold. The Company was in compliance with the covenants throughout the quarter and at quarter end.

Cash flow from operations and funds available from the Company's $90.0 million credit facility have been the primary funding sources of working capital, capital expenditures, Canadian Content Development payments, dividend payments, debt repayments, and other contractually required payments through the past several years.

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

Working capital requirements
As at March 31, 2012, the Company's working capital deficiency was $1.7 million. The cash from current receivables will be sufficient to cover the Company's current obligations to its suppliers and employees and in combination with ongoing cash from operations and the availability of cash from its debt facility, the Company will be able to meet all other current cash requirements as they arise. If cash inflows from customers are not sufficient to cover current obligations, because of timing issues, the Company has access to a $5.0 million operating credit line.

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

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

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

There has been no substantial change in the Company's commitments and contractual obligations since the publication of the 2011 Annual MD&A (dated March 9, 2012) with the exception of the increase in long-term debt.

SHARE CAPITAL

Outstanding share data
The weighted average number of shares outstanding at March 31, 2012 was 30,330,000 (2011 – 30,608,000). As of this date, there are 26,308,135 Class A Subordinate Voting Shares ("Class A Shares") and 3,771,702 Class B Common Shares ("Class B Shares") outstanding.

Dividends
Dividends of $0.09 per share were declared in December to all shareholders of record as of December 31, 2011. Dividends of $2.7 million were paid January 31, 2012.

Share repurchases
The Directors and Senior Management of the Company are of the opinion that from time to time the purchase of its shares at the prevailing market price would be a worthwhile investment and in the best interests of the Company and its shareholders. The Company has approval under a Normal Course Issuer Bid to repurchase up to 1,327,922 Class A shares and 113,151 Class B shares. This bid expires February 12, 2013. No shares were repurchased during the first quarter of 2012 (2011 – 1,388,072). Subsequent to quarter end, 250,300 shares were repurchased for $2.0 million.

EXECUTIVE COMPENSATION

Executive stock option plan
During the quarter, no options were granted by the Company. For the same period in 2011, 60,000 options were granted at a weighted-average exercise price of $6.75. Compensation expense related to the stock option plan in the quarter was $0.3 million (2011 – less than $0.1 million). The increase in the expense was a result of the Toronto Stock Exchange and Board of Directors' approval to extend the expiry dates of 340,000 stock options by 5 years. The Company is also seeking shareholder approval to extend the expiry dates of 1,800,000 stock options by 5 years. Should this extension be approved in May, the Company will record an additional estimated charge of $0.7 million. Refer to note 8 of the interim financial statements for further details relating to the executive stock option plan.

Stock appreciation rights plan
For the quarter ended March 31, 2012, the compensation expense related to stock appreciation rights ("SARs") was a recovery of less than $0.1 million (2011 – expense of less than $0.1 million). The obligation at quarter end was $0.5 million (2011 – $0.4 million). Refer to note 8 of the interim financial statements for further details relating to SARs.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

Interest rate risk management
To hedge its exposure to fluctuating interest rates on its long-term debt, the Company has entered into two interest rate swap agreements with Canadian chartered banks. The swap agreements expire in 2013 and involve the exchange of the three-month bankers' acceptance floating interest rate for a fixed interest rate. The difference between the fixed and floating rates is settled quarterly with the bank and recorded as an increase or decrease to interest expense. The aggregate notional amount of the swap agreements was $55.0 million (2011 – $55.0 million). The aggregate fair value payable of the swap agreements was $1.9 million (2011 – $2.6 million). Hedge accounting applies for a notional amount of $50.0 million. The net change in OCI was $0.3 million in the quarter (2011 – $0.3 million).

Share price volatility management
In July 2006, the Company entered into an agreement to hedge its obligations under the stock appreciation rights plan using an equity total return swap agreement to reduce the volatility in cash flow and earnings due to possible future increases in the Company's share price. Gains or losses realized on the quarterly settlement dates are recognized in profit in the same period as the stock appreciation rights' compensation expense.

During 2011 the Company wound-up a portion of its equity total return swap and amended the terms of the swap agreement extending the expiry date to July 2013. This amended instrument, however, does not qualify for hedge accounting and as such, gains and losses are recorded immediately through profit. The recognition of gains and losses through OCI no longer applies.

Realized before-tax losses recorded in first quarter profit were $0.1 million (2011 – $0.4 million before-tax gains). The estimated fair value of the equity total return swap receivable, classified as current other asset, at March 31, 2012 was $0.8 million (2011 – $1.7 million).

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The fair value of the Company's marketable securities is affected by changes in the quoted share prices in active markets. Such prices can fluctuate and are affected by numerous factors beyond the Company's control. In order to minimize the risk associated with changes in the share price of any one particular investment, the Company diversifies its portfolio by

investing in various industries and only invests a certain amount of funds in marketable securities. It also conducts regular financial reviews of publicly available information related to its investments to determine if any identified risks are within tolerable risk levels.

Credit risk management
The Company is subject to normal credit risk with respect to its receivables. A large customer base and geographic dispersion minimize the concentration of credit risk. Credit exposure is managed through credit approval and monitoring procedures. The Company does not require collateral or other security from clients for trade receivables; however the Company does perform credit checks on customers prior to extending credit. Based on the results of credit checks, the Company may require upfront deposits or full payments on account prior to providing service. The Company reviews its receivables for possible indicators of impairment on a regular basis and as such, it maintains a provision for potential credit losses. The Company is of the opinion that the provision for potential losses adequately reflects the credit risk associated with its receivables. Amounts would be written off directly against accounts receivable and against the allowance only if and when it was clear the amount would not be collected due to customer insolvency. Historically, the significance and incidence of amounts written off directly against receivables have been low. The Company believes its provision for potential credit losses is adequate at this time given the current economic circumstances.

Credit exposure on financial instruments arises from the possibility that a counterparty to an instrument in which the Company is entitled to receive payment fails to perform. Counterparty risk is managed by only dealing with Canadian Chartered Banks having high credit ratings.

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

Adoption of new Accounting Standards

IFRS 7 Financial Instruments: Disclosures
The Company adopted the amendments to IFRS 7 on January 1, 2012. The amendments served to increase the disclosure requirements for transactions involving transfers of financial assets. Since the Company has not had transactions involving transfers of financial assets there has been no impact on the Company's current disclosures.

Deferred Tax: Recovery of Underlying Assets (amendments to IAS 12)
Effective January 1, 2012, the Company adopted the amendments to IAS 12. Deferred Tax: Recovery of Underlying Assets (the amendments) concerned the determination of deferred tax on investment property measured at fair value. Because the Company has no investment property, the adoption of these amendments did not impact the financial results or disclosures.

Future Accounting Standards

IFRS 9 Financial Instruments
IFRS 9 was issued to replace IAS 39, "Financial Instruments: Recognition and Measurement". This is a three-phase project with the objective of improving and simplifying the reporting for financial instruments. The issuance of IFRS 9 in November 2009 was the first phase of the project, which provided guidance on the classification and measurement of financial assets and financial liabilities. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. In December 2011, the effective date of adoption of this standard was amended to January 1, 2015 from January 1, 2013. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

IFRS 10 Consolidated Financial Statements
IFRS 10 establishes a single control model that applies to all entities (including 'special purpose entities,' or 'structured entities' as they are now referred to in the new standards). The changes will require management to exercise significant judgment to determine which entities are controlled, and therefore are required to be consolidated by a parent. Under IFRS 10, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. This principle applies to all investees, including structured entities. IFRS 10 is effective for annual periods commencing on or after January 1, 2013. The Company does not anticipate any changes to its financial results as a result of IFRS 10.

IFRS 11 Joint Arrangements
IFRS 11 uses some of the terms that were used by previous standards, but with different meanings. Whereas previous standards identified three forms of joint ventures (i.e., jointly controlled operations, jointly controlled assets and jointly controlled entities), IFRS 11 addresses only two forms of joint arrangements (joint operations and joint ventures) where there is joint control. IFRS 11 defines joint control as the contractually agreed sharing of control of an arrangement which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control.

Because the new standard uses the principle of control in IFRS 10 to define joint control, the determination of whether joint control exists may change. In addition, IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. For joint operations (which includes former jointly controlled operations, jointly controlled assets, and potentially some former JCEs), an entity recognizes its assets, liabilities, revenues and expenses, and/or its relative share of those items, if any. In addition, when specifying the appropriate accounting, the previous standard focused on the legal form of the entity, whereas IFRS 11 focuses on the nature of the rights and obligations arising from the arrangement. IFRS 11 is effective for annual periods commencing on or after January 1, 2013. The Company does not currently have any interest in joint ventures and therefore does not expect any implications as a result of this new standard.

IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 includes a number of new disclosures that are required. One of the most significant changes is that an entity is now required to disclose the judgments made to determine whether it controls another entity. IFRS 12 is effective for annual periods commencing on or after January 1, 2013. The Company does not anticipate any changes in disclosure requirements for the financial statements.

Separate Financial Statements (amendments to IAS 27)
As a result of the new standards IFRS 10, IFRS 11 and IFRS 12, amendments to IAS 27 were also made which deals with control and the preparation of consolidated financial statements. No changes to the Company's financial results or disclosures are anticipated.

IFRS 13 Fair Value Measurement
IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by IFRS. Many of the concepts in this new standard are consistent with current practice; however, the disclosure requirements are substantial and could present additional challenges. IFRS 13 is effective for annual periods commencing on or after January 1, 2013 and will be applied prospectively. The Company is currently in the process of evaluating the implications of this new standard, which is limited to disclosures.

Employee Benefits (amendments to IAS 19)
The following summarizes the most significant components of the amendments to IAS 19 Employee Benefits. Under IAS 19, any defined benefit plan re-measurement must be immediately recognized in OCI. Previously under IAS 19, companies had the option to recognize or defer recognition of changes in defined benefit obligations and in the fair value of plan assets directly in the income statement. Past service costs previously spread over future service periods must now be recognized in profit or loss when the employee benefit plan is amended. IAS 19 also introduces a net interest approach that replaces the expected return on assets and interest costs on the defined benefit obligation with a single net interest component. In addition, there are increased disclosure requirements.

The amendments are mandatory for annual periods beginning on or after January 1, 2013 with retrospective application; earlier application is permitted. The Company anticipated some of these changes and as a result, upon transition to IFRS where the Company had choices among accounting methods, it opted to immediately recognize the defined benefit plan re-measurement component in OCI. This aspect of the amendments will therefore have no impact on the Company's financial results. The net interest approach in IAS 19 will change how the Company measures interest and the expected return on its plan assets; however, the change is not expected to have a material effect on the Company's financial results. These changes and the disclosure amendments are being reviewed by management.

Presentation of Items of Other Comprehensive Income (amendments to IAS 1)
The amendments to IAS 1 were to revise the way other comprehensive income (OCI) is presented. Effective for annual periods beginning on or after July 1, 2012, with early adoption permitted, an entity will show separate subtotals for those elements that may be recycled to profit and loss, and those elements that will not. The Company will adopt these amendments beginning January 1, 2013 and will show separate sub-totals for its cash flow hedge OCI amounts, which are recycled to profit and loss, and a separate subtotal for actuarial gains and losses which do not get recycled through profit and loss. This will simply be a presentation change in the Company's Statement of Other Comprehensive Income.

CRITICAL ACCOUNTING ESTIMATES

There has been no substantial change in the Company's critical accounting estimates since the publication of the 2011 Annual MD&A dated March 9, 2012.

Off-Balance Sheet Arrangements

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

Risks and Opportunities

There has been no substantial change in the Company's risks and opportunities since the publication of the 2011 Annual MD&A dated March 9, 2012.

Changes in Internal Controls over Financial Reporting

There were no changes in the Company's internal controls over financial reporting that occurred in the three months ending March 31, 2012 that have materially affected, or are likely to materially affect, the Company's internal controls over financial reporting.

Outlook

2011 was a record year in the Broadcasting Segment and revenue in 2012 continues to grow and to outpace industry albeit at a slower pace. Managing costs will remain a priority to drive EBITDA.

The management team is focusing its attention on effectively managing the integration of the British Columbia FM stations into existing operations.

The Company continues to review all acquisition opportunities that would meet the Company's investment criteria and complement its growth strategy, and management continues to apply for licences in new communities which will generate immediate top line growth.

Non-IFRS Accounting Measure

*[(1)]**EBITDA** is defined as profit from continuing operations for the period excluding depreciation and amortization expense, interest expense, accretion of other liabilities, other expense (income) and provision for income taxes (recovery). A calculation of this measure is as follows:*

		Three months ended March 31	
(thousands of dollars)		***2012***	*2011*
Profit from continuing operations	***$***	***781***	*2,948*
Provision for income taxes (recovery)		***(216)***	*1,323*
Other expense (income)		***2,192***	*(1,583)*
Accretion of other liabilities		***80***	*129*
Interest expense		***850***	*1,160*
Depreciation and amortization expense		***1,029***	*990*
EBITDA	***$***	***4,716***	*4,967*

This measure is not defined by IFRS and is not standardized for public issuers. This measure may not be comparable to similar measures presented by other public enterprises. 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 ended March 31, 2012 and 2011

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

The accompanying unaudited condensed interim consolidated financial statements ("interim financial statements") of the Company for the three months ended March 31, 2012 and 2011 have been prepared in accordance with International Financial Reporting Standards and are the responsibility of the Company's management.

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

Dated this 2nd day of May, 2012

Interim Consolidated Statements of Financial Position

(unaudited)

(thousands of Canadian dollars)	Notes		**March 31 2012**	December 31 2011
ASSETS				
Current assets				
Marketable securities	10(a)	$	**4,276**	6,588
Receivables	10		**19,741**	25,466
Prepaid expenses			**1,079**	865
Other assets	10(c)		**833**	889
Total current assets			**25,929**	33,808
Non-current assets				
Property and equipment	5		**36,115**	35,015
Other assets			**2,576**	2,546
Broadcast licences	5		**157,913**	151,712
Goodwill			**6,109**	6,109
Deferred income tax assets			**4,881**	4,750
Total assets		$	**233,523**	233,940
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Bank indebtedness		$	**232**	1,557
Accounts payable and accrued liabilities			**15,397**	17,640
Dividends payable			**—**	2,730
Income taxes payable			**12,027**	17,214
Total current liabilities			**27,656**	39,141
Non-current liabilities				
Long-term debt			**50,759**	40,211
Other liabilities	8,10(b)		**14,223**	14,990
Deferred income tax liabilities			**19,762**	19,932
Total liabilities			**112,400**	114,274
Shareholders' equity			**121,123**	119,666
Total liabilities and shareholders' equity		$	**233,523**	233,940

See accompanying notes to the interim financial statements

Interim Consolidated Income Statements

(unaudited)

(thousands of Canadian dollars, except per share data)	Notes		Three months ended March 31 **2012**	2011
Revenue		$	**27,467**	26,553
Operating expenses			**22,751**	21,586
Depreciation and amortization			**1,029**	990
Operating profit			**3,687**	3,977
Interest expense			**850**	1,160
Accretion of other liabilities	10		**80**	129
			2,757	2,688
Other income (expense)	5, 10(a)		**(2,192)**	1,583
Profit from continuing operations before provision for income taxes			**565**	4,271
Provision for income taxes (recovery)				
Current			**252**	982
Deferred (recovery)			**(468)**	341
			(216)	1,323
Profit from continuing operations			**781**	2,948
Loss from discontinued operations	4		**—**	(40)
Profit for the period		$	**781**	2,908
Earnings per share from continuing operations	11			
– basic		$	**0.03**	0.10
– diluted			**0.02**	0.09
Earnings per share	11			
– basic		$	**0.03**	0.10
– diluted			**0.02**	0.09

See accompanying notes to the interim financial statements

Interim Consolidated Statements of Comprehensive Income

(unaudited)

(thousands of Canadian dollars)	Notes	Three months ended March 31 **2012**	2011
Profit for the period		$ **781**	2,908
Other comprehensive income:			
Cash flow hedges:			
Net movement on interest rate swaps	10(b)	**459**	408
Income tax expense	10(b)	**(123)**	(109)
Other comprehensive income		**336**	299
Comprehensive income		$ **1,117**	3,207

See accompanying notes to the interim financial statements

Interim Consolidated Statements of Changes in Shareholders' Equity
(unaudited)

(thousands of Canadian dollars)		**Issued share capital (note 6)**	**Contributed surplus (note 7)**	**Accumulated other comprehensive loss**	**Retained earnings**	**Total**
Balance at January 1, 2012	$	39,779	1,400	(2,729)	81,216	119,666
Profit for the period		—	—	—	781	781
Other comprehensive income		—	—	336	—	336
Total comprehensive income						1,117
Executive stock option compensation expense		—	340	—	—	340
Balance at March 31, 2012	**$**	**39,779**	**1,740**	**(2,393)**	**81,997**	**121,123**

See accompanying notes to the interim financial statements

(thousands of Canadian dollars)		**Issued share capital (note 6)**	**Contributed surplus (note 7)**	**Accumulated other comprehensive loss**	**Retained earnings**	**Total**
Balance at January 1, 2011	$	40,813	2,176	(2,202)	66,396	107,183
Profit for the period		—	—	—	2,908	2,908
Other comprehensive income		—	—	299	—	299
Total comprehensive income						3,207
Repurchase of share capital		(2,002)	—	—	(6,742)	(8,744)
Exercise of executive stock options		139	(55)	—	—	84
Executive stock option compensation expense		—	24	—	—	24
Balance at March 31, 2011	**$**	**38,950**	**2,145**	**(1,903)**	**62,562**	**101,754**

See accompanying notes to the interim financial statements

Interim Consolidated Statements of Cash Flows

(unaudited)

(thousands of Canadian dollars)	Notes	Three months ended March 31 **2012**	2011
Operating Activities			
Profit from continuing operations before provision for income taxes		$ **565**	4,271
Items not involving cash			
Depreciation and amortization		**1,029**	990
Share-based compensation expense	8	**305**	65
Accretion of other liabilities	10	**80**	129
Unrealized losses (gains) on marketable securities	10(a)	**2,304**	(1,282)
Other		**(87)**	(265)
		4,196	3,908
Net change in non-cash working capital from continuing operations		**4,325**	(898)
		8,521	3,010
Interest paid		**(1,051)**	(1,189)
Income taxes paid		**(5,442)**	(73)
Net cash flows from continuing operations		**2,028**	1,748
Cash flows from discontinued operations		**—**	(6)
Net cash flows from operating activities		**2,028**	1,742
Financing Activities			
Change in bank indebtedness		**(1,325)**	528
Long-term debt borrowings		**10,500**	9,500
Dividends paid	6	**(2,730)**	(1,891)
Repurchase of capital stock	6	**—**	(8,744)
Proceeds from exercise of stock options	6	**—**	84
		6,445	(523)
Investing Activities			
Acquisition of broadcasting assets	5	**(6,978)**	—
Property and equipment additions		**(976)**	(890)
Canadian Content Development commitment payments		**(476)**	(329)
Other		**(43)**	—
		(8,473)	(1,219)
Cash, beginning and end of period		$ **—**	—

See accompanying notes to the interim financial statements

1. REPORTING ENTITY

Newfoundland Capital Corporation Limited (the "Company") is incorporated in Nova Scotia, Canada. The address of the Company's registered office of business is 745 Windmill Road, Dartmouth, Nova Scotia, B3B 1C2. The Company's primary activity is radio broadcasting. These unaudited condensed interim consolidated financial statements ("interim financial statements") comprise the financial position of the Company and its subsidiaries, together referred to as the "Company". The Company's revenue is derived primarily from the sale of advertising airtime which is subject to seasonal fluctuations. The first quarter of the year is generally a period of lower retail spending. As a result, revenue and net income are generally lower than the other quarters.

These interim financial statements were authorized for issue in accordance with a resolution of the Board of Directors on May 2, 2012.

2. BASIS OF PREPARATION

Statement of compliance

These interim financial statements have been prepared in accordance with International Accounting Standards 34 ("IAS"), Interim Financial Reporting, and accordingly, they do not include all of the information and disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements. The same accounting policies and methods of computation were followed in the preparation of these interim financial statements as were followed in the preparation of the annual financial statements for the year ended December 31, 2011. Accordingly, these interim financial statements should be read together with the annual financial statements for the year ended December 31, 2011 prepared in accordance with IFRS.

These interim financial statements have been prepared in accordance with those IFRS standards and IFRS Interpretations Committee ("IFRIC) interpretations issued and effective or issued and early adopted as at the date of these statements (May 2, 2012). All amounts are expressed in Canadian dollars, rounded to the nearest thousand (unless otherwise specified). The functional currency of the Company and each of its subsidiaries is the Canadian dollar.

3. NEW ACCOUNTING STANDARDS

Adoption of new accounting standards

IFRS 7 Financial Instruments: Disclosures
The Company adopted the amendments to IFRS 7 on January 1, 2012. The amendments served to increase the disclosure requirements for transactions involving transfers of financial assets. Since the Company has not had transactions involving transfers of financial assets there has been no impact on the Company's current disclosures.

Deferred Tax: Recovery of Underlying Assets (amendments to IAS 12)
Effective January 1, 2012, the Company adopted the amendments to IAS 12. Deferred Tax: Recovery of Underlying Assets (the amendments) concerned the determination of deferred tax on investment property measured at fair value. Because the Company has no investment property, the adoption of these amendments did not impact the financial results or disclosures.

Future accounting standards

IFRS 9 Financial Instruments
IFRS 9 was issued to replace IAS 39, "Financial Instruments: Recognition and Measurement". This is a three-phase project with the objective of improving and simplifying the reporting for financial instruments. The issuance of IFRS 9 in November 2009 was the first phase of the project, which provided guidance on the classification and measurement of financial assets and financial liabilities. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. In December 2011, the effective date of adoption of this standard was amended to January 1, 2015 from January 1, 2013. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

IFRS 10 Consolidated Financial Statements
IFRS 10 establishes a single control model that applies to all entities (including 'special purpose entities,' or 'structured entities' as they are now referred to in the new standards). The changes will require management to exercise significant judgment to determine which entities are controlled, and therefore are required to be consolidated by a parent. Under IFRS 10, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. This principle applies to all investees, including structured entities. IFRS 10 is effective for annual periods commencing on or after January 1, 2013. The Company does not anticipate any changes to its financial results as a result of IFRS 10.

3. NEW ACCOUNTING STANDARDS *(continued)*

Future accounting standards *(continued)*

IFRS 11 Joint Arrangements
IFRS 11 uses some of the terms that were used by previous standards, but with different meanings. Whereas previous standards identified three forms of joint ventures (i.e., jointly controlled operations, jointly controlled assets and jointly controlled entities), IFRS 11 addresses only two forms of joint arrangements (joint operations and joint ventures) where there is joint control. IFRS 11 defines joint control as the contractually agreed sharing of control of an arrangement which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control.

Because the new standard uses the principle of control in IFRS 10 to define joint control, the determination of whether joint control exists may change. In addition, IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. For joint operations (which includes former jointly controlled operations, jointly controlled assets, and potentially some former JCEs), an entity recognizes its assets, liabilities, revenues and expenses, and/or its relative share of those items, if any. In addition, when specifying the appropriate accounting, the previous standard focused on the legal form of the entity, whereas IFRS 11 focuses on the nature of the rights and obligations arising from the arrangement. IFRS 11 is effective for annual periods commencing on or after January 1, 2013. The Company does not currently have any interest in joint ventures and therefore does not expect any implications as a result of this new standard.

IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 includes a number of new disclosures that are required. One of the most significant changes is that an entity is now required to disclose the judgments made to determine whether it controls another entity. IFRS 12 is effective for annual periods commencing on or after January 1, 2013. The Company does not anticipate any changes in disclosure requirements for the financial statements.

Separate Financial Statements (amendments to IAS 27)
As a result of the new standards IFRS 10, IFRS 11 and IFRS 12, amendments to IAS 27 were also made which deals with control and the preparation of consolidated financial statements. No changes to the Company's financial results or disclosures are anticipated.

IFRS 13 Fair Value Measurement
IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by IFRS. Many of the concepts in this new standard are consistent with current practice; however, the disclosure requirements are substantial and could present additional challenges. IFRS 13 is effective for annual periods commencing on or after January 1, 2013 and will be applied prospectively. The Company is currently in the process of evaluating the implications of this new standard, which is limited to disclosures.

Employee Benefits (amendments to IAS 19)
The following summarizes the most significant components of the amendments to IAS 19 Employee Benefits. Under IAS 19, any defined benefit plan re-measurement must be immediately recognized in OCI. Previously under IAS 19, companies had the option to recognize or defer recognition of changes in defined benefit obligations and in the fair value of plan assets directly in the income statement. Past service costs previously spread over future service periods must now be recognized in profit or loss when the employee benefit plan is amended. IAS 19 also introduces a net interest approach that replaces the expected return on assets and interest costs on the defined benefit obligation with a single net interest component. In addition, there are increased disclosure requirements.

The amendments are mandatory for annual periods beginning on or after January 1, 2013 with retrospective application; earlier application is permitted. The Company anticipated some of these changes and as a result, upon transition to IFRS where the Company had choices among accounting methods, it opted to immediately recognize the defined benefit plan re-measurement component in OCI. This aspect of the amendments will therefore have no impact on the Company's financial results. The net interest approach in IAS 19 will change how the Company measures interest and the expected return on its plan assets; however, the change is not expected to have a material effect on the Company's financial results. These changes and the disclosure amendments are being reviewed by management.

Presentation of Items of Other Comprehensive Income (amendments to IAS 1)
The amendments to IAS 1 were to revise the way other comprehensive income (OCI) is presented. Effective for annual periods beginning on or after July 1, 2012, with early adoption permitted, an entity will show separate subtotals for those elements that may be recycled to profit and loss, and those elements that will not. The Company will adopt these amendments beginning January 1, 2013 and will show separate sub-totals for its cash flow hedge OCI amounts, which are recycled to profit and loss, and a separate subtotal for actuarial gains and losses which do not get recycled through profit and loss. This will simply be a presentation change in the Company's Statement of Other Comprehensive Income.

4. DISCONTINUED OPERATIONS

In 2011, the Company disposed of its net assets associated with CKJS-AM and CHNK-FM in Winnipeg, Manitoba. The financial results of operations from these cash-generating units have been treated as discontinued operations in the income statements and cash flows for 2011. The results from these cash-generating units were also excluded from the comparative figures from the Broadcasting segments results in segmented information presented in note 12.

Selected financial information for the cash-generating units included in discontinued operations is presented below:

(thousands of Canadian dollars)		**2012**	2011
Revenue	$	—	327
Operating expenses		—	(361)
Depreciation		—	(22)
Operating profit (loss)		—	(56)
Accretion of other liabilities		—	(3)
Loss from discontinued operations before provision for income taxes		—	(59)
Provision for income tax recovery		—	19
Loss from discontinued operations	$	—	(40)

5. ACQUISITION OF BROADCASTING ASSETS

Acquisition of broadcasting assets

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

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

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

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

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

5. ACQUISITION OF BROADCASTING ASSETS *(continued)*

Earnings have been included in profit since the date of acquisition. Revenue and net losses recognized to-date in the income statements related to these acquisitions, including the gain and acquisition-related costs, were $145,000 and $1,000, respectively. Pro-forma revenue and net losses for the combined entity, as though the acquisition date for both transactions had been January 1, 2012 and including the gain and acquisition-related costs, would have been approximately $450,000 and $60,000, respectively due to the seasonally slow time of year for broadcasting assets.

Acquisition-related costs
In order for the CKKO-FM acquisition to be approved by the Canadian Radio-television and Telecommunications Commission ("CRTC"), the Company had to commit to additional CCD payments of $320,000, payable in equal instalments over seven years. This financial liability is an "other liability" and its fair value was determined based on discounting cash flows using the effective interest method ("EIM"). Under EIM, interest expense is calculated and recorded using the effective interest rate (5.2%) that exactly discounts estimated future cash payments throughout the seven year life of the CCD commitment to the fair value at initial recognition. On the acquisitions date, the amount of CCD expensed in Other income (expense) in the income statement was $262,000.

6. SHARE CAPITAL

Outstanding share capital
Outstanding share capital was 30,330,000 at March 31, 2012 (2011 – 30,148,000).

Share repurchases
The Company has approval under a Normal Course Issuer Bid to repurchase up to 1,372,922 Class A shares and 113,151 Class B shares. This bid expires February 12, 2013. The Company did not repurchase any of its outstanding Class A shares during the first quarter of 2012 (2011 - repurchase of 1,388,072 Class A shares for $8,744,000). Subsequent to quarter end, 250,300 shares were repurchased for $2,015,000.

Exercise of stock options
Pursuant to the Company's executive stock option plan disclosed in note 8, no options were granted or exercised during the first quarter of 2012. In the first quarter of 2011, 30,000 options were exercised, 15,000 of which were exercised for cash proceeds of $84,000 and 15,000 were exercised using the cashless exercise option resulting in 6,000 shares issued from treasury.

Dividends
In December 2011, the Company declared a dividend of $0.09 per share on each of its Class A shares and Class B shares. $2,730,000 was paid to shareholders during the first quarter (2011 - $1,891,000).

7. CONTRIBUTED SURPLUS

(thousands of dollars)		
Balance, January 1, 2012	**$**	**1,400**
Executive stock option plan compensation expense		**340**
Balance, March 31, 2012	**$**	**1,740**
Balance, January 1, 2011	**$**	**2,176**
Exercise of stock options		**(55)**
Executive stock option plan compensation expense		**24**
Balance, March 31, 2011	**$**	**2,145**

8. SHARE-BASED COMPENSATION PLANS

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

Stock appreciation rights
A total of 1,745,000 stock appreciation rights ("SARS" or "rights") have been granted since 2006 at a weighted-average reference price of $5.75. The SARS' expiry dates range from March 2011 to February 2015. The rights vest at a rate of 50% at the end of year three, 25% at the end of year four and 25% at the end of year five and are exercisable as they vest. At the date of exercise, cash payments are made to the holders based on the difference between the market value of the Company's Class A shares and the reference price. All rights granted under this plan expire on the 60th day following the 5th anniversary of the grant date. As at March 31, 2012, 370,000 rights were outstanding.

No SARS were granted in the first quarters of 2012 or 2011. 55,000 SARS were exercised in the first three months of 2012 for cash proceeds of $67,000 (2011 – 550,750 SARS exercised for cash proceeds of $686,000). Compensation expense in the first quarter was a recovery of $35,000 (2011 – expense of $41,000). The total obligation for SARS compensation was $521,000 of which $451,000 was current and classified as accounts payable and accrued liabilities (2011 – compensation payable was $405,000, of which $231,000 was current).

Executive stock options
A total of 2,530,000 stock options are outstanding pursuant to the Company's executive stock option plan. The options generally vest as follows: twenty-five percent on the date of grant and twenty-five percent on each of the three succeeding anniversary dates. Option holders may elect to exercise their options on a cashless basis in which case capital shares are issued from treasury based on a formula that takes into account the market value of the Company's Class A shares and the option's strike price.

No options were granted during the first quarter (2011 – 60,000 were granted at a weighted average exercise price of $6.75) and no options were exercised (2011 – 30,000). Compensation expense related to the stock option plan in the quarter was $340,000 (2011 – $24,000). The increase in the expense was a result of the Toronto Stock Exchange ("TSX") and Board of Directors' ("Board") approval in March 2012 to extend the expiry dates of 340,000 stock options by 5 years. This resulted in the recognition of a non-cash expense of $301,000. The TSX and the Board also approved the extension of expiry dates of an additional 1,800,000 stock options held by the Company's Named Executive Officers and certain Directors, subject to shareholder approval at the Annual General Meeting on May 2, 2012. The estimated expense that will be recorded in the second quarter if the extension is approved for these options is $700,000.

9. EMPLOYEE BENEFIT PLANS

		Three months ended March 31	
(thousands of Canadian dollars)		**2012**	2011
Defined contribution plan expense	**$**	**398**	373
Defined benefit plan expense		**84**	80

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Estimated fair value of financial instruments

Current assets and current liabilities' carrying values are representative of their fair values due to the relatively short period to maturity. The fair value of long-term debt approximates the carrying value because the interest charges under the terms of the long-term debt are based on the 3-month Canadian banker's acceptance rates. The fair values of Canadian Content Development commitments approximated their carrying values as they were recorded at the net present values of their future cash flows, using discount rates ranging from 5.2% to 12.2%. Accretion expense arising on CCD obligations was $80,000 for the quarter (2011 - $129,000).

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

(thousands of Canadian dollars) **Description**	**Total**	**Level 1** Quoted prices in active markets for identical assets	**Level 2** Significant other observable inputs	**Level 3** Significant unobservable inputs
Financial assets at fair value through profit or loss:				
Cash and bank indebtedness	$ **(232)**	(232)	—	—
Marketable securities	**4,276**	4,276	—	—
Loans and receivables:				
Accounts receivable	**19,741**	—	19,741	—
Equity total return swap receivable	**833**	—	833	—
Items accounted for as hedges:				
Interest rate swap payable	**(1,935)**	—	1,935	—
Other liabilities at amortized cost				
Accounts payable and accrued liabilities, net of current portion of other liabilities	**(12,676)**	—	(12,676)	—
Long-term debt	**(51,000)**	—	(51,000)	—
CCD commitments	**(2,600)**	—	(2,600)	—

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

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

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

Credit risk

The Company is subject to normal credit risk with respect to its receivables. A large customer base and geographic dispersion minimize the concentration of credit risk. Credit exposure is managed through credit approval and monitoring procedures. The Company does not require collateral or other security from clients for trade receivables; however the Company does perform credit checks on customers prior to extending credit. Based on the results of credit checks, the Company may require upfront deposits or full payments on account prior to providing service. The maximum credit exposure approximated $20,500,000 as at March 31, 2012, which included accounts receivable and the equity total return swap receivable. The Company reviews its receivables for possible indicators of impairment on a regular basis and as such, it maintains a provision for potential credit losses which totaled $1,570,000 as at March 31, 2012. The Company is of the opinion that the provision for potential losses adequately reflects the credit risk associated with its receivables. Approximately 85% of trade receivables are outstanding for less than 90 days. Amounts would be written off directly against accounts receivable and against the allowance only if and when it was clear the amount would not be collected due to customer insolvency. Historically, the significance and incidence of amounts written off directly against receivables have been low. The total amount written off in the first quarter was $110,000 which represents a very small portion of accounts receivable and revenue. The Company believes its provision for potential credit losses is adequate at this time given the current economic circumstances.

Credit exposure on financial instruments arises from the possibility that a counterparty to an instrument in which the Company is entitled to receive payment fails to perform. With regard to the Company's derivative instruments, the counterparty risk is managed by only dealing with Canadian Chartered Banks having high credit ratings.

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

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

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

The fair value of the Company's marketable securities is affected by changes in the quoted share prices in active markets. Such prices can fluctuate and are affected by numerous factors beyond the Company's control. In order to minimize the risk associated with changes in the share price of any one particular investment, the Company diversifies its portfolio by investing in various industries. It also conducts regular financial reviews of publicly available information related to its investments to determine if any identified risks are within tolerable risk levels. As at March 31, 2012, a 10% change in the share prices of each marketable security would result in an estimated $360,000 change in profit.

For the quarter ended March 31, 2012, the change in fair value of marketable securities, recorded in *other income (expense)*, was an unrealized loss of $2,304,000 (2011 – unrealized gain of $1,282,000).

b) Interest rate risk management

To hedge its exposure to fluctuating interest rates on its long-term debt, the Company has entered into two interest rate swap agreements with Canadian Chartered Banks. One has a notional value of $10,000,000 and expires in June 2013, and the other has a notional amount of $45,000,000 and expires in May 2013. The swap agreements involve the exchange of the three-month bankers' acceptance floating interest rate for a fixed interest rate. The difference between the fixed and floating rates is settled quarterly with the bank and recorded as an increase or decrease to interest expense. The Company elected to apply hedge accounting and as such formally assesses effectiveness of the swaps at inception and on a regular basis and has concluded that the swaps are effective in offsetting changes in interest rates. Hedge accounting applies to $50,000,000 of the $55,000,000 notional value.

Interest rate fluctuations would not have had a significant impact on the Company's profit because the majority of long-term debt is hedged. A 0.5% change in floating interest rates would have had minimal impact on profit. A 0.5% change in the projected floating interest rates during the remaining term of the hedge agreements would have impacted the fair value of the interest rate swaps by approximately $250,000, which would have not flowed through profit, but rather would have been recorded in OCI.

At quarter end, the aggregate fair value payable of the swap agreements was $1,935,000 and is included in other liabilities on the statement of financial position (2011 – $2,586,000). The before-tax change in fair value of the swaps included in OCI was a gain of $505,000 (2011 – $444,000). The before-tax interest recovery transferred from OCI to profit was $46,000 (2011 – $36,000).

c) Share price volatility risk management

In July 2006, the Company entered into a cash-settled equity total return swap agreement to manage its exposure to fluctuations in its stock-based compensation costs related to the SAR Plan. Compensation costs associated with the SAR Plan fluctuate as a result of changes in the market price of the Company's Class A shares. The Corporation entered into this swap for a total of 1,275,000 notional Class A shares with a hedged price of $5.85.

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

In 2011, the Company wound up a large portion of the equity total return swap and amended its terms, extending the expiry date from 2011 to 2013. The amended swap no longer qualifies for hedge accounting and therefore all gains or losses are recorded immediately in profit. The recognition of gains and losses through OCI no longer applies. As at March 31, 2012, there were 402,900 notional SARS outstanding. The swap expires in July 2013.

The estimated fair value of the equity total return swap current receivable balance at March 31, 2012 was $833,000 (2011 – $1,721,000). Losses recorded in profit for the three months ended March 31, 2012 were $54,000 (2011 – gains of $383,000).

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

Liquidity risk

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

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

Obligation *(thousands of Canadian dollars)*		**12 months**	**2013 - 2016**	**Thereafter**
Long-term debt	$	—	51,000	—
Bank indebtedness		**232**	—	—
Accounts payable and accrued liabilities, net of current portion of undiscounted CCD commitments		**12,652**	—	—
Income taxes payable		**12,027**	—	—
CCD commitments, undiscounted		**2,745**	2,308	142
	$	**27,656**	53,308	142

Capital risk

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

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

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

Financial projections are updated and reviewed regularly to reasonably ensure that financial debt covenants will not be breached in future periods. The Company monitors the covenants and foreign ownership status of the issued and outstanding voting shares and presents this information to the Board of Directors quarterly. The Company was in compliance with all the above as at March 31, 2012.

11. EARNINGS PER SHARE

(thousands)	Three months ended March 31 **2012**	2011
Weighted average common shares used in calculation of basic earnings per share	**30,330**	30,608
Effect of dilution related to executive stock options	**1,122**	1,080
Weighted average common shares used in calculation of diluted earnings per share	**31,452**	31,688

12. OPERATING SEGMENT INFORMATION

The Company has two reportable segments – Broadcasting and Corporate and Other. The Broadcasting segment consists of the operations of the Company's radio and television licences. This segment derives its revenue from the sale of broadcast advertising. This reportable segment is a strategic business unit that offers different services and is managed separately. The Company evaluates performance based on earnings before interest, taxes, depreciation and amortization. Corporate and Other consists of a hotel and the head office functions. Its revenue relates to hotel operations. Details of segment operations are set out below. Results from discontinued operations (note 4) have been excluded from the Broadcasting segment 2011 comparative figures.

(thousands of Canadian dollars)		**Broadcasting**	**Corporate and Other**	**Total**
2012				
Revenue	**$**	**26,607**	**860**	**27,467**
Operating expenses		**19,845**	**2,906**	**22,751**
Depreciation and amortization		**959**	**70**	**1,029**
Operating profit (loss)	**$**	**5,803**	**(2,116)**	**3,687**
Total assets	**$**	**216,370**	**17,153**	**233,523**
Total liabilities		**84,505**	**27,895**	**112,400**
Other disclosures				
Broadcast licences		**157,913**	**—**	**157,913**
Goodwill		**6,109**	**—**	**6,109**
Capital expenditures		**(961)**	**(15)**	**(976)**
2011				
Revenue	$	25,740	813	26,553
Operating expenses		19,430	2,156	21,586
Depreciation and amortization		923	67	990
Operating profit (loss)	$	5,387	(1,410)	3,977
Total assets	$	208,242	21,261	229,503
Total liabilities		78,015	49,734	127,749
Other disclosures				
Broadcast licences		148,801	—	148,801
Goodwill		6,109	—	6,109
Capital expenditures		(863)	(27)	(890)

Transfer agent and registrar
The transfer agent and registrar for the shares of the Company is the CIBC Mellon Trust Company at its offices in Halifax and Toronto.

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

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