Newfoundland Capital Corporation Limited
First Quarter 2013
Period Ended March 31 ***(unaudited)***

Dartmouth, N.S. – May 1, 2013, Newfoundland Capital Corporation Limited ("Company") today announces its financial results for the first quarter ending March 31, 2013.

Highlights

- **Revenue** of $29.1 million was $1.6 million or 6% higher than last year. The majority of the increase was due to organic (same-station) revenue growth.

- **Earnings before interest, taxes, depreciation and amortization ("EBITDA"(1))** of $5.2 million in the quarter were $0.4 million or 9% higher than last year primarily a result of increased revenue and lower stock-based compensation expense.

- **Profit for the period** was $2.1 million as compared to $0.8 million the same period last year. The primary reason for this change was the fluctuations in the mark-to-market value of the Company's marketable securities. In the first quarter of 2013, the Company recognized unrealized gains of $0.2 million compared to unrealized losses of $2.3 million in 2012.

Significant events

- In January, the Company completed the acquisition of an FM radio station in Sydney, Nova Scotia, for total cash consideration of $2.4 million, thereby adding a second station to complement its existing FM station in that city. The Company previously held a 29.9% interest in this station.

- In January, the Company announced that it was exploring the possible sale of its Western Canadian broadcasting assets which are located primarily in Alberta. The assets consist of 32 radio stations, 6 repeater licences and 2 television stations. The Company is continuing this process, however, at this point there is no agreement in place to sell these assets and there is no certainty that any transaction will result from the process.

"Our Broadcasting revenue has continued to show strong growth and continues to outpace the industry growth which was flat compared to the same time last year", commented Rob Steele, President and Chief Executive Officer. "We have integrated the newly acquired Sydney, Nova Scotia radio station with our existing station there and we are currently focusing on launching the new FM stations in Miramichi and Fredericton, New Brunswick."

Financial Highlights – **First Quarter**

(thousands of dollars except share information)	**2013**	2012
Revenue	$ **29,052**	**27,467**
EBITDA(1)	**5,163**	**4,716**
Profit for the period	**2,095**	**781**
Earnings per share – basic	**0.07**	**0.03**
Earnings per share – diluted	**0.07**	**0.02**
Share price, NCC.A (closing)	**9.40**	**7.84**
Weighted average number of shares outstanding *(in thousands)*	**29,183**	**30,330**
Total assets	**232,134**	**233,523**
Long-term debt	**50,952**	**50,759**
Shareholders' equity	**121,465**	**121,123**

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The purpose of the Management's Discussion and Analysis ("MD&A") is to provide readers with additional complementary information regarding the financial condition and results of operations for Newfoundland Capital Corporation Limited (the "Company") and should be read in conjunction with the unaudited condensed interim consolidated financial statements ("interim financial statements") and related notes for the periods ended March 31, 2013 and 2012 prepared in accordance with International Financial Reporting Standards ("IFRS"), as well as the annual audited consolidated financial statements and related notes prepared in accordance with IFRS and the MD&A contained in the Company's 2012 Annual Report. The Company's first quarter 2013 interim financial statements and the accompanying notes have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB") and using the accounting policies described therein. These interim financial statements include the accounts of the Company and other entities in which the Company controls in accordance with IAS 27 "Consolidated and Separate Financial Statements" and are reported in Canadian dollars. These documents along with the Company's Annual Information Form, its Management Proxy Circular dated February 28, 2013 and other public information are filed electronically with various securities commissions in Canada through the System for Electronic Document Analysis and Retrieval ("SEDAR") and can be accessed at www.sedar.com. This information is also available on the Company's website at www.ncc.ca.

The Board of Directors, upon recommendation of the Audit and Governance Committee, approved the content of this MD&A on May 1, 2013. Disclosure contained in this document is current to this date, unless otherwise stated.

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

CORPORATE PROFILE

Newfoundland Capital Corporation Limited owns and operates Newcap Radio, which is one of Canada's leading radio broadcasters with 86 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 71 FM and 15 AM licences which can be heard throughout Canada. Most of our stations are globally accessible via the internet and various mobile device applications, allowing listeners the flexibility to tune in to our stations at anytime from anywhere. The shares of the Company trade on the Toronto Stock Exchange under the symbols NCC.A and NCC.B.

STRATEGY AND OBJECTIVES

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

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

CORPORATE DEVELOPMENTS

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

2013 Developments:

- January – completed the acquisition of CKCH-FM, The Eagle, in Sydney, Nova Scotia.
- January – the Company announced that it was exploring the possible sale of its Western Canadian broadcasting assets which are located primarily in Alberta. At this point, there is no agreement in place to sell these assets and there is no certainty that any transaction will result from the process.
- January – received CRTC approval to convert the Port Au Choix, Newfoundland and Labrador AM station to FM. It was launched in late April.
- March – re-branded CFRK-FM in Fredericton as The New Hot 92.3.
- April – received CRTC approval to convert the Wainwright, Alberta AM station to FM.

2012 Developments:

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

CONSOLIDATED FINANCIAL REVIEW

Consolidated Financial Results of Operations

(thousands of dollars, except percentages and per share data)	**March 31, 2013**	March 31, 2012	**% Change**
Revenue	**$ 29,052**	27,467	6%
Operating expenses	**(23,889)**	(22,751)	5%
EBITDA(1)	**5,163**	4,716	9%
Depreciation, amortization and accretion of other liabilities	**(1,093)**	(1,109)	(1%)
Interest expense	**(986)**	(850)	16%
Other income (expense)	**91**	(2,192)	—
Profit before provision for income taxes	**3,175**	565	462%
Provision for income tax (expense) recovery	**(1,080)**	216	—
Profit for the period	**$ 2,095**	781	168%
Earnings per share			
– Basic	**0.07**	0.03	—
– Diluted	**0.07**	0.02	—

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

Revenue

In the quarter, consolidated revenue of $29.1 million was $1.6 million or 6% higher than last year; this improvement came exclusively from the Broadcasting segment.

Operating expenses

Consolidated operating expenses of $23.9 million were $1.1 million or 5% higher than the first quarter last year. The increase was due to increased variable costs in line with higher revenue and inflation within the Broadcasting segment.

EBITDA

Consolidated EBITDA in the quarter of $5.2 million was $0.4 million or 9% better than last year. The increase was due to the higher revenue in the Broadcasting segment.

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

Depreciation, amortization and accretion of other liabilities

In the quarter, depreciation and amortization expense was higher than 2012 because of a higher asset base. Accretion of other liabilities arises from discounting Canadian Content Development ("CCD") commitments to reflect the fair value of the obligations. The expense decreases as CCD obligations are drawn down.

Interest expense

Interest expense in the first quarter was higher than the prior year primarily because of the amount of interest that is being transferred from OCI to profit due to the accounting for interest rate swaps. Upon making amendments to one of the Company's interest rate swaps in 2012, a portion of the fair value payable of the amended swap was blended into the new fixed rate of interest of the swap. That amount is being transferred from OCI to profit over the original expiry date of the swap which is May 2013. In the quarter, $0.3 million was transferred from OCI to profit (2012 – $Nil).

Other income (expense)

Other income (expense) generally consists of gains and losses, realized and unrealized, on the Company's marketable securities. In the first quarter of 2013, the Company recognized mark-to-market unrealized gains of $0.2 million compared to unrealized losses of $2.3 million in the first quarter of 2012. As part of the acquisition in Sydney, Nova Scotia, the Company recognized acquisition-related CCD costs of $0.2 million in Other income (expense). Refer to note 5 in the interim financial statements for additional details.

Provision for income taxes

The provision for income tax expense was higher than 2012 due to higher pre-tax profit. The effective income tax rate was 34% in the quarter compared to the statutory income tax rate which was 31%.

Profit for the period

First quarter profit was $2.1 million as compared to $0.8 million the same period last year. The primary reason for this change was the fluctuations in the mark-to-market value of the Company's marketable securities. In the first quarter of 2013, the Company recognized unrealized gains of $0.2 million compared to unrealized losses of $2.3 million in 2012.

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 2013 were $0.2 million (2012 – $0.3 million).

FINANCIAL REVIEW BY SEGMENT

Consolidated financial figures include the results of operation of the Company's two separately reported segments – Broadcasting and Corporate and Other. The Company provides information about segment revenue and segment EBITDA 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.

Broadcasting Financial Results of Operations

(thousands of dollars, except percentages)		**March 31, 2013**	March 31, 2012	**% Change**
Revenue	**$**	**28,284**	**26,607**	6%
Operating expenses		**(21,082)**	**(19,845)**	6%
EBITDA	**$**	**7,202**	**6,762**	7%
EBITDA margin		**25%**	25%	—

Revenue

Broadcasting revenue in the quarter of $28.3 million was $1.7 million or 6% better than last year. Organic (same-station) growth was 4% in the quarter. The remaining growth was due to incremental revenue from the acquired station in Sydney, Nova Scotia and the Penticton and Kelowna, British Columbia stations acquired in late February 2012. The overall industry growth rate was flat.

The Central Canadian radio properties led the way in revenue growth for the Company achieving an increase of 21% in the quarter.

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 $21.1 million, up $1.2 million or 6% over last year. The increases were mainly due to increased variable costs in line with higher revenue and inflation.

EBITDA
First quarter broadcasting EBITDA of $7.2 million was $0.4 million or 7% better than 2012 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, 2013**	March 31, 2012	**% Change**
Revenue	$	**768**	**860**	(11%)
Operating expenses		**(2,807)**	**(2,906)**	(3%)
EBITDA	$	**(2,039)**	**(2,046)**	—

Revenue
Revenue in the first quarter of $0.8 million was slightly lower than last year due to decreased hotel revenue.

Operating expenses
Operating expenses of $2.8 million were $0.1 million or 3% lower than the first quarter last year because of reduced net corporate costs related to non-cash stock-based compensation expense which was $0.3 million lower than 2012.

EBITDA
EBITDA was on par with the same quarter last year as a result of the reduction in operating expenses.

SELECTED QUARTERLY FINANCIAL INFORMATION

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

(thousands of Canadian dollars		**2013**	2012				2011		
except per share data)		**1st**	4th	3rd	2nd	1st	4th	3rd	2nd
Revenue	$	**29,052**	35,459	33,698	34,325	27,466	34,700	31,905	33,448
Profit for the period		**2,095**	7,405	(1,061)	3,759	781	12,975	4,334	5,895
Earnings per share									
– Basic		**0.07**	0.25	(0.04)	0.13	0.03	0.43	0.14	0.19
– Diluted		**0.07**	0.24	(0.04)	0.12	0.02	0.41	0.14	0.19

Selected cash flow information – three months ended March 31, 2013
In the quarter, cash flows from operating activities of $2.1 million combined with net borrowings of $3.9 million were used to purchase broadcasting assets in Nova Scotia for $2.0 million, purchase property and equipment for $1.0 million and pay dividends of $2.6 million.

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.

Capital expenditures and capital budget
The capital expenditures for 2013 are expected to total approximately $5.5 million. The major planned expenditures include the capital costs associated with launching the new FM licences in Miramichi and Fredericton, New Brunswick as well as

general improvements and upgrades. The Company continuously upgrades its broadcast equipment to improve operating efficiencies.

FINANCIAL CONDITION

Total assets

Assets of $232.1 million were $0.3 million lower than December 31, 2012. This was largely due to collection efforts to reduce trade receivables.

Liabilities, shareholders' equity and capital structure

As at March 31, 2013, the Company had $1.3 million of current bank indebtedness outstanding and $50.9 million of long-term debt. The capital structure consisted of 52% equity ($121.5 million) and 48% liabilities ($110.6 million) at quarter end.

LIQUIDITY

Liquidity risk

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

Credit facility and covenants

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 2014. The Company is subject to covenants on its credit facility. The Company's bank covenants include certain maximum or minimum ratios such as total debt to EBITDA ratio, interest coverage and fixed charge coverage ratio. Other covenants include seeking prior approval for acquisitions or disposals in excess of a quantitative threshold. The Company was in compliance with the covenants throughout the quarter and at quarter end.

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

Positive cash balances

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

Working capital requirements

As at March 31, 2013, the Company's working capital was $1.9 million. The cash from current receivables will be sufficient to cover the Company's current obligations to its suppliers and employees and in combination with ongoing cash from operations and the availability of cash from its debt facility, the Company will be able to meet all other current cash requirements as they arise. If cash inflows from customers are not sufficient to cover current obligations, because of timing issues, the Company has access to a $5.0 million operating credit line.

Future cash requirements

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

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

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

There has been no substantial change in the Company's commitments and contractual obligations since the publication of the 2012 Annual MD&A (dated February 28, 2013) with the exception of the increase in long-term debt.

SHARE CAPITAL

Outstanding share data

The weighted average number of shares outstanding at March 31, 2013 was 29,183,000 (2012 – 30,330,000). As of this date, there are 25,441,771 Class A Subordinate Voting Shares ("Class A Shares") and 3,770,322 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, 2012. Dividends of $2.6 million were paid January 31, 2013.

SHARE-BASED COMPENSATION PLANS

Executive stock option plan
During the quarter, no options were granted by the Company (2012 – Nil). Pursuant to the Company's executive stock option plan, 60,000 options were exercised during the first quarter of 2013 using the cashless exercise option resulting in 43,724 shares issued from treasury (2012 – Nil). Compensation expense related to the stock option plan in the quarter was less than $0.1 million (2012 – $0.3 million). Last year's expense was higher than normal as 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. 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, 2013, the compensation expense related to stock appreciation rights ("SARS") was $0.1 million (2012 – recovery of less than $0.1 million). The obligation at quarter end was $0.5 million (2012 – $0.5 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 two interest rate swap agreements with Canadian chartered banks. The aggregate notional amount of the swap agreements was $55.0 million (2012 – $55.0 million). In 2012, the Company completed a blend and extend of its $45.0 million swap agreement to extend the expiry date of the agreement to May 2017 and to take advantage of lower interest rates. The interest rate on this swap was reduced by approximately 200 basis points. Additional details on this are provided in note 10(b) of the interim financial statements. The $10.0 million swap expires in June 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 aggregate fair value payable of the swap agreements was $1.1 million (2012 – $1.9 million). Hedge accounting applies for a notional amount of $50.0 million. The net change in OCI was $0.2 million in the quarter (2012 – $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 gains recorded in first quarter profit were $0.1 million (2012 – $0.1 million before-tax losses). The estimated fair value of the equity total return swap receivable, classified as current other asset, at March 31, 2013 was $0.8 million (2012 – $0.8 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 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 - Offsetting Financial Instruments

The Company adopted these amendments on January 1, 2013. The amendments require an entity to disclose information about rights to set-off and related arrangements. The new disclosures are for all recognized financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognized financial instruments subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments gave rise to minimal additional disclosure only, in note 10 of the interim financial statements.

IFRS 10 Consolidated Financial Statements

IFRS 10 was adopted by the Company on January 1, 2013. It 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 require management to exercise significant judgment to determine which entities are controlled, and therefore are required to be consolidated by a parent. There was no impact on the Company's results or disclosures as a result of adopting this standard.

IFRS 11 Joint Arrangements

The Company adopted IFRS 11 on January 1, 2013. 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. The Company does not currently have any interest in joint ventures and therefore there were no implications as a result of adopting this new standard.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 was adopted on January 1, 2013 by the Company. 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. There was no impact on the Company resulting from the adoption of this standard.

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. There were no changes to the Company's financial results or disclosures as a result of adopting these amendments on January 1, 2013.

IFRS 13 Fair Value Measurement

IFRS 13 was adopted on January 1, 2013. This standard 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. There was no impact on the Company's financial results or disclosures as a result of adopting IFRS 13.

Employee Benefits (amendments to IAS 19)

On January 1, 2013 the Company adopted the 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 impact of adopting these amendments has been minimal.

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. An entity will show separate subtotals for those elements that may be reclassified to profit and loss, and those elements that will not. The Company adopted these amendments on January 1, 2013 and it will present separate sub-totals for its cash flow hedge OCI amounts, which are reclassified to profit and loss, and a separate subtotal for actuarial gains and losses which do not get reclassified through profit and loss. This had a presentation impact only on the Company's Statement of Other Comprehensive Income.

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.

CRITICAL ACCOUNTING ESTIMATES

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

OFF-BALANCE SHEET ARRANGEMENTS

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

RISKS AND OPPORTUNITIES

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

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

There were no changes in the Company's internal controls over financial reporting that occurred in the three months ending March 31, 2013 that have materially affected, or are likely to materially affect, the Company's internal controls over financial reporting.

OUTLOOK

Broadcasting revenue to-date in 2013 has been strong. The Company will continue to manage fixed and discretionary costs to deliver strong EBITDA and EBITDA margins and this operating philosophy will be maintained throughout 2013.

The focus currently is on the launch of the two new FM stations in Miramichi and Fredericton, New Brunswick.

Over the years, the Company has focused strongly on expansionary activity. The Company has also always strived to maximize shareholder value and to that end, the Company is exploring the possible divestiture of its broadcasting assets in Western Canada. Should the Company reach an agreement at a value it considers appropriate, the use of proceeds will be determined by the Board of Directors in the best interests of the Company and its shareholders. This may include reinvesting in geographic areas closer to its base in Atlantic Canada, reducing debt or returning capital to its shareholders. At this time, management would like to caution investors as no agreement is in place to sell these assets and there is no certainty that any transaction will result from this current process.

The Company is committed to follow its successful operating strategy in the future. It is also committed to being actively involved with events that are important to the communities served by the Company and maintaining the close relationships formed with advertisers and listeners alike. The Company's success is attributable to the management team and employees who are some of the most talented in the industry.

Non-IFRS Accounting Measure

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

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

	Three months ended March 31	
(thousands of Canadian dollars)	***2013***	*2012*
Profit for the period	***$ 2,095***	*781*
Provision for income tax expense (recovery)	***1,080***	*(216)*
Other (income) expense	***(91)***	*2,192*
Interest expense	***986***	*850*
Depreciation, amortization and accretion of other liabilities	***1,093***	*1,109*
EBITDA	***$ 5,163***	*4,716*

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

Newfoundland Capital Corporation Limited
Notice of Disclosure of Non-Auditor Review of Interim Financial Statements for the three months ended March 31, 2013 and 2012

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

The accompanying unaudited condensed interim consolidated financial statements ("interim financial statements") of the Company for the three months ended March 31, 2013 and 2012 have been prepared in accordance with International Financial Reporting Standards and are the responsibility of the Company's management.

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

Dated this 1st day of May, 2013

Interim Condensed Consolidated Statements of Financial Position

(thousands of Canadian dollars)	Notes		**March 31 2013**	December 31 2012
Assets				
Current assets				
Marketable securities	10(a)	$	**4,461**	4,244
Receivables	10		**23,532**	26,971
Prepaid expenses			**1,098**	1,281
Other assets	10(c)		**830**	736
Total current assets			**29,921**	33,232
Non-current assets				
Property and equipment	5		**36,304**	35,251
Other assets	5		**300**	2,292
Broadcast licences	5		**154,217**	151,830
Goodwill	5		**7,422**	6,109
Deferred income tax assets			**3,970**	3,682
Total assets		$	**232,134**	232,396
Liabilities and Shareholders' Equity				
Current liabilities				
Bank indebtedness		$	**1,309**	429
Accounts payable and accrued liabilities			**13,677**	16,174
Dividends payable			**—**	2,625
Income taxes payable			**13,019**	15,008
Total current liabilities			**28,005**	34,236
Non-current liabilities				
Long-term debt			**50,952**	47,904
Other liabilities	8,10(b)		**11,971**	12,026
Deferred income tax liabilities			**19,741**	19,102
Total liabilities			**110,669**	113,268
Shareholders' equity			**121,465**	119,128
Total liabilities and shareholders' equity		$	**232,134**	232,396

See accompanying notes to the interim financial statements

Interim Condensed Consolidated Income Statements
(unaudited)

(thousands of Canadian dollars, except per share data)	Notes		Three months ended March 31 **2013**	2012
Revenue		$	**29,052**	27,467
Operating expenses			**(23,889)**	(22,751)
Depreciation, amortization and accretion of other liabilities			**(1,093)**	(1,109)
Interest expense			**(986)**	(850)
Other income (expense)	5, 10(a)		**91**	(2,192)
Profit before provision for income taxes			**3,175**	565
Provision for income tax (expense) recovery				
Current			**(1,053)**	(252)
Deferred			**(27)**	468
			(1,080)	216
Profit for the period		$	**2,095**	781
Earnings per share	11			
– basic		$	**0.07**	0.03
– diluted			**0.07**	0.02

See accompanying notes to the interim financial statements

Interim Condensed Consolidated Statements of Comprehensive Income
(unaudited)

(thousands of Canadian dollars)	Notes		Three months ended March 31 **2013**	2012
Profit for the period		$	**2,095**	781
Other comprehensive income:				
Cash flow hedges:				
Net movement on interest rate swaps	10(b)		**306**	459
Income tax expense			**(84)**	(123)
Other comprehensive income that will be reclassified to profit and loss in subsequent periods			**222**	336
Comprehensive income		$	**2,317**	1,117

See accompanying notes to the interim financial statements

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

(unaudited)

(thousands of Canadian dollars)		**Issued share capital (note 6)**	**Contributed surplus (note 7)**	**Accumulated other comprehensive loss**	**Retained earnings**	**Total**
Balance at January 1, 2013	$	38,079	2,614	(1,630)	80,065	119,128
Profit for the period		—	—	—	2,095	2,095
Other comprehensive income		—	—	222	—	222
Total comprehensive income		—	—	222	2,095	2,317
Executive stock option compensation expense		—	20	—	—	20
Balance at March 31, 2013	**$**	**38,079**	**2,634**	**(1,408)**	**82,160**	**121,465**

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, 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				336	781	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

Interim Condensed Consolidated Statements of Cash Flows
(unaudited)

(thousands of Canadian dollars)	Notes	Three months ended March 31 2013	2012
Operating Activities			
Profit before provision for income taxes		**$ 3,175**	565
Items not involving cash			
Depreciation, amortization and accretion of other liabilities		**1,093**	1,109
Share-based compensation expense	8	**95**	305
Unrealized losses (gains) on marketable securities	10(a)	**(217)**	2,304
Other		**225**	(87)
		4,371	4,196
Net change in non-cash working capital		**1,420**	4,325
		5,791	8,521
Interest paid		**(676)**	(1,051)
Income taxes paid		**(3,041)**	(5,442)
Net cash flows from operating activities		**2,074**	2,028
Financing Activities			
Change in bank indebtedness		**880**	(1,325)
Long-term debt borrowings		**3,000**	10,500
Dividends paid	6	**(2,625)**	(2,730)
		1,255	6,445
Investing Activities			
Acquisition of broadcasting assets	5	**(2,040)**	(6,978)
Property and equipment additions		**(1,002)**	(976)
Canadian Content Development commitment payments		**(262)**	(476)
Other		**(25)**	(43)
		(3,329)	(8,473)
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 1, 2013.

2. BASIS OF PREPARATION

Statement of compliance

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

These interim financial statements have been prepared in accordance with those IFRS standards and IFRS Interpretations Committee ("IFRIC") interpretations issued and effective or issued and early adopted as at the date of these statements (May 1, 2013). All amounts are expressed in Canadian dollars, rounded to the nearest thousand (unless otherwise specified). The functional currency of the Company and each of its subsidiaries is the Canadian dollar.

3. NEW ACCOUNTING STANDARDS ADOPTED

These are the new accounting standards adopted by the Company in 2013.

IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Instruments
The Company adopted these amendments on January 1, 2013. The amendments require an entity to disclose information about rights to set-off and related arrangements. The new disclosures are for all recognized financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognized financial instruments subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments gave rise to minimal additional disclosure only, in note 10 of the interim financial statements.

IFRS 10 Consolidated Financial Statements
IFRS 10 was adopted by the Company on January 1, 2013. It 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 require management to exercise significant judgment to determine which entities are controlled, and therefore are required to be consolidated by a parent. There was no impact on the Company's results or disclosures as a result of adopting this standard.

IFRS 11 Joint Arrangements
The Company adopted IFRS 11 on January 1, 2013. 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. The Company does not currently have any interest in joint ventures and therefore there were no implications as a result of adopting this new standard.

3. NEW ACCOUNTING STANDARDS ADOPTED *(continued)*

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 was adopted on January 1, 2013 by the Company. 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. There was no impact on the Company resulting from the adoption of this standard.

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. There were no changes to the Company's financial results or disclosures as a result of adopting these amendments on January 1, 2013.

IFRS 13 Fair Value Measurement

IFRS 13 was adopted on January 1, 2013. This standard 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. There was no impact on the Company's financial results or disclosures as a result of adopting IFRS 13.

Employee Benefits (amendments to IAS 19)

On January 1, 2013 the Company adopted the 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 impact of adopting these amendments has been minimal.

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. An entity will show separate subtotals for those elements that may be reclassified to profit and loss, and those elements that will not. The Company adopted these amendments on January 1, 2013 and it will present separate sub-totals for its cash flow hedge OCI amounts, which are reclassified to profit and loss, and a separate subtotal for actuarial gains and losses which do not get reclassified through profit and loss. This had a presentation impact only on the Company's Statement of Other Comprehensive Income.

4. 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.

5. ACQUISITION OF BROADCASTING ASSETS

Business Acquisition – 2013

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

5. ACQUISITION OF BROADCASTING ASSETS *(continued)*

Business Acquisition – 2013 *(continued)*
Total consideration was $4,425,000 and this was made up of the fair value of the initial 29.9% investment of $600,000, the assumption of a note having a fair value of $1,425,000 and cash paid of $2,400,000. The major net assets acquired included the FM broadcast licence, property and equipment and a small amount of working capital. Trade accounts receivable having a gross contractual amount receivable of $246,000 were included in working capital. The contractual cash flows not expected to be collected were estimated to be $34,000 and this was factored in the determination of fair value. The purchase price allocation, as set out in the table below, has been finalized.

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

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

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

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

Earnings of this acquisition have been included in profit as of the date of acquisition on January 2, 2013. Revenue recognized to-date in the income statement related to the acquisition was $149,000 and the net loss was $181,000, because it includes the $191,000 CCD expensed on the acquisition date.

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

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

5. ACQUISITION OF BROADCASTING ASSETS *(continued)*

Business Acquisitions – 2012 *(continued)*

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

(thousands of Canadian dollars)		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**

6. SHARE CAPITAL

Outstanding share capital

Outstanding share capital was 29,212,093 at March 31, 2013 (2012 – 30,330,137).

Exercise of stock options

Pursuant to the Company's executive stock option plan disclosed in note 8, 60,000 options were exercised during the first quarter of 2013 using the cashless exercise option resulting in 43,724 shares issued from treasury (2012 – Nil).

Dividends

In December 2012, the Company declared a dividend of $0.09 per share on each of its Class A shares and Class B shares. $2,625,000 was paid to shareholders during the first quarter (2012 – $2,730,000).

7. CONTRIBUTED SURPLUS

		Three months ended March 31	
(thousands of Canadian dollars)		**2013**	2012
Balance January 1	$	**2,614**	1,400
Executive stock option plan compensation expense		**20**	340
Balance March 31	$	**2,634**	1,740

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 April 2014 to February 2015. The rights vest at a rate of 50% at the end of year three, 25% at the end of year four and 25% at the end of year five and are exercisable as they vest. At the date of exercise, cash payments are made to the holders based on the difference between the market value of the Company's Class A shares and the reference price. All rights granted under this plan expire on the 60th day following the 5th anniversary of the grant date. As at March 31, 2013, 155,000 rights were outstanding.

No SARS were granted in the first quarters of 2013 or 2012. 15,000 SARS were exercised in the first three months of 2013 for cash proceeds of $56,000 (2012 – 55,000 SARS exercised for cash proceeds of $67,000). Compensation expense in the first quarter was $75,000 (2012 – recovery of $35,000). The total obligation for SARS compensation was $474,000 of which $452,000 was current and classified as accounts payable and accrued liabilities (2012 – compensation payable was $521,000, of which $451,000 was current).

8. SHARE-BASED COMPENSATION PLANS *(continued)*

Executive stock options

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

No options were granted during the first quarter (2012 – Nil) and 60,000 options were exercised (2012 – Nil). Compensation expense related to the stock option plan in the quarter was $20,000 (2012 – $340,000). Last year's amount included a non-cash expense of $301,000 as a result of the Toronto Stock Exchange ("TSX") and Board of Directors' approval in March 2012 to extend the expiry dates of 340,000 stock options by 5 years.

9. EMPLOYEE BENEFIT PLANS

(thousands of Canadian dollars)	Three months ended March 31 **2013**	2012
Defined contribution plan expense	$ **410**	398
Defined benefit plan expense	**99**	84

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 CCD commitments approximated their carrying values as they were recorded at the net present values of their future cash flows, using discount rates ranging from 3.9% to 12.2%. Accretion expense arising on CCD obligations was $41,000 for the quarter (2012 – $80,000).

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	$ **(1,309)**	(1,309)	—	—
Marketable securities	**4,461**	4,461	—	—
Loans and receivables:				
Accounts receivable	**23,532**	—	23,532	—
Equity total return swap receivable	**830**	—	830	—
Items accounted for as hedges:				
Interest rate swap payable	**(1,108)**	—	1,108	—
Other liabilities at amortized cost				
Accounts payable and accrued liabilities, net of current portion of other liabilities	**(12,047)**	—	(12,047)	—
Long-term debt	**(51,000)**	—	(51,000)	—
CCD commitments	**(2,655)**	—	(2,655)	—

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

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

Offsetting financial assets and liabilities

The Company sets off its positive cash balances with bank indebtedness in accordance with its mirror-netting agreement with a Canadian Chartered Bank. Positive cash balances at March 31, 2013 were equal to $579,000 while negative cash balances were $1,888,000 which net to $1,309,000. The Company does not set off any other financial instruments.

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

Credit risk

The Company is subject to normal credit risk with respect to its receivables. A large customer base and geographic dispersion minimize the concentration of credit risk. Credit exposure is managed through credit approval and monitoring procedures. The Company does not require collateral or other security from clients for trade receivables; however the Company does perform credit checks on customers prior to extending credit. Based on the results of credit checks, the Company may require upfront deposits or full payments on account prior to providing service. The maximum credit exposure approximated $24,400,000 as at March 31, 2013, which included accounts receivable and the equity total return swap receivable. The Company reviews its receivables for possible indicators of impairment on a regular basis and as such, it maintains a provision for potential credit losses which totaled $1,130,000 as at March 31, 2013. 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 $120,000 which represents a very small portion of accounts receivable and revenue. The Company believes its provision for potential credit losses is adequate at this time given the current economic circumstances.

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

Market risk

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

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

The fair value of the Company's marketable securities is affected by changes in the quoted share prices in active markets. Such prices can fluctuate and are affected by numerous factors beyond the Company's control. In order to minimize the risk associated with changes in the share price of any one particular investment, the Company diversifies its portfolio by investing in various industries. It also conducts regular financial reviews of publicly available information related to its investments to determine if any identified risks are within tolerable risk levels. As at March 31, 2013, a 10% change in the share prices of each marketable security would result in an estimated $370,000 change in profit.

For the quarter ended March 31, 2013, the change in fair value of marketable securities, recorded in *other income (expense)*, was an unrealized gain of $217,000 (2012 – unrealized loss of $2,304,000).

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 2017. 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. Hedge accounting applies to $50,000,000 of the $55,000,000 notional value.

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

Market risk *(continued)*

b) Interest rate risk management (continued)

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

As at March 31, 2013, the $45,000,000 swap was ineffective for accounting purposes. As a result the change in fair value of the swap, from the time the swap was deemed ineffective in May 2012, is being transferred from OCI to profit. This amounted to an expense of $22,000 in the quarter (2012 – $nil).

At quarter end, the aggregate fair value payable of the swap agreements was $1,108,000, of which $69,000 was classified as a current liability (2012 – $1,935,000; $nil classified as current). The before-tax change in fair value of the swaps included in OCI was a loss of $22,000 (2012 – gain of $505,000). The before-tax interest expense transferred from OCI to profit was $328,000 (2012 – interest recovery of $46,000). The before-tax net expense of $328,000 that was transferred to profit consisted primarily of $344,000 of expense arising from the blend and extend fair value balance noted above, $22,000 expense related to hedge ineffectiveness and these amounts were offset by $33,000 interest recovery related to the de-designated portion of the hedge. In 2012, the before-tax $46,000 interest recovery transferred from OCI to profit arose because of the de-designated portion of the hedge.

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 $460,000. $15,000 of this would have been recorded in OCI with the remaining flowing through profit due to the fact that the $45,000,000 swap was ineffective for accounting purposes as at March 31, 2013.

c) Share price volatility risk management

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

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

In 2011, the Company wound up a large portion of the equity total return swap and amended its terms, extending the expiry date from 2011 to 2013. The amended swap no longer qualifies for hedge accounting and therefore all gains or losses are recorded immediately in profit. The recognition of gains and losses through OCI no longer applies. As at March 31, 2013, there were 233,600 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, 2013 was $830,000 (2012 – $833,000). Gains recorded in profit for the three months ended March 31, 2013 were $93,000 (2012 – losses of $54,000).

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, CCD payments, dividends and other contractual obligations that are disclosed below.

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

Liquidity risk *(continued)*

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

Obligation *(thousands of Canadian dollars)*		**12 months**	**2014 - 2017**	**Thereafter**
Long-term debt	$	**—**	51,000	—
Bank indebtedness		**1,309**	—	—
Accounts payable and accrued liabilities, net of current portion of undiscounted CCD commitments		**12,079**	—	—
Income taxes payable		**13,019**	—	—
CCD commitments, undiscounted		**1,598**	1,739	309
	$	**28,005**	52,739	309

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, 2013.

11. EARNINGS PER SHARE

	Three months ended March 31	
(thousands)	**2013**	2012
Weighted average common shares used in calculation of basic earnings per share	**29,183**	30,330
Effect of dilution related to executive stock options	**1,347**	1,122
Weighted average common shares used in calculation of diluted earnings per share	**30,530**	31,452

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 revenue and segment profit (loss). Corporate and Other consists of a hotel and the head office functions. Its revenue relates to hotel operations. Details of segment operations are set out below.

(thousands of Canadian dollars)		Broadcasting	Corporate and Other	Total
2013				
Revenue	**$**	**28,284**	**768**	**29,052**
Operating expenses		**(21,082)**	**(2,807)**	**(23,889)**
Segment profit (loss)		**7,202**	**(2,039)**	**5,163**
Depreciation, amortization and accretion of other liabilities		**(1,030)**	**(63)**	**(1,093)**
Interest expense		**—**	**(986)**	**(986)**
Other income (expense)		**—**	**91**	**91**
Profit (loss) before provision for Income taxes	**$**	**6,172**	**(2,997)**	**3,175**
Total assets	**$**	**217,842**	**14,292**	**232,134**
Total liabilities		**(55,980)**	**(54,689)**	**(110,669)**
Other disclosures				
Broadcast licences		**154,217**	**—**	**154,217**
Goodwill		**7,422**	**—**	**7,422**
Capital expenditures		**(816)**	**(186)**	**(1,002)**
2012				
Revenue	$	26,607	860	27,467
Operating expenses		(19,845)	(2,906)	(22,751)
Segment profit (loss)		6,762	(2,046)	4,716
Depreciation, amortization and accretion of other liabilities		(1,039)	(70)	(1,109)
Interest expense		—	(850)	(850)
Other income (expense)		—	(2,192)	(2,192)
Profit (loss) before provision for Income taxes		5,723	(5,158)	565
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)

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
Institutional and individual investors seeking financial information about the Company are invited to contact Scott G. M. Weatherby, Chief Financial Officer and Corporate Secretary (902) 468-7557
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web: www.ncc.ca

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

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