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Attention Business/Financial Editors:
Newfoundland Capital Corporation Limited - Second Quarter 2008 - Period Ended June 30 (unaudited)

DARTMOUTH, NS, Aug. 7 /CNW/ - Newfoundland Capital Corporation Limited (the "Company"), one of Canada's leading radio broadcasters, today announces its financial results for the second quarter ended June 30, 2008.

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Highlights Organic growth led to solid increases in broadcasting revenue this quarter.

- Revenue growth of 5% to $27.4 million in the second quarter and growth of 8% to $49.2 million year-to-date was driven by same-station growth in the broadcasting segment.

- Earnings before interest, taxes, depreciation and amortization ("EBITDA"(1)) were $10.4 million in the quarter, ahead of last year by 46% and year-to-date EBITDA of $13.6 million was 87% higher than last year. These increases were primarily attributable to investment income.

- Net income of $6.4 million was $0.6 million higher than the same quarter last year while year-to-date net income of $7.1 million was $6.1 million lower than 2007. During the first two quarters of 2007, gains on disposals of two long-term investments boosted the comparative year's net income.

- A dividend of $0.15 per share was declared by the Board of Directors subsequent to quarter end.

Significant events

- The Company acquired the remaining 50% interest in Metro Radio Group Inc., which operates CKUL-FM in Halifax, Nova Scotia. It also acquired a 29.9% interest in a FM radio station in Nova Scotia. Both transactions were completed on July 2, 2008, for cash consideration of $9.5 million.

- Subsequent to quarter end, the Company announced it has entered into a purchase agreement that would add 12 FM broadcasting licences in Ontario and an agreement to exchange an AM licence in Halifax, Nova Scotia for an AM licence in Sudbury, Ontario. These two transactions are subject to approval by the Canadian Radio-television and Telecommunications Commission ("CRTC") and would represent a net cash outflow of approximately $13.9 million.

- The Company launched three new FM licences in June: Fort McMurray, Alberta and Sydney and Kentville, Nova Scotia.

"We are making significant efforts to improve results in Edmonton and Calgary, Alberta. We were extremely pleased to see in the July ratings that our overall market share in these two cities has increased. This is a very important achievement for us and demonstrates our ability to focus our efforts on increasing listenership", commented Rob Steele, President and Chief Executive Officer. "And while we continue to grow the company organically, we remain focused on expansion plans as evidenced by our recent acquisition announcements and new station launches."

Financial Highlights - Second Quarter

| (thousands of dollars except share information) | 2008 | 2007 |
|---|---|---|

| | | |
|---|---|---|
| Revenue | $ 27,423 | 26,159 |
| EBITDA(1) | 10,436 | 7,158 |
| Net income | 6,371 | 5,807 |
| Earnings per share - basic | 0.58 | 0.53 |
| - diluted | 0.56 | 0.51 |
| Share price, NCC.A (closing) | 19.00 | 19.25 |
| Weighted average number of shares outstanding (in thousands) | 10,991 | 11,062 |
| Total assets | 243,350 | 215,312 |
| Long-term debt | 66,500 | 49,013 |
| Shareholders' equity | 109,747 | 101,215 |

(1) Refer to page 14 for the reconciliation of EBITDA to net income.

## Management's Discussion and Analysis

The following interim discussion and analysis of financial condition and results of operations of Newfoundland Capital Corporation Limited (the "Company") has been prepared as of August 7, 2008. The purpose of the Management's Discussion and Analysis ("MD&A") is to provide readers with additional complementary information regarding the Company's financial condition and results of operations and should be read in conjunction with the unaudited interim consolidated financial statements and related notes for the periods ended June 30, 2008 and 2007 as well as the annual audited consolidated financial statements and related notes and the MD&A contained in the Company's 2007 Annual Report. These documents along with the Company's Annual Information Form and other public information are filed electronically with various securities commissions in Canada through the System for Electronic Document Analysis and Retrieval ("SEDAR") and can be accessed at www.sedar.com.

Management's Discussion and Analysis of financial condition and results of operations contains forward-looking statements. These forward-looking statements are based on current expectations. The use of terminology such as "expect", "intend", "anticipate", "believe", "may", "will", and other similar terminology relate to, but are not limited to, our 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. Readers are cautioned not to place undue reliance on these statements. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

## Corporate Profile

The Company is one of Canada's leading radio broadcasters with 77 licences across Canada. The Company reaches millions of listeners each week through a variety of formats and is a recognized industry leader in radio programming, sales and networking.

## Strategy and Objectives

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

## Corporate Developments

The following is a review of the key corporate developments which should be considered when reviewing the "Consolidated Financial Review" section.

### 2008 developments

- March 3, 2008 - the Company re-launched CIQX-FM in Calgary as XL103-FM, "Calgary's Greatest Hits Radio", featuring classic music from the 60's, 70's, and 80's. Before this, the station played smooth jazz. Ratings results released in July 2008 showed improved market share.

- March 5, 2008 - the Company entered into an agreement with CTV Limited to acquire the remaining 50% interest in Metro Radio Group Inc. for $8.5 million. Metro Radio Group Inc. operates CKUL-FM in Halifax, Nova Scotia. The purchase was finalized July 2, 2008.

- March 28, 2008 - the Company changed the format of one of its FM stations in Edmonton, Alberta. The station now known as Capital-FM plays Classic Hits. Recent ratings were very strong for this station and the Company is eager to continue to grow this station's market share.

- April 7, 2008 - the Company entered into an agreement to purchase a 29.9% interest in a company which operates an FM radio station in Nova Scotia. The transaction closed July 2, 2008 for $1.0 million.

- June, 2008 - the Company launched three new FM stations; Fort McMurray, Alberta, Kentville and Sydney, Nova Scotia. The Fort McMurray and Kentville stations feature Classic Rock while the Sydney station plays Top 40 music.

- July 23, 2008 - the Company announced it had an agreement to exchange radio stations with Rogers Broadcasting Limited (a Division of Rogers Communications Inc. RCI.A and RCI.B) subject to approval from the CRTC. The Company will exchange its AM broadcast licence in Halifax, Nova Scotia and receive in return Rogers' AM licence in Sudbury, Ontario and cash consideration of $5.0 million. Both parties have simultaneously submitted applications for this transfer of assets along with applications requesting conversion of the AM licences to FM.

- July 28, 2008 - the Company announced it had entered into an agreement to acquire 12 English FM radio broadcasting licences in Ontario from Haliburton Broadcasting Group Inc. for $18.95 million, subject to CRTC approval. These assets include stations in Muskoka, North Bay and Timmins. This group of licences is the most significant geographical expansion for the Company since 2002 and considerably expands its reach in Ontario. Ten of these licences are in markets in which there is no other local radio station at present. This adds stability to the acquired revenue base, which at present approximates $8.5 million.

- July 28, 2008 - the CRTC approved the Company's application for a new FM repeating signal in Pincher Creek, Alberta.

### 2007 developments

- February 1, 2007 - the CRTC approved the Company's application to convert its AM signal to FM in Edson, Alberta. The Classic Hits FM station was launched in July 2007.

- March 19, 2007 - the Company successfully launched the new Calgary, Alberta FM station, FUEL 90.3, featuring a Classic Alternative format.

- May 16, 2007 - the Company acquired the minority shareholder's 23.7% interest in 3937844 Canada Inc. for cash consideration of $10.7 million. 3937844 Canada Inc. owns and operates 22 of the Company's 34 licences throughout the province of Alberta.

- July 4, 2007 - the Company received approval by the CRTC to convert its AM licence to FM in Carbonear, Newfoundland and Labrador. The FM station launched early in 2008.

- July 6, 2007 - the CRTC approved the Company's application for two new FM licences in Nova Scotia, one in Sydney and one in Kentville. Both stations were launched in June 2008.

- October 1, 2007 - the Company acquired the 37.8% non-controlling interest in Atlantic Stereo Limited which operates the two FM licences in Moncton, New Brunswick for cash consideration of $6.9 million.

- December 6, 2007 - the CRTC approved a power increase from 1,300 watts to an average effective radiated power of 60,200 watts related to the Company's CHNK-FM licence in Winnipeg, Manitoba. This will allow the licence to be accessible to a larger listening audience, improving its marketability to prospective clients. The power has been increased to approximately 20,000 watts with the increase to full power coverage expected to be completed in the the third quarter of 2008.

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The results of the above acquired or launched stations have been included in the consolidated financial statements since the respective acquisition and launch dates.

Consolidated Financial Review

Revenue

In the quarter consolidated revenue of $27.4 million was $1.3 million or 5% higher than last year. Year-to-date consolidated revenue of $49.2 million was $3.5 million or 8% better. The improvement came exclusively from the broadcasting segment.

Other income (expense)

Other income for the quarter of $5.5 million was higher than last year's $1.2 million and year-to-date other income of $6.4 million was better than last year's net expense of $0.3 million due to positive fluctuations in the valuation of the Company's marketable securities.

Operating expenses

Consolidated operating expenses of $22.4 million were $2.2 million or 11% higher than the second quarter last year. For the six months ended June 30, 2008, consolidated operating expenses of $41.9 million were 10% higher or $3.8 million more than 2007. The increase was all a result of higher costs in the broadcasting segment more fully described below.

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

Consolidated EBITDA in the quarter of $10.4 million was $3.3 million higher than last year's quarter and year-to-date consolidated EBITDA of $13.6 million almost doubled last year's $7.3 million largely due to higher investment income.

More detailed disclosure on revenue, other income, operating expenses and EBITDA are described in the section entitled "Financial Review by Segment".

### Depreciation and amortization

For the quarter and year-to-date, depreciation and amortization expense were on par with 2007.

### Interest expense

Interest expense in the second quarter was $0.2 million higher than the prior year and year-to-date interest was $0.4 million higher due to the Company's higher debt levels as compared to last year.

### 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 in the quarter, and for the six month period, was $0.2 million lower than last year as a result of the expense being higher in the initial years of payment.

### Gain on disposal of equity accounted investment

The Company disposed of its interest in Larche Communications (Kitchener) Inc. on April 12, 2007 for proceeds of $4.0 million which resulted in a $3.8 million gain.

### Gain on Disposal of long-term investment

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

### Income taxes

The effective income tax rate of 23% this quarter and 24% year-to-date was lower than the statutory rate of 36% because the net capital gains are taxed at one-half the normal tax rate.

### Non-controlling interest in subsidiaries' earnings

In the prior period, non-controlling interest in subsidiaries' earnings represented the 23.7% that Standard Radio Inc. held in 3937844 Canada Inc. and the 37.8% that minority shareholders had in Atlantic Stereo Limited. The Company acquired both of these minority interests in 2007. Non-controlling interest accounting was no longer required as of the acquisition dates.

### Net income

Net income in the quarter of $6.4 million was $0.6 million higher than 2007 while year-to-date net income of $7.1 million was $6.1 million lower than last year. During the first two quarters of 2007, gains on disposals of two long-term investments boosted net income while this year benefited from positive fluctuations in the value of marketable securities.

### Other comprehensive income ("OCI")

OCI consists of the net change in the fair value of the Company's cash flow hedges and assets available-for-sale. Cash flow hedges include interest rate swaps and an equity total return swap. The net change in the fair value of the interest rate swaps recorded in OCI in the quarter was an after-tax increase of $0.1 million (2007 - $0.2 million) and an after-tax decrease of $0.3 million year-to-date (2007 - increase of $0.2 million). The net change in the fair value of the equity total return swap recorded in OCI was an after-tax decrease of $0.2 million in the quarter (2007 - increase of $0.1 million) and an after-tax decrease of $0.3 million year-to-date (2007 - increase of $0.4 million). The asset available-for-sale was the investment in

Halterm Income Fund Trust Units which was disposed of in January 2007. The disposition resulted in an after-tax gain of $8.9 million which was transferred from OCI to net income in the first quarter of 2007.

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 income because these financial measures are used by its key decision makers in making operating decisions and evaluating performance. For additional information about the Company's segmented information, see Note 10 of the Company's unaudited interim consolidated financial statements.

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Financial Results by Segment
(thousands of dollars, except percentages)

| | Three months ended June 30 | | | Six months ended June 30 | | |
|---|---|---|---|---|---|---|
| | 2008 | 2007 | Growth | 2008 | 2007 | Growth |
| Revenue | | | | | | |
| Broadcasting | $26,544 | 25,275 | 5% | 47,546 | 44,003 | 8% |
| Corporate and other | 879 | 884 | (1%) | 1,615 | 1,674 | (4%) |
| Consolidated revenue | 27,423 | 26,159 | 5% | 49,161 | 45,677 | 8% |
| Other income (expense) | | | | | | |
| Corporate and other | 5,451 | 1,221 | - | 6,385 | (293) | - |
| Consolidated revenue and other income | 32,874 | 27,380 | 20% | 55,546 | 45,384 | 22% |
| Operating expenses | | | | | | |
| Broadcasting | 19,600 | 17,338 | 13% | 36,673 | 32,751 | 12% |
| Corporate and other | 2,838 | 2,884 | (2%) | 5,252 | 5,381 | (2%) |
| Consolidated operating expenses | 22,438 | 20,222 | 11% | 41,925 | 38,132 | 10% |
| EBITDA | | | | | | |
| Broadcasting | 6,944 | 7,937 | (13%) | 10,873 | 11,252 | (3%) |
| Corporate and other | 3,492 | (779) | - | 2,748 | (4,000) | - |
| Consolidated EBITDA | $10,436 | 7,158 | 46% | 13,621 | 7,252 | 88% |

| EBITDA Margins | 2008 | 2007 | Growth | 2008 | 2007 | Growth |
|---|---|---|---|---|---|---|
| Broadcasting | 26% | 31% | (5%) | 23% | 26% | (3%) |
| Consolidated | 32% | 26% | 6% | 25% | 16% | 9% |

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Broadcasting segment

The broadcasting segment derives its revenue from the sale of broadcast advertising from its 77 licences across the country. The performance of all reporting units within this segment is evaluated based on the same financial measure - EBITDA.

Broadcasting revenue in the quarter of $26.5 million was $1.3 million or 5% better than last year while year-to-date broadcasting revenue of $47.5 million was $3.5 million or 8% ahead of last year. Organic (same-station) operations accounted for over 4% of the quarterly growth and 7% of the year-over-year growth. The most significant contributors to organic growth in the quarter and year-to-date were the Ottawa, Ontario radio stations with a 26% and 31% increase, respectively, over the same periods last year. Also contributing to organic revenue was the group of properties in Alberta. Incremental revenue was generated by the Calgary, Alberta FM licence, launched in March 2007, and the new FM in Lac La Biche, Alberta launched in December 2007.

Radio revenue throughout major markets in Canada is measured by The Trans-Canada Radio Advertising by Market ("TRAM"). When comparing growth rates to those reported by TRAM for the three months ended June 30, 2008, the Company is outpacing the industry's 3% growth rate. The same comparison on a year-to-date basis shows the Company again outpacing the industry's rate of 6%.

For the quarter, broadcasting operating expenses were $19.6 million, up $2.3 million or 13% over last year. Year-to-date broadcasting operating expenses of $36.7 million were $3.9 million or 12% higher than last year. In the first quarter, and as previously disclosed, the Company re-formatted two stations in Alberta. Calgary's "California 103" Smooth Jazz and Blues station was re-launched as "XL103-FM" playing Classic Hits. Edmonton's Country station, "Big Earl", was also re-launched as "Capital-FM" playing Classic Hits. As a result of these changes in two very important markets, the Company spent approximately $0.3 million more on advertising and marketing than it normally would have. These expenditures, along with higher variable costs in line with higher broadcasting revenue, explain a good portion of the total increase in operating expenses. The remaining increase in operating expenses was a result of the recognition of eighteen months worth of CRTC Part II Licence fees, as described below.

In the third quarter of 2007, the Company ceased to accrue CRTC Part II Licence fees in accordance with a court ruling at that point in time. On April 28th, 2008, the Federal Court of Appeal reversed the original decision and found that the fees are a valid regulatory charge. As a result of this decision, this quarter the Company recognized the obligation as it pertains to these fees retroactively to January 1, 2007. Had the Company continued accounting for the fees, operating expenses in the quarter would have been $0.7 million lower and $0.6 million lower year-to-date.

Eliminating the one time effect of the Part II fees and the additional marketing costs, broadcasting EBITDA would have been $7.9 million, comparable to the second quarter last year. Year-to-date broadcasting EBITDA would have been $11.8 million, $0.5 million or 5% better. In the quarter, organic EBITDA growth would have been 2% and for the year it would have been 7%. Ottawa, Ontario and small market stations in Alberta were the main contributors to same-station growth.

Corporate and other segment

The corporate and other segment derives its revenue from hotel operations. Corporate and other also includes other income and expenses attributed to head office functions and investment income from the Company's portfolio of marketable securities, the results of which are heavily dependent on market conditions.

Corporate and other revenue in the second quarter of $0.9 million was on par with last year's revenue while year-to-date revenue of $1.6 million was slightly lower than 2007, due to a slight decrease in hotel revenue experienced in the first quarter.

Other income is solely derived from this operating segment. It consists of realized and unrealized gains and losses related to marketable securities, interest, dividends and distributions from investments. Other income in the quarter was $4.2 million higher than the same period last year while the year-to-date amount was $6.7 million better. The value of marketable securities increased compared to the same periods in 2007. For additional information, refer to Note 8 of the unaudited interim consolidated financial statements.

Corporate and other operating expenses of $2.8 million in the quarter and $5.3 million year-to-date were on par with the same periods last year.

Second quarter corporate and other EBITDA was $4.3 million better than the same period last year and $6.7 million higher on a year-to-date basis because of the positive fluctuation in the valuation of marketable securities.

Subsequent to quarter end, the Canadian trading market experienced general declines and as a result the value of the Company's marketable securities also declined. If the market does not rebound, corporate and other EBITDA will be negatively impacted in the third quarter.

Selected Quarterly Financial Information

The Company's revenue is derived primarily from the sale of advertising airtime which is subject to seasonal fluctuations. The first quarter of the year is generally a period of lower retail spending while the fourth quarter is a period of higher retail spending. Other factors affecting the variability of net income in the quarters presented below are as follows. In 2006, the third quarter was negatively impacted by a $1.6 million decline in the value of marketable securities. The 2007 first quarter's net income was impacted by the $10.8 million gain on disposal of the Halterm Income Fund Trust Units and the second quarter was affected by the $3.8 million gain on disposal of the equity accounted investment in Larche Communications (Kitchener) Inc. The second quarter in 2008 was impacted by a positive fluctuation of $4.8 million in the value of marketable securities.

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| (thousands of dollars except per share data) | 2008 | | 2007 | | | | 2006 | |
|---|---|---|---|---|---|---|---|---|
| | 2nd | 1st | 4th | 3rd | 2nd | 1st | 4th | 3rd |
| Revenue | $27,423 | 21,738 | 27,736 | 25,405 | 26,159 | 19,518 | 28,064 | 22,788 |
| Net income | 6,371 | 722 | 5,766 | 1,332 | 5,807 | 7,408 | 3,285 | 9 |
| Earnings per share | | | | | | | | |
| - Basic | 0.58 | 0.07 | 0.52 | 0.12 | 0.53 | 0.67 | 0.29 | 0.00 |
| - Diluted | 0.56 | 0.06 | 0.50 | 0.12 | 0.51 | 0.64 | 0.28 | 0.00 |

Liquidity and capital resources

Selected cash flow information - three months ended June 30, 2008

Cash from operating activities of $4.3 million combined with net long-term debt borrowings of $2.0 million were used largely to finance property and equipment additions of $2.5 million, to repurchase capital stock for $1.8 million and to fund the launch of the three new FM radio stations.

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

The cash from operating activities of $1.1 million combined with long-term debt borrowings of $9.0 million and the $4.0 million proceeds from the disposition of the equity accounted investment were used to buy the non-controlling interest in 3937844 Canada Inc. for $10.7 million, and to repurchase capital stock for $3.7 million.

Selected cash flow information - six months ended June 30, 2008

Cash from operating activities of $4.0 million combined with net long-term debt proceeds of $5.5 million were used mainly to finance property and equipment additions of $4.1 million, to repurchase capital stock for $1.8 million, to pay CCD in the amount of $1.1 million and to fund the recent launch of three new FM stations.

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

The aggregate proceeds of $18.5 million from the disposals of Halterm Income Fund Trust Units and the equity accounted investment were primarily used to acquire the non-controlling interest in 3937844 Canada Inc. for $10.7 million, to repurchase capital stock of $3.7 million and to purchase property and equipment of $1.8 million.

Expenditures in capital assets in the second quarter and year-to-date were due to the recent new station launches in Sydney and Kentville, Nova Scotia and Fort McMurray, Alberta. Last year's capital expenditures related mostly to the launch of FUEL-FM in Calgary, Alberta.

The Company expects its level of cash flow and the availability of its credit facility to be sufficient to fund working capital, capital expenditures, contractual obligations, the purchase commitments previously disclosed and other cash requirements as described above. The Company intends to increase the availability of its credit facility to fund the Haliburton acquisition.

Credit facility and capital structure

The Company's syndicated credit facility has not changed since the publication of the 2007 Annual Report. The $80.0 million revolving credit facility is intended to be renewed prior to the maturity date in June 2010. This type of credit facility provides flexibility because there are no scheduled repayment terms. Covenants for the facility require that the Company maintain certain financial ratios. The Company was in compliance with the covenants throughout the quarter and at quarter end, and expects to be for the foreseeable future. As at June 30, 2008 the Company had $2.4 million of current bank indebtedness outstanding and $66.5 million of long-term debt, of which less than $0.1 million was current. Working capital was $19.6 million compared to $13.6 million as at December 31, 2007; the improved working capital balance was due to the increase in current assets.

Commitments and Contractual Obligations

In addition to the Company's contractual obligations disclosed in the 2007 Annual Report, the Company has new commitments related to:

- CCD commitments that arose on the launch of the three new FM stations; and

- the previously disclosed business acquisitions and the purchase and asset exchange agreements, disclosed under the "Corporate Developments" section.

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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.

Financial Condition

Capital employed and capital structure

Assets at quarter end totalled $243.4 million, up from $231.3 million at December 31, 2007 primarily due to increased current assets and capital assets. At quarter end the capital structure consisted of 45% equity ($109.7 million) and 55% debt ($133.6 million). Total bank debt is 63% of equity, compared to the year end ratio of 59%. The total bank debt to EBITDA ratio calculated in accordance with the Company's credit facility was 3.6 to 1.

Share repurchases

The Company has approval under a Normal Course Issuer Bid to repurchase up to 491,630 Class A Subordinate Voting Shares ("Class A shares") and 62,906 Class B Common Shares. This bid expires February 7, 2009. In the second quarter and year-to-date, the Company repurchased for cancellation 100,000 of its outstanding Class A shares for a total cost of $1.8 million. In 2007, 198,800 Class A shares were repurchased in the first quarter for a total cost of $3.7 million. Capital stock was reduced by $0.4 million (2007 - $0.8 million) and retained earnings by $1.4 million (2007 - $2.9 million).

Outstanding share data

The weighted average number of shares outstanding was 10,991,000 as compared to last year's 11,062,000; the reduction mainly due to the repurchase of 100,000 Class A shares pursuant to the Normal Course Issuer Bid. As at August 7, 2008, there are 9,733,189 Class A shares and 1,257,551 Class B Common Shares outstanding.

Executive Compensation

Executive stock option plan

Compensation expense related to stock options for the three months ended June 30, 2008 was less than $0.1 million (2007 - $0.1 million) and year-to-date was $0.1 million (2007 - $0.2 million). Refer to Note 4 of the unaudited interim consolidated financial statements for further details relating to the executive stock option plan.

Stock appreciation rights plan

For the three months ended June 30, 2008, the compensation expense related to stock appreciation rights ("SARs") and the liability were reduced by $0.1 million. For the same quarter last year, SARs compensation expense was $0.1 million. Year-to-date compensation expense was less than $0.1 million (2007 - $0.2 million) and the total obligation included in other liabilities was $0.8 million (2007 - $0.3 million). Refer to Note 6 of the unaudited interim consolidated financial statements for further details relating to SARs.

### Adoption of new accounting policies

Effective January 1, 2008, the Company adopted the recommendations of the following Canadian Institute of Chartered Accountants ("CICA") Handbook Sections: Section 1535 Capital Disclosures, Section 3862 Financial Instruments - Disclosures and Section 3863 Financial Instruments - Presentation. The changes in the accounting policies relate to disclosure and presentation only and did not have an impact on the Company's financial results.

### Section 1535 Capital Disclosures

This Section requires disclosure on information about the entity's objectives, policies and processes for managing capital and whether the entity has complied with externally imposed capital requirements.

### Section 3862 Financial Instruments - Disclosures & Section 3863 Financial Instruments - Presentation

These Sections replace Section 3861 Financial Instruments - Disclosure and Presentation by revising and enhancing disclosure requirements while carrying forward the presentation requirements. The Sections increase the emphasis on disclosing the nature and extent of risks arising from financial instruments and how the entity manages those risks.

Refer to Note 8 of the unaudited interim consolidated financial statements for further details respecting the impact of adopting these new disclosure requirements.

### Derivative Financial Instruments and Financial Risk Management

For more detailed disclosures about derivative financial instruments and financial risk management, refer to Note 8 of the unaudited interim consolidated financial statements.

### Interest rate risk management

To hedge its exposure to fluctuating interest rates on its long-term debt, the Company has entered into 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 $60.0 million (2007 - $25.0 million). The Company formally assesses effectiveness of the swaps at inception and on a regular basis and has concluded that the swaps are effective in offsetting changes in interest rates. The aggregate fair value of the swap agreements, which represents the amount that would be payable by the Company if the agreements were terminated at June 30, 2008, was $0.5 million (2007 - receivable of $0.2 million). After-tax unrealized income of $0.1 million (2007 - $0.2 million) was recognized in OCI for the second quarter while the year-to-date unrealized expenses recorded in OCI were $0.3 million (2007 - unrealized income of $0.2 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 income in the same period as the SARs compensation expense. Unrealized gains and losses, to the extent that the hedge is effective, are deferred and included in OCI until such time as the hedged item affects net income. If at any time, the hedge is deemed to be ineffective or the hedge is terminated or de-designated, gains or losses, including those previously recognized in OCI, will be recorded in net income immediately.

The Company has concluded that this cash flow hedge is effective. The estimated fair value of the equity total return swap receivable at June 30, 2008 was $0.6 million (2007 - $0.7 million). After-tax unrealized losses of $0.2 million (2007 - unrealized gains of less than $0.1 million) were recognized in OCI for the second quarter and year-to-date unrealized losses recorded in OCI were $0.3 million (2007 - unrealized income of $0.4 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 stocks in varying 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. The Company has no exposure with regard to asset-backed instruments. As at June 30, 2008, a 10% change in the share prices of the Company's marketable securities would result in a $1.9 million after-tax change in net income.

Credit risk management

Credit exposure on financial instruments arises from the possibility that a counterparty to an instrument in which the Company is entitled to receive payment fails to perform. Credit exposure is managed through credit approval and monitoring procedures.

With regard to the interest rate swaps and the equity total return swap, the Company does not anticipate any counterparties that it currently transacts with will fail to meet their obligations as the counterparties are Canadian Chartered Banks.

The Company is subject to normal credit risk with respect to its receivables. A large customer base and geographic dispersion minimize credit risk. 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.

At June 30, 2008 and 2007, there was minimal credit exposure to the Company.

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. Given the Company's available liquid resources as compared to the timing of the payments of liabilities, management assesses the Company's liquidity risk to be low.

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.

### Future Accounting Policy Changes

In January 2006, the Accounting Standards Board ("AcSB") approved its strategic plan for financial reporting in Canada. For publicly reportable enterprises, Canadian generally accepted accounting principles ("GAAP") will converge with International Financial Reporting Standards ("IFRS") over a five year period between 2006 and 2011 after which Canadian GAAP will be replaced altogether by IFRS. The Company will continue to monitor the effects of this transition.

The Accounting Standards Board approved new Section 3064 Goodwill and Intangible Assets replacing Section 3062 Goodwill and Other Intangible Assets and Section 3450 Research and Development. This Section establishes the standard for recognition, measurement, presentation and disclosure of goodwill and intangible assets. This Section will be adopted by the Company effective January 1, 2009. The adoption of this Section will represent a change in how the Company accounts for its pre-operating costs related to new station launches. Currently, pre-operating costs are capitalized and amortized over the term of the broadcast licence. Capitalization of these costs will no longer be appropriate and therefore will be recorded in net income as incurred. For pre-operating balances that exist on January 1, 2009, they will be accounted for in accordance with Section 1506 Accounting Changes.

### Subsequent Events

On July 2, 2008, the Company acquired the remaining 50% interest in Metro Radio Group Inc. which owns and operates CKUL-FM in Halifax, Nova Scotia. Total cash consideration was $8.5 million.

On July 2, 2008, the Company bought a 29.9% interest in a company that operates an FM radio station in Nova Scotia for $1.0 million.

On July 23, 2008, the Company announced it had an agreement to exchange radio stations with Rogers Broadcasting Limited (a Division of Rogers Communications Inc. RCI.A and RCI.B) subject to approval from the CRTC. The Company will exchange its AM broadcast licence in Halifax, Nova Scotia and receive in return Rogers' AM licence in Sudbury, Ontario and cash consideration of $5.0 million.

On July 28, 2008, the Company announced it had entered into an agreement to acquire 12 English FM radio broadcasting licences in Ontario from Haliburton Broadcasting Group Inc. for $18.95 million, subject to CRTC approval.

On August 7, 2008, the Company declared dividends of $0.15 per share on each of its Class A shares and Class B Common shares payable October 3, 2008 to shareholders of record as at September 5, 2008.

### Critical Accounting Estimates

There has been no substantial change in the Company's critical accounting estimates since the publication of the 2007 Annual Report.

### Risks and Opportunities

There has been no substantial change in the Company's risks and opportunities since the publication of the 2007 Annual Report except as it relates to CRTC Licence fees, as described below.

Since 2001, the CRTC has levied Part II licence fees on all Canadian broadcasters. Broadcasters paid these fees in protest until December 15, 2006, when the Federal Court rendered a decision stating that the Part II licence fees were an illegal tax. In the third quarter of 2007, the Company deemed that because there had been no appeal of the December 2006 ruling that it was no longer appropriate to accrue for these fees in its results. The fees recognized in 2007 were reversed and the Company discontinued accruing the fees on a go forward basis.

On May 6, 2008, the Canadian Association of Broadcasters ("CAB") issued a news release stating that on April 28th, 2008, the Federal Court of Appeal reversed the Trial Court decision on the CAB's Part II Licence Fee challenge, and found that the fees are a valid regulatory charge. As a result of this decision, the Company has determined that the Part II fees meet the definition of a liability and has recognized the obligation as it pertains to these fees retroactively from January 1, 2007 to June 30, 2008. The total amount recorded as operating expenses in the second quarter was $0.9 million; $0.6 million related to 2007 fees, $0.1 million related to the first quarter of 2008 and $0.2 million related to the second quarter this year.

The CAB has filed an appeal to the Supreme Court of Canada. It is unknown at this time if the appeal will be heard, and if so, whether or not it will be successful.

Changes in Internal Controls over Financial Reporting

There were no changes in the Company's internal controls over financial reporting that occurred in the three months and six months ending June 30, 2008 that have materially affected, or are likely to materially affect, the Company's internal controls over financial reporting.

Outlook

The July 2008 ratings results were positive for the Company, showing market share increases in Ottawa, Ontario and in Edmonton and Calgary, Alberta where two stations were recently re-launched with a Classic Hits format. Management has focused on these markets in the last two years as competition has increased and these are important markets for the Company. Management will continue to monitor the performance of these stations and adjust the marketing strategy as appropriate with the objective of continuing to grow revenue.

The Company remains active in reviewing all possible acquisition opportunities that meet the Company's investment criteria. The recently announced purchase of 12 new stations in Ontario is an important expansion for the Company and one that will significantly increase the Company's presence in the province of Ontario. Management has demonstrated in the past that it successfully integrates new stations into its radio operating platform and makes strong stations even stronger.

The Company is awaiting the CRTC decision on its applications for new FM licences in Winnipeg, Manitoba and Drumheller, Alberta. The Company will continue its successful track record of converting existing AM stations to FM.

The Company remains committed to being actively involved with the local communities where we have operations, while working in partnership with community and charitable groups to ensure the radio stations remain locally focused. A second key priority for the Company is its continued focus on developing the talent of its radio professionals across Canada, which number in excess of 850 people.

<<

Non-GAAP Measure

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

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| (thousands of dollars) | 2008 | 2007 | 2008 | 2007 |

| | | | | |
|---|---|---|---|---|
| Net income | $ 6,371 | 5,807 | 7,093 | 13,215 |
| Non-controlling interest in subsidiaries' earnings | - | 190 | - | 292 |
| Provision for income taxes | 1,916 | 2,847 | 2,255 | 4,413 |
| Gain on disposal of long-term investment | - | - | - | (10,843) |
| Gain on disposal of equity accounted investment | - | (3,826) | - | (3,826) |
| Accretion of other liabilities | 242 | 408 | 484 | 648 |
| Interest expense | 922 | 730 | 1,850 | 1,468 |
| Depreciation and amortization expense | 985 | 1,002 | 1,939 | 1,885 |
| EBITDA | $ 10,436 | 7,158 | 13,621 | 7,252 |

This measure is not defined by Generally Accepted Accounting Principles and is not standardized for public issuers. This measure may not be comparable to similar measures presented by other public enterprises. The Company has included this measure because the Company's key decision makers believe certain investors use it as a measure of the Company's financial performance and for valuation purposes. The Company also uses this measure internally to evaluate the performance of management.

Newfoundland Capital Corporation Limited

Notice of Disclosure of Non-Auditor Review of Interim Financial Statements for the three months and six months ended June 30, 2008 and 2007

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

The accompanying unaudited interim consolidated financial statements of the Company for the interim periods ended June 30, 2008 and 2007 have been prepared in accordance with Canadian generally accepted accounting principles and are the responsibility of the Company's management.

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

Dated this 7th day of August, 2008

Interim Consolidated Balance Sheets
(unaudited)

| (thousands of dollars) | June 30 2008 | December 31 2007 |
|---|---|---|
| ASSETS | | |
| Current assets | | |
| Marketable securities (note 8) | $ 23,531 | 16,167 |
| Receivables | 20,807 | 21,351 |

| | | |
|---|---|---|
| Prepaid expenses | 1,494 | 966 |
| Other assets (note 8) | 616 | 614 |
| Future income tax assets | 2,293 | 2,703 |
| Total current assets | 48,741 | 41,801 |
| Property and equipment | 37,649 | 35,234 |
| Other assets | 5,736 | 4,642 |
| Broadcast licences (note 3) | 144,679 | 143,245 |
| Goodwill | 4,859 | 4,859 |
| Future income tax assets | 1,686 | 1,515 |
| | $ 243,350 | 231,296 |

LIABILITIES AND SHAREHOLDERS' EQUITY

| | | |
|---|---|---|
| Current liabilities | | |
| Bank indebtedness | $ 2,388 | 1,117 |
| Accounts payable and accrued liabilities | 18,235 | 18,053 |
| Dividends payable | - | 1,664 |
| Income taxes payable | 7,580 | 7,313 |
| Future income tax liabilities | 884 | - |
| Current portion of long-term debt | 16 | 23 |
| Total current liabilities | 29,103 | 28,170 |
| Long-term debt | 66,500 | 61,005 |
| Other liabilities | 19,955 | 19,665 |
| Future income tax liabilities | 18,045 | 17,504 |
| Shareholders' equity | 109,747 | 104,952 |
| | $ 243,350 | 231,296 |

Commitments and contingencies (notes 8 and 11)
Subsequent events (note 12)
See accompanying notes to the interim consolidated financial statements

Interim Consolidated Statements of Income
(unaudited)

| (thousands of dollars except per share data) | Three months ended June 30 2008 | 2007 | Six months ended June 30 2008 | 2007 |
|---|---|---|---|---|
| Revenue | $ 27,423 | 26,159 | 49,161 | 45,677 |
| Other income (expense) | 5,451 | 1,221 | 6,385 | (293) |
| | 32,874 | 27,380 | 55,546 | 45,384 |
| Operating expenses (note 11) | 22,438 | 20,222 | 41,925 | 38,132 |
| Depreciation | 839 | 815 | 1,647 | 1,590 |
| Amortization of deferred charges | 146 | 187 | 292 | 295 |
| Operating income | 9,451 | 6,156 | 11,682 | 5,367 |
| Interest expense (note 8) | 922 | 730 | 1,850 | 1,468 |
| Accretion of other liabilities (note 8) | 242 | 408 | 484 | 648 |
| Gain on disposal of equity accounted | | | | |

| | | | | |
|---|---|---|---|---|
| investment (note 3) | - | (3,826) | - | (3,826) |
| Gain on disposal of long-term investment (note 8) | - | - | - | (10,843) |
| | 8,287 | 8,844 | 9,348 | 17,920 |
| Provision for income taxes | 1,916 | 2,847 | 2,255 | 4,413 |
| | 6,371 | 5,997 | 7,093 | 13,507 |
| Non-controlling interest in subsidiaries' earnings | - | 190 | - | 292 |
| Net income | $ 6,371 | 5,807 | 7,093 | 13,215 |
| Earnings per share (note 9) | | | | |
| - basic | $ 0.58 | 0.53 | 0.64 | 1.19 |
| - diluted | 0.56 | 0.51 | 0.62 | 1.15 |

See accompanying notes to the interim consolidated financial statements

Interim Consolidated Statements of Shareholders' Equity
(unaudited)

| | Six months ended June 30 | |
|---|---|---|
| (thousands of dollars) | 2008 | 2007 |
| Retained earnings, beginning of period | $ 59,621 | 45,525 |
| Net income | 7,093 | 13,215 |
| Repurchase of capital stock (note 4) | (1,373) | (2,890) |
| Retained earnings, end of period | 65,341 | 55,850 |
| Capital stock (note 4) | 42,913 | 43,345 |
| Contributed surplus (note 5) | 1,857 | 1,567 |
| Accumulated other comprehensive income (loss) | (364) | 453 |
| Total shareholders' equity | $ 109,747 | 101,215 |

See accompanying notes to the interim consolidated financial statements

Interim Consolidated Statements of Comprehensive Income
(unaudited)

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| (thousands of dollars) | 2008 | 2007 | 2008 | 2007 |
| Net income | $ 6,371 | 5,807 | 7,093 | 13,215 |
| Other comprehensive income (loss): | | | | |
| Change in fair values of cash flow hedges | | | | |

| | | | | |
|---|---|---|---|---|
| (note 8) | | | | |
| Interest rate swaps: | | | | |
| Increase (decrease) in fair value | 120 | 305 | (458) | 355 |
| Reclassification to net income of realized interest expense | 63 | 1 | 63 | 2 |
| Related income tax recovery (expense) | (45) | (113) | 118 | (133) |
| | 138 | 193 | (277) | 224 |
| Total equity return swap: | | | | |
| Increase (decrease) in fair value | (425) | 212 | (425) | 786 |
| Reclassification to net income of realized losses (gains) | 122 | (131) | (23) | (232) |
| Related income tax recovery (expense) | 103 | (32) | 153 | (202) |
| | (200) | 49 | (295) | 352 |
| Change in fair value of asset available-for-sale (note 8) | | | | |
| Realized gain on disposal of Halterm Income Fund Trust Units transferred to net income, net of income taxes of $1,952 | - | - | - | (8,891) |
| Other comprehensive income (loss) | (62) | 242 | (572) | (8,315) |
| Comprehensive income | $ 6,309 | 6,049 | 6,521 | 4,900 |

See accompanying notes to the interim consolidated financial statements

Interim Consolidated Statement of Accumulated Other Comprehensive Income
(unaudited)

| (thousands of dollars) | Six months ended June 30 2008 | 2007 |
|---|---|---|
| Accumulated other comprehensive income, beginning of period | $ 208 | - |
| Transition adjustment for cash flow hedges, net of income tax recovery of $77 (note 8) | - | (123) |
| Transition adjustment for unrealized gain associated with available for sale investment, net of income taxes of $1,952 (note 8) | - | 8,891 |
| Accumulated other comprehensive income, | | |

| | | |
|---|---|---|
| beginning of period | 208 | 8,768 |
| Other comprehensive loss for the period | (572) | (8,315) |
| Accumulated other comprehensive income (loss), end of period | $ (364) | 453 |

See accompanying notes to the interim consolidated financial statements

Interim Consolidated Statements of Cash Flows
(unaudited)

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| (thousands of dollars) | 2008 | 2007 | 2008 | 2007 |
| Operating Activities | | | | |
| Net income | $ 6,371 | 5,807 | 7,093 | 13,215 |
| Items not involving cash | | | | |
| Depreciation and amortization | 985 | 1,002 | 1,939 | 1,885 |
| Future income taxes | 1,918 | 1,626 | 1,935 | 1,196 |
| Executive stock-based compensation plans (notes 4 and 6) | (16) | 209 | 102 | 408 |
| Accretion of other liabilities (note 8) | 242 | 408 | 484 | 648 |
| Gain on disposal of equity accounted investment (note 3) | - | (3,826) | - | (3,826) |
| Gain on disposal of long-term investment (note 8) | - | - | - | (10,843) |
| Non-controlling interest in subsidiaries' earnings | - | 190 | - | 292 |
| Unrealized (gains) losses on marketable securities (note 8) | (4,830) | (1,000) | (5,530) | 300 |
| Other | 90 | (220) | (97) | (385) |
| | 4,760 | 4,196 | 5,926 | 2,890 |
| Change in non-cash working capital relating to operating activities | (468) | (3,135) | (1,913) | (5,372) |
| | 4,292 | 1,061 | 4,013 | (2,482) |
| Financing Activities | | | | |
| Change in bank indebtedness | 104 | 787 | 1,271 | 3,546 |
| Long-term debt borrowings | 2,000 | 9,000 | 5,500 | 9,000 |
| Long-term debt repayments | (6) | (267) | (12) | (13,758) |
| Issuance of capital stock (note 4) | - | 153 | - | 185 |
| Repurchase of capital stock (note 4) | (1,805) | (3,737) | (1,805) | (3,737) |
| Dividends paid | - | - | (1,664) | (1,680) |
| Other | - | - | - | (605) |

| | | | | |
|---|---|---|---|---|
| | 293 | 5,936 | 3,290 | (7,049) |
| Investing Activities | | | | |
| Note receivable | - | 1,000 | - | 1,000 |
| Property and equipment additions | (2,461) | (770) | (4,062) | (1,767) |
| Canadian Content Development payments | (564) | (561) | (1,050) | (858) |
| Acquisition of businesses, licences and non-controlling interest (note 3) | - | (10,745) | - | (10,745) |
| Proceeds from disposal of Halterm Income Fund Trust Units and equity accounted investment (notes 3 and 8) | - | 4,000 | - | 18,547 |
| Deferred charges | (901) | (320) | (1,275) | (696) |
| Employee share purchase loan repayment | - | - | - | 2,826 |
| Other | (659) | 399 | (916) | 1,224 |
| | (4,585) | (6,997) | (7,303) | 9,531 |
| Cash, beginning and end of period | $ - | - | - | - |
| Supplemental Cash Flow Information | | | | |
| Interest paid | $ 787 | 735 | 1,647 | 1,606 |
| Income taxes paid | 43 | 197 | 115 | 762 |

See accompanying notes to the interim consolidated financial statements

Notes to the Interim Consolidated Financial Statements - June 30, 2008 and 2007 (unaudited)

1. ACCOUNTING PRESENTATIONS AND DISCLOSURES

The interim financial statements presented herein were prepared by the Company and follow the same accounting policies and their methods of application as the 2007 annual financial statements. These financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") for interim financial statements. They do not include all of the information and disclosures required by GAAP for annual financial statements. Accordingly, these financial statements should be read in conjunction with the Company's audited consolidated financial statements and the accompanying notes contained in the Company's 2007 Annual Report.

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

The Company's accounting policies have remained unchanged since the 2007 Annual Report with the exception of the adoption of new accounting policies described in Note 2.

2. ADOPTION OF NEW ACCOUNTING POLICIES

Effective January 1, 2008, the Company adopted the recommendations of the following Canadian Institute of Chartered Accountants ("CICA") Handbook Sections: Section 1535 Capital Disclosures, Section 3862 Financial Instruments - Disclosures and Section 3863 Financial Instruments - Presentation. The changes in the accounting policies relate to disclosure and presentation only and did not have an impact on the Company's financial results.

Section 1535 Capital Disclosures

This Section requires disclosure on information about the entity's objectives, policies and processes for managing capital and whether the entity has complied with externally imposed capital requirements.

Section 3862 Financial Instruments - Disclosures &
Section 3863 Financial Instruments - Presentation

These Sections replace Section 3861 Financial Instruments - Disclosure and Presentation by revising and enhancing disclosure requirements while carrying forward the presentation requirements. The Sections increase the emphasis on disclosing the nature and extent of risks arising from financial instruments and how the entity manages those risks.

3. ADDITIONS, ACQUISITIONS AND DISPOSALS

Broadcast licence additions

During 2008, the Company launched its new FM radio stations in Carbonear, Newfoundland and Labrador, Lac LaBiche and Fort McMurray, Alberta and Kentville and Sydney, Nova Scotia. Upon the launch dates, the Company became obligated to pay $225,000 in Canadian Content Development ("CCD") commitments per year for seven years. Using the amortized cost basis to record these commitments on the consolidated balance sheets, $1,236,000 was capitalized as broadcast licences and recorded in other liabilities. Costs incurred related to the award of new broadcast licences such as application costs are also capitalized bringing the total amount capitalized to broadcast licences related to these stations to $1,434,000.

In 2007, the Company launched its new FM radio station in Calgary, Alberta. Upon the launch date, the Company became obligated to pay CCD of $1,000,000 per year for seven years. Using the amortized cost basis to record these commitments on the consolidated balance sheets, $4,718,000 was capitalized as broadcast licences and recorded in other liabilities. Costs incurred related to the award of new broadcast licences such as application costs were also capitalized bringing the total amount capitalized to broadcast licences related to this station to $4,907,000.

Business acquisitions

On May 16, 2007, the Company acquired the minority shareholder's 23.66% interest in 3937844 Canada Inc. for cash consideration of $10,745,000. 3937844 Canada Inc. owns and operates 22 of the Company's 34 licences throughout the province of Alberta. The excess of the purchase price over the net book value of the non- controlling interest acquired was allocated to the net identifiable assets acquired on the basis of their estimated fair market values using the purchase method of accounting. $521,000 was added to broadcast licences and $130,000 was recorded as a future tax liability. The Company accounted for this acquisition of non-controlling interest as a step purchase. The acquisition was financed by the Company's credit facility.

Disposal of equity accounted investment

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

## 4. CAPITAL STOCK

### Share repurchases

The Company has approval under a Normal Course Issuer Bid to repurchase up to 491,630 Class A Subordinate Voting Shares ("Class A shares") and 62,906 Class B Common Shares. This bid expires February 7, 2009. In the second quarter and year-to-date, the Company repurchased for cancellation 100,000 of its outstanding Class A shares for a total cost of $1,805,000. In 2007, 198,800 Class A shares were repurchased in the first quarter for a total cost of $3,737,000. Capital stock was reduced by $432,000 (2007 - $847,000) and retained earnings by $1,373,000 (2007 - $2,890,000).

### Executive stock option plan

Pursuant to the executive stock option plan, on a year-to-date basis 35,000 (2007 - nil) options were granted at a weighted average exercise price of $19.99. No options were granted in the second quarter of 2008 or 2007. The options vest at a rate of twenty-five percent on the date of grant and twenty-five percent on each of the three succeeding anniversary dates and the options expire March 10, 2013. During 2008, no options were exercised. In 2007, 20,000 Class A shares were exercised in the second quarter for proceeds of $153,000 and on a year-to-date basis 23,750 Class A shares were exercised for proceeds of $185,000. Additionally in last year's second quarter, 195,000 options were exercised on a cashless basis in exchange for 67,271 Class A shares which resulted in increasing capital stock and decreasing contributed surplus by $693,000. Compensation expense related to stock options for the three months ended June 30, 2008 was $44,000 (2007 - $75,000) and year-to-date was $79,000 (2007 - $177,000).

## 5. CONTRIBUTED SURPLUS

(thousands of dollars)

| | | |
|---|---|---|
| Balance, January 1, 2007 | $ | 2,093 |
| Executive stock option plan compensation expense | | 177 |
| Value of options exercised | | (703) |
| Balance, June 30, 2007 | | 1,567 |
| Executive stock option plan compensation expense | | 290 |
| Value of options exercised | | - |
| Balance, June 30 2008 | $ | 1,857 |

## 6. STOCK APPRECIATION RIGHTS

In January 2006, the Company granted 425,000 stock appreciation rights ("SARs") at a reference price of $16.53. On March 2, 2007, 5,000 SARs were granted at a reference price of $18.41 and on August 9, 2007, 85,000 SARs were granted at a reference price of $19.91. As at June 30, 2008, 70,000 SARs have expired. The rights vest at a rate of 50% at the end of year three, 25% at the end of year four and 25% at the end of year five. The rights are exercisable as they vest. At the date of exercise, cash payments are made to the holders based on the difference between the market value of the Company's Class A shares and the reference price. All

SARs granted under this plan expire on the 60th day following the 5th anniversary of the grant date. For the three months ended June 30, 2008, the compensation expense and the liability were reduced by $60,000. For the same quarter last year, the compensation expense related to SARs was $134,000. Year-to-date compensation expense was $23,000 (2007 - $231,000) and the total obligation included in other liabilities was $780,000 (2007 - $334,000).

## 7. EMPLOYEE BENEFIT PLANS

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| (thousands of dollars) | 2008 | 2007 | 2008 | 2007 |
| Defined contribution plan expense | $ 309 | 344 | 657 | 664 |
| Defined benefit plan expense | 126 | 125 | 252 | 251 |

## 8. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company's financial instruments are categorized and measured as follows:

| Asset / Liability | Classification | Measurement |
|---|---|---|
| Cash and bank indebtedness | Held for trading | Fair value |
| Marketable securities | Held for trading | Fair value |
| Investment in Halterm Income Fund Trust Units | Available-for-sale | Fair value |
| Receivables | Loans and receivables | Amortized cost using EIM |
| Note receivable | Loans and receivables | Amortized cost using EIM |
| Accounts payable and accrued liabilities | Other liabilities | Amortized cost using EIM |
| Long-term debt | Other liabilities | Amortized cost using EIM |
| Canadian Content Development commitments, included in other liabilities | Other liabilities | Amortized cost using EIM |

Marketable securities and cash are able to be settled in the near term; therefore, they meet the criteria required to classify them as held for trading. Instruments classified as held for trading are measured at fair value with unrealized gains and losses recorded immediately in net income. The fair value of marketable securities is based on the quoted share prices in active markets. For the quarter ended June 30, 2008, the change in fair value of marketable securities, recognized in other income in the consolidated statements of income, was a gain of $4,830,000 (2007 -$1,000,000). That brings the year-to-date total to a gain of $5,530,000 (2007 - loss of $300,000). There was no transitional adjustment required for marketable securities upon adoption of this accounting policy in January 2007 because the securities' carrying value was equal to the fair value on that date as a result of measuring these investments at the lower of cost or market on December 31, 2007.

On January 1, 2007, the investment in Halterm Income Fund Trust Units was classified as an asset available for sale and the investment was measured at fair value based on the quoted unit price in active markets. This resulted in an unrealized gain of $10,843,000 ($8,891,000 after-tax) which was recognized in other comprehensive income ("OCI") and in accumulated other comprehensive income ("AOCI") as a transition adjustment. The investment was sold on January 19, 2007 for proceeds of $14,547,000 at which time the gain was realized and transferred from OCI to be included in net income.

The financial instruments classified as loans and receivables and other liabilities are measured using amortized cost using the effective interest method ("EIM"). Under the EIM, interest income and expense are calculated and recorded using the effective interest rate which is the rate that exactly discounts estimated future cash receipts or payments throughout the expected life of the financial instrument. Interest expense on long-term debt for the second quarter was $717,000 (2007 - $686,000) and year-to-date was $1,550,000 (2007 - $1,504,000). Accretion expense on CCD aggregated $242,000 for the second quarter (2007 - $408,000) and $484,000 year-to-date (2007 - $648,000) based on EIM rates ranging from 8% to 14.3%.

Current assets and current liabilities' carrying values are representative of their fair values due to the relatively short period to maturity. The fair value of long-term debt approximates the carrying value because the floating interest rate is reflective of the market interest rate available to the Company.

Transaction costs directly attributable to financial instruments classified as other than held for trading are included in the initial carrying value of such instruments and are amortized using EIM.

The Company conducted a search for embedded derivatives in its contractual arrangements dated or modified subsequent to January 1, 2003. An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. When certain conditions are met, an embedded derivative is separated from the host contract and accounted for separately as a derivative on the balance sheet at fair value. The Company's policy is to recognize embedded derivatives on the consolidated balance sheet, when applicable. Because there are no embedded derivatives at this time, this rule has no impact on the consolidated financial statements of the Company.

The Company's risk management objectives and procedures are described below:

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 one of its stock-based compensation plans.

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 stocks in varying 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. The Company has no exposure with regard to asset-backed instruments. As at June 30, 2008 a 10% change in the share prices of the Company's marketable securities would result in a $1,900,000 after-tax change in net income.

Interest rate risk management

To hedge its exposure to fluctuating interest rates on its long-term debt, the Company has entered into interest rate swap agreements with Canadian chartered banks. 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 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.

On June 23, 2008, the Company entered into two new interest rate swap agreements; one has a notional value of $15,000,000 and expires in June 2013, and the other has a notional amount of $45,000,000 and expires in May 2013. Three former interest rate swap agreements, having an aggregated notional value of $45,000,000, were terminated and as a result the fair value of these agreements ($349,000 payable) was blended into the interest rate of the new $45,000,000 swap agreement. This fair value payable will be transferred from OCI to net income (as interest expense) over the term of the original three swap agreements which expired between 2009 and 2011. The amount related to this payable transferred to net income from OCI for the second quarter and year-to-date was $24,000 (2007 - $nil).

The aggregate notional amount of the Company's swap agreements was $60,000,000 (2007 - $25,000,000). The aggregate fair value of the swap agreements, which represents the amount that would be payable by the Company if the agreements were terminated on June 30, 2008, was $547,000 (2007 - receivable of $205,000). In the second quarter, the before-tax increase in the fair value of the swaps recognized in OCI was $120,000 (2007 - $305,000). Year-to-date, the before-tax decrease in fair value of the swaps recognized in OCI was $458,000 (2007 - increase in fair value of $355,000).

Realized interest expense of $63,000 was transferred from OCI to net income in the second quarter and year-to-date (2007 - $1,000 in the quarter and $2,000 year-to-date). OCI income tax for the quarter on these swaps was $45,000 (2007 - $113,000) and year-to-date was a tax recovery of $118,000 (2007 - expense of $133,000). The accumulated loss at January 1, 2007 of $153,000 was recorded, net of income tax recoveries of $60,000, as a transition adjustment to opening AOCI.

Share price volatility risk management related to stock-based compensation plan

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 SARs fluctuate as a result of changes in the market price of the Company's Class A shares. The Corporation entered into this swap for a total of 425,000 notional Class A shares with a hedged price of $17.55.

The swap expires July 2011; however, the Company may elect to terminate the agreement prior to that date if the Class A share market price is equal to or less than the SARs' reference price of $16.53. The swap is settled on every quarterly settlement date. If the Company's share price is in excess of the hedged price on the settlement date, the Company is entitled to receive the difference per share, and if the Company's share price is less than the hedged price, the Company is obligated to pay the difference per share. A settlement date can automatically be triggered if the share price drops by 10% or more since the last scheduled settlement date. In this event, the Company must cash settle on that date based on that day's share price; however, on the quarterly settlement date if the share price has rebounded, the Company is reimbursed an amount equal to the difference between the hedged price and the share price which triggered the automatic settlement.

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

In order to qualify for hedge accounting, there must be reasonable assurance that the instrument is and will continue to be an effective hedge. At the inception of the hedge and on an ongoing basis, the Company formally assesses and documents whether the hedging relationship is effective in offsetting changes in cash flows of the hedged item. Gains or losses realized on the quarterly settlement dates are recognized in other income in the same period as the SARs compensation expense. Unrealized gains and losses, to the extent that the hedge is effective, are deferred and included in OCI until such time as the hedged item affects net income. If at any time, the hedge is deemed to be ineffective or the hedge is terminated or de-designated, gains or losses, including those previously recognized in OCI, will be recorded in net income immediately.

The Company has concluded that this cash flow hedge is effective. The estimated fair value of the equity total return swap receivable at June 30, 2008 was $616,000 (2007 - $723,000). Before tax, the change in fair value of the swap for the second quarter and year-to-date recognized in OCI was a decrease of $425,000 (2007 - increase of $212,000 for the quarter and $786,000 year-to-date). On a before-tax basis, realized losses of $122,000 were transferred from OCI to net income in the quarter and realized gains of $23,000 were transferred from OCI to net income year-to-date (2007 - realized gains in the quarter of $131,000 and $232,000 year-to-date). OCI income tax recovery for the quarter on this swap was $103,000 and year-to-date was $153,000 (2007 - second quarter income tax expense of $32,000 and $202,000 year-to-date). The accumulated loss at January 1, 2007 related to this cash flow hedge was $47,000 and was recorded, net of income tax recoveries of $17,000, as a transition adjustment to opening AOCI.

Credit risk

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. The maximum credit exposure approximates $21,000,000, which includes accounts receivable, and the assets related to the interest rate swaps and the equity total return swap.

Credit exposure is managed through credit approval and monitoring procedures. With regard to the interest rate swaps and the equity total return swap, the Company does not anticipate any counterparties that it currently transacts with will fail to meet their obligations as the counterparties are Canadian Chartered Banks. At June 30, 2008 and 2007, there was minimal credit exposure to the Company related to its derivative financial instruments.

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. 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 on account or upfront billing. 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 $1,272,000 as at June 30, 2008. The Company is of the opinion that the provision for potential losses adequately reflects the credit risk associated with its receivables. Approximately 88% 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.

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. Given the Company's available liquid resources as compared to the timing of the payments of liabilities, management assesses the Company's liquidity risk to be low.
The Company's liabilities have contractual maturities which are summarized below:

| Obligation (thousands of dollars) | 12 months | 1-5 years | Thereafter |
|---|---|---|---|
| Long-term debt | $ 16 | 66,500 | - |
| CCD commitments | 3,084 | 11,378 | 180 |
| Operating leases | 2,920 | 9,580 | 8,580 |
| Purchase considerations payable (note 12) | 23,450 | - | - |
| | $ 29,470 | 87,458 | 8,760 |

The revolving credit facility matures June 2010; however, the Company intends to renew the revolving credit facility prior to maturity and as a result, there will be no scheduled repayments. The Company chooses this type of credit facility because it provides flexibility with no scheduled repayment terms.

The purchase considerations payable consist of transactions which are fully described in Notes 11 and 12.

Capital risk 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.

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 certain covenants on its credit facility. 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 the above as at June 30, 2008 and expects to be for the foreseeable future.

9. EARNINGS PER SHARE

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| (thousands of dollars) | 2008 | 2007 | 2008 | 2007 |
| Weighted average common shares used in calculation of basic earnings per share | 10,991 | 11,062 | 11,041 | 11,098 |
| Incremental common shares calculated in accordance with the treasury stock method | 317 | 417 | 330 | 412 |
| Weighted average common shares used in calculation of diluted earnings per share | 11,308 | 11,479 | 11,371 | 11,510 |

10. SEGMENTED 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 and its other income relates to investment income. Details of segment operations are set out below.

| (thousands of dollars) | Broad-casting | Corpo-rate & other | Total | Broad-casting | Corpo-rate & other | Total |
|---|---|---|---|---|---|---|
| | Three months ended June 30 | | | Six months ended June 30 | | |
| 2008 | | | | | | |
| Revenue | $ 26,544 | 879 | 27,423 | 47,546 | 1,615 | 49,161 |
| Other income | - | 5,451 | 5,451 | - | 6,385 | 6,385 |
| | 26,544 | 6,330 | 32,874 | 47,546 | 8,000 | 55,546 |
| Operating expenses | 19,600 | 2,838 | 22,438 | 36,673 | 5,252 | 41,925 |
| Depreciation and Amortization | 908 | 77 | 985 | 1,790 | 149 | 1,939 |
| Operating income | $ 6,036 | 3,415 | 9,451 | 9,083 | 2,599 | 11,682 |
| Assets employed | | | | $209,307 | 34,043 | 243,350 |
| Goodwill | $ - | - | - | 4,859 | - | 4,859 |
| Capital expenditures | $ 2,403 | 58 | 2,461 | 3,933 | 129 | 4,062 |
| 2007 | | | | | | |
| Revenue | $ 25,275 | 884 | 26,159 | 44,003 | 1,674 | 45,677 |
| Other income (expense) | - | 1,221 | 1,221 | - | (293) | (293) |
| | 25,275 | 2,105 | 27,380 | 44,003 | 1,381 | 45,384 |
| Operating expenses | 17,338 | 2,884 | 20,222 | 32,751 | 5,381 | 38,132 |
| Depreciation and Amortization | 936 | 66 | 1,002 | 1,754 | 131 | 1,885 |
| Operating income (loss) | $ 7,001 | (845) | 6,156 | 9,498 | (4,131) | 5,367 |
| Assets employed | | | | $193,269 | 22,043 | 215,312 |
| Goodwill | $ - | - | - | 4,337 | - | 4,337 |
| Capital expenditures | $ 629 | 141 | 770 | 1,534 | 233 | 1,767 |

11. COMMITMENTS AND CONTINGENCIES

In the third quarter of 2007, the Company ceased to accrue CRTC Part II Licence fees in accordance with a court ruling at that point in time. On April 28th, 2008, the Federal Court of Appeal reversed the original decision and found that the fees are a valid regulatory charge. As a result of this decision, this quarter the Company recognized the obligation as it pertains to these fees retroactively to January 1, 2007. The amount recorded in operating expenses was $915,000: $613,000 relates to fiscal 2007, $133,000 relates to the first quarter of 2008 and $169,000 to the second quarter this year. An appeal of this recent court decision has been filed; however, the outcome is unknown.

12. SUBSEQUENT EVENTS

On July 2, 2008, the Company acquired the remaining 50% interest in Metro Radio Group Inc. which owns and operates CKUL-FM in Halifax, Nova Scotia. Total cash consideration was $8,500,000. The Company will account for this acquisition as a step purchase. The Company has not yet finalized the allocation of the purchase price.

On July 2, 2008, the Company bought a 29.9% interest in a company that operates an FM radio station in Nova Scotia for $1,000,000. This investment is one in which the Company exercises significant influence; the Company's share of future net profits or losses will be accounted for in net income.

These transactions were financed by the Company's credit facility.

On July 23, 2008, the Company announced it had an agreement to exchange radio stations with Rogers Broadcasting Limited (a Division of Rogers Communications Inc. RCI.A and RCI.B) subject to approval from the CRTC. The Company will exchange its AM broadcast licence in Halifax, Nova Scotia and receive in return Rogers' AM licence in Sudbury, Ontario and cash consideration of $5,000,000. Both parties have simultaneously submitted applications for this transfer of assets along with applications requesting conversion of the AM licences to FM.

On July 28, 2008, the Company announced it had entered into an agreement to acquire 12 English FM radio broadcasting licences in Ontario from Haliburton Broadcasting Group Inc. for $18,950,000, subject to CRTC approval. These assets include stations in Muskoka, North Bay and Timmins. The Company intends to increase the availability of its credit facility to fund this purchase.

On August 7, 2008, the Company declared dividends of $0.15 per share on each of its Class A shares and Class B Common shares payable October 3, 2008 to shareholders of record as at September 5, 2008.
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