Newfoundland Capital Corporation Limited
Third Quarter 2016
Period Ended September 30 ***(unaudited)***

Dartmouth, N.S. – November 3, 2016, Newfoundland Capital Corporation Limited (the "Company") today announces its financial results for the third quarter ending September 30, 2016.

Highlights

- **Revenue** for the third quarter of $41.5 million was $0.4 million or 1% higher than the same quarter last year and year-to-date revenue of $122.6 million was $3.5 million or 3% higher than 2015. The increase during the quarter was primarily due to growth in Toronto and year-to-date was primarily due to growth in Toronto and Ottawa as a result of strong listener ratings in those markets.
- **Earnings before interest, taxes, depreciation and amortization ("EBITDA"[(1)])** of $13.1 million in the third quarter was $1.2 million or 10% higher than the third quarter last year and year-to-date EBITDA of $35.1 million was $3.6 million or 11% higher than 2015. The improvements in EBITDA relate primarily to a non-recurring recovery of previously expensed copyright tariffs, partially offset by restructuring costs incurred in the third quarter. Excluding the net impact of these items of $0.8 million, EBITDA was 3% higher than the third quarter last year and year-to-date EBITDA was 9% higher than the same period last year. The improvements are a result of revenue growth and the Company's continued commitment to managing costs.
- **Profit** for the period of $7.7 million was $1.1 million or 16% higher than the same quarter last year and year-to-date profit of $20.7 million was $5.5 million or 36% higher than last year. The increase in the quarter and year to date were due to higher revenue, net expense recoveries and lower interest expense.

Significant events

- During the third quarter, the Board of Directors approved an increase in dividends to $0.20 per share per annum, up from $0.15 per share per annum. As a result, the Board of Directors declared a dividend of $0.10 on each of its Class A Subordinate Voting and Class B Common shares. The dividends were paid on September 15, 2016 to shareholders of record at the close of business on August 31, 2016.

"This year has been very rewarding for our shareholders. Both revenue and EBITDA have improved over last year and that contributed to our decision to increase annual dividends" commented Rob Steele, President and Chief Executive Officer. "Our national footprint combined with a focus on improving operational efficiencies should enable the Company to experience continued success in the future."

Financial Highlights – Third quarter

(thousands of Canadian dollars, except share information)	**Three months ended September 30** **2016**	2015
Revenue	**$ 41,455**	41,006
EBITDA[(1)]	**13,122**	11,951
Profit	**7,738**	6,683
Earnings per share – basic	**0.30**	0.25
Earnings per share – diluted	**0.29**	0.24
Weighted average number of shares outstanding (in thousands)	**25,655**	26,694

	September 30 2016	**December 31 2015**
Share price, NCC.A (closing)	**9.30**	11.00
Total assets	**365,207**	364,246
Long-term debt, including current portion	**138,943**	145,908
Shareholders' equity	**153,684**	145,991

(1) *Refer to page 13 "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 September 30, 2016 and 2015, as well as the annual audited consolidated financial statements and related notes prepared in accordance with International Financial Reporting Standards ("IFRS") and the MD&A contained in the Company's 2015 Annual Report. The Company's third quarter 2016 interim financial statements and the accompanying notes have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" ("IAS 34") 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 IFRS 10 "Consolidated Financial Statements" and are reported in Canadian dollars. These documents along with the Company's Annual Information Form, its Management Proxy Circular dated March 3, 2016 and other public information are filed electronically with various securities commissions in Canada through the System for Electronic Document Analysis and Retrieval 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 November 3, 2016. 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 95 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 1,000 of the best radio professionals across the country. The Company's portfolio of radio assets includes 80 FM and 15 AM licences which can be heard throughout Canada. Most of the Company's stations are globally accessible via the internet and various mobile device applications, allowing listeners the flexibility to tune in 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.

The Company's day-to-day operating objective is to grow its existing operations by increasing advertising revenue and remaining focused on controlling costs to maximize earnings before interest, taxes, depreciation and amortization ("EBITDA") margins. Management will continue to explore acquisition and expansion opportunities that fit the Company's 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 Performance Review" section. The results of the launched stations have been included in the interim financial statements since their launch dates.

Recent Developments:

- October 2016 – the Company received a refund from CMRRA-SODRAC Inc. and Connect/SOPROQ (the "Collectives") for previously paid tariffs as a result of a Copyright Board of Canada decision made during the year. The Company's third quarter interim financial statements include a reduction of $1.6 million in operating expenses as a result of the retroactive impact of this decision. The decision remains under judicial review as discussed in the "Risks and Opportunities" section of this MD&A.
- May to September 2016 – the Company repurchased a total of 1,092,600 Class A subordinate voting shares for cash consideration of $10.4 million.
- August 2016 – the Company's Board of Directors approved an increase in annual dividends to $0.20 per share from $0.15 per share previously and declared dividends of $0.10 on each of its Class A Subordinate Voting and Class B Common shares.
- May 2016 – launched a new FM licence in Clarenville, Newfoundland and Labrador.
- March 2016 – rebranded CKDQ in Drumheller to 910 CFCW, an extension of the Company's legendary CFCW brand, the voice of rural Alberta, which is now available in nearly all of Alberta.
- February 2016 – rebranded CFXJ-FM in Toronto to 93.5 The Move, a rhythmic hot adult contemporary station targeting adults 25 to 44.
- February 2016 – rebranded CKUL-FM in Halifax to Mix 96.5, a hot adult contemporary station playing a variety of pop/rock hits from the 90s to now.
- December 2015 – launched a new FM licence in Fox Creek, Alberta (a repeater of CFXW-FM Whitecourt, Alberta).
- August and December 2015 – the Company's Board of Directors approved dividends totalling $0.15 on each of its Class A Subordinate Voting and Class B Common shares.
- May and July 2015 – The Company repurchased a total of 1,569,800 Class A Subordinate Voting shares for cash consideration of $13.9 million.
- May 2015 – The Company amended its credit facilities to reduce interest rates by approximately 0.5% and to extend the maturity date to May 31, 2018.

Consolidated Financial Performance Review

Consolidated Financial Results of Operations

(thousands of Canadian dollars, except percentages and per share data)		Three months ended September 30			Nine months ended September 30		
		2016	2015	**% Change**	**2016**	2015	**% Change**
Revenue	$	**41,455**	41,006	1%	**122,559**	119,109	3%
Operating expenses		**(28,333)**	(29,055)	(2%)	**(87,464)**	(87,597)	—
EBITDA[(1)]		**13,122**	11,951	10%	**35,095**	31,512	11%
Depreciation and amortization		**(1,356)**	(1,171)	16%	**(3,704)**	(3,520)	5%
Accretion of other liabilities		**(77)**	(106)	(27%)	**(250)**	(338)	(26%)
Interest expense		**(1,173)**	(1,416)	(17%)	**(3,626)**	(5,042)	(28%)
Other income (expense)		**438**	(196)	—	**924**	(324)	—
Profit before provision for income taxes		**10,954**	9,062	21%	**28,439**	22,288	28%
Provision for income taxes		**(3,216)**	(2,379)	35%	**(7,725)**	(7,069)	9%
Profit	$	**7,738**	6,683	16%	**20,714**	15,219	36%
Earnings per share							
– Basic	$	**0.30**	0.25		**0.79**	0.55	
– Diluted		**0.29**	0.24		**0.75**	0.53	

(1) *Refer to page 13 "Non-IFRS Accounting Measure"*

ANALYSIS OF CONSOLIDATED FINANCIAL RESULTS

A detailed analysis of the variations in revenue, operating expenses and EBITDA are included in the section entitled "Financial Review by Segment".

Revenue
In the third quarter, consolidated revenue of $41.5 million was $0.4 million or 1% higher than the same quarter last year and year-to-date revenue of $122.6 million was $3.5 million or 3% higher than 2015. The quarter and year-to-date increases were primarily attributable to the higher revenue in the Broadcasting segment, particularly the Toronto operations in the third quarter and Toronto and Ottawa operations year-to-date, as a result of strong listener ratings in those markets.

Operating expenses
In the third quarter, consolidated operating expenses of $28.3 million were 2% below the same period last year while year-to-date operating expenses of $87.5 million were $0.1 million below 2015. The decrease in operating expenses was primarily a result of a recovery recognized in the quarter related to a retroactive decrease in certain copyright tariffs that applied to previous years. This benefit was partially offset by restructuring costs incurred in the Broadcasting segment during the third quarter of 2016. Also offsetting this benefit on a year-to-date basis was higher advertising costs incurred in the Broadcasting segment, including marketing costs incurred to promote stations that were rebranded during the year.

EBITDA
In the third quarter, consolidated EBITDA of $13.1 million was $1.2 million or 10% higher than the same period last year and year-to-date EBITDA of $35.1 million was $3.6 million or 11% higher than 2015. The increase was primarily due to higher revenue and lower operating expenses. Excluding the net recovery of $0.8 million included in operating costs as a result of non-recurring items discussed immediately above, EBITDA was 3% higher than the third quarter last year and year-to-date EBITDA was 9% higher than the same period last year.

Depreciation and amortization
In the quarter, depreciation and amortization expense of $1.4 million was 16% higher than 2015 and year-to-date depreciation and amortization of $3.7 million was 5% higher than 2015 as a result of accelerated depreciation recorded during the period as a result of the retirement of certain assets.

Accretion of other liabilities
Accretion of *other liabilities* arises from discounting Canadian Content Development ("CCD") commitments to reflect the fair value of the obligations. Accretion expense was lower in the third quarter and year-to-date than the same periods in 2015 because of the payments of CCD commitments during 2015 which reduced the balance on which accretion was recorded.

Interest expense
Interest expense in the third quarter of $1.2 million was $0.2 million or 17% lower than the same quarter last year because of lower effective interest rates. Year-to-date interest of $3.6 million was $1.4 million or 28% lower than last year primarily because of fluctuations in the value of the Company's interest rate swap payable which contributed $0.8 million of the variance, combined with lower interest rates as a result of the renegotiation of the Company's credit facilities in May 2015.

Other income (expense)
Other income (expense) generally consists of gains and losses, realized and unrealized, on the Company's marketable securities and items that are not indicative of the Company's core operating results, and not used in the evaluation of the Company's performance, such as acquisition-related costs and impairment charges. Other income in the third quarter was $0.4 million, primarily related to mark to market gains of $0.4 million on the Company's marketable securities portfolio which was divested of during the quarter, compared to an expense of $0.2 million in 2015 which primarily related to unrealized losses on the marketable securities portfolio. Year-to-date other income was $0.9 million, primarily related to mark to market gains on the Company's marketable securities of $0.8 million, compared to an expense of $0.3 million the same time last year as a result of realized losses of $0.1 million and unrealized losses of $0.2 million on marketable securities.

Provision for income taxes
In the third quarter, the effective tax rate was 29.4% and the year-to-date effective tax rate was 27.2%, both of which were lower than the statutory tax rate of 31% primarily because of the subsidiary rate differential that arises from consolidated entities that are taxed in different jurisdictions with lower tax rates. In addition, certain deferred tax estimates were updated due to changes in provincial corporate tax rates, resulting in an increase in tax expense during the quarter and year-to-date.

Profit
Profit for the third quarter of $7.7 million was $1.1 million or 16% higher than the same quarter last year and year-to-date profit of $20.7 million was $5.5 million or 36% higher than last year. The increase in profit during the periods was a result of higher revenue, lower operating expenses and lower interest expense.

FINANCIAL REVIEW BY SEGMENT

Consolidated financial figures include the results of operations 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 9 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 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 Canadian dollars, except percentages)		**Three months ended September 30**			**Nine months ended September 30**		
		2016	2015	**% Change**	**2016**	2015	**% Change**
Revenue	$	**40,023**	39,726	1%	**119,059**	116,055	3%
Operating expenses		**(24,994)**	(26,127)	(4%)	**(77,794)**	(77,935)	—
EBITDA[(1)]		**15,029**	13,599	11%	**41,265**	38,120	8%
EBITDA margin		**38%**	34%	4%	**35%**	33%	2%

(1) *Refer to page 13 "Non-IFRS Accounting Measure"*

Revenue
Broadcasting revenue in the third quarter of $40.0 million was $0.3 million or 1% higher than last year primarily as a result of growth in the Toronto stations which outpaced declines in the Company's Alberta and Vancouver stations. Year-to-date broadcasting revenue of $119.1 million was $3.0 million or 3% higher than 2015, led by the Toronto, Ottawa, and Halifax stations which benefitted from strong listener ratings. Partially offsetting this was declines in certain Alberta and Newfoundland and Labrador stations which are experiencing a challenging economic environment. The Company continued to outpace the Canadian radio industry average which declined 3% in the third quarter and 3% in the year-to-date period ended September 30, 2016.

Operating expenses

For the third quarter, broadcasting operating expenses were $25.0 million, down $1.1 million or 4% compared to the same quarter last year. The decrease in operating expenses primarily relates to a non-recurring recovery recognized in the quarter as a result of a retroactive decrease in certain copyright tariffs relating to prior years, partially offset by restructuring costs incurred in the quarter. Excluding the net impact of these one-time items of $0.8 million, operating expenses were down 1% compared to the same period last year. The slight decrease is a result of the Company's continued commitment to controlling costs.

Year-to-date expenses of $77.8 million were $0.1 million lower than 2015 primarily as a result of the non-recurring net operating recoveries discussed immediately above. Excluding the impact of these one-time items, operating expenses were 1% higher than the prior year. The Company incurred an increase in advertising costs of $1.4 million year-to-date as a result of the continued promotion of its stations, including the rebranding campaigns in Toronto and Halifax as well as a significant advertising campaign in Vancouver. Partially offsetting the increase in advertising costs was declines in other operating expenses as the Company continues to focus on managing costs.

EBITDA

Third quarter broadcasting EBITDA of $15.0 million was $1.4 million or 11% higher than 2015 and year-to-date EBITDA of $41.3 million was $3.1 million or 8% higher than the same time last year. The increased EBITDA related primarily to increased revenues and the non-recurring net operating recoveries noted immediately above. Excluding these non-recurring items, third quarter EBITDA was 4% higher than the prior year and year-to-date EBITDA was 6% higher than 2015. Excluding non-recurring items, the Company realized EBITDA margins of 35% during the quarter and 34% year-to-date. These margins represent slight improvements over the prior year as a result of the Company's revenue growth and commitment to cost control.

Corporate and Other Segment

The Corporate and Other segment derives its revenue from hotel operations as well as office space rental and related services revenue. Corporate and Other expenses are related to head office functions and hotel operations.

Corporate and Other Financial Results of Operation

(thousands of Canadian dollars, except percentages)		**Three months ended September 30**			**Nine months ended September 30**		
		2016	2015	**% Change**	**2016**	2015	**% Change**
Revenue	$	**1,432**	1,280	12%	**3,500**	3,054	15%
Operating expenses		**(3,339)**	(2,928)	14%	**(9,670)**	(9,662)	—
EBITDA[(1)]	$	**(1,907)**	(1,648)	(16%)	**(6,170)**	(6,608)	7%

[(1)] *Refer to page 13 "Non-IFRS Accounting Measure"*

Revenue

Revenue of $1.4 million in the third quarter and $3.5 million year-to-date was 12% higher than the third quarter and 15% higher than the year-to-date periods in 2015 as the Company earned higher revenue from its hotel operation. The Company has also begun to rent out office space in its head office building effective January 1, 2016 and earned related services revenue during the current quarter and year-to-date period.

Operating expenses

Operating expenses of $3.3 million in the third quarter were 14% higher than the third quarter in 2015 and operating expenses of $9.7 million year-to-date were consistent with the same period last year. The increase during the quarter was a result of the additional costs incurred by the Company as a result of opening a corporate office in Toronto during the year.

EBITDA

EBITDA in the quarter was negative $1.9 million, which was $0.3 million or 16% lower than last year as a result of higher operating expenses, partially offset by higher revenue. Year-to-date EBITDA was negative $6.2 million, which was $0.4 million or 7% higher than the same period last year as a result of higher revenue and consistent operating expenses compared to the prior year.

Selected Quarterly Financial Information

The Company's revenue and operating results vary, depending on the quarter. The first quarter is a period of lower retail spending and as a result, advertising revenue is lower. The fourth quarter tends to be a period of higher retail spending. During the first three quarters of 2016 and throughout 2015, the Company's quarterly results were consistent with the expected seasonality. Profit in the fourth quarter of 2014 was negatively impacted by a $5.7 million impairment charge and mark-to-market losses of $0.8 million.

(thousands of Canadian dollars,		**2016**			2015				2014
except per share data)		**3rd**	**2nd**	**1st**	4th	3rd	2nd	1st	4th
Revenue	$	**41,455**	44,225	36,879	45,493	41,006	42,598	35,505	44,438
Profit		**7,738**	8,405	4,571	8,016	6,683	6,034	2,502	2,593
Earnings per share									
– Basic		**0.30**	0.32	0.17	0.30	0.25	0.22	0.09	0.09
– Diluted		**0.29**	0.30	0.16	0.28	0.24	0.21	0.09	0.08

Selected cash flow information – nine months ended September 30, 2016
Cash flows from operating activities of $25.2 million combined with sales of marketable securities of $1.7 million were used to repurchase capital stock for $10.4 million, repay debt of $6.8 million, purchase property and equipment for $4.7 million, pay dividends of $2.6 million and pay $2.4 million toward CCD commitments.

Selected cash flow information – nine months ended September 30, 2015
Cash flows from operating activities of $20.4 million combined with net borrowings of $8.4 million were used to repurchase capital stock of $13.9 million, purchase property and equipment for $7.6 million, pay dividends of $4.1 million and pay $2.7 million toward CCD commitments.

Capital expenditures and capital budget
Annual capital expenditures for 2016 are expected to be $7.0 million, which includes the acquisition of a property adjacent to the Company's head office in Dartmouth, Nova Scotia in the third quarter. Other major completed and planned expenditures include the launch of two FM stations, the continuation of investment in new broadcasting digital and automation equipment and capital costs associated with improving signals. The Company continuously upgrades its broadcast equipment to improve operating efficiencies.

Financial Condition

Total assets
Assets of $365.2 million as at September 30, 2016 were $1.0 million higher than December 31, 2015 due primarily to the increase in property and equipment as a result of capital expenditures as well as the increase in receivables which includes a receivable related to an expected refund on previously paid copyright tariffs. These increases were partial offset by the sale of marketable securities during the third quarter.

Liabilities, shareholders' equity and capital structure
As at September 30, 2016, the Company had $2.2 million of current bank indebtedness (December 31, 2015 – $1.7 million) and $138.9 million of long-term debt, of which $11.3 million was current (December 31, 2015 – $145.9 million of which $11.3 million was current). The capital structure consisted of 42% equity ($153.7 million) and 58% liabilities ($211.5 million) at quarter end (December 31, 2015 – 40% equity or $146.0 million and 60% liabilities or $218.3 million).

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 facilities. 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 facilities and covenants

The Company has two syndicated credit facilities. The first one is a $90.0 million revolving credit facility. This type of facility provides flexibility with no scheduled repayment terms. The Company also has a $90.0 million non-revolving credit facility that was drawn on March 31, 2014 to finance the Toronto and Vancouver business acquisition. The non-revolving facility is being amortized over eight years and is repayable in quarterly instalments of $2.8 million.

In May 2015, the Company amended its credit facilities to reduce interest rates by 0.5%, change certain covenants and to extend the maturity date for both credit facilities to May 31, 2018.

The Company is subject to covenants on its credit facilities. The Company's bank covenants include certain maximum or minimum ratios such as total debt to EBITDA ratio 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 revolving credit facility have been the primary funding sources of working capital, capital expenditures, CCD payments, dividend payments, share repurchases, 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 its cash balances to reduce debt and minimize interest expense. 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 included in the $90 million revolving credit facility is $5.0 million available to fund any current obligations, $2.2 million of which the Company had drawn as at September 30, 2016. The Company can access this remaining available amount of $2.8 million as well as the additional $10.3 million undrawn amount on its revolving credit facility to fund obligations.

Working capital requirements

As at September 30, 2016, the Company's net working capital was $4.7 million. The cash from current receivables should 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 revolving credit 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 the undrawn amount of its credit facilities.

Future cash requirements

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

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

Since the publication of the 2015 Annual MD&A (dated March 3, 2016), there has been no substantive change in the Company's commitments and contractual obligations, other than the decrease in long-term debt.

SHARE CAPITAL

Outstanding share data

The weighted average number of shares outstanding for the three months ended September 30, 2016 was 25,655,000 (2015 – 26,694,000) and for the nine months ended September 30, 2016 was 26,240,000 (2015 – 27,608,000). As of this date, there are 21,855,701 Class A Subordinate Voting Shares ("Class A Shares") and 3,769,322 Class B Common Shares ("Class B Shares") outstanding.

Dividends

During the third quarter, the Board of Directors approved an increase in dividends to $0.20 per share per annum, up from $0.15 per share per annum. As a result, the Board of Directors declared a dividend of $0.10 per share on each of the Company's Class A Shares and Class B Shares. Dividends of $2.6 million were paid on September 15, 2016 to all shareholders of record as at August 31, 2016.

Dividends paid in the third quarter of 2015 were $0.06 per share ($1.6 million in total) and year-to-date 2015 were $0.15 per share ($4.1 million in total) as $0.09 per share dividends declared in the fourth quarter of 2014 were paid in January 2015. Dividends of $0.09 per share ($2.4 million in total) declared in the fourth quarter of 2015 were paid in December 2015.

Share repurchases

The Company has approval under a Normal Course Issuer Bid ("NCIB") to repurchase up to 1,145,715 Class A shares and 75,386 Class B shares. This bid expires June 5, 2017. During the quarter, 36,900 Class A shares were repurchased for cash consideration of $0.3 million under the NCIB. Year-to-date, 34,000 Class A shares were repurchased for cash consideration of $0.3 million under the NCIB that was in effect until May 24, 2016 and 1,058,600 class A shares were purchased for cash consideration of $10.1 million under the NCIB currently in effect, leaving a balance of 87,115 Class A shares and 75,386 Class B shares available to be repurchased under the current NCIB. In the third quarter of 2015, 1,164,800 Class A shares were repurchased for cash consideration of $10.3 million and year-to-date 2015, 1,569,800 Class A shares were repurchased for cash consideration of $13.9 million.

As a result of the share repurchases, capital stock was reduced by $0.1 million in the third quarter and $1.6 million year-to-date (2015 – $1.7 million in the third quarter and $2.3 million year-to-date) and retained earnings by $0.3 million in the third quarter and $8.8 million year-to-date (2015 – $8.6 million in the third quarter and $11.6 million year-to-date).

SHARE-BASED COMPENSATION PLANS

Executive stock option plan

A total of 2,020,000 stock options are outstanding pursuant to the Company's executive stock option plan. During the quarter and year-to-date, no options were granted by the Company (2015 – 100,000 were granted in the third quarter and year-to-date). No options were exercised in the third quarter (2015 – nil) and 252,500 options were exercised year-to-date (2015 – 145,000). Compensation expense related to the stock option plan in the quarter was less than $0.1 million and year-to-date was $0.1 million (2015 – $0.1 million in the third quarter and year-to-date).

Stock appreciation rights plan

There are no stock appreciation rights outstanding as at September 30, 2016. During the first quarter of 2015, the remaining 50,000 rights were exercised for cash consideration of $0.1 million.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

Interest rate risk management

The Company is exposed to interest rate risk on the long-term debt issued at floating rates under its credit facilities. The Company has in place an interest rate swap agreement with a Canadian chartered bank to hedge its exposure to fluctuating interest rates on its long-term debt. The swap has a notional amount of $45 million and expires in May 2017.

The swap agreement involves 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 is recorded as an increase or decrease to interest expense. A 0.5% change in the projected floating interest rates during the remaining term of the swap agreement would have impacted the fair value of the interest rate swap at September 30, 2016 by approximately $0.1 million, which would have flowed through profit.

As at September 30, 2016, the aggregate fair value payable of the swap agreement was $0.4 million (December 31, 2015 – $0.9 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. As at September 30, 2016 the Company does not hold any marketable securities but did hold marketable securities during the year. Marketable securities 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 only invested a certain amount of funds in marketable securities.

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.

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.

With regard to the Company's derivative instruments, the 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.

NEW AND FUTURE ACCOUNTING STANDARDS

Adoption of new accounting standards

IFRS 7, "Financial Instruments: Disclosures" ("IFRS 7") – Applicability of the offsetting disclosures to condensed interim financial statements
On January 1, 2016, the Company adopted the amendments to IFRS 7, which include guidance on offsetting financial assets and financial liabilities. This amendment clarifies that the offsetting disclosure requirements do not apply to interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report.

IAS 19, "Employee Benefits" ("IAS 19") – Discount rate: regional market issue
On January 1, 2016, the Company adopted the amendment to IAS 19 which clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located.

IAS 34 – Disclosure of information 'elsewhere in the interim financial report'
On January 1, 2016, the Company adopted the amendment to IAS 34 which clarifies that the required interim disclosures must be either in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report.

The adoption of these updated accounting standards did not result in a material impact to the Company's interim financial statements.

Future accounting standards

Standards issued but not yet effective until after December 31, 2016 are consistent with those disclosed in the Company's 2015 Annual MD&A dated March 3, 2016, in addition to the following:

IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15")
In April 2016, the IASB issued amendments to its revenue standard, IFRS 15. The amendments clarify certain requirements of applying the new revenue standard and provide relief related to the cost and complexity of applying the new standard. The effective date of the amendments is January 1, 2018. The Company is assessing the impact this new standard, including amendments, will have on its consolidated financial statements.

IFRS 2, "Share-based Payment" ("IFRS 2")
In June 2016, the IASB issued three amendments to IFRS 2 in relation to the classification and measurement of share-based payment transactions, which are intended to eliminate diversity in the application of this standard. The effective date of the amendments is January 1, 2018. Entities are required to apply these amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Company is assessing the impact these amendments will have on its consolidated financial statements.

CRITICAL ACCOUNTING ESTIMATES

There has been no substantive change in the Company's critical accounting estimates since the publication of the 2015 Annual MD&A dated March 3, 2016.

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.

RELATED PARTY TRANSACTIONS

These interim financial statements include the financial statements of the following wholly-owned subsidiaries: Newcap Inc., the Glynmill Inn Incorporated, 8504580 Canada Inc., 8384827 Canada Inc., 8384860 Canada Inc., 8384886 Canada Inc. and 8384878 Canada Inc. All intra-group balances and transactions have been eliminated in full.

In addition to transactions between the parent and subsidiaries, the Company has entered into transactions and agreements with certain other related parties. Transactions with these parties are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties, having normal trade terms. Related party transactions are reviewed by the Company's Audit and Governance Committee which is comprised entirely of independent directors.

During the nine months ended September 30, 2016, the Company entered into a ten-year lease agreement, having normal trade terms, to provide office space to a company controlled by the President and Chief Executive Officer. All other related party transactions during the quarter were consistent in nature to those described in the 2015 Annual MD&A dated March 3, 2016.

RISKS AND OPPORTUNITIES

On April 23, 2016 the Copyright Board of Canada released its Commercial Radio Tariff Decision. The impact of the decision was positive for the Company as a result of reductions to rates related to CMRRA-SODRAC Inc. and Connect/SOPROQ. The decision resulted in reduced tariffs retroactive to 2012. A stay order was granted in August 2016, whereby it was agreed that these refunds related to previously paid tariffs would be paid by October 31, 2016. As a result of this refund received, the Company has recorded a reduction in operating expenses of $1.6 million in the third quarter of 2016. Although the refund of previously paid amounts has been agreed to by the Collectives, the Copyright Board's overall decision remains under judicial review. The Company will continue to monitor the results of this process. Future adjustments to expenses (positive or negative) may be required.

On June 15, 2016, the CRTC announced its funding decision following the policy framework review for local and community television. The impact of this decision is the eventual disbanding of the Small Market Local Programming Fund ("SMLPF"), which will be replaced by the Independent Local News Fund ("ILNF"), funded by both cable and direct-to-home television providers effective September 1, 2017. The new funding criteria is set out in Broadcasting Regulatory Policy CRTC 2016-224. Effective September 1, 2016, certain stations have been removed from the SMLPF and their funding has been redistributed among other current recipients. Effective September 1, 2017 additional stations will be added to the list of ILNF recipients. Without this additional funding, the Company had expected to lose money on its television operations, raising uncertainty regarding their future; however, this new funding is expected to be sufficient to allow the Company to continue operating its television stations for the foreseeable future.

There has been no other substantive change in the Company's risks and opportunities since the publication of the 2015 Annual MD&A dated March 3, 2016.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

There were no changes in the Company's internal controls over financial reporting that occurred in the nine months ending September 30, 2016 that have materially affected, or are likely to materially affect, the Company's internal controls over financial reporting.

OUTLOOK

The Company achieved a successful third quarter and year-to-date 2016, significantly outpacing the Canadian radio industry average which has faced declines in revenue during the year.

During the third quarter, the Company continued to identify efficiencies and restructured certain areas of the business in a way that is expected to result in future operating cost savings, allowing the Company to invest further in technology, on-air programming, and sales while maintaining consistent EBITDA margins. The Company will continue to focus on maintaining strong listener ratings and promoting its stations in an effort to grow revenue in an industry that has been steady for the past number of years, but has been facing a challenging 2016.

The Company continues to seek out acquisitions which will provide a healthy return on investment for its shareholders.

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: acquisition-related costs, impairment charges and other income (expense). A calculation of this measure is as follows:

		Three months ended September 30		Nine months ended September 30	
(thousands of Canadian dollars)		***2016***	*2015*	***2016***	*2015*
Profit	***$***	***7,738***	*6,683*	***20,714***	*15,219*
Provision for income taxes		***3,216***	*2,379*	***7,725***	*7,069*
Other (income) expense		***(438)***	*196*	***(924)***	*324*
Interest expense		***1,173***	*1,416*	***3,626***	*5,042*
Depreciation and amortization		***1,356***	*1,171*	***3,704***	*3,520*
Accretion of other liabilities		***77***	*106*	***250***	*338*
EBITDA	***$***	***13,122***	*11,951*	***35,095***	*31,512*

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 and nine months ended September 30, 2016 and 2015

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 and nine months ended September 30, 2016 and 2015 have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" 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 Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Dated this 3rd day of November, 2016

Interim Consolidated Statements of Financial Position

(unaudited)

(thousands of Canadian dollars)	*Notes*		**September 30 2016**	December 31 2015
ASSETS				
Current assets				
Marketable securities	*8(a)*	$	**—**	829
Receivables	*8*		**39,681**	38,960
Prepaid expenses			**1,800**	1,494
Total current assets			**41,481**	41,283
Non-current assets				
Property and equipment			**44,145**	43,098
Other assets			**1,538**	1,580
Broadcast licences			**262,064**	262,029
Goodwill			**12,014**	12,014
Deferred income tax assets			**3,965**	4,242
Total non-current assets			**323,726**	322,963
Total assets	*4*	$	**365,207**	364,246
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Bank indebtedness		$	**2,180**	1,748
Accounts payable and accrued liabilities			**22,766**	20,747
Income taxes payable			**631**	1,840
Current portion of long-term debt	*4*		**11,250**	11,250
Total current liabilities			**36,827**	35,585
Non-current liabilities				
Long-term debt	*4*		**127,693**	134,658
Other liabilities	*8(b)*		**12,463**	14,833
Deferred income tax liabilities			**34,540**	33,179
Total non-current liabilities			**174,696**	182,670
Total liabilities			**211,523**	218,255
Shareholders' equity			**153,684**	145,991
Total liabilities and shareholders' equity		$	**365,207**	364,246

See accompanying notes to the interim financial statements

Interim Consolidated Income Statements

(unaudited)

(thousands of Canadian dollars, except per share data)	*Notes*		Three months ended September 30 **2016**	2015	Nine months ended September 30 **2016**	2015
Revenue		$	**41,455**	41,006	**122,559**	119,109
Operating expenses			**(28,333)**	(29,055)	**(87,464)**	(87,597)
Depreciation and amortization			**(1,356)**	(1,171)	**(3,704)**	(3,520)
Accretion of other liabilities			**(77)**	(106)	**(250)**	(338)
Interest income (expense)			**(1,173)**	(1,416)	**(3,626)**	(5,042)
Other income (expense)	*8(a)*		**438**	(196)	**924**	(324)
Profit before provision for income taxes			**10,954**	9,062	**28,439**	22,288
Provision for income taxes						
Current			**(2,194)**	(1,171)	**(6,048)**	(5,094)
Deferred			**(1,022)**	(1,208)	**(1,677)**	(1,975)
			(3,216)	(2,379)	**(7,725)**	(7,069)
Profit		$	**7,738**	6,683	**20,714**	15,219
Earnings per share						
– Basic		$	**0.30**	0.25	**0.79**	0.55
– Diluted			**0.29**	0.24	**0.75**	0.53
Weighted average number of shares outstanding *(thousands)*						
– Basic			**25,655**	26,694	**26,240**	27,608
– Diluted			**26,800**	28,021	**27,493**	28,853

See accompanying notes to the interim financial statements

Interim Consolidated Statements of Comprehensive Income

(unaudited)

(thousands of Canadian dollars)		Three months ended September 30 **2016**	2015	Nine months ended September 30 **2016**	2015
Profit	$	**7,738**	6,683	**20,714**	15,219
Other comprehensive loss:					
Cash flow hedges:					
Net movement on interest rate swaps		**(45)**	(21)	**(135)**	(92)
Income tax recovery		**13**	5	**39**	25
Amounts reclassified to profit		**(32)**	(16)	**(96)**	(67)
Comprehensive income	$	**7,706**	6,667	**20,618**	15,152

See accompanying notes to the interim financial statements

Interim Consolidated Statements of Changes in Shareholders' Equity

(unaudited)

(thousands of Canadian dollars)		Issued share capital *(notes 5 and 6)*	Contributed surplus *(note 6)*	Accumulated other comprehensive loss	Retained earnings	Total
Balance at January 1, 2016	**$**	**34,488**	**2,483**	**(143)**	**109,163**	**145,991**
Profit		**—**	**—**	**—**	**20,714**	**20,714**
Other comprehensive loss		**—**	**—**	**(96)**	**—**	**(96)**
Total comprehensive income (loss)		**—**	**—**	**(96)**	**20,714**	**20,618**
Dividends declared		**—**	**—**	**—**	**(2,566)**	**(2,566)**
Repurchase of share capital		**(1,609)**	**—**	**—**	**(8,821)**	**(10,430)**
Exercise of executive stock options		**204**	**(204)**	**—**	**—**	**—**
Executive stock option compensation expense		**—**	**71**	**—**	**—**	**71**
Balance at September 30, 2016	**$**	**33,083**	**2,350**	**(239)**	**118,490**	**153,684**

See accompanying notes to the interim financial statements

(thousands of Canadian dollars)		Issued share capital *(notes 5 and 6)*	Contributed surplus *(note 6)*	Accumulated other comprehensive loss	Retained earnings	Total
Balance at January 1, 2015	$	36,596	2,602	(144)	101,475	140,529
Profit		—	—	—	15,219	15,219
Other comprehensive loss		—	—	(67)	—	(67)
Total comprehensive income (loss)		—	—	(67)	15,219	15,152
Dividends declared		—	—	—	(1,597)	(1,597)
Repurchase of share capital		(2,306)	—	—	(11,554)	(13,860)
Exercise of executive stock options		151	(151)	—	—	—
Executive stock option compensation expense		—	53	—	—	53
Balance at September 30, 2015	$	34,441	2,504	(211)	103,543	140,277

See accompanying notes to the interim financial statements

Interim Consolidated Statements of Cash Flows
(unaudited)

(thousands of Canadian dollars)	*Notes*	Nine months ended September 30 **2016**	2015
Operating Activities			
Profit before provision for income taxes		$ **28,439**	22,288
Items not involving cash			
Depreciation, amortization and accretion of other liabilities		**3,954**	3,858
Interest expense		**3,626**	5,042
Share-based compensation expense	*6*	**71**	53
Realized and unrealized (gains) losses on marketable securities	*8(a)*	**(834)**	299
Other		**290**	614
		35,546	32,154
Net change in non-cash working capital balances related to operations		**884**	1,862
		36,430	34,016
Interest paid		**(4,004)**	(4,708)
Income taxes paid		**(7,256)**	(8,884)
Net cash flow from operating activities		**25,170**	20,424
Financing Activities			
Change in bank indebtedness		**432**	369
Long-term borrowings		**10,500**	16,500
Long-term debt repayments		**(17,688)**	(8,438)
Dividends paid	*5*	**(2,566)**	(4,131)
Repurchase of capital stock	*5*	**(10,430)**	(13,860)
Other		**—**	(198)
Net cash flow used in financing activities		**(19,752)**	(9,758)
Investing Activities			
Property and equipment additions		**(4,730)**	(7,559)
Canadian Content Development commitment payments		**(2,390)**	(2,705)
Proceeds from disposal of marketable securities		**1,663**	105
Other		**39**	(507)
Net cash flow used in investing activities		**(5,418)**	(10,666)
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 8 Basinview Drive, Dartmouth, Nova Scotia, B3B 1G4. The Company's primary activity is radio broadcasting. These unaudited condensed interim consolidated financial statements ("interim financial statements") comprise the financial statements of the Company and its subsidiaries. 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 profit 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 November 3, 2016.

2. BASIS OF PREPARATION

a) Statement of Compliance

These interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" ("IAS 34"). Accordingly, certain information and note disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed. 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, 2015. Accordingly, these interim financial statements should be read together with the annual financial statements for the year ended December 31, 2015 prepared in accordance with IFRS.

These interim financial statements have been prepared in accordance with those IFRS standards and IFRS Interpretations Committee interpretations issued and effective or issued and early adopted as at the date of these statements. 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.

b) Critical Accounting Estimates

There has been no substantive change in the Company's critical accounting estimates and assumptions since the publication of the annual financial statements for the year ended December 31, 2015.

3. NEW AND FUTURE ACCOUNTING STANDARDS

Adoption of new accounting standards

IFRS 7, "Financial Instruments: Disclosures" ("IFRS 7") – Applicability of the offsetting disclosures to condensed interim financial statements
On January 1, 2016, the Company adopted the amendments to IFRS 7, which include guidance on offsetting financial assets and financial liabilities. This amendment clarifies that the offsetting disclosure requirements do not apply to interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report.

IAS 19, "Employee Benefits" ("IAS 19") – Discount rate: regional market issue
On January 1, 2016, the Company adopted the amendment to IAS 19 which clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located.

3. NEW AND FUTURE ACCOUNTING STANDARDS *(continued)*

Adoption of new accounting standards *(continued)*

IAS 34 – Disclosure of information 'elsewhere in the interim financial report'
On January 1, 2016, the Company adopted the amendment to IAS 34 which clarifies that the required interim disclosures must be either in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report.

The adoption of these updated accounting standards did not result in a material impact to the Company's interim financial statements.

Future Accounting Standards
Standards issued but not yet effective until after December 31, 2016 are consistent with those disclosed in the Company's annual financial statements for the year ended December 31, 2015, in addition to the following:

IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15")
In April 2016, the IASB issued amendments to its revenue standard, IFRS 15. The amendments clarify certain requirements of applying the new revenue standard and provide relief related to the cost and complexity of applying the standard. The effective date of the amendments is January 1, 2018. The Company is assessing the impact this new standard, including amendments, will have on its consolidated financial statements.

IFRS 2, "Share-based Payment" ("IFRS 2")
In June 2016, the IASB issued three amendments to IFRS 2 in relation to the classification and measurement of share-based payment transactions, which are intended to eliminate diversity in the application of this standard. The effective date of the amendments is January 1, 2018. Entities are required to apply these amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Company is assessing the impact these amendments will have on its consolidated financial statements.

4. LONG-TERM DEBT

(thousands of Canadian dollars)		**2016**	2015
Revolving term credit facility of $90 million, renewable, expires in May 2018	**$**	**74,750**	73,500
Non-revolving term credit facility of $90 million, repayable in quarterly instalments, expires in May 2018		**64,687**	73,125
		139,437	146,625
Less: current portion of non-revolving credit facility		**(11,250)**	(11,250)
Less: debt transaction costs, net of accumulated amortization		**(494)**	(717)
	$	**127,693**	134,658

The $90,000,000 revolving term credit facility has no set terms of repayment. The $13,070,000 undrawn amount (which is net of bank indebtedness) may be used to fund future operations, capital requirements and investing activities, subject to the debt covenants which are disclosed in note 8. The Company's $90,000,000 non-revolving term credit facility is being amortized over eight years and is repayable in quarterly instalments of $2,813,000.

4. LONG-TERM DEBT *(Continued)*

In May 2015, the Company amended the credit facilities to extend the maturity date to May 31, 2018, to reduce interest rates by approximately 0.5% and to change certain covenants.

The Company has provided a general assignment of book debts and a first ranking fixed charge demand debenture over all freehold and leasehold real property and all equipment and a security interest and floating charge over all other property as collateral for the bank indebtedness and the credit facilities.

5. SHARE CAPITAL

Outstanding share capital

Outstanding share capital was 25,625,023 as at September 30, 2016 (December 31, 2015 – 26,629,658).

Share repurchases

The Company has approval under a Normal Course Issuer Bid ("NCIB") to repurchase up to 1,145,715 Class A Subordinate Voting Shares ("Class A shares") and 75,386 Class B Common Shares ("Class B shares"). This bid expires June 5, 2017. During the quarter, 36,900 Class A shares were repurchased for cash consideration of $346,000 under the NCIB. Year-to-date, 34,000 Class A shares were repurchased for cash consideration of $325,000 under the NCIB that was in effect until May 24, 2016 and 1,058,600 Class A shares were repurchased for cash consideration of $10,105,000 under the NCIB currently in effect, leaving a balance of 87,115 Class A shares and 75,386 Class B shares available to be repurchased under the current NCIB. In 2015, 1,164,800 Class A shares were repurchased for $10,284,000 in the third quarter and 1,569,800 Class A shares were repurchased for $13,860,000 year-to-date

As a result of the share repurchases, capital stock was reduced by $54,000 in the third quarter and $1,609,000 year-to-date (2015 – $1,711,000 in the third quarter and $2,306,000 year-to-date) and retained earnings by $292,000 in the third quarter and $8,821,000 year-to-date (2015 – $8,573,000 in the third quarter and $11,554,000 year-to-date).

Executive stock options

Pursuant to the Company's executive stock option plan disclosed in note 6, no options were exercised in the third quarter (2015 – nil) and 252,500 options were exercised year-to-date (2015 – 145,000) using the cashless exercise option resulting in 87,965 shares issued from treasury year to date (2015 – 32,724). Share capital was increased and contributed surplus was decreased by $204,000 (2015 – $151,000) as a result of the options being exercised during the year.

Dividends

During the third quarter, the Company declared dividends of $0.10 (2015 – $0.06) per Class A and Class B share. Dividends paid totaled $2,566,000 during the third quarter and year-to-date (2015 – $1,597,000 in the third quarter and $4,131,000 year-to-date). The dividends declared in December 2015 were paid in 2015.

6. SHARE-BASED COMPENSATION PLANS

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

Executive stock options

A total of 2,020,000 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.

6. Share-Based Compensation Plans *(continued)*

Executive stock options *(continued)*

No options were granted during the third quarter and year-to-date (2015 – 100,000 were granted in the third quarter and year-to-date). No options were exercised in the quarter (2015 – nil) and 252,500 options were exercised year-to-date (2015 – 145,000). Compensation expense related to the stock option plan in the quarter was $18,000 and year-to-date was $71,000 (2015 – $53,000 in the third quarter and year-to-date).

Stock appreciation rights
There are no stock appreciation rights outstanding as at September 30, 2016. During the first quarter of 2015, the remaining 50,000 rights were exercised for cash consideration of $85,000.

7. Employee Benefit Plans

		Three months ended September 30		Nine months ended September 30	
(thousands of Canadian dollars)		**2016**	2015	**2016**	2015
Defined contribution plan expense	$	**458**	461	**1,395**	1,382
Defined benefit plan expense		**97**	108	**290**	294

8. Financial Instruments and Financial Risk Management

Estimated fair value of financial instruments
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 three-month Canadian bankers' acceptance rates. The premium to bankers' acceptance rates is based on certain financial ratios and is consistent with market value. The fair values of financial instruments in other liabilities approximate their carrying values as they are recorded at the net present value of their future cash flows, using an appropriate discount rate.

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

		Level 1	**Level 2**	**Level 3**
(thousands of Canadian dollars) **Description**	**Total**	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs
Items accounted for as hedges:				
Interest rate swap payable	**414**	—	414	—
Other liabilities at amortized cost with fair values disclosed:				
Long-term debt, excluding unamortized debt transaction costs	**139,437**	—	139,437	—
Other liabilities	**5,705**	—	5,705	—

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

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

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

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

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 $40,701,000 as at September 30, 2016 (December 31, 2015 – $39,839,000), which included accounts 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 $1,020,000 as at September 30, 2016 (December 31, 2015 – $879,000). The Company is of the opinion that the provision for potential losses adequately reflects the credit risk associated with its receivables.

Approximately 81% 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 third quarter was $37,000 (2015 – $211,000) and year-to-date was $187,000 (2015 – $355,000), 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 and interest rates.

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

As at September 30, 2016 the Company does not hold any marketable securities but did hold marketable securities during the year. Marketable securities 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 only invested a certain amount of funds in marketable securities.

During the third quarter, the Company divested of its marketable securities portfolio and recognized mark-to-market gains of $359,000 (2015 – $nil realized gains and $174,000 unrealized loss). Year-to-date gains on the Company's marketable securities were $834,000, of which $458,000 was realized losses on disposition and $1,292,000 was unrealized mark to market gains. In 2015, year to date losses were $299,000, which was comprised of realized losses of $136,000 and unrealized losses of $163,000.

b) Interest rate risk management

The Company is exposed to interest rate risk on the long-term debt issued at floating rates under its credit facilities. A 0.5% change in the annual floating interest rates would have had an $88,000 impact on profit for the quarter ended September 30, 2016 and a $262,000 impact on year-to-date profit.

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

Market risk *(continued)*

b) Interest rate risk management *(continued)*

The Company has in place an interest rate swap agreement with a Canadian chartered bank to hedge its exposure to fluctuating interest rates on its long-term debt. The swap has a notional amount of $45,000,000 and expires in May 2017. The swap agreement involves 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. Changes in fair value of the swap are recorded in profit.

At quarter end, the aggregate fair value of the swap agreement was a $414,000 liability, of which $46,000 was classified as a current liability (December 31, 2015 – $891,000; $52,000 classified as current).

A 0.5% change in the projected floating interest rates during the remaining term of the hedge agreement would have impacted the fair value of the interest rate swap by approximately $122,000 which would have flowed through profit.

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 facilities. One of management's primary goals is to maintain an optimal level of liquidity through the active management of the assets and liabilities as well as the cash flows. Other than for operations, the Company's cash requirements are mostly for interest payments, repayment of debt, capital expenditures, Canadian Content Development ("CCD") payments, and other contractual obligations that are disclosed below.

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

Obligation *(thousands of Canadian dollars)*		**12 months**	**Years 2 to 5**	**Thereafter**
Long-term debt, excluding unamortized debt transaction costs *(note 4)*	$	11,250	128,187	—
Bank indebtedness		2,180	—	—
Accounts payable and accrued liabilities, net of current portion of undiscounted CCD commitments		20,910	—	—
Income taxes payable		631	—	—
CCD commitments, undiscounted		1,856	4,396	—
	$	36,827	132,583	—

Assuming the long-term debt is renewed in 2018, which is consistent with past practice, the payments would be $45,000,000 for years two to five and $83,187,000 thereafter.

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

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 facilities. The Company's bank covenants include certain maximum or minimum ratios such as total debt to EBITDA ratio and fixed charge coverage ratio. Other covenants include seeking prior approval for acquisitions or disposals in excess of a quantitative threshold.

Financial projections are updated and reviewed regularly to reasonably ensure that financial 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 September 30, 2016.

9. 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 and is a strategic business unit that offers different services and is managed separately. Corporate and Other consists of a hotel and the head office functions. Its revenue relates to hotel operations as well as office space rental and related services revenue. The Company evaluates performance based on earnings before interest, taxes, depreciation and amortization.

Included within the Broadcasting segment are distinct operating segments that have been aggregated as they operate within the same regulatory environment and use similar processes to provide advertising services to customers. Operating segments are evaluated by the Company based on specific geographic locations within Canada. The Company considered the economic characteristics of the various operating segments, including earnings before interest, taxes, depreciation and amortization, in determining that these segments are appropriate to aggregate.

9. OPERATING SEGMENT INFORMATION *(continued)*

(thousands of Canadian dollars)		Broadcasting	Corporate and Other	Total	Broadcasting	Corporate and Other	Total
		Three months ended September 30, 2016			Nine months ended September 30, 2016		
Revenue	**$**	**40,023**	**1,432**	**41,455**	**119,059**	**3,500**	**122,559**
Operating expenses		**(24,994)**	**(3,339)**	**(28,333)**	**(77,794)**	**(9,670)**	**(87,464)**
Segment profit (loss)		**15,029**	**(1,907)**	**13,122**	**41,265**	**(6,170)**	**35,095**
Depreciation, amortization and accretion of other liabilities		**(1,304)**	**(129)**	**(1,433)**	**(3,585)**	**(369)**	**(3,954)**
Interest expense		**—**	**(1,173)**	**(1,173)**	**—**	**(3,626)**	**(3,626)**
Other income		**72**	**366**	**438**	**83**	**841**	**924**
Profit (loss) before provision for income taxes	**$**	**13,797**	**(2,843)**	**10,954**	**37,763**	**(9,324)**	**28,439**
Other Disclosures							
Capital expenditures		**(386)**	**(2,696)**	**(3,082)**	**(1,479)**	**(3,251)**	**(4,730)**
		Three months ended September 30, 2015			Nine months ended September 30, 2015		
Revenue	$	39,726	1,280	41,006	116,055	3,054	119,109
Operating expenses		(26,127)	(2,928)	(29,055)	(77,935)	(9,662)	(87,597)
Segment profit (loss)		13,599	(1,648)	11,951	38,120	(6,608)	31,512
Depreciation, amortization and accretion of other liabilities		(1,173)	(104)	(1,277)	(3,557)	(301)	(3,858)
Interest expense		—	(1,416)	(1,416)	—	(5,042)	(5,042)
Other income (expense)		30	(226)	(196)	41	(365)	(324)
Profit (loss) before provision for income taxes	$	12,456	(3,394)	9,062	34,604	(12,316)	22,288
Other disclosures							
Capital expenditures	$	(1,445)	(802)	(2,247)	(6,735)	(824)	(7,559)

(thousands of Canadian dollars)		Broadcasting	Corporate and Other	Total
		As at September 30, 2016		
Total assets	**$**	**349,406**	**15,801**	**365,207**
Total liabilities		**(24,949)**	**(186,574)**	**(211,523)**
Other disclosures				
Broadcast licences carrying value		**262,064**	**—**	**262,064**
Goodwill carrying value		**12,014**	**—**	**12,014**
		As at December 31, 2015		
Total assets	$	350,398	13,848	364,246
Total liabilities		(29,505)	(188,750)	(218,255)
Other disclosures				
Broadcast licences carrying value		262,029	—	262,029
Goodwill carrying value		12,014	—	12,014

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

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

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