Newfoundland Capital Corporation Limited

Second Quarter 2017

Period Ended June 30 ***(unaudited)***

Dartmouth, N.S. – August 10, 2017, Newfoundland Capital Corporation Limited (the "Company") today announces its financial results for the second quarter ending June 30, 2017.

Highlights

- **Revenue** for the second quarter of $43.6 million was $0.6 million or 1% lower than the same quarter last year and year-to-date revenue of $79.3 million was $1.8 million or 2% lower than 2016. The decrease during the quarter and year-to-date was primarily due to revenue declines in the Company's Alberta and Newfoundland and Labrador operations as a result of continued economic challenges in those regions of the country and declines in Ottawa as a result of downward pressure on advertising rates in that market. These declines were partially offset by growth in the Company's Toronto and Sudbury operations, which have achieved strong listener ratings.
- **Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA"**[1]**)** of $13.9 million in the second quarter was on par with the second quarter last year and year-to-date Adjusted EBITDA of $20.9 million was $1.1 million or 5% lower than 2016. Excluding the impact of a $0.4 million non-cash expense related to the extension of certain executive stock options, Adjusted EBITDA would have been 3% higher in the quarter due to the Company's focus on controlling costs and operating efficiently. The decline in Adjusted EBITDA year-to-date was a result of the revenue declines combined with the non-cash expense related to the extension of certain executive stock options.
- **Profit** for the period of $8.4 million was $0.1 million or 1% higher than the same quarter last year. Year-to-date profit of $11.3 million was $1.6 million or 12% lower than last year due primarily to lower revenue.

Significant events

- In June 2017, the Company received Canadian Radio-television and Telecommunications Commission ("CRTC") approval and finalized the purchase of three radio stations in Kamloops, British Columbia.
- In June 2017, the Company received CRTC approval and finalized the sale of CISL-AM in Vancouver, British Columbia.
- Subsequent to quarter-end, the Board of Directors approved an increase in dividends to $0.50 per share per annum, up from $0.20 per share per annum. As a result, the Board of Directors declared a dividend of $0.25 per share on each of the Company's Class A Subordinate Voting Shares and Class B Common Shares, payable on September 15, 2017 to all shareholders of record as at August 31, 2017.

"The Company had a successful second quarter as a focus on controlling costs resulted in savings that more than offset a slight decline in broadcasting revenue," commented Rob Steele, President and Chief Executive Officer. "We are pleased with the Company's overall results as our efforts to operate efficiently have allowed us to grow margins in the Broadcasting segment compared to the same quarter last year."

Financial Highlights - Second Quarter

(thousands of Canadian dollars, except share information)		**Three months ended June 30** **2017**	2016[2]
Revenue	$	**43,604**	44,225
Adjusted EBITDA[1]		**13,850**	13,811
Profit		**8,359**	8,300
Earnings per share - basic		**0.33**	0.31
Earnings per share - diluted		**0.31**	0.30
Weighted average number of shares outstanding *(in thousands)*		**25,572**	26,448
		June 30 2017	December 31 2016
Share price, NCC.A (closing)	$	**10.64**	9.76
Total assets		**373,331**	372,663
Long-term debt, including current portion		**122,326**	129,455
Shareholders' equity		**163,042**	151,155

(1) *As defined on page 12 "non-IFRS Accounting Measure"*

(2) *Restated for change in accounting policy – Profit and earnings per share for the second quarter ended June 30, 2016 have been restated as a result of the retrospective application of a change in accounting policy related to the measurement of deferred income taxes on indefinite life intangible assets. For further details, refer to note 2(c) of the interim financial statements.*

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 June 30, 2017 and 2016, 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 2016 Annual Report. The Company's second quarter 2017 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 9, 2017 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 August 10, 2017. 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 101 broadcast licences (72 radio stations and 29 repeating signals) across Canada. The Company reaches millions of listeners each week through a variety of formats and is a recognized industry leader in radio programming, sales and networking. It is Canada's largest pure-play radio company, employing approximately 800 of the best radio professionals across the country. The Company's portfolio of radio assets includes 82 FM and 19 AM licences that 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 adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted 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 that should be considered when reviewing the "Consolidated Financial Performance Review" section. The results of the acquired and launched stations have been included in the interim financial statements since their acquisition or launch dates.

Recent Developments:

- August 2017 – the Company's Board of Directors approved an increase in annual dividends to $0.50 per share from $0.20 per share previously and declared dividends of $0.25 on each of its Class A Subordinate Voting shares and Class B Common shares.
- July 2017 – rebranded all small market Alberta rock and classic hits stations as BOOM.
- June 2017 – received CRTC approval and completed its previously announced disposal of 8384886 Canada Inc., which operates CISL-AM in Vancouver, British Columbia. Results of this subsidiary were included in the Company's interim financial statements until June 30, the date of sale.
- June 2017 – received CRTC approval and completed its previously announced acquisition of three radio stations as well as four repeating signals in Kamloops, British Columbia.
- January and February 2017 – rebranded all British Columbia, New Brunswick, and Nova Scotia country stations as New Country.
- January 2017 – launched a new FM licence in Hinton, Alberta.
- November 2016 – rebranded all Alberta country stations as "Real Country", except CFCW, which will remain as its own brand as it is a well-known country brand in Alberta.
- 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 a well-known country brand that 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.

CONSOLIDATED FINANCIAL PERFORMANCE REVIEW

Business Combination in 2017

On June 26, 2017, the Company acquired the shares of companies that hold the radio broadcasting assets of three radio stations in Kamloops, British Columbia, for total cash consideration of $7.1 million (net of cash acquired). The acquired stations consist of CKRV-FM, CKJC-FM, and CHNL-AM as well as four repeating signals of CHNL.

Upon the close of the acquisition, the Company completed a provisional purchase price allocation. For a detailed description of this business combination, including the provisional purchase price allocation, pro-forma earnings and acquisition-related costs, please refer to note 4 of the interim financial statements.

The financial results of these stations have been included in profit since their respective acquisition date.

Consolidated Financial Results of Operations

(thousands of Canadian dollars, except percentages and per share data)	Three months ended June 30			Six months ended June 30		
	2017	2016	% Change	**2017**	2016	% Change
Revenue	**$ 43,604**	44,225	(1%)	**79,338**	81,104	(2%)
Operating expenses	**(29,754)**	(30,414)	(2%)	**(58,447)**	(59,131)	(1%)
Adjusted EBITDA[1]	**13,850**	13,811	-	**20,891**	21,973	(5%)
Depreciation and amortization	**(1,156)**	(1,166)	(1%)	**(2,283)**	(2,348)	(3%)
Accretion of other liabilities	**(69)**	(87)	(21%)	**(137)**	(173)	(21%)
Interest expense	**(1,079)**	(1,237)	(13%)	**(2,247)**	(2,453)	(8%)
Business acquisition, integration, disposal and other (expense) income	**(89)**	252	-	**(73)**	486	-
Profit before provision for income taxes	**11,457**	11,573	(1%)	**16,151**	17,485	(8%)
Provision for income taxes[2]	**(3,098)**	(3,273)	(5%)	**(4,836)**	(4,614)	5%
Profit[2]	**$ 8,359**	8,300	1%	**11,315**	12,871	(12%)
Earnings per share[2]						
- Basic	**$ 0.33**	0.31		**0.44**	0.48	
- Diluted	**0.31**	0.30		**0.42**	0.46	

(1) *As defined on page 12 "non-IFRS Accounting Measure"*

(2) *Provision for income taxes, profit, and earnings per share for the second quarter and six months ended June 30, 3016 have been restated as a result of the retrospective application of a change in accounting policy related to the measurement of deferred income taxes on indefinite life intangible assets. For further details, refer to note 2(c) in the interim financial statements.*

ANALYSIS OF CONSOLIDATED FINANCIAL RESULTS

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

Revenue

In the second quarter, consolidated revenue of $43.6 million was $0.6 million or 1% lower than the same quarter last year and year-to-date revenue of $79.3 million was $1.8 million or 2% lower than 2016. The quarter and year-to-date decreases were primarily attributable to lower revenue in the Broadcasting segment, particularly the Alberta, Newfoundland and Labrador, and Ottawa operations, partially offset by growth in Toronto and Sudbury, which have achieved strong listener ratings.

Operating expenses

In the second quarter, consolidated operating expenses of $29.8 million were $0.7 million or 2% lower than the same period last year and year-to-date operating expenses of $58.4 million were $0.7 million or 1% lower than 2016. The decrease in operating expenses was primarily a result of lower operating expenses in the Broadcasting segment as the Company has focused on controlling costs to offset revenue declines. There were higher operating expenses in the Corporate and Other segment due to the extension of executive stock options, which resulted in a $0.4 million non-cash expense in the second quarter and $0.6 million year-to-date. Excluding this expense, consolidated operating expenses declined 3% during the second quarter and 2% year-to-date.

Adjusted EBITDA

In the second quarter, consolidated Adjusted EBITDA of $13.9 million was on par with the same period last year and year-to-date Adjusted EBITDA of $20.9 million was $1.1 million or 5% lower than 2016. Excluding the impact of a $0.4 million non-cash expense related to the extension of certain executive stock options, Adjusted EBITDA would have been 3% higher in the quarter due to the Company's focus on controlling costs and operating efficiently. The decline in Adjusted EBITDA year-to-date was a result of the revenue declines combined with the expense related to the extension of stock options.

Accretion of other liabilities

Included in *other liabilities* are Canadian Content Development ("CCD") commitments. The fair value of the CCD commitments are initially recorded at the present value of amounts to be paid. The obligations are subsequently adjusted for the incurrence of related expenditures and the passage of time. Changes in the obligations due to passage of time are recorded as accretion of other liabilities. Accretion expense was lower in the second quarter and year-to-date than the same periods in 2016 because of the payments of CCD commitments during 2016 and year-to-date in 2017, which reduced the balance on which accretion was recorded.

Interest expense

Interest expense in the second quarter of $1.1 million was $0.2 million or 13% lower than the same quarter last year and year-to-date interest of $2.2 million was $0.2 million or 8% lower than last year primarily because of a lower average debt balance outstanding.

Business acquisition, integration, disposal and other (expense) income

Business acquisition, integration, disposal and other (expense) income generally consists of expenses related to business acquisitions and integration, realized gains and losses on the disposal of broadcasting assets, realized and unrealized gains and losses on investments and other 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 impairment charges.

Business acquisition, integration, disposal and other (expense) income in the second quarter and year-to-date was an expense of $0.1 million resulting primarily from CCD commitments of $0.4 million expensed on the acquisition of the Kamloops operations and $0.7 million in expenses recognized in relation to business acquisitions and disposals, partially offset by a gain on the disposal of CISL-AM of $0.9 million and an unrealized mark-to-market gain of $0.1 million on investments included in *other assets*.

In the second quarter of 2016, business acquisition, integration, disposal and other (expense) income was $0.3 million and year-to-date was $0.5 million, which primarily related to the recognition of unrealized mark-to-market gains on marketable securities. Refer to note 10(a) of the Company's interim financial statements for additional details on mark-to-market gains and losses.

Provision for income taxes

In the second quarter, the effective tax rate was 27%, which was 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. The year-to-date effective tax rate was 30%, slightly below the statutory tax rate because of the subsidiary rate differential, partially offset by the recognition of a deferred tax liability on an investment in a subsidiary when it became held for sale in the first quarter.

Profit

Profit for the second quarter of $8.4 million was $0.1 million or 1% higher than the same quarter last year and year-to-date profit of $11.3 million was $1.6 million or 12% lower than the same period last year. The decrease year-to-date was a result of the lower revenue and non-cash expense related to the extension of executive stock options. Excluding the expense related to the extension of stock options, profit grew 6% during the second quarter and declined 8% year-to-date.

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 Adjusted 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 11 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 Adjusted 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 June 30			Six months ended June 30		
	2017	2016	% Change	**2017**	2016	% Change
Revenue	**$ 42,542**	43,126	(1%)	**77,436**	79,036	(2%)
Operating expenses	**(26,206)**	(27,013)	(3%)	**(51,543)**	(52,800)	(2%)
Adjusted EBITDA [1]	**16,336**	16,113	1%	**25,893**	26,236	(1%)
Adjusted EBITDA margin	**38%**	37%	1%	**33%**	33%	—

[1] *As defined on page 12 "Non-IFRS Accounting Measure"*

Revenue

Broadcasting revenue in the second quarter of $42.5 million was $0.6 million or 1% lower than the same period last year and year-to-date broadcasting revenue of $77.4 million was $1.6 million or 2% lower than 2016. The Company's declines during the quarter and year-to-date are consistent with the Canadian radio industry, which declined 1% in the quarter and 2% year-to-date. The Company's declines related primarily to its Alberta and Newfoundland and Labrador operations as economic challenges persisted in those regions. Also contributing to the decline was the Company's Ottawa operations where downward pressure on advertising rates resulted in lower revenue. The Company did experience growth in revenue at the Toronto and Sudbury operations as a result of strong listener ratings in those markets.

Operating expenses

For the second quarter, broadcasting operating expenses were $26.2 million, $0.8 million or 3% lower than the same quarter last year while year-to-date expenses of $51.5 million were $1.3 million or 2% lower than 2016. The decrease in operating expenses during the quarter and year-to-date was a result of lower spending on advertising as the prior year included costs related to a rebranding campaign in Toronto and a significant advertising campaign in Vancouver. The Company also incurred lower variable costs as a result of lower revenue and reductions in certain copyright fee tariffs.

Adjusted EBITDA

Second quarter broadcasting Adjusted EBITDA of $16.3 million was $0.2 million or 1% higher than 2016 and year-to-date Adjusted EBITDA of $25.9 million was $0.3 million or 1% lower than the same time last year, due to the net impact of the decline in revenue and lower operating costs.

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 Operations

(thousands of Canadian dollars, except percentages)	Three months ended June 30			Six months ended June 30		
	2017	2016	% Change	**2017**	2016	% Change
Revenue	**$ 1,062**	1,099	(3%)	**1,902**	2,068	(8%)
Operating expenses	**(3,548)**	(3,401)	4%	**(6,904)**	(6,331)	9%
Adjusted EBITDA [1]	**(2,486)**	(2,302)	(8%)	**(5,002)**	(4,263)	(17%)

[1] *As defined on page 12 "Non-IFRS Accounting Measure"*

Revenue
Revenue in the second quarter of $1.1 million was less than $0.1 million or 3% lower than the second quarter last year and year-to-date revenue of $1.9 million was $0.2 million or 8% lower than last year as the Company earned lower revenue from its hotel operation.

Operating expenses
Operating expenses of $3.5 million in the second quarter were $0.1 million or 4% higher than the second quarter in 2016 and operating expenses of $6.9 million year-to-date were $0.6 million or 9% higher than the same time last year. The increase in the quarter and year-to-date was attributable to the extension of executive stock options, which resulted in $0.4 million of non-cash expense in the quarter and $0.6 million year-to-date. Excluding the expense related to the extension of stock options, operating expenses decreased $0.3 million or 7% in the second quarter and were on par year-to-date.

Adjusted EBITDA
Adjusted EBITDA in the quarter was negative $2.5 million, which was $0.2 million or 8% lower than last year and year-to-date Adjusted EBITDA was negative $5.0 million, which was $0.7 million or 17% lower than the same period last year. The declines were a result of higher operating expenses. Excluding the expense related to the extension of stock options, Adjusted EBITDA was $0.2 million or 9% better in the second quarter and was $0.2 million or 4% lower year-to-date when compared to the same period last 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 two quarters of 2017 and throughout 2016 and 2015, the Company's quarterly results were consistent with the expected seasonality.

(thousands of Canadian dollars, except	**2017**		2016				2015	
per share data)	**2nd**	1st	4th	3rd	2nd	1st	4th	3rd
Revenue	**$43,604**	35,734	46,972	41,455	44,225	36,879	45,493	41,006
Profit(1)	**8,359**	2,956	10,375	7,738	8,300	4,571	7,916	6,683
Earnings per share(1)								
- Basic	**0.33**	0.12	0.41	0.30	0.31	0.17	0.30	0.25
- Diluted	**0.31**	0.11	0.39	0.29	0.30	0.16	0.28	0.24

(1) Profit and earnings per share for the second quarter of 2016 and the fourth quarter of 2015 have been restated as a result of the retrospective application of a change in accounting policy related to the measurement of deferred income taxes on indefinite life intangible assets. The impact of these changes was as follows: 2nd quarter 2016 - $105,000 decrease in profit, $0.01 decrease in basic earnings per share; 4th quarter 2015 - $100,000 decrease in profit. For further details, refer to note 2(c) in the interim financial statements and note 3 in the annual financial statements for the year ended December 31, 2016.

Selected cash flow information – six months ended June 30, 2017
Cash flows from operating activities of $14.9 million and proceeds on the disposal of broadcasting assets of $5.3 million were used to acquire the Kamloops radio stations for $7.1 million, repay debt of $7.4 million, purchase property and equipment for $2.6 million, pay dividends of $2.6 million, and make CCD payments of $0.4 million.

Selected cash flow information – six months ended June 30, 2016
Cash flows from operating activities of $14.5 million were used to repurchase capital stock for $10.1 million, repay debt of $2.3 million, purchase property and equipment for $1.6 million, and make CCD payments of $0.5 million.

Capital expenditures and capital budget
Capital expenditures year-to-date were $2.6 million and related primarily to improvements at the Company's hotel operation, the launch of a new FM licence, as well as continued investment in equipment in the Broadcasting segment. Capital expenditures for 2017 are expected to approximate $6.0 million. The major planned expenditures include improvements to studios, broadcasting equipment and transmitters and the

possible acquisition of real property. The Company continuously upgrades its broadcasting equipment to improve operating efficiencies.

FINANCIAL CONDITION

Total assets

Assets of $373.3 million were $0.7 million higher than December 31, 2016 due primarily to the acquisition of the Kamloops radio stations, net of the disposal of CISL-AM and a decline in trade receivables.

Liabilities, shareholders' equity and capital structure

As at June 30, 2017, the Company had $1.7 million of current bank indebtedness (December 31, 2016 – $2.0 million) and $122.3 million of long-term debt, of which $11.3 million was current (December 31, 2016 – $129.5 million of which $11.3 million was current). The capital structure consisted of 44% equity ($163.0 million) and 56% liabilities ($210.3 million) at quarter-end (December 31, 2016 – $151.2 million or 41% equity and $221.5 million or 59% liabilities).

LIQUIDITY

Liquidity risk

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

Credit 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 acquisitions. The non-revolving facility is being amortized over eight years and is repayable in quarterly instalments of $2.8 million.

In June 2017, the Company amended its credit facilities to extend the maturity date for both credit facilities to May 31, 2019.

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. For the purpose of covenant calculations, EBITDA is adjusted as defined in the Company's credit agreements. 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, 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, $1.7 million of which the Company had drawn as at June 30, 2017. The Company can access this remaining available amount of $3.3 million as well as the additional $18.5 million undrawn amount on its revolving credit facility to fund obligations.

Working capital requirements
As at June 30, 2017, the Company's net working capital was $7.4 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 2016 Annual MD&A (dated March 9, 2017), there has been no substantive change in the Company's commitments and contractual obligations other than the additional CCD commitments of $0.4 million entered into as part of the Kamloops business acquisition.

SHARE CAPITAL

Outstanding share data
The weighted average number of shares outstanding for the three months ended June 30, 2017 was 25,572,000 (2016 – 26,448,000) and for the six months ended June 30, 2017 was 25,573,000 (2016 – 26,539,000). As at August 10, 2017, there are 21,772,437 Class A Subordinate Voting Shares ("Class A shares") and 3,769,322 Class B Common Shares ("Class B shares") outstanding.

Dividends
Subsequent to quarter-end, the Board of Directors approved an increase in dividends to $0.50 per share per annum, up from $0.20 per share per annum. As a result, the Board of Directors declared a dividend of $0.25 per share on each of the Company's Class A shares and Class B shares, payable on September 15, 2017 to all shareholders of record as at August 31, 2017.

Dividends of $0.10 per share ($2.6 million in total) declared in the fourth quarter of 2016 were paid in 2017. No dividends were paid in the first two quarters of 2016 because dividends 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 1,090,116 Class A shares and 75,386 Class B shares. This bid became effective July 4, 2017 and expires July 3, 2018. During the second quarter, the Company did not repurchase any of its own shares and year-to-date the Company repurchased 3,400 Class A shares for cash consideration of less than $0.1 million under the NCIB that was in effect until June 5, 2017. In the second quarter and year-to-date 2016, 1,055,700 Class A shares were purchased for cash consideration of $10.1 million. As a result of the share repurchases, issued share capital was reduced by less than $0.1 million (2016 – $1.6 million) and retained earnings by less than $0.1 million (2016 – $8.5 million).

SHARE-BASED COMPENSATION PLANS

Executive stock option plan
A total of 1,990,000 executive stock options are outstanding pursuant to the Company's executive stock option plan. During the second quarter, the Company extended the expiry date of 1,675,000 executive stock options and year-to-date, the Company extended the expiry date of 1,850,000 executive stock options by five years after approval was received from the Toronto Stock Exchange and shareholders as required. During the second quarter, no options were granted (2016 – nil) and year-to-date, 30,000 options were granted (2016 – nil). During the second quarter, no options were exercised (2016 – 232,500) and year-to-date 20,000 options were exercised (2016 – 252,500). Compensation expense related to the stock option plan in the second quarter was $0.4 million (2016 – less than $0.1 million) and year-to-date was $0.6 million (2016 – $0.1 million), which

included $0.4 million in the second quarter and $0.6 million year-to-date related to the extension of executive stock options.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

Interest rate risk management

The Company is exposed to interest rate risk on the long-term debt issued at floating rates under its credit facilities. Until its expiry in May 2017, the Company had 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 had a notional amount of $45 million.

The swap agreement involved the exchange of the three-month bankers' acceptance floating interest rate for a fixed interest rate. The difference between the fixed and floating rates was settled quarterly with the bank and was recorded as an increase or decrease to interest expense. As at June 30, 2017, there was no remaining aggregate fair value payable of the swap agreement (December 31, 2016 – $0.6 million).

Market risk management

As at June 30, 2017, the Company does not hold any marketable securities, but did hold an investment that is recorded in *other assets* and did hold marketable securities during the prior year. Marketable securities prices can fluctuate and are affected by numerous factors beyond the Company's control. During the second quarter and year-to-date, the Company recognized an unrealized mark-to-market gain of $0.1 million in business integration, disposal and other (expense) income as a result of changes in the fair value of investments (2016 – unrealized gain of $0.2 million for the quarter and $0.5 million year-to-date).

In order to minimize the risk associated with changes in the share price of any one particular investment, the Company only invested a limited amount of funds in marketable securities and other investments.

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.

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

Capital Management

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

FUTURE ACCOUNTING STANDARDS

Standards issued but not yet effective until after December 31, 2016, are consistent with those disclosed in the Company's 2016 Annual MD&A dated March 9, 2017.

CRITICAL ACCOUNTING ESTIMATES

There has been no substantive change in the Company's critical accounting estimates since the publication of the 2016 Annual MD&A dated March 9, 2017.

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., and 8384878 Canada Inc. These interim financial statements also include the assets and liabilities of the wholly-owned subsidiaries NL Broadcasting Ltd. and Matricon Holdings Ltd. as well as their financial results subsequent to the date of acquisition of June 26, 2017. The results of 8384886 Canada Inc. (previously a wholly-owned subsidiary) have been included until the date of its sale on June 30, 2017. 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.

Related party transactions during the quarter and year-to-date were consistent in nature to those described in the 2016 Annual MD&A dated March 9, 2017.

RISKS, UNCERTAINTIES AND OPPORTUNITIES

There has been no substantive change in the Company's risks, uncertainties and opportunities since the publication of the 2016 Annual MD&A dated March 9, 2017.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

In accordance with the provisions of National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, the Chief Executive Officer and the Chief Financial Officer of the Company have limited the scope of their design of the Company's disclosure controls and procedures and internal control over financial reporting to exclude the controls, policies and procedures of its Kamloops operations, which were acquired on June 26, 2017. The Kamloops operations' contribution to the overall consolidated financial statements of the Company for the three and six months ended June 30, 2017 was not material given the purchase was completed near the end of the quarter. Information concerning assets and liabilities acquired as part of the Kamloops business acquisition is provided in note 4 of the interim financial statements and did not materially change from the date of acquisition. The design of the Kamloops operations' disclosure controls and procedures and internal control over financial reporting will be completed by the second quarter of fiscal 2018.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

There were no changes in the Company's internal controls over financial reporting that occurred in the six months ending June 30, 2017 that have materially affected, or are likely to materially affect, the Company's internal controls over financial reporting.

OUTLOOK

The Company had a successful second quarter as cost efficiencies more than offset the slight revenue declines faced by the Company and the Canadian radio industry overall. The Company's sharp focus on managing costs resulted in savings that allowed the Company to grow Adjusted EBITDA margins in the Broadcasting segment compared to the same quarter last year.

Based on current trending, the Company expects that year-to-date revenue shortfalls should be recovered in the second half of the year. Despite this optimism, the Company will continue to focus on operating efficiently and managing costs in all areas of the business.

The Company finalized the sale of CISL-AM in Vancouver and the purchase of three radio stations in Kamloops during the quarter and will continue to seek out acquisitions that will provide a healthy return on investment for its shareholders.

Non-IFRS Accounting Measure

Adjusted 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. Adjusted 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.*

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

		Three months ended June 30		Six months ended June 30	
(thousands of Canadian dollars)		**2017**	2016	**2017**	2016
Profit [1]	*$*	***8,359***	*8,300*	***11,315***	*12,871*
Provision for income taxes [1]		***3,098***	*3,273*	***4,836***	*4,614*
Interest expense		***1,079***	*1,237*	***2,247***	*2,453*
Depreciation and amortization		***1,156***	*1,166*	***2,283***	*2,348*
Standardized EBITDA		***13,692***	*13,976*	***20,681***	*22,286*
Business acquisition, integration, disposal and other expense (income)		***89***	*(252)*	***73***	*(486)*
Accretion of other liabilities		***69***	*87*	***137***	*173*
Adjusted EBITDA	*$*	***13,850***	*13,811*	***20,891***	*21,973*

[1] *Provision for income taxes and profit for the second quarter and six months ended June 30, 2016 have been restated as a result of the retrospective application of a change in accounting policy related to the measurement of deferred income taxes on indefinite life intangible assets. For further details, refer to note 2(c) in the interim financial statements.*

Adjusted 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 six months ended June 30, 2017 and 2016

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 interim 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 six months ended June 30, 2017 and 2016 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 CPA Canada for a review of interim financial statements by an entity's auditor.

Dated this 10th day of August, 2017

Interim Consolidated Statements of Financial Position

(unaudited)

(thousands of Canadian dollars)	*Notes*		**June 30 2017**	December 31 2016	December 31 2015 restated *(note 2c)*
ASSETS					
Current assets					
Marketable securities	*10(a)*	$	**-**	-	829
Receivables	*10*		**37,913**	41,846	38,960
Prepaid expenses			**1,544**	1,647	1,494
Income taxes recoverable			**1,312**	-	-
Total current assets			**40,769**	43,493	41,283
Non-current assets					
Property and equipment			**44,629**	44,291	43,098
Other assets			**2,015**	1,889	1,580
Broadcast licences	*4,5*		**263,785**	262,064	262,029
Goodwill	*4,5*		**20,015**	19,055	19,055
Deferred income tax assets			**2,118**	1,871	2,236
Total non-current assets			**332,562**	329,170	327,998
Total assets	*6*	$	**373,331**	372,663	369,281
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Bank indebtedness		$	**1,745**	1,986	1,748
Accounts payable and accrued liabilities			**20,397**	22,092	20,747
Dividends payable			**-**	2,557	-
Income taxes payable			**-**	2,078	1,840
Current portion of long-term debt	*6*		**11,250**	11,250	11,250
Total current liabilities			**33,392**	39,963	35,585
Non-current liabilities					
Long-term debt	*6*		**111,076**	118,205	134,658
Other liabilities			**13,114**	13,240	14,833
Deferred income tax liabilities			**52,707**	50,100	48,031
Total non-current liabilities			**176,897**	181,545	197,522
Total liabilities			**210,289**	221,508	233,107
Shareholders' equity			**163,042**	151,155	136,174
Total liabilities and shareholders' equity		$	**373,331**	372,663	369,281

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 June 30 **2017**	Three months ended June 30 2016 restated *(note 2c)*	Six months ended June 30 **2017**	Six months ended June 30 2016 restated *(note 2c)*
Revenue		**$ 43,604**	44,225	**79,338**	81,104
Operating expenses		**(29,754)**	(30,414)	**(58,447)**	(59,131)
Depreciation and amortization		**(1,156)**	(1,166)	**(2,283)**	(2,348)
Accretion of other liabilities		**(69)**	(87)	**(137)**	(173)
Interest expense		**(1,079)**	(1,237)	**(2,247)**	(2,453)
Business acquisition, integration, disposal, and other (expense) income	*4, 5,10(a)*	**(89)**	252	**(73)**	486
Profit before provision for income taxes		**11,457**	11,573	**16,151**	17,485
Provision for income taxes					
Current		**(2,116)**	(2,568)	**(3,066)**	(3,854)
Deferred		**(982)**	(705)	**(1,770)**	(760)
		(3,098)	(3,273)	**(4,836)**	(4,614)
Profit		**$ 8,359**	8,300	**11,315**	12,871
Earnings per share					
- Basic		**$ 0.33**	0.31	**0.44**	0.48
- Diluted		**0.31**	0.30	**0.42**	0.46
Weighted average number of shares outstanding *(thousands)*					
- Basic		**25,572**	26,448	**25,573**	26,539
- Diluted		**26,805**	27,666	**26,790**	27,842

See accompanying notes to the interim financial statements

Interim Consolidated Statements of Comprehensive Income

(unaudited)

(thousands of Canadian dollars)	Three months ended June 30 **2017**	Three months ended June 30 2016 restated *(note 2c)*	Six months ended June 30 **2017**	Six months ended June 30 2016 restated *(note 2c)*
Profit	**$ 8,359**	8,300	**11,315**	12,871
Other comprehensive loss				
Cash flow hedges:				
Net movement on interest rate swaps	-	(45)	-	(90)
Income tax recovery	-	13	-	26
Amounts reclassified to profit	-	(32)	-	(64)
Comprehensive income	**$ 8,359**	8,268	**11,315**	12,807

See accompanying notes to the interim financial statements

Interim Consolidated Statements of Changes in Shareholders' Equity

(unaudited)

(thousand of Canadian dollars)		**Issued share capital *(note 7)***	**Contributed surplus**	**Accumulated other comprehensive loss**	**Retained earnings**	**Total**
Balance at January 1, 2017	**$**	**33,023**	**2,326**	**(27)**	**115,833**	**151,155**
Profit		**-**	**-**	**-**	**11,315**	**11,315**
Total comprehensive income		**-**	**-**	**-**	**11,315**	**11,315**
Repurchase of share capital		**(5)**	**-**	**-**	**(27)**	**(32)**
Exercise of executive stock options		**19**	**(19)**	**-**	**-**	**-**
Executive stock option compensation expense		**-**	**604**	**-**	**-**	**604**
Balance at June 30, 2017	**$**	**33,037**	**2,911**	**(27)**	**127,121**	**163,042**

See accompanying notes to the interim financial statements

(thousand of Canadian dollars)		**Issued share capital *(note 7)***	**Contributed surplus**	**Accumulated other comprehensive loss**	**Retained earnings**	**Total**
Balance at January 1, 2016 as previously stated	$	34,488	2,483	(143)	109,163	145,991
Retrospective change in accounting policy *(note 2c)*		-	-	-	(9,817)	(9,817)
Balance at January 1, 2016 restated		34,488	2,483	(143)	99,346	136,174
Profit		-	-	-	12,871	12,871
Other comprehensive loss		-	-	(64)	-	(64)
Total comprehensive income (loss)		-	-	(64)	12,871	12,807
Repurchase of share capital		(1,555)	-	-	(8,529)	(10,084)
Exercise of executive stock options		204	(204)	-	-	-
Exercise of stock option compensation expense		-	53	-	-	53
Balance at June 30, 2016	$	33,137	2,332	(207)	103,688	138,950

See accompanying notes to the interim financial statements

Interim Consolidated Statements of Cash Flows

(Unaudited)

(thousands of Canadian dollars)	*Notes*		Six months ended June 30 2017	2016 *(note 2c)*
Operating activities				
Profit before provision for income taxes		**$**	**16,151**	17,485
Items not involving cash				
Depreciation, amortization and accretion of other liabilities			**2,420**	2,521
Interest expense			**2,247**	2,453
Share-based compensation expense	*8*		**604**	53
Realized and unrealized gains on investments	*10(a)*		**(130)**	(474)
Gain on disposal of broadcasting assets	*5*		**(938)**	-
Canadian Content Development commitments arising from business acquisitions not yet paid	*4*		**372**	-
Other			**(186)**	261
			20,540	22,299
Net change in non-cash working capital balances related to operations			**3,074**	430
Cash generated from operations			**23,614**	22,729
Interest paid			**(2,344)**	(2,732)
Income taxes paid			**(6,410)**	(5,523)
Net cash flow from operating activities			**14,860**	14,474
Financing activities				
Change in bank indebtedness			**(241)**	(202)
Long-term borrowings			**-**	10,500
Long-term debt repayments			**(7,125)**	(12,625)
Dividends paid	*7*		**(2,557)**	-
Repurchase of capital stock	*7*		**(32)**	(10,084)
Other			**(146)**	-
Net cash flow used in financing activities			**(10,101)**	(12,411)
Investing activities				
Property and equipment additions			**(2,554)**	(1,648)
Canadian Content Development commitment payments			**(399)**	(451)
Acquisition of business, net of cash acquired	*4*		**(7,060)**	-
Proceeds on disposal of broadcasting assets	*5*		**5,250**	-
Other			**4**	36
Net cash flow used in investing activities			**(4,759)**	(2,063)
Cash, beginning and end of period		**$**	**-**	-

See accompanying notes to the interim financial statements

1. REPORTING ENTITY

Newfoundland Capital Corporation Limited (the "Company") is incorporated under the *Canada Business Corporations Act*. 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 August 10, 2017.

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*. 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, 2016. Accordingly, these interim financial statements should be read together with the annual financial statements for the year ended December 31, 2016 prepared in accordance with IFRS.

These interim financial statements have been prepared in accordance with those IFRS standards and IFRS Interpretations Committee ("IFRIC") interpretations issued and effective or issued and early adopted as at the date of these statements. 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, 2016.

c) Change in accounting policy and retrospective restatement

In November 2016, IFRIC published a summary of its meeting discussion regarding the expected manner of recovery of an intangible asset with an indefinite useful life for the purposes of measuring deferred tax in accordance with IAS 12, *Income Taxes*. The IFRIC noted that an intangible asset with an indefinite useful life is not a non-depreciable asset. This is because a non-depreciable asset has an unlimited (infinite) life, and that indefinite does not mean infinite. Consequently, the fact that an entity does not amortize an intangible asset with an indefinite useful life does not necessarily mean that the entity will recover the carrying amount of that asset only through sale, and not through use. Prior to this meeting, the Company's accounting policy for deferred income taxes assumed that its intangible assets with indefinite lives (broadcast licences) would be recovered through sale. As such, the Company was required to retrospectively change its accounting policy for the accounting of deferred income tax on intangible assets with indefinite useful lives to be determined on the basis of the full difference between the carrying amount and the tax base of these assets, assuming in accordance with the IFRIC recommendations that the intangible assets will be recovered through use unless there is a specific plan to sell these assets.

The following table summarizes the impact of this change of accounting policy on the previously reported consolidated statements of financial position.

2. BASIS OF PREPARATION *(continued)*

c) **Change in accounting policy and retrospective restatement** *(continued)*

Increase (decrease) to previously reported amounts

(thousands of Canadian dollars)	2015
Goodwill	$ 7,041
Deferred income tax assets	(2,006)
Deferred income tax liabilities	14,852
Retained earnings [(1)]	(9,817)

(1) Included in shareholders' equity

The impact of this change of accounting policy on the interim consolidated income statements was an increase in provision for income taxes – deferred of $105,000 for the three and six months ended June 30, 2016. This change resulted in a decrease of $0.01 in basic and less than $0.01 in diluted earnings per share for the three months ended June 30, 2016 and a decrease of $0.01 in basic and diluted earnings per share for the six months ended June 30, 2016. The change in accounting policy did not have an impact on the previously reported interim consolidated statements of cash flows.

3. FUTURE ACCOUNTING STANDARDS

Standards issued but not yet effective until after December 31, 2017 are consistent with those disclosed in the Company's annual financial statements for the year ended December 31, 2016.

4. BUSINESS ACQUISITION

On June 26, 2017, the Company acquired the shares of companies that hold the radio broadcasting assets of three radio stations in Kamloops, British Columbia, for total cash consideration of $7,699,000 (or $7,060,000 net of cash acquired). Because this was a share transaction, the Company did not receive full tax basis on the assets acquired and this resulted in the recognition of deferred tax liabilities as set out in the table below.

The Company completed this transaction to grow its presence in British Columbia. The purchase was financed by operating cash flows and proceeds on the disposal of CISL-AM as discussed in note 5. The major assets acquired included cash, receivables, broadcast licences, goodwill and property and equipment while certain trade payables and accrued liabilities were assumed. Goodwill arose primarily as a result of the deferred income tax liabilities recognized for accounting purposes on the broadcast licences and property and equipment acquired. The accounting value of goodwill in the table below does not have any deferred tax liability associated with it because it is not deductible for tax purposes.

The purchase price was allocated to the net assets acquired on a preliminary basis at the estimated fair values on the acquisition date using the acquisition method of accounting. The purchase price allocation has not yet been finalized as there may be adjustments to working capital and the value assigned to other categories. The following table sets out the net assets acquired and their estimated acquisition date fair values:

(thousands of Canadian dollars)	
Cash	**$ 639**
Receivables	**713**
Prepaid expenses	**40**
Property and equipment	**1,203**
Broadcast licences	**5,514**
Goodwill	**1,412**
Total assets acquired	**9,521**
Accounts payable and accrued liabilities assumed	**(193)**
Deferred income tax liabilities	**(1,629)**
Net assets acquired	**$ 7,699**

4. BUSINESS ACQUISITION (*continued*)

Earnings have been included in profit since the date of acquisition. Revenue and net profit (excluding the acquisition-related transaction costs that included Canadian Content Development ("CCD") commitments of $372,000) recognized to date in the interim consolidated income statements related to this acquisition was minimal since the acquisition closed on June 26, 2017. Revenue and profit of the acquired stations for the second quarter approximated $938,000 and $90,000 and year-to-date approximated $1,753,000 and $132,000, respectively. Pro-forma revenue including the results of the acquired stations, as though the acquisition date for the transaction had been January 1, 2017, would have been approximately $44,542,000 for the second quarter and $81,091,000 year-to-date. Pro-forma profit, on the same basis, excluding interest and accretion expense, would have been $8,449,000 for the second quarter and $11,447,000 year-to-date.

5. DISPOSAL OF BROADCASTING ASSETS

On June 30, 2017, the Company completed the previously announced sale of CISL-AM in Vancouver, British Columbia, for $5,250,000, resulting in a gain on disposal of $938,000, net of certain restructuring costs related to the disposal. This gain was recorded in business acquisition, integration, disposal, and other (expense) income on the interim consolidated income statements. This was a share transaction, and as such, the Company has derecognized certain deferred tax liabilities that had been recorded as a result of taxable temporary differences recognized relating to the assets sold.

The major classes of assets and liabilities disposed of were as follows:

(thousands of Canadian dollars)		
Non-current assets		
Property and equipment	$	**907**
Broadcast licence		**3,801**
Goodwill		**452**
Total assets disposed of		**5,160**
Non-current liabilities		
Deferred income tax liabilities		**(1,045)**
Net assets disposed of	$	**4,115**

6. LONG-TERM DEBT

(thousands of Canadian dollars)		**June 30 2017**	December 31 2016
Revolving term credit facility of $90 million, renewable, expires in May 2019	$	**66,500**	68,000
Non-revolving term credit facility of $90 million, repayable in quarterly instalments, expires in May 2019		**56,250**	61,875
		122,750	129,875
Less: current portion of non-revolving credit facility		**(11,250)**	(11,250)
Less: debt transaction costs		**(424)**	(420)
	$	**111,076**	118,205

6. Long-term Debt (*continued*)

The $90,000,000 revolving term credit facility has no set terms of repayment. The undrawn amount, net of bank indebtedness was $21,755,000. This amount may be used to fund future operations, capital requirements and investing activities, subject to the debt covenants that are disclosed in note 10. The $90,000,000 non-revolving term credit facility is being amortized over eight years and is repayable in quarterly instalments of $2,813,000.

In June 2017, the Company amended the credit facilities to extend the maturity date to May 31, 2019.

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.

7. Share Capital

Outstanding share capital

Outstanding share capital was 25,571,659 as at June 30, 2017 (December 31, 2016 – 25,570,731).

Share repurchases

The Company has approval under a Normal Course Issuer Bid ("NCIB") to repurchase up to 1,090,116 Class A Subordinate Voting Shares ("Class A shares") and 75,386 Class B Common Shares ("Class B shares"). This bid became effective July 4, 2017 and expires July 3, 2018. During the second quarter, the Company did not repurchase any of its own shares and year-to-date the Company repurchased 3,400 Class A shares for cash consideration of $32,000 under the NCIB that was in effect until June 5, 2017. In the second quarter and year-to-date 2016, 1,055,700 Class A shares were purchased for cash consideration of $10,084,000. As a result of the share repurchases, issued share capital was reduced by $5,000 (2016 – $1,555,000) and retained earnings by $27,000 (2016 – $8,529,000).

Exercise of stock options

Pursuant to the Company's executive stock option plan disclosed in note 8, no options were exercised in the second quarter (2016 – 232,500) and 20,000 options were exercised year-to-date (2016 – 252,500) using the cashless exercise option, resulting in no shares issued from treasury in the second quarter (2016 – 82,899 shares) and 4,328 shares issued from treasury year-to-date (2016 – 87,965 shares). Share capital was increased and contributed surplus was decreased by $19,000 (2015 – $204,000) as a result of the options being exercised during the year.

Dividends

Subsequent to quarter-end, the Board of Directors declared a dividend of $0.25 per share to all shareholders of record as at August 31, 2017, payable on September 15, 2017.

Dividends of $0.10 per share ($2,557,000 in total) declared in the fourth quarter of 2016 were paid in 2017. No dividends were paid in the first two quarters of 2016 because dividends declared in the fourth quarter of 2015 were paid in December 2015.

8. 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 1,990,000 executive 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.

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

During the second quarter, the Company extended the expiry date of 1,675,000 executive stock options and year-to-date, the Company extended the expiry date of 1,850,000 executive stock options by five years after approval was received from the Toronto Stock Exchange and shareholders as required. During the second quarter, no options were granted (2016 – nil) and year-to-date, 30,000 options were granted (2016 – nil). During the second quarter, no options were exercised (2016 – 232,500) and year-to-date 20,000 options were exercised (2016 – 252,500). Compensation expense related to the stock option plan in the second quarter was $424,000 (2016 – $26,000) and year-to-date was $604,000 (2016 – $53,000), which included $402,000 in the second quarter and $553,000 year-to-date related to the extension of executive stock options.

9. EMPLOYEE BENEFIT PLANS

		Three months ended June 30		Six months ended June 30	
(thousands of Canadian dollars)		**2017**	2016	**2017**	2016
Defined contribution plan expense	$	**484**	479	**950**	937
Defined benefit plan expense		**89**	96	**179**	193

10. 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 CCD commitments approximate their carrying values as they were initially recorded at the net present value of their future cash flows, using a discount rate that remains consistent with fair value.

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

(thousands of Canadian dollars)			**Level 1**	**Level 2**	**Level 3**
Description		**Total**	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs
Financial assets at fair value through profit or loss					
Investment included in *other assets*	$	**630**	-	630	-
Other liabilities at amortized cost, with fair values disclosed					
Long-term debt, excluding unamortized credit facility fees		**(122,750)**	-	(122,750)	-
CCD commitments		**(5,822)**	-	(5,822)	-

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 that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

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

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

Credit risk

The Company is subject to normal credit risk with respect to its receivables. A large customer base and geographic dispersion minimize the concentration of credit risk. Credit exposure is managed through credit approval and monitoring procedures. The Company does not require collateral or other security from clients for trade receivables; however, the Company does perform credit checks on customers prior to extending credit. Based on the results of credit checks, the Company may require upfront deposits or full payments on account prior to providing service. The maximum credit exposure approximated $38,895,000 as at June 30, 2017 (December 31, 2016 – $42,914,000), 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 totalled $982,000 as at June 30, 2017 (December 31, 2016 – $1,068,000). The Company is of the opinion that the provision for potential losses adequately reflects the credit risk associated with its receivables.

Approximately 83% 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 second quarter was $58,000 and year-to-date was $133,000, 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 fair value of investments

As at June 30, 2017, the Company does not hold any marketable securities, but did hold an investment that is recorded in *other assets* and did hold marketable securities during the prior year. Investment values can fluctuate and are affected by numerous factors beyond the Company's control. In order to minimize the risk associated with changes in the value of any one particular investment, the Company only invested a limited amount of funds in marketable securities.

For the quarter ended June 30, 2017 and year-to-date, $130,000 was recorded as an unrealized gain in business acquisition, integration, disposal and other (expense) income as a result of changes in the fair value of investments (2016 – unrealized gain of $236,000 for the quarter and $474,000 year-to-date).

As at June 30, 2017, a 10% change in the value of the Company's investments would result in an estimated $53,000 change in profit.

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

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 a $92,000 impact on profit for the quarter ended June 30, 2017, and a $167,000 impact on year-to-date profit.

The Company had 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 had a notional amount of $45,000,000 and expired in May 2017. The swap agreement involved the exchange of the three-month bankers' acceptance floating interest rate for a fixed interest rate. The difference between the fixed and floating rates was settled quarterly with the bank and recorded as an increase or decrease to interest expense. Changes in fair value of the swap were recorded in profit.

At quarter-end, there was no remaining liability related to the aggregate fair value of the swap (December 31, 2016 – $268,000 liability, all of which was classified as current).

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

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

Obligation *(thousands of Canadian dollars)*		**12 months**	**Years 2 to 5**	**Thereafter**
Long-term debt, excluding debt transaction costs *(note 6)*	$	11,250	111,500	-
Bank indebtedness		1,745	-	-
Accounts payable and accrued liabilities, net of current portion of undiscounted CCD commitments		18,714	-	-
CCD commitments, undiscounted		1,683	4,376	201
	$	33,392	115,876	201

Assuming the long-term debt is renewed in 2019, which is consistent with past practice, the payments would be $45,000,000 for the years 2 to 5 and $66,500,000 thereafter.

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.

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

Capital risk *(continued)*
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. For the purpose of covenant calculations, EBITDA is adjusted as defined in the Company's credit agreements. 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 debt covenants will not be breached in future periods. The Company monitors the covenants and foreign ownership status of the issued and outstanding voting shares and presents this information to the Board of Directors quarterly. The Company was in compliance with all the above throughout the year-to-date period and as at June 30, 2017.

11. 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, accretion of other liabilities, and business acquisition, integration, disposal and other (expense) income.

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, accretion of other liabilities, and business acquisition, integration, disposal and other (expense) income in determining that these segments are appropriate to aggregate.

11. OPERATING SEGMENT INFORMATION *(continued)*

(thousands of Canadian dollars)	Broadcasting	Corporate and Other	Total	Broadcasting	Corporate and Other	Total
	Three months ended June 30, 2017			Six months ended June 30, 2017		
Revenue	**$ 42,542**	**1,062**	**43,604**	**$ 77,436**	**1,902**	**79,338**
Operating expenses	**(26,206)**	**(3,548)**	**(29,754)**	**(51,543)**	**(6,904)**	**(58,447)**
Segment profit (loss)	**16,336**	**(2,486)**	**13,850**	**25,893**	**(5,002)**	**20,891**
Depreciation, amortization and accretion of other liabilities	**(1,081)**	**(144)**	**(1,225)**	**(2,142)**	**(278)**	**(2,420)**
Interest expense	**-**	**(1,079)**	**(1,079)**	**-**	**(2,247)**	**(2,247)**
Business acquisition, integration, disposal, and other expense	**(21)**	**(68)**	**(89)**	**(9)**	**(64)**	**(73)**
Profit (loss) before provision for income taxes	**$ 15,234**	**(3,777)**	**11,457**	**$ 23,742**	**(7,591)**	**16,151**
Other disclosures						
Capital expenditures	**$ (501)**	**(765)**	**(1,266)**	**$ (1,695)**	**(859)**	**(2,554)**
	Three months ended June 30, 2016			Six months ended June 30, 2016		
Revenue	$ 43,126	1,099	44,225	$ 79,036	2,068	81,104
Operating expenses	(27,013)	(3,401)	(30,414)	(52,800)	(6,331)	(59,131)
Segment profit (loss)	16,113	(2,302)	13,811	26,236	(4,263)	21,973
Depreciation, amortization and accretion of other liabilities	(1,130)	(123)	(1,253)	(2,281)	(240)	(2,521)
Interest expense	-	(1,237)	(1,237)	-	(2,453)	(2,453)
Business acquisition, integration, disposal, and other income	11	241	252	11	475	486
Profit (loss) before provision for income taxes	$ 14,994	(3,421)	11,573	23,966	(6,481)	17,485
Other disclosures						
Capital expenditures	$ (523)	(285)	(808)	$ (1,093)	(555)	(1,648)

(thousands of Canadian dollars)	Broadcasting	Corporate and Other	Total
	As at June 30, 2017		
Total assets	**$ 356,475**	**16,856**	**373,331**
Total liabilities	**(22,586)**	**(187,703)**	**(210,289)**
Other disclosures			
Broadcast licences	**263,785**	**-**	**263,785**
Goodwill	**20,015**	**-**	**20,015**
	As at December 31, 2016		
Total assets	$ 357,900	14,763	372,663
Total liabilities	(23,385)	(198,123)	(221,508)
Other disclosures			
Broadcast licences	262,064	-	262,064
Goodwill	19,055	-	19,055

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

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

Newfoundland Capital Corporation

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