



**NEWFOUNDLAND CAPITAL CORPORATION LIMITED**

**ANNUAL INFORMATION FORM**

**For the Year Ended December 31, 2017**

**March 8, 2018**

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## NEWFOUNDLAND CAPITAL CORPORATION LIMITED

### Documents Incorporated by Reference

The following documents are incorporated by reference as part of this Annual Information Form:

- The audited consolidated financial statements of the Company for the years ended December 31, 2017 and 2016, reported on by Ernst & Young LLP, Chartered Professional Accountants;
- The Management's Discussion and Analysis ("MD&A") for the year ended December 31, 2017, and;
- The Information Circular dated March 8, 2018 for the Company's annual meeting of shareholders.

All of the above documents are available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

### Forward Looking Information

This document contains forward looking statements. These forward-looking statements are based on current expectations and are based upon certain assumptions and other factors. 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. 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.

In particular, forward-looking statements in this document include, but are not limited to, statements regarding: growth prospects which may be impacted by each market's acceptance of programming and expectations related to future general economic and market conditions; the timing and completion of proposed acquisitions, which may be impacted by regulatory approvals and risks relating to the satisfaction of the conditions to closing the transaction; and expected deleveraging which may be impacted by future results of operations and general economic and market conditions. These assumptions, risks and uncertainties do not represent a complete list of factors which may cause events to be materially different than those expressed or implied by forward-looking statements in this report. Other factors are described in documents filed by the Company with securities regulatory authorities in Canada.

### Corporate Structure

The Company was incorporated on March 8, 1949 under the Companies' Act of Newfoundland as Eastern Provincial Airways Limited and changed its name to Newfoundland Capital Corporation Limited on November 12, 1980. The Company was continued under the *Canada Business Corporations Act* by a Certificate of Continuance dated March 4, 1987. The Company's registered office and head office is located at 8 Basinview Drive, Dartmouth, Nova Scotia, B3B 1G4.

Throughout this document, "NCC" refers to Newfoundland Capital Corporation Limited and the term "Company" refers to NCC and its subsidiaries. The term "Newcap" refers to Newcap Inc.

The following are the significant legal entities within the NCC organizational structure along with jurisdiction of incorporation.

| Name                          | Jurisdiction of Incorporation | Parent Company | Voting Ownership | Nature of Business |
|-------------------------------|-------------------------------|----------------|------------------|--------------------|
| Newcap Inc.                   | Canada                        | NCC            | 100%             | Broadcasting       |
| 8504580 Canada Inc.           | Canada                        | Newcap         | 100%             | Broadcasting       |
| 8384827 Canada Inc.           | Canada                        | Newcap         | 100%             | Broadcasting       |
| 8384860 Canada Inc.           | Canada                        | Newcap         | 100%             | Broadcasting       |
| 8384878 Canada Inc.           | Canada                        | Newcap         | 100%             | Broadcasting       |
| Matricon Holdings Ltd.        | British Columbia              | Newcap         | 100%             | Broadcasting       |
| N L Broadcasting Ltd.         | British Columbia              | Newcap         | 100%             | Broadcasting       |
| The Glynmill Inn Incorporated | Canada                        | NCC            | 100%             | Hotel Operations   |

## **General Development of the Business**

NCC owns Newcap Inc. which operates under the name “Newcap Radio”, one of Canada’s leading radio broadcasters with 101 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. The Company has 82 FM and 19 AM licences spanning the country, with concentrations in Alberta and Newfoundland and Labrador. The Company holds the second largest number of radio licences in Canada. It is headquartered in Dartmouth, Nova Scotia and employs approximately 800 radio professionals, nationwide.

The Company was originally formed in 1949 to provide air ambulance and other air services to isolated points in Newfoundland and Labrador. During the following 40 years, the Company, through wholly-owned subsidiaries, invested in a variety of businesses. At the end of 1996, the Company embarked on a program of strategic divestitures in order to enhance shareholder value by focusing on its core communications properties, particularly in the Broadcasting Division. By 2002, the Company had sold all of its non-broadcasting assets with the exception of a hotel operation in Corner Brook, Newfoundland and Labrador.

## **Recent Broadcast Licence Activity 2015 to present date**

The Company has established a presence across Canada, focusing on markets where the Company can grow its market share and achieve niche market positioning. The last three years of broadcasting transactions are summarized by region below.

### **New Brunswick**

- In June 2015, the Company re-branded CFRK-FM in Fredericton as New Country 92.3.
- In February 2017, the Company re-branded CJXL-FM as New Country.

### **Newfoundland and Labrador**

- In May 2016, the Company launched CKLN-FM in Clarenville, Newfoundland and Labrador as KIXX Country. This licence was originally approved by the CRTC in May, 2013.
- In August 2017, the Company relaunched the VOCM network of stations in its traditional format of news, talk, and music.

### **Nova Scotia**

- In February 2016, the Company re-branded CKUL-FM as Mix 96-5.
- In February 2017, the Company re-branded CKCH-FM as New Country 103.5.

### **Ontario**

- In February 2016, the Company re-branded CFXJ-FM as 93-5 the Move.
- In November 2017, the Company relaunched current hit music in addition to throwbacks on 93-5 the Move.

### **Alberta**

- In March 2016, the Company rebranded CKDQ in Drumheller to 910 CFCW.
- In September 2016, the Company changed affiliation of one of its television stations, CKSA-DT, in Lloydminster, to the Global Television brand.
- In November 2016, the Company rebranded a majority of its Alberta country format stations (CJPR-FM, CIBQ-FM, CJEV, CKVH-FM, CKSA-FM, CJPV-FM, CKGY-FM, CHSP-FM, CKSQ-FM, and CKWB-FM) as Real Country.
- In January 2017, the Company launched CFHI-FM in Hinton, AB as Real Country 104.9. This licence was originally approved by the CRTC in February 2014.
- In July 2017, the company rebranded all small market Alberta rock and classic hits stations (CKBA-FM, CIXF-FM, CJXK-FM, CFHI-FM, CILB-FM, CHSL-FM, CKKY-FM, CFXW-FM) as “boom.”
- In November 2017, the Company rebranded CFCW-FM in Camrose, Alberta as New Country.

## **British Columbia**

- In January 2017, the Company re-branded CIGV-FM, CIGV-FM1, and CIGV-FM2 as New Country 100.7.
- In June 2017, the Company acquired CHNL-AM, CJKC-FM AND CKRV-FM as well as four repeating signals of CHNL-AM in Kamloops, British Columbia.
- In June 2017, the Company sold CISL, its AM station in Vancouver, British Columbia to Rogers Inc.
- In July 2017, the Company rebranded CJKC-FM in Kamloops, British Columbia as New Country.
- In February 2018, the Company rebranded CKRV-FM in Kamloops, British Columbia as K97.5.

A complete list of the Company's broadcast licences with year acquired or awarded is provided in Appendix A which has been appended and is incorporated by reference as part of this Annual Information Form.

### **Other Material Events 2015 to present date**

Pursuant to normal course issuers bids in place for 2015, 2016 and 2017, the Company repurchased a total of 2.9 million Class A Subordinate Voting Shares for approximately \$26.7 million.

In June 2017, the Company sold 8384886 Canada Inc. which held the broadcast licence CISL, its AM station in Vancouver, British Columbia, to Rogers Inc. for cash proceeds of \$5.3 million. The results of 8384886 Canada Inc., previously a wholly-owned subsidiary, have been included in the audited consolidated financial statements until the date of its sale on June 30, 2017.

In June 2017, the Company acquired CHNL-AM, CJKC-FM, and CKRV-FM as well as four repeating signals of CHNL-AM in Kamloops, British Columbia, which is discussed further below.

### **Significant Business Acquisitions**

In June 2017, the Company received CRTC approval and completed the acquisition of three radio stations as well as four repeating signals in Kamloops, British Columbia for cash consideration of \$7.0 million (net of cash acquired). The stations acquired consist of New Country 103.1, Radio NL 610 AM, and K97.5.

### **Description of the Industry**

In the past decade, the Canadian radio industry has witnessed dramatic changes in the competitive landscape. There has been a shift from a highly fragmented industry environment, with many small and regional players, to one that is concentrated, with few large media players owning the majority of licences in Canada.

According to the CRTC, as at December 31, 2016, there were 725 private commercial radio licences outstanding. 82% of the total outstanding licences were FM stations and 18% were AM stations. Four companies held 266 of the licences: Corus, Rogers, BCE and Newcap. These four major competitors accounted for approximately \$0.90 billion of revenue from the total \$1.55 billion of radio revenue in Canada, or approximately 58%. Among these four competitors, Newcap is the only pure-play radio company. Radio revenue generated by the private operators was down approximately 3% in 2016 compared to the prior year.

The radio business continues to be one of the most cost-effective media outlets available to reach a targeted demographic, within a specific time frame. For this reason, radio is an attractive media vehicle to communicate information that is time-sensitive, urgent and directed at a particular group of individuals.

Radio operators continue to watch developments in the audio landscape, including satellite radio, digital radio, digital music streaming services, and podcasting. Radio operators are now focused on ensuring their media is available to listeners at any time, from anywhere. The Company's stations are globally accessible via streaming from computers, mobile devices, smart speakers, and digital dashboards.

### **Narrative Description of the Business**

#### **Description of the Radio Business**

The Company operates in the radio broadcasting industry and broadcasts in a variety of formats based on knowledge of each market's needs. The majority of the Company's revenue is advertising-based and therefore subject to economic fluctuations.

Radio stations generate revenue by selling advertising airtime to clients, who are primarily in the retail industry. Companies compete for local and national advertising revenue by developing a base of listeners within desirable demographic segments in their local market. This requires competitive competence in the areas of station programming, technology, community relations, creative talent development and sales promotion. Radio stations compete for revenue with other radio stations and other forms of media, including print, television, outdoor, direct mail, on-line services and social media.

Radio's strength is that it is an effective method to reach specific demographic segments through its targeted time slots and its ability to immediately reach the desired audience. Radio stations define their target demographic group through their format and programming focus. Stations will classify their on-air format in groupings such as classic rock, current rock or pop, new country, smooth jazz or today's current music. Each station's format appeals to a specific segment of the population, and the various programs on the stations will provide even further market segmentation. Radio stations have the ability to measure their success in attracting their targeted demographic group by using data published by Numeris which estimates how many people within a specific market are listening to the station. The higher a station is rated, the more revenue it can attract from both local and national advertisers. Large markets are rated four times a year and, depending on demand, other markets may be rated once or twice a year, or not at all. As Numeris does not cover every station in every market; in many cases smaller markets must do their own market research. As part of the Company's strategy, formats are adjusted to ensure its stations are garnering a sufficiently high threshold of a specific demographic to attract advertising dollars.

In Canada's largest markets, the method of audience measurement is the Portable People Meter method ("the meter method"). The meter method is considered a more accurate technique to capture listener share since individuals carry pager-like devices which automatically detect listening habits at all times during the day. The traditional diary method is still used in other markets and relies on paper or online diaries that individuals fill out manually based on their recollected radio listening habits. For the Company, four of its largest surveyed markets are measured using the meter method – Vancouver, British Columbia, Edmonton and Calgary, Alberta and Toronto, Ontario.

Advertising can come from local or national clients. The Company has its own local sales force in each of the markets in which it operates and has partnered with a large national media company for national sales representation.

### **Licence Expiry/Renewals**

Once a company is granted a licence to operate a radio broadcasting undertaking, the CRTC's normal process is to issue a licence for a period of seven years. Approximately six to nine months prior to expiry, a company submits its application for renewal to the CRTC. This allows the CRTC to monitor the progress of a station to ensure it is meeting its conditions of licence. The most common renewal term is seven years, although shorter renewals terms have been issued in the case of non-compliance.

### **Profiles of Radio Stations**

#### **Newfoundland and Labrador**

Newcap is the leading broadcaster in Newfoundland and Labrador, with a network of 29 radio licences across the province with both AM and FM stations broadcasting in a variety of formats. It also has eleven audio streams on the web and the largest number of cable sites across the province. Local cable television delivers VOCM as the background audio on their community channels. In Newfoundland and Labrador, VOCM is available in 108 towns where reception would have been poor or impossible without this network. In St. John's, radio stations are rated twice per year. Stations in the smaller markets are not surveyed; however they have a loyal listener base.

#### ***St. John's***

***Population: 214,000***

Number of radio stations: 11 (6 commercial stations, 2 CBC stations, and 3 campus and low power stations)

Newcap's stations presently rank #1 (K-Rock), #3 (HITS-FM) and #4 (VOCM) in St. John's and have consistently dominated this market.

Station profiles:

- *K-ROCK* in St. John's (VOCM-FM) is a classic rock station. This station targets the 25 to 54 year old listener, skewed to males.
- *CKIX-FM* is known as 99.1 Hits-FM in St. John's and plays contemporary hit music. The target demographic is adults 18 to 49, skewed to females.
- *VOCM* has been providing award-winning news since 1936 and is renowned in Newfoundland and Labrador. "VOCM Local News Now" has won numerous awards including the Edward R. Murrow Award for Best Newscast in a Small Radio Market. Its targeted demographic is adults 25 to 54.
- *CFCB* is the VOCM counterpart in Western Newfoundland. Big Land FM provides coverage to Labrador. It has a local focus, with informative morning shows. It has the most extensive coverage of Western Newfoundland and Labrador of all its competitors. It is targeted toward adults 25 to 54.
- *CJYQ* is an AM country music station. It serves the St. John's market with today's country hits, country classics, and a focus on Newfoundland and Labrador artists.
- *CHVO-FM* and *CKLN-FM* are known as KIXX Country in Carbonear and Clarenville, respectively. KIXX plays country music and primarily targets adults 25 to 54 with an audience skewing slightly female.

### **New Brunswick**

With six stations in Moncton, Fredericton, Saint John and Miramichi, Newcap maintains a large presence in New Brunswick's key markets. Newcap has operated very successfully in Moncton since 1987 and in the past decade has strategically expanded its presence in New Brunswick.

#### ***Moncton***

***Population: 148,000***

Number of radio stations: 14 (9 commercial stations, 3 CBC stations and 2 campus and low power stations)

Newcap's stations presently rank #1 (C103) and #2 (New Country 96.9) in Moncton and have consistently been at or near the top in this key market for over 20 years.

Station profiles:

- *CJMO-FM* (C103) is a rock radio station serving adults 25 to 54. It is a long-standing highly-rated station, on the air since 1987.
- *CJXL-FM* (New Country 96.9) has been on the air since 2000 and plays contemporary country music.

#### ***Fredericton***

***Population: 102,000***

Number of radio stations: 12 (7 commercial stations, 3 CBC stations and 2 campus and low power stations)

Newcap's stations are ranked #2 (Up 93.1) and #4 (New Country 92.3).

Station profiles:

- *CFRK-FM* is known as New Country 92.3. It was rebranded to the country format in 2015.
- *CIHI-FM* is known as Up 93.1. The station launched in June 2013 and is a classic hits station playing hits from the 70s, 80s, and 90s.

#### ***Miramichi (unrated market)***

***Population: 18,000***

In May 2013, Newcap launched CHHI-FM (96.9 Sun-FM) serving the Miramichi community with a broad classic hits format. This market is not surveyed for ratings; however the station has a loyal listener base.

#### ***Saint John***

***Population: 126,000***

Number of radio stations: 7 (6 commercial stations and 1 CBC station)

Newcap's Saint John rock station (Rock 88-9) ranks #3 in the market.

Station profile:

- *CHNI-FM* is known as Rock 88.9. It was acquired in July 2014 and has a rock music format.

### **Nova Scotia**

In the province of Nova Scotia, the Company owns and operates a total of five FM stations in the key markets of Halifax, Sydney and the Annapolis Valley.

#### ***Halifax***

***Population: 417,000***

Number of radio stations: 24 (10 commercial stations, 4 CBC stations, and 10 campus and low power stations)

Newcap's stations rank #1 (Q104) and #7 (Mix 96-5) in Halifax.

Station profiles:

- *CFRQ-FM* is known as Q104 and is a rock station that has continually been a market-leader. Q104 has been on the air for over 25 years and has consistently ranked #1 adults 25-54 in Halifax.
- *CKUL-FM* is known as Mix 96-5, a hot adult contemporary station playing a variety of pop/rock hits from the 90s to now.

#### ***Sydney***

***Population: 102,000***

Number of radio stations: 9 (5 commercial stations, 2 CBC stations and 2 campus and low power stations)

Newcap's stations are ranked #1 (The Giant 101.9) and #3 (New Country 103.5) in Sydney.

Station profiles:

- *CHRK-FM* is known as The Giant 101.9 and plays contemporary hits. The Giant has become synonymous with Sydney and has been the dominant radio station in Cape Breton over the past five years.
- *CKCH-FM* is known as New Country 103.5 and plays country music. It is the only FM country station in Sydney and enjoys solid success.

#### ***Kentville (Annapolis Valley) (Unrated market)***

***Population: 60,000***

Number of radio stations: 3 commercial stations

Station profile:

- *CIJK-FM* is known as K-Rock 89.3. It is a rock station that serves a population spread along the Annapolis Valley, from Digby to Windsor.

### **Prince Edward Island**

The Prince Edward Island radio market is focused on the capital city of Charlottetown. While there are radio stations in Summerside, the stations from Charlottetown cover the island and Newcap's two stations have island-wide repeaters to ensure complete provincial coverage.

#### ***Charlottetown***

***Population: 84,000***

Number of stations: 9 (4 commercial stations, 4 CBC stations and 1 low power station)

Newcap's stations rank #2 (Ocean 100) and #4 (HOT 105.5) in Charlottetown.



Station profiles:

- *CHTN-FM*, known as Ocean 100, plays a classic hits format targeted to adults 25 to 54 and is the heritage station in the community. It has a long-standing reputation for covering community events, news and current affairs on the island.
- *CKQK-FM*, known as HOT 105.5, is a contemporary hit radio station programmed to appeal to a young adult audience with energy and momentum.
- Repeaters for both stations went on-air in early 2010 and they allow both stations to fully serve the entire province.

## **Ontario**

In the province of Ontario, the Company owns and operates a total of six FM stations. Our presence in Ontario began with stations in Ottawa and expanded to Sudbury a decade ago. In 2014, after many years of groundwork, Newcap acquired stations in Toronto, Canada's most lucrative radio market.

### ***Ottawa***

***Population: 934,000***

Number of stations: 31 stations (22 commercial stations, 4 CBC stations and 5 campus and low power stations)

Newcap's stations rank #1 (HOT 89.9) and #4 (LiVE 88.5) in this highly competitive market.

Station profiles:

- *CIHT-FM*, or HOT 89.9, was launched in February 2003 and is the leading contemporary hit radio or "Top 40" radio station in the area. This station targets adults 18 to 49, skewed to females. Hot 89.9 has been very successful for many years and is the dominant radio station in Ottawa.
- *CILV-FM*, or LiVE 88.5, was launched in December 2006, playing alternative rock targeting adults aged 18 to 49, skewed to males. After years of patient growth, we have seen LiVE 88.5 emerge as a market leader and an industry leader in the alternative rock format.

### ***Sudbury***

***Population: 160,000***

Number of stations: 12 stations (5 commercial stations, 4 CBC stations and 3 campus and low power stations)

Newcap's stations rank #3 (Hot 93.5) and #4 (Rewind 103.9) in this market.

Station profiles:

- *CHNO-FM* is known as Rewind 103.9. It is a classic hits station targeted to adults 35 to 64, playing music from the late 60s through the early 90s.
- *CIGM-FM* is known as HOT 93.5 and is a contemporary hits station that extends Newcap's "Hot" brand into Ontario. It has made a strong impact on the market and has become the dominant station with Sudbury's youth and young adults.

### ***Toronto***

***Population: 5,928,000***

Number of stations: 47 stations (31 commercial stations, 4 CBC stations, and 12 other stations which include campus, community, and cultural stations)

Newcap's stations rank #2 (boom 97.3) and #13 (93.5 The Move) in this highly competitive radio market.

Station profiles:

- *CHBM-FM* is known as boom 97.3 and plays music from the 70s, 80s, and 90s, targeting adults 35 to 54. Boom has consistently been one of Toronto's top rated stations.
- *CFXJ-FM* is known as 93.5 The Move, and is a Rhythmic Hot Adult Contemporary station targeting adults 25 to 44. The music is focused on the 90s and 00s, with elements of recent music for variety.

## **Alberta**

Newcap owns and operates many radio stations across the province with both AM and FM stations broadcasting in a variety of formats and markets of all sizes, from the most competitive to the smallest. Newcap has had a presence in Alberta since the 1980s when it purchased CFCW and CKRA in Edmonton. It has since grown to be the dominant broadcaster in the province.

### **Calgary**

**Population: 1,439,000**

Number of radio stations: 26 (17 commercial stations, 3 CBC stations and 6 campus and low power stations)

Newcap's stations rank #2 (XL 103) and #11 (AMP Radio) in a market that is considered one of Canada's most competitive.

Station profiles:

- *CFXL-FM* is known as XL 103 and plays classic hits from the 60s, 70s and 80s and has been one of Calgary's top rated radio stations.
- *CKMP-FM* is known as 90.3 AMP Radio and plays contemporary hits. AMP has had steady listener growth since 2009. AMP now challenges for the top contemporary hit radio station in Calgary.

### **Edmonton (and surrounding area)**

**Population: 1,363,000**

Number of radio stations: 28 (19 commercial stations, 4 CBC stations and 5 other stations which include campus, community, and cultural stations).

Newcap's FM stations rank #5 (CIRK-FM) and #11 (CKRA-FM) in Edmonton.

Station profiles:

- *CIRK-FM* is Edmonton's classic rock station known as K-97, which has been playing classic rock music for over 35 years. K-97 serves the adult 25 to 54 demographic, skewed to males 35 to 54.
- *CKRA-FM* is branded as Capital 96-3, playing the 70s, 80s, and 90s.
- *CFCW* is a heritage AM country station and the first station in Canada to play country music twenty-four hours daily. Targeting adults 35 to 64, CFCW serves not only the City of Edmonton, but all of North/Central Alberta. CFCW has extensive coverage in rural Alberta.
- *CFCW-FM* is branded New Country CFCW-FM and plays a country music format, targeting adults 25-54 and serving a trade area of approximately 100,000. This station is ranked #2 in the Camrose market, behind CFCW.
- *W1440* in Wetaskiwin plays hits of the 50s, 60s and 70s. It is an oldies format that targets the baby boomer generation in Wetaskiwin and the surrounding area. W1440's signal reaches into portions of Edmonton south to Calgary. This station is not surveyed for ratings; however it has a loyal listener base.

### **Alberta East (unrated markets)**

This region is one of the most productive agricultural and oil producing areas in all of Canada. Stations in this area are not surveyed for ratings; however, they have a loyal listener base. Stations in the eastern part of Alberta include:

- *CJXK-FM* is known as boom 95.3 and was launched September 3, 2004 in Cold Lake. It serves an audience of over 50,000 people. Boom 95.3 plays a variety of 70s, 80s and 90s music.
- *CKKY-FM* is known as boom 101.9 and plays a variety of 70s, 80s and 90s music. This station moved from 830 AM to 101.9 FM in October 2013 and at that time changed from a country music station to a rock format. It was rebranded to its current format in July 2017.
- *CKWY-FM* is known as 93.7 Wayne-FM in Wainwright and was launched in January 2005, playing a variety of classic hits from the 70's to today, targeting adults 25 to 54. Wayne-FM covers the Wainwright and surrounding trading areas with a population of over 160,000.
- *CKSA-FM* is known as Real Country 95-9 and is based in Lloydminster, the largest community in the region. Real Country 95-9 serves western Saskatchewan and Eastern Alberta with country music.

- The Company also operates two television stations in this region.
  - CITL-DT is a CTV Network sub-affiliate
  - CKSA-DT is a Global Network affiliate

### ***Alberta Northwest (unrated markets)***

Newcap Alberta Northwest operates eight radio stations with three repeaters in Grande Cache, Jasper and Wabasca. These stations broadcast to a potential audience of over 150,000. Stations in this area are not surveyed for ratings; however, they have a loyal listener base. This region has economic diversity, benefiting from oil, gas, coal and timber processing.

- The operating stations are CFXE-FM in Edson, CFHI-FM and CFXH-FM in Hinton, CHSL-FM in Slave Lake, CKBA-FM in Athabasca, CKWB-FM in Westlock, CFXW-FM in Whitecourt, and CKVH-FM in High Prairie. CKWB-FM, CKVH-FM, CFXE-FM, and CFXH-FM play country music under the brand Real Country while the others play a variety of 70s, 80s and 90s music under the brand “boom.”
- CKVH in High Prairie was converted and re-launched on the FM band in 2010 and changed format to country in April 2014.

### ***Red Deer***

***Population: 90,000***

Number of radio stations: 14 stations (9 commercial stations, 3 CBC stations and 2 low power stations)

Newcap’s stations rank #3 (Real Country 95.5) and #4 (Z98.9) in Red Deer.

Station profiles:

- *CKGY-FM* is known as Real Country 95-5 and is a legendary Country music station serving central Alberta since 1973 and is a consistent market leader.
- *CIZZ-FM* is known as Z-98.9 and provides a rock format targeting adults 25 to 54. It is a heritage station in central Alberta with a tremendous following.

### ***Alberta South (unrated markets)***

Stations in this area are not surveyed for ratings; however, they have a loyal listener base.

- Real Country in Blairmore (CJPR-FM) is the voice of rural Southern Alberta and South Eastern British Columbia. Real Country also follows the Chuckwagon tour with live coverage from across Alberta.
- Real Country 105.7 in Brooks (CIBQ-FM) and Real Country 93.3 in Stettler (CKSQ-FM) are both well focused, community-serving country music stations.
- boom101.1 (CIXF-FM) in Brooks was recently reformatted and plays today’s top hits.
- 910 CFCW (CKDQ) in Drumheller is the voice of rural Alberta and is heard east to Saskatchewan, west to the Rockies, south to Montana and north to Edmonton. The CFCW brand is synonymous with country music in Alberta. 910 CFCW serves the southern portion of the province, while 840 CFCW serves the northern half of Alberta out of Camrose/Edmonton.

### **British Columbia**

The Company owns and operates eight radio stations in British Columbia with four repeating signals of CHNL. After having acquired stations in Kelowna and Penticton in 2012, the Company expanded into Vancouver with the purchase of three stations in 2014 and into Kamloops with the purchase of three radio stations and four repeating signals in 2017. The Company disposed of its AM licence in Vancouver during 2017.

### ***Kamloops***

***Population: 90,000***

Number of radio stations: 10 stations (7 commercial and 3 CBC stations)

Newcap’s stations rank #3 (K97.5), #4 (New Country 103.1), and #5 (Radio NL).

Station profiles:

- *CHNL 610 AM* is an information based radio station that is driven by local news coverage. Radio NL has

been the cornerstone of local news in Kamloops.

- *CKRV-FM 97.5 FM* has recently been rebranded as K97-5, but was known as 97-5 The River in 2017. The station plays a wide variety of songs from the 70s, 80s, and 90s.
- *CJKC-FM 103.1 FM* is known as New Country 103.1 and plays a contemporary country format, similar to New Country 100.7 in Kelowna.

### ***Kelowna/Penticton (Okanagan Valley)***

***Population: 341,000***

Number of stations: 13 stations (10 commercial and 3 CBC stations).

Newcap's stations rank #2 (New Country 100.7) and #5 (K96-3) in Kelowna and #2 (New Country 100.7) in Penticton.

Station profiles:

- *CKKO-FM* is known as K96.3 in Kelowna providing a classic rock format and targets adults 25 to 54 and is a top-ranked station in the market.
- *CIGV-FM* is known as New Country 100.7. It is based in Penticton and plays a country format targeting adults 25 to 54. Because of a large signal range, it successfully competes in both Penticton and Kelowna, the only station that is able to cover the entire Okanagan Valley.

### ***Vancouver***

***Population: 2,504,000***

Number of stations: 25 (17 commercial English stations, 3 CBC stations and 5 campus and low power stations). This market also receives signals from certain Washington state radio stations.

Newcap's FM stations rank #4 (Z 95.3) and #11 (CHLG-FM).

Station profiles:

- *CKZZ-FM* is known as Z95.3 and plays a hot adult contemporary format targeting adults 25 to 54. It is showing a trend of increasing market share.
- *CHLG-FM* is known as LG104.3 and plays a classic hits format targeting adults 25 to 54. This station was rebranded in the summer of 2014.

### **Segmented Financial Information**

The Company has two reportable segments – Broadcasting and Corporate and Other. The Broadcasting segment consists of the operations of the Company's radio and television licences. This segment derives its revenue from the sale of broadcast advertising. This reportable segment is a strategic business unit that offers different services and is managed separately. The Company evaluates performance based on earnings before interest, taxes, depreciation and amortization. Corporate and Other consists of a hotel and the head office functions. Its revenue relates to hotel operations. Segmented financial information is included in note 20 of the audited consolidated financial statements, which are incorporated by reference as part of this Annual Information Form.

### **Third Party Revenue**

Revenue from third party customers for the fiscal years ended December 31, 2017 and 2016 is segmented in the following table:

|                     | <b>Years ended December 31</b> |                    |
|---------------------|--------------------------------|--------------------|
|                     | <b><u>2017</u></b>             | <b><u>2016</u></b> |
|                     | <i>(thousands of dollars)</i>  |                    |
| <b>Revenue</b>      |                                |                    |
| Broadcasting        | <b>\$ 165,446</b>              | 165,029            |
| Corporate and other | <b>4,425</b>                   | 4,502              |
|                     | <b><u>\$ 169,871</u></b>       | <u>169,531</u>     |

Revenue in the Corporate and Other segment is generated from a hotel operation in Corner Brook, Newfoundland and Labrador as well as office space rental and related services revenue.

### **Related Party Transactions**

Inter-company balances and transactions of the Company's subsidiaries are eliminated upon consolidation. Related party transactions during the year are summarized in note 21 of the audited consolidated financial statements, which are incorporated by reference as part of this Annual Information Form.

### **Principal Products and Services**

Details of the Company's radio broadcast licences and their markets are presented in Appendix A and are incorporated by reference as part of this Annual Information Form.

### **Customer Concentration**

Customer bases are widely diversified with no one customer accounting for 10% or more of consolidated revenue. The Company conducts the vast majority of its business with Canadian customers and, as such, does not segment its revenue on a geographic basis.

### **Intangible Assets**

The Company recognizes broadcast licence costs related to new licences and business and licence acquisitions as indefinite life intangible assets. Goodwill is also recognized when the cost of the acquired businesses exceeds the fair value of the net identifiable tangible and intangible assets.

The Company owns and/or uses a number of trademarks, trade names and call letters for its business. Some of these are registered and some are not registered. Those not registered are clearly identified with its business operations and therefore are not able to be used by other companies. The Company also has a number of registered domain names.

### **Seasonality**

The Company's revenue and operating results vary depending on the quarter. The first quarter tends to be a period of lower retail spending and as a result, advertising revenue and net income are lower while the fourth quarter is generally a period of higher retail spending.

### **Principal Properties and Equipment**

The Company operates through the principal facilities as described in Appendix A which has been appended and is incorporated by reference as part of this Annual Information Form.

The Corporate and Other segment owns properties in Dartmouth, Nova Scotia and Corner Brook, Newfoundland and Labrador.

All owned properties are pledged as collateral for bank indebtedness and long-term debt. The Company considers these properties to be in good condition. They are well maintained and have sufficient physical capacity to permit the Company to conduct its business in a safe and efficient manner.

### **Employees**

The Company employs approximately 800 people.

### **Competitive Conditions**

The Company operates broadcast licences throughout Canada. These stations face varying degrees of competition on a market-by-market basis from other radio stations and from other advertising media. The better a station is rated, the more revenue it can attract from both local and national advertisers. In addition, revenue directly correlates to how effective an advertising campaign is at generating results for clients. The majority of the Company's radio stations have been successful in increasing the size of their listening audience and, as a result, the majority are garnering a larger share of available radio advertising dollars.

A factor in mitigating competitive forces in a radio market is the ability of the Company to leverage its operating and programming platform over more than one station. It is in the interest of radio operators to maximize their holdings in any given market to achieve scale, maximize revenue potential and distribute operating expenses over more than one station.

Further particulars on the competitive factors, trends and other risks of the Company can be found in the

Management's Discussion and Analysis, which is incorporated by reference as part of this Annual Information Form.

### **Regulatory Environment**

Broadcast licences are regulated by the CRTC under the *Broadcasting Act (Canada)* and as such are issued by the CRTC. The current Broadcasting Act was enacted in 1991. Under this Act, the CRTC is permitted to authorize licences for terms of up to seven years. Radio broadcasting activities are also regulated under the Radio Regulations, 1986, which provide general regulations and rules specific to AM and FM radio undertakings. In addition, specific terms and conditions are found in the broadcasting licence of each radio station.

The CRTC cannot issue, amend or renew broadcasting licences to applicants who are not Canadian. The maximum foreign ownership is restricted to 20% of the voting shares of an operating licensee company and a maximum foreign ownership of 33<sup>1/3</sup>% of the issued and outstanding voting shares or 33<sup>1/3</sup>% of the votes attaching to the shares of a holding company that has a subsidiary operating company licenced under the *Broadcasting Act* (which is the ownership structure for NCC). There are no limits on the ownership (including beneficial ownership and direct or indirect control) of non-voting shares subject to a test for “control in fact”. In addition, the Chief Executive Officer and 80% of the members of the board of directors of the operating company must be Canadian. As well, the holding company and its directors are prohibited from exercising any control or influence over any programming decisions of the subsidiary operating company where Canadians beneficially own and control, directly or indirectly, less than 80% of the voting shares (and votes) of the holding company. The CRTC retains the discretion to determine as a question of fact whether a given licensee is controlled by non-Canadians.

In order to ensure that the Company remains qualified as an eligible Canadian corporation, as indicated above and consistent with the practice of most companies holding broadcasting licences under the *Broadcasting Act*, NCC's articles of incorporation contain certain restrictions on the ownership of its shares and it may refuse to issue any share or permit the registration of a transfer of any share that would jeopardize or adversely affect the right of the Company or any subsidiary thereof to obtain, maintain, amend or renew a licence to operate a radio broadcast licence as defined in the *Broadcasting Act*. In accordance with the articles of the Company, share certificates representing any share in the capital of the Company bear upon their face a legend to the effect that the right to register the transfer of the shares in the capital of the Company represented by such certificate is restricted.

In April 1998, the CRTC relaxed multiple ownership restrictions in local markets. The ownership of up to two AM and two FM licences is permitted in markets having eight or more commercial radio licences. The ownership of three licences, with no more than two on either the AM or FM band, is permitted in markets of less than eight commercial radio licences. In January 2008, the CRTC re-confirmed that ownership restrictions are still appropriate within Radio. The CRTC also in this ruling outlined new restrictions in cross-media ownership between TV, Radio and local newspapers.

The CRTC has established rules that govern content on radio stations. Canadian programming must incorporate 35% of their musical selections from Canadian performers each week. In addition, commercial radio stations must ensure that 35% of the musical selections they air between 6AM and 6PM, Monday through Friday, are Canadian. In cases where this limit is set above 35%, the percentage is specifically stipulated in the individual licence's “*Conditions of Licence*” as stated in the licensee's broadcast licence. Ethnic radio stations must ensure that at least 7% of the musical selections they air each week during ethnic programming periods are Canadian.

In addition to regulating programming, the CRTC requires radio operators to contribute financially to Canadian Content Development (“CCD”) by supporting Canadian musical and spoken word content. Financial contributions to CCD are of two types – Basic CCD and Over & Above CCD. Basic CCD is based on the contribution of a share of the radio station's revenues. Over & Above CCD arises out of commitments made by the licensee that are in addition to Basic CCD.

Radio broadcast licences are generally renewed except in cases of breach of the conditions, in which case licences may be suspended, revoked or renewed for a shorter period. The conditions for radio stations include meeting annual reporting requirements, meeting CCD expenditure requirements, adhering to Canadian Association of Broadcasters' Equitable Portrayal Code and Broadcast Code for Advertising to Children, and

maintaining a specified percentage of Canadian content in their programming. Radio stations must also meet technical operating requirements under the *Radio Communication Act (Canada)*. Conditions may be imposed by the CRTC on broadcasting licences which may affect the profitability of the holders of such licences. The Company currently complies with all regulations applicable to its operations and with the conditions attached to its licences.

Prior approval of the CRTC is required for transactions affecting ownership or control of broadcast licences. Transferees of ownership must demonstrate to the CRTC that such transfer is in the public interest and, in most cases, the purchaser must provide specific tangible benefits designed to benefit the Canadian broadcasting system. For radio transfer of ownership applications, a commitment to provide Tangible Benefits of 6% of the value of the transaction is generally imposed as a “*Condition of Licence*”. The criteria for Tangible Benefits is the same as that for CCD expenditures. The CRTC will assess the impact on diversity of news editorial voices, the level of competition in a particular market, the financial viability of an existing licence and the capacity of a market for additional service when examining transfers of ownership or issuance of new licences.

### **Interest of Experts**

The Company's external auditor is Ernst & Young LLP, RBC Waterside Center, 1871 Hollis Street, Suite 500, Halifax, Nova Scotia B3J 0C3. The Company's consolidated financial statements as at the year ended December 31, 2017 have been filed under National Instrument 51-102 in reliance on the report of Ernst & Young LLP, independent chartered professional accountants, given on their authority as experts in auditing and accounting. As of March 8, 2018, the partners and employees of Ernst & Young LLP, collectively, do not own beneficially, directly or indirectly, any class of the Company's outstanding shares. The Independent Auditors' Report can be found on page 24 of the audited consolidated financial statements and is incorporated by reference as part of this Annual Information Form.

### **Other**

The Company does not engage in any formal research and development programs; however, the Company does conduct regular market and format specific research for its stations in competitive markets.

With regards to environmental risks, the Company does not operate in an industry that has significant environmental risks. The Company is not aware of any issues within its operations that could cause an environmental problem. Management is aware of and compliant with all federal, provincial and municipal laws governing its operations and due to the nature of its operations, considers environmental risk to be low. However, the Company takes its environmental responsibilities very seriously and considers the impact of its current and future investment in property and equipment, ensuring that it meets all environmental standards. There are no known environmental protection requirements that would have a material effect on the Company's capital expenditure program, its earnings or its competitive position.

### **Risks and Opportunities**

Please refer to the “Risks, Uncertainties and Opportunities” section of the MD&A. Certain risks faced by the Company are a result of regulatory decisions and were previously described under the heading “Regulatory Environment”.

### **Management's Discussion and Analysis of Financial Condition and Results of Operations**

Reference is made to the Company's MD&A which is incorporated by reference as part of this Annual Information Form.

### **Dividends**

The declaration and payment of dividends is at the discretion of the Board of Directors and subject to banking arrangements. The history of dividends declared is as follows:

|                                   | <b><u>2017</u></b> | <b><u>2016</u></b> | <b><u>2015</u></b> |
|-----------------------------------|--------------------|--------------------|--------------------|
| Class A Subordinate Voting Shares | \$ 0.50            | 0.20               | 0.15               |
| Class B Common Shares             | 0.50               | 0.20               | 0.15               |

In accordance with the Company's credit facility, the amount of dividends that can be paid is based on certain

ratios that permit payment of dividends with any excess discretionary cash flow produced by the Company on an annual basis.

### **Description of Capital Structure**

As at March 8, 2018, there are 21,703,133 Class A Subordinate Voting shares (“Class A shares”) and 3,769,322 Class B Common Shares outstanding. The Company has also authorized an unlimited number of Class A Preferred Shares and Class B Preferred Shares of which none are outstanding.

The Class A shares carry one vote per share and the Class B Common Shares carry ten votes per share. In the event of a vote to change any right, privilege, restriction or condition attached to either the Class A shares or Class B Common Shares, the Class B Common Shares are entitled to one vote per share. In addition, the ten votes attaching to each Class B Common Share shall be decreased to one vote 180 days following the acquisition of Class B Common Shares pursuant to a take-over bid where the ownership of Class B Common Shares, after the acquisition, exceeds 50%. In all other respects, these shares rank equally.

The outstanding Class B Common Shares are convertible to Class A shares at the option of the shareholder on a one-for-one basis.

Constraints related to ownership of the Company’s securities are discussed in *Regulatory Environment* above.

### **Market for Securities**

The Company's securities are listed and posted for trading on the Toronto Stock Exchange under the symbols NCC.A and NCC.B. The following table provides a summary of the trading statistics for the Company’s shares.

|                | <b>Class A Subordinate</b> |                   |                      | <b>Class B Common shares</b> |                   |                      |
|----------------|----------------------------|-------------------|----------------------|------------------------------|-------------------|----------------------|
|                | <b><u>High</u></b>         | <b><u>Low</u></b> | <b><u>Volume</u></b> | <b><u>High</u></b>           | <b><u>Low</u></b> | <b><u>Volume</u></b> |
| <b>2017</b>    |                            |                   |                      |                              |                   |                      |
| January        | 10.70                      | 9.80              | 35,851               | —                            | —                 | —                    |
| February       | 10.44                      | 9.75              | 26,031               | —                            | —                 | —                    |
| March          | 10.00                      | 9.25              | 33,429               | —                            | —                 | —                    |
| April          | 10.80                      | 9.72              | 10,796               | —                            | —                 | —                    |
| May            | 10.99                      | 9.55              | 20,651               | —                            | —                 | —                    |
| June           | 10.93                      | 10.30             | 30,358               | —                            | —                 | —                    |
| July           | 11.22                      | 10.55             | 54,570               | —                            | —                 | —                    |
| August         | 12.58                      | 10.95             | 23,301               | —                            | —                 | —                    |
| September      | 12.59                      | 11.94             | 48,560               | —                            | —                 | —                    |
| October        | 13.25                      | 12.10             | 45,867               | —                            | —                 | —                    |
| November       | 13.21                      | 12.17             | 57,614               | —                            | —                 | —                    |
| December       | 13.55                      | 12.39             | <u>173,401</u>       | 15.10                        | 15.00             | <u>406</u>           |
| Annual Summary | 13.55                      | 9.25              | <u>560,429</u>       | 15.10                        | 15.00             | <u>406</u>           |
| <b>2016</b>    |                            |                   |                      |                              |                   |                      |
| Annual Summary | 10.88                      | 8.00              | <u>1,893,833</u>     | 21.70                        | 12.00             | <u>19,340</u>        |

### **Directors and Officers**

Information regarding the directors and officers is contained on pages 9 to 23 of the Information Circular, which is incorporated by reference as part of this Annual Information Form.

The following table sets forth the name, municipality of residence and position of the officers of the Company



other than those officers who are also directors noted in the Information Circular:

| <b>Name and Municipality of Residence</b>     | <b>Position</b>                                    |
|---|--|
| Ian S. Lurie<br>Toronto, Ontario              | Chief Operating Officer                            |
| Scott G. M. Weatherby<br>Halifax, Nova Scotia | Chief Financial Officer and<br>Corporate Secretary |
| Gail Piercey<br>Halifax, Nova Scotia          | Assistant Corporate Secretary                      |

Directors and officers of the Company as a group beneficially own, directly or indirectly, 97.7% of the Class B Common Shares and 89.3% of the Class A Subordinate Voting Shares.

All of the directors and officers of the Company have been in their current position of employment for the past five years with the following exceptions. Mr. Lurie was a Senior Vice President with Bell Media prior to joining the Company in July, 2015 and prior to that was with Astral Radio for six years. Ms. Piercey was employed by Ernst & Young LLP for 28 years prior to joining the Company in June 2016.

The Company does not have an executive committee. Information on the Audit and Governance Committee of the Company is described below and in Appendix B which forms part of this document.

#### **Audit and Governance Committee Disclosure**

##### **Audit and Governance Committee Charter**

The Audit and Governance Committee Charter is attached as Appendix B.

##### **Composition of the Audit and Governance Committee**

The Audit and Governance Committee (the “Committee”) is composed of four independent and financially literate directors. The Committee members have a good understanding of the accounting principles used in preparing the Company's financial statements and of the required internal controls and procedures for financial reporting. Their collective experience (relevant to the performance of their responsibilities as members of the Committee) as described, and with respect to preparing, auditing, analyzing and evaluating financial statements is as follows.

**Michael (Mickey) C. MacDonald**, President of Micco Companies, is a well-known entrepreneur whose business interests are diversified across many industries including automotive leasing, retail, food and beverage, fitness and residential land development. Mr. MacDonald has held senior leadership and management roles of several organizations and as such, has had to manage and oversee sound business and financial practices aligned with the best interests of various stakeholders. He has extensive experience in reviewing and interpreting financial statements and financial information. He continuously evaluates his current business holdings and potential business acquisitions for expansion while continually striving to improve operational success. In 2005, Saint Mary's University presented Mr. MacDonald with an Honorary Doctor of Commerce. Mr. MacDonald has won numerous business and personal awards including the 2008 Nova Scotia Humanitarian of the Year, 2005 Nova Scotia Philanthropist of the Year, 2004 Newfoundland Philanthropist of the Year, Ernst and Young Entrepreneur of the Year, Halifax Chamber of Commerce Business Person of the Year and was among the Top 50 CEO's in Atlantic Canada for five years in a row.

**Allen F. MacPhee** is a well-known businessman who has run many successful automobile dealerships, one of which became the largest General Motors dealership in Atlantic Canada. Mr. MacPhee has extensive experience as a senior manager, has been effective in the management of business along with the implementation of financial practices aligned with stakeholder interests. He is adept in reviewing and interpreting financial statements and fiscal information. Mr. MacPhee is also very familiar with all aspects of the businesses he has run – operational, financial and human resource matters. From 2011 to 2012, he was the Chairman of the Canadian Automobile Dealers Association. Currently, he is the Chairman of Leader Auto Resources Inc. a national automotive buying group. In 2009, Mr. MacPhee was inducted into the Junior Achievement of Nova Scotia Business Hall of Fame

and he has been honored as one of Atlantic Canada's Top 50 CEO's. Mr. MacPhee has served two consecutive terms on the Board of Governors for Cape Breton University and is currently the President of MacPhee Ford in Dartmouth, Nova Scotia.

**David I. Matheson, Q.C.** conducts a corporate and international advisory business through the services of the Matheson Global Advisory Group as its managing director after having been a corporate and tax partner at McMillan LLP for many years. The Group is a national and international business connecting organization. He has a Bachelor of Commerce degree with a major in accounting and a Law degree from Dalhousie University. As a tax lawyer, he worked extensively with the accounting profession in tax reform and on financial reporting issues for tax purposes. He has served as a director and as a chairman and member of numerous audit and governance committees for public companies. He has written and spoken extensively, nationally and internationally, on tax-related financial reporting, corporate governance and securities law compliance. His knowledge of the Company's financial affairs and internal control and systems is extensive.

**Donald J. Warr, FCPA, FCA** is partner with the Chartered Professional Accounting firm Blackwood & Warr in Newfoundland and Labrador. He obtained a Bachelor of Commerce degree in 1967 before obtaining his Chartered Accountancy designation in 1970. Prior to starting his own practice in 1992, Mr. Warr was a tax partner with a large national accounting firm. He was past President of the Newfoundland and Labrador Institute of Chartered Accountants and was awarded the designation of FCA in 1983 for outstanding service to the profession and the community. Mr. Warr, in addition to serving as a director for the Company, also serves as a director to Altius Minerals Corp., a public entity. He has extensive knowledge and experience with preparing, auditing, analyzing and evaluating financial statements, along with an extensive background in taxation matters, internal controls and procedures surrounding financial reporting.

#### **Pre-Approval of Non-audit Services**

The Company is restricted from engaging the auditors to provide certain non-audit services to the Company and its subsidiaries, in accordance with the independence standards for auditors within the Rules of Professional Conduct of the Institute of Chartered Accountants of Nova Scotia. The Company does engage the auditors from time to time to provide certain non-audit services other than those that are restricted. All non-audit services must be pre-approved by the Audit and Governance Committee.

#### **External Auditor Service Fees**

During the last two fiscal years, the Company paid to the external auditors, Ernst & Young LLP, fees for the following services:

|                    | <b>2017</b>       | 2016    |
|--------------------|-------------------|---------|
| Audit fees         | \$ <b>312,510</b> | 180,000 |
| Audit-related fees | <b>17,649</b>     | 37,745  |
| Tax and other fees | <b>4,450</b>      | -       |
| <b>Total</b>       | <b>334,609</b>    | 217,745 |

"Audit fees" include the aggregate professional fees paid to Ernst & Young LLP for the audit of the annual consolidated financial statements and other regulatory audits and filings.

"Audit-related fees" include the aggregate fees paid to Ernst & Young LLP for services related to the audit services, including namely, consultations regarding financial reporting and accounting standards.

"Tax fees" include the aggregate fees paid to Ernst & Young LLP for tax compliance, tax advice, tax planning and advisory services.

#### **Legal Proceedings**

The Company and its subsidiaries are involved in various legal actions which arise out of the ordinary course and conduct of its business. Management believes any potential liabilities that may result from these actions have been adequately provided for and are not expected to have a material adverse effect on the Company's financial position or its results.

### **Transfer Agent and Registrar**

The transfer agent and registrar for the shares of the Company is AST Trust Company (Canada) at its offices in Halifax and Toronto. For shareholder account inquiries:

Telephone : 1-800-387-0825 (toll free in North America)  
e-mail: [inquiries@astfinancial.com](mailto:inquiries@astfinancial.com)  
or write to: Newfoundland Capital Corporation Limited  
c/o AST Trust Company (Canada)  
P.O. Box 700, Station B, Montreal, QC H3B 3K3

### **Material Contracts**

No material contracts outside the ordinary course of business were entered into by the Company or effective during the year.

### **Additional Information**

Additional information, including directors' and officers' remuneration, principal holders of the Company's securities and options to purchase securities, is contained in the Information Circular, and is incorporated by reference as part of this Annual Information Form.

Additional information is also provided in the Company's audited consolidated financial statements and is incorporated by reference as part of this Annual Information Form.

The Company's Annual Report, Information Circular and unaudited condensed interim consolidated financial statements may be obtained on request from Mr. Scott G.M. Weatherby, Chief Financial Officer and Corporate Secretary of the Company. All public documents related to the Company are also available on SEDAR at [www.sedar.com](http://www.sedar.com).

**APPENDIX A**

| <b>Studio Location and Licence</b> | <b>Owned/Leased</b> | <b>Year Acquired<sup>(1)</sup></b> | <b>Call Letters</b> | <b>Frequency</b> | <b>Name</b>        | <b>Format</b>             | <b>Transmitter Site<sup>(2)</sup> and Power</b> | <b>Owned/Leased</b> | <b>Licence Expiry Date (August)</b> |
|------------------------------------|---------------------|------------------------------------|---------------------|------------------|--------------------|---------------------------|---|---------------------|-------------------------------------|
| <b><u>ALBERTA</u></b>              |                     |                                    |                     |                  |                    |                           |   |                     |                                     |
| Athabasca                          | Leased              | 2002                               | CKBA-FM             | 94.1 MHz         | boom 94.1          | Classic Hits              | 9,000w  | Leased              | 2022                                |
| Blairmore                          | Leased              | 2002                               | CJPR-FM             | 94.9 MHz         | Real Country 94.9  | Country                   | 840w  | Leased              | 2023                                |
|                                    |                     | 2008                               | CJPV-FM®            | 92.7 MHz         | Real Country 92.7  | Country                   | Pincher Creek 6,000w                            | Leased              | 2023                                |
|                                    |                     | 2002                               | CJEV®               | 1340 kHz         | Real Country       | Country                   | Elkford, BC 50w                                 | Leased              | 2023                                |
| Bonnyville                         | Leased              | 2006                               | CJEG-FM             | 101.3 MHz        | Kool-FM            | Hot Adult Contemporary    | 27,000w   | Leased              | 2020                                |
| Brooks                             | Leased              | 2002                               | CIBQ-FM             | 105.7 MHz        | Real Country 105.7 | Country                   | 14,000w   | Leased              | 2023                                |
|                                    |                     | 2003                               | CIXF-FM             | 101.1 MHz        | boom 101.1         | Classic Hits              | 8,600w  | Leased              | 2024                                |
| Calgary                            | Leased              | 2006                               | CKMP-FM             | 90.3 MHz         | 90.3AMP Radio      | Top 40                    | 100,000w  | Leased              | 2020                                |
|                                    |                     | 2002                               | CFXL-FM             | 103.1 MHz        | XL103.1            | Classic Hits              | 100,000w  | Leased              | 2021                                |
| Camrose                            | Owned               | 1989                               | CFCW                | 840 kHz          | CFCW               | Country                   | 50,000w   | Owned               | 2024                                |
|                                    |                     | 2003                               | CFCW-FM             | 98.1 MHz         | New Country 98.1   | Country                   | 50,000w   | Owned               | 2021                                |
| Cold Lake                          | Leased              | 2002                               | CJXK-FM             | 95.3 MHz         | boom 93.5          | Classic Hits              | Ardmore 100,000w                                | Leased              | 2021                                |
| Drumheller                         | Leased              | 2002                               | CKDQ                | 910 kHz          | CFCW               | Country                   | Strathmore 50,000w                              | Owned               | 2024                                |
| Edmonton                           | Leased              | 1989                               | CKRA-FM             | 96.3 MHz         | Capital FM         | Classic Hits              | Looma 100,000w                                  | Owned               | 2023                                |
|                                    |                     | 1999                               | CIRK-FM             | 97.3 MHz         | K-97               | Classic Rock              | Looma 100,000w                                  | Owned               | 2021                                |
| Edson                              | Leased              | 2002                               | CFXE-FM             | 94.3 MHz         | Real Country West  | Country                   | 20,000w   | Leased              | 2020                                |
|                                    |                     | 2002                               | CFXP-FM®            | 95.5 MHz         | Real Country West  | Hits                      | Whistlers Mountain 95w                          | Leased              | 2020                                |
|                                    |                     | 2002                               | CFXG-FM®            | 93.3 MHz         | Real Country West  | Hits                      | Grande Cache 190w                               | Leased              | 2020                                |
| High Prarie                        | Leased              | 2002                               | CKVH-FM             | 93.5 MHz         | Real Country 93.5  | Country                   | 25,000w   | Leased              | 2022                                |
| Hinton                             | Leased              | 2002                               | CFXH-FM             | 97.5 MHz         | Real Country West  | Classic Hits/Today's Hits | Athabasca Outlook 1,200w                        | Leased              | 2020                                |
|                                    |                     | 2014 <sup>(1)</sup>                | CFHI-FM             | 104.9 MHz        | boom 104.9         | Classic Hits              | 1,100w  | Leased              | 2020                                |
| Lac La Biche                       | Leased              | 2006                               | CILB-FM             | 103.5 MHz        | boom 103.5         | Classic Hits/             | 1,900w  | Leased              | 2020                                |

| Studio Location and Licencee      | Owned/Leased | Year Acquired <sup>(1)</sup> | Call Letters   | Frequency  | Name  | Format                            | Transmitter Site <sup>(2)</sup> and Power | Owned/Leased     | Licence Expiry Date (August) |
|-----------------------------------|--------------|------------------------------|--|--|---|-----------------------------------|---|------------------|------------------------------|
| <b><u>ALBERTA (continued)</u></b> |              |                              |  |  |   |                                   |   |                  |                              |
| Lloydminster                      | Owned        | 2005                         | CKSA-FM  | 95.9 MHz   | Real Country 95.9                           | Country                           | County of Vermillion River 100,000w       | Owned            | 2023                         |
|                                   |              | 2005                         | CILR-FM  | 98.9 MHz   | CILR  | Tourist Information               | 50 w                                      | Owned            | N/A                          |
|                                   |              | 2005                         | CKSA-DT  | Channel 2 CKSA-TV<br>Channel 5 (Shaw Cable)<br>Channel 238 (Bell Expressvu)<br>Channel 322 (Star Choice) | Global Network Affiliate                    | County of Vermillion River 8,100w | Owned                                     | 2020             |                              |
|                                   | 2005         | CKSA-TV2                     | Channel 9<br>CKSA-TV   |  | Bonnyville<br>41,500w video<br>8,300w audio | Owned                             | 2020                                      |                  |                              |
|                                   |              | CITL-DT                      | Channel 4 Newcap Television<br>Channel 3 (Shaw Cable)<br>Channel 237 (Bell Expressvu)<br>Channel 319 (Star Choice) | CTV Network Sub-affiliate  | County of Vermillion River 9,100w           | Owned                             | 2020                                      |                  |                              |
| Red Deer                          | Leased       | 2005                         | CIZZ-FM  | 98.9 MHz   | ZED 98.9                                    | Classic Rock                      | Lacombe County 100,000w                   | Leased           | 2024                         |
|                                   |              | 2005                         | CKGY-FM  | 95.5 MHz   | Real Country 95.5                           | Country                           | Lacombe County 100,000w                   | Leased           | 2021                         |
| Slave Lake                        | Leased       | 2002                         | CHSL-FM  | 92.7 MHz   | boom 92.7                                   | Classic Hits                      | Martin Mountain 5,700w                    | Leased           | 2020                         |
| St. Paul                          | Leased       | 2002                         | CHSP-FM  | 97.7 MHz   | Real Country 97.7                           | Country                           | 45,000w                                   | Owned            | 2022                         |
| Stettler                          | Leased       | 2002                         | CKSQ-FM  | 93.3 MHz   | Real Country 93.3                           | Country                           | 23,000w                                   | Leased           | 2018                         |
| Wabasca                           | Leased       | 2013 <sup>(1)</sup>          | CHSL-FM1®  | 94.3 MHz   | boom 92.7                                   | Classic Hits                      | 6,000w                                    | Leased           | 2019                         |
| Wainwright                        | Leased       | 2002                         | CKKY-FM  | 101.9 MHz  | boom 101.9                                  | Classic Hits                      | 50,000w                                   | Leased           | 2019                         |
|                                   |              | 2004                         | CKWY-FM  | 93.7 MHz   | Wayne-FM                                    | Classic Hits/<br>Today's Hits     | 50,000w                                   | Leased           | 2021                         |
| Westlock                          | Leased       | 2002                         | CKWB-FM  | 97.9 MHz   | Real Country 97.9                           | Country                           | High Ridge 48,000w                        | Owned/<br>Leased | 2023                         |
| Wetaskiwin                        | Leased       | 2002                         | CKJR   | 1440 kHz   | W 1440                                      | Oldies                            | 10,000w                                   | Leased           | 2023                         |
| Whitecourt                        | Leased       | 2005                         | CFXW-FM  | 96.7 MHz   | boom 96.7                                   | Classic Hits                      | 9,000w                                    | Leased           | 2019                         |
|                                   |              | 2014 <sup>(1)</sup>          | CFXW-FM1®  | 98.1 MHz   | boom 96.7                                   | Classic Hits                      | Fox Creek 610w                            | Leased           | 2019                         |

| <b>Studio Location and Licence</b> | <b>Owned/Leased</b> | <b>Year Acquired<sup>(1)</sup></b> | <b>Call Letters</b> | <b>Frequency</b> | <b>Name</b>       | <b>Format</b>          | <b>Transmitter Site<sup>(2)</sup> and Power</b> | <b>Owned/Leased</b> | <b>Licence Expiry Date (August)</b> |
|------------------------------------|---------------------|------------------------------------|---------------------|------------------|-------------------|------------------------|---|---------------------|-------------------------------------|
| <b><u>BRITISH COLUMBIA</u></b>     |                     |                                    |                     |                  |                   |                        |   |                     |                                     |
| Kamloops                           | Leased              | 2017                               | CHNL                | 610 kHz          | Radio NL          | News and Information   | 25,000w   | Leased              | 2024                                |
|                                    | Leased              | 2017                               | CKRV-FM             | 97.5 MHz         | K 97.5            | Classic Hits           | 12,000w   | Leased              | 2024                                |
|                                    | Leased              | 2017                               | CJKC-FM             | 103.1 MHz        | New Country 103   | Country                | 12,000w   | Leased              | 2023                                |
|                                    | Leased              | 2017                               | CFNL-FM®            | 107.1 MHz        | Radio NL          | News and Information   | Sorrento 86w                                    | Leased              | 2024                                |
|                                    | Leased              | 2017                               | CJNL®               | 1230 kHz         | Radio NL          | News and Information   | Merritt 1,000w                                  | Leased              | 2024                                |
|                                    | Leased              | 2017                               | CHNL-1®             | 1400 kHz         | Radio NL          | News and Information   | Clearwater 1,000w                               | Leased              | 2024                                |
|                                    | Leased              | 2017                               | CINL®               | 1340 kHz         | Radio NL          | News and Information   | Ashcroft 1,000w                                 | Leased              | 2024                                |
| Kelowna                            | Leased              | 2012                               | CKKO-FM             | 96.3 MHz         | K96.3             | Classic Rock           | 31,000w   | Leased              | 2021                                |
| Penticton                          | Leased              | 2012                               | CIGV-FM             | 100.7 MHz        | New Country 100.7 | Country                | Okanagan Mountain 14,100w                       | Leased              | 2023                                |
|                                    |                     | 2012                               | CIGV-FM1®           | 98.9 MHz         | New Country 100.7 | Country                | Keremeos 46w                                    | Leased              | 2023                                |
|                                    |                     | 2012                               | CIGV-FM2®           | 98.1 MHz         | New Country 100.7 | Country                | Princeton 73w                                   | Leased              | 2023                                |
| Vancouver                          | Leased              | 2014                               | CKZZ-FM             | 95.3 MHz         | Z95.3             | Hot Adult Contemporary | Mount Seymour 57,000w                           | Leased              | 2020                                |
|                                    |                     | 2014                               | CHLG-FM             | 104.3 MHz        | LG1043            | Classic Hits           | Mount Seymour 9,100w                            | Leased              | 2019                                |
| <b><u>ONTARIO</u></b>              |                     |                                    |                     |                  |                   |                        |   |                     |                                     |
| Ottawa                             | Leased              | 2001                               | CIHT-FM             | 89.9 MHz         | Hot 89.9          | Top 40                 | Chelsea, QC 27,000w                             | Leased              | 2019                                |
|                                    |                     | 2005                               | CILV-FM             | 88.5 MHz         | Live 88.5 FM      | Alternative Rock       | Chelsea, QC 12,000w                             | Leased              | 2024                                |
| Sudbury                            | Leased              | 2001                               | CHNO-FM             | 103.9 MHz        | Rewind 103.9      | Classic Hits           | 100,000w  | Leased              | 2022                                |
|                                    |                     | 2009                               | CIGM-FM             | 93.5 MHz         | Hot 93.5          | Top 40                 | 100,000w  | Leased              | 2024                                |
| Toronto                            | Leased              | 2014                               | CHBM-FM             | 97.3 MHz         | boom 97.3         | Adult Hits             | 28,900w   | Leased              | 2020                                |
|                                    |                     | 2014                               | CFXJ-FM             | 93.5 MHz         | 93.5 The Move     | Rhythmic CHR           | 3,700w  | Leased              | 2024                                |

| Studio Location and Licencee  | Owned/Leased | Year Acquired <sup>(1)</sup> | Call Letters | Frequency | Name              | Format                 | Transmitter Site <sup>(2)</sup> and Power | Owned/Leased | Licence Expiry Date (August) |
|-------------------------------|--------------|------------------------------|--------------|-----------|-------------------|------------------------|---|--------------|------------------------------|
| <b><u>ATLANTIC CANADA</u></b> |              |                              |              |           |                   |                        |   |              |                              |
| Fredericton, NB               | Leased       | 2004                         | CFRK-FM      | 92.3 MHz  | New Country 92.3  | Country                | 100,000w                                  | Leased       | 2019                         |
|                               |              | 2012                         | CIHI-FM      | 93.1 MHz  | UP 93.1           | Classic Hits           | 100,000w                                  | Leased       | 2018                         |
| Miramichi, NB                 | Leased       | 2012                         | CHHI-FM      | 95.9 MHz  | SUN FM            | Hot Adult Contemporary | 25,000w                                   | Leased       | 2018                         |
| Moncton, NB                   | Owned        | 1997                         | CJMO-FM      | 103.1 MHz | C103              | Rock                   | 46,800w                                   | Owned        | 2020                         |
|                               |              | 2000                         | CJXL-FM      | 96.9 MHz  | New Country 96.9  | Country                | 100,000w                                  | Owned        | 2020                         |
| Saint John, NB                | Leased       | 2012                         | CHNI-FM      | 88.9 MHz  | Rock 88.9         | Rock                   | Mount Champlain<br>25,000w                | Leased       | 2020                         |
| Halifax, NS                   | Leased       | 1986                         | CFRQ-FM      | 104.3 MHz | Q104              | Rock                   | 100,000w                                  | Leased       | 2019                         |
|                               |              | 2001                         | CKUL-FM      | 96.5 MHz  | Mix 96.5          | 80s, 90s Now           | 100,000w                                  | Leased       | 2019                         |
| Kentville, NS                 | Leased       | 2007                         | CIJK-FM      | 89.3 MHz  | K-Rock 89.3       | Rock                   | Arlington<br>30,000w                      | Leased       | 2020                         |
| Sydney, NS                    | Leased       | 2007                         | CHRK-FM      | 101.9 MHz | The Giant 101.9   | Top 40                 | Coxheath 58,000w                          | Leased       | 2020                         |
|                               |              | 2012                         | CKCH-FM      | 103.5 MHz | New Country 103.5 | Country                | 26,500w                                   | Leased       | 2020                         |
| Charlottetown, PEI            | Leased       | 1985                         | CHTN-FM      | 100.3 MHz | Ocean 100         | Classic Hits           | 88,000w                                   | Leased       | 2020                         |
|                               |              | 2009                         | CHTN-FM1®    | 99.9 MHz  | Ocean 100         | Classic Hits           | Elmira 3,400w                             | Leased       | 2020                         |
|                               |              | 2009                         | CHTN-FM2®    | 89.9 MHz  | Ocean 100         | Classic Hits           | St. Edward 5,000w                         | Leased       | 2020                         |
|                               | Leased       | 2006                         | CKQK-FM      | 105.5 MHz | Hot 105.5         | Top 40                 | 88,000w                                   | Leased       | 2020                         |
|                               |              | 2009                         | CKQK-FM1®    | 103.7 MHz | Hot 105.5         | Top 40                 | Elmira 3,400w                             | Leased       | 2020                         |
| 2009                          | CKQK-FM2®    | 91.1 MHz                     | Hot 105.5    | Top 40    | St. Edward 5,000w | Leased                 | 2020                                      |              |                              |
| Carbonear, NL                 | Leased       | 2000                         | CHVO-FM      | 103.9 MHz | KIXX Country      | Country                | 30,000w                                   | Leased       | 2020                         |
| Clarenville, NL               | Owned        | 2000                         | CKVO         | 710 kHz   | CKVO              | News/Talk/Country      | 10,000w                                   | Owned        | 2023                         |
|                               | Leased       | 2013 <sup>(1)</sup>          | CKLN-FM      | 97.1 MHz  | KIXX Country      | Country                | 2,500w                                    | Leased       | 2019                         |
| Corner Brook, NL              | Owned        | 1989                         | CKXX-FM      | 103.9 MHz | K-Rock 103.9      | Classic Rock           | 40,000w                                   | Leased       | 2023                         |
|                               |              | 1989                         | CKXX-FM1®    | 95.9 MHz  | K-Rock            | Classic Rock           | Stephenville 234w                         | Owned        | 2023                         |
|                               |              | 2001                         | CFCB         | 570 kHz   | CFCB              | News/Talk              | 1,000w                                    | Owned        | 2023                         |
|                               |              | 2001                         | CFDL-FM®     | 97.9 MHz  | CFCB              | News/Talk              | Deer Lake 16w                             | Leased       | 2023                         |
|                               |              | 2001                         | CFNW-FM®     | 96.7 MHz  | CFCB              | News/Talk              | Port au Choix 4.300w                      | Leased       | 2023                         |
|                               |              | 2001                         | CFNN-FM®     | 97.9 MHz  | CFCB              | News/Talk              | St. Anthony 126w                          | Leased       | 2023                         |

| Studio Location and Licencee              | Owned/Leased | Year Acquired <sup>(1)</sup> | Call Letters | Frequency | Name               | Format                                | Transmitter Site <sup>(2)</sup> and Power | Owned/Leased | Licence Expiry Date (August) |
|---|--------------|------------------------------|--------------|-----------|--------------------|---------------------------------------|---|--------------|------------------------------|
| <b><u>ATLANTIC CANADA (continued)</u></b> |              |                              |              |           |                    |                                       |   |              |                              |
| Gander, NL                                | Leased       | 1989                         | CKXD-FM      | 98.7MHz   | K-Rock 98.7        | Classic Rock                          | 6,000w                                    | Leased       | 2020                         |
| Goose Bay, NL                             | Leased       | 2000                         | CKGA         | 650 kHz   | VOCM Radio Network | News/Talk                             | 5,000w                                    | Owned        | 2023                         |
|   |              | 2001                         | CFLN-FM      | 97.9 MHz  | Big Land FM        | News/Talk/Country/Classic Rock Hybrid | 1,000w                                    | Owned        | 2022                         |
|   |              | 2001                         | CFLC-FM®     | 97.9 MHz  | Big Land FM        | News/Talk/Country/Classic Rock Hybrid | Churchill Falls 8.22w                     | Leased       | 2022                         |
|   |              | 2001                         | CFLW-FM®     | 94.7 MHz  | Big Land FM        | News/Talk/Country/Classic Rock Hybrid | Wabush 1,000w                             | Leased       | 2022                         |
|   |              | 2011                         | CFLN-FM1®    | 95.9 MHz  | Big Land FM        | News/Talk/Country                     | North West River 50w                      | Leased       | 2022                         |
| Grand Falls-Windsor, NL                   | Owned        | 1989                         | CKXG-FM      | 102.3 MHz | K-Rock 102.3       | Classic Rock                          | 36,000w                                   | Owned        | 2020                         |
|   |              | 1989                         | CKXG-FM1®    | 101.3 MHz | K-Rock             | Classic Rock                          | Lewisporte 50w                            | Leased       | 2020                         |
|   |              | 2000                         | CKIM®        | 1240 kHz  | VOCM Radio Network | News/Talk                             | Baie Verte 1,000w                         | Leased       | 2023                         |
|   |              | 2000                         | CKCM         | 620 kHz   | VOCM Radio Network | News/Talk                             | 10,000w                                   | Owned        | 2023                         |
|   |              | 2010                         | CKCM-FM1®    | 89.3 MHz  | VOCM Radio Network | News/Talk                             | Springdale 50w                            | Leased       | 2023                         |
| Marystown, NL                             | Owned        | 2000                         | CHCM         | 740 kHz   | CHCM               | News/Talk/Country                     | 10,000w                                   | Owned        | 2023                         |
| St. John's, NL                            | Owned        | 1989                         | CJYQ         | 930 kHz   | KIXX               | Country                               | 25,000w                                   | Owned        | 2024                         |
|   |              | 1989                         | CKIX-FM      | 99.1 MHz  | 99.1 HITS-FM       | Top 40                                | 100,000w                                  | Leased       | 2023                         |
|   |              | 2000                         | VOCM         | 590 kHz   | VOCM               | News/Talk                             | 20,000w                                   | Owned        | 2023                         |
|   |              | 2000                         | VOCM-FM      | 97.5 MHz  | 97.5 K-Rock        | Classic Rock                          | 100,000w                                  | Owned        | 2023                         |
|   |              | 2000                         | VOCM-FM1®    | 100.7 MHz | K-Rock             | Classic Rock                          | Clarenville 4,100w                        | Leased       | 2023                         |
| Stephenville, NL                          | Leased       | 2001                         | CFSX         | 870 kHz   | CFCB               | News/Talk/Country                     | 500w                                      | Owned        | 2023                         |
|   |              | 2001                         | CFGN®        | 1230 kHz  | CFCB               | News/Talk/Country                     | Port aux Basques 250w                     | Owned        | 2023                         |
|   |              | 2001                         | CFCV-FM®     | 97.7 MHz  | CFCB               | News/Talk/Country                     | St. Andrew's 73w                          | Leased       | 2023                         |

® Repeater

(1) Year new licence awarded by CRTC. For actual on-air date refer to Management's Discussion and Analysis, which is incorporated by reference as part of this Annual Information Form.

(2) Transmitter site is listed only if it is in a different municipality than the station.



**APPENDIX B**  
**NEWFOUNDLAND CAPITAL CORPORATION LIMITED**  
**AUDIT AND GOVERNANCE COMMITTEE CHARTER**

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**1. GENERAL**

The board of directors (“**Board**”) of Newfoundland Capital Corporation Limited (“**Company**”) has established the Audit and Governance Committee (“**Committee**”) to assist the Board in fulfilling its oversight responsibilities with respect to the following:

- (a) accounting and financial reporting processes, internal financial controls, financial risk management systems and internal and external audit functions;
- (b) the composition of the Board, the recruitment and assessment of the performance of the chief executive officer (“**CEO**”) and senior management, and the compensation of the CEO, other officers and the directors (“**Directors**”) of the Company;
- (c) executive compensation disclosure and oversight of the compensation structure and benefit plans and programs of the Company, including assessing any risks associated with the compensation policies and procedures;
- (d) corporate governance standards and practices; and
- (e) additional duties set out in this Charter or otherwise delegated to the Committee by the Board.

The composition, responsibilities and authority of the Committee are set out in this Charter. This Charter and the By-Laws of the Company and such other procedures, not inconsistent therewith, as the Committee may adopt from time to time, shall govern the meetings and procedures of the Committee.

**2. COMPOSITION**

- A. The Committee shall be composed of at least three Directors of the Company (“**Members**”):
  - (i) all of whom are *independent* (as required by regulations and as determined by the Board where permitted);
  - (ii) all of whom are *financially literate* (i.e., have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the accounting issues that can reasonably be expected to be raised by the financial statements of the Company);
  - (iii) all of whom have the skills and experience necessary to make decisions on the suitability of the Company’s compensation policies and practices; and
  - (iv) all of whom are able to work collectively yet promote healthy skepticism among themselves and other Board Members.
- B. Members shall be appointed by the Board and shall serve until they resign, cease to be a Director or are removed or replaced by the Board.
- C. The Board shall designate one of the Members as chair of the Committee (“**Chair**”).

The Secretary of the Company shall be secretary of the Committee (“**Secretary**”) unless the Chair designates an alternative secretary for any meeting or meetings.

**3. AUDIT, ACCOUNTING, FINANCIAL REPORTING, PUBLIC DISCLOSURE AND INTERNAL FINANCIAL CONTROLS RESPONSIBILITIES**

The Committee shall assist the Board in fulfilling its oversight responsibilities with respect to accounting and financial reporting processes, internal financial controls, financial risk management systems and internal and external audit functions.

Management of the Company is responsible for the design and implementation of accounting and reporting systems, supported by internal controls to safeguard assets from loss or unauthorized use and

responsible for the accuracy of the financial records, and the preparation, presentation and integrity of the Company's financial statements. The external auditor of the Company is responsible for planning and performing an audit to express an opinion on whether the financial statements present fairly, in all material respects, the financial position of the Company and the results of its operations and its cash flows in accordance with generally accepted accounting principles as applied in Canada.

The Committee shall have such responsibilities as set out in this section 3.

**A. *Managing, on behalf of the Shareholders of the Company, the Relationship between the Company and its External Auditors***

The Committee shall be responsible for managing, on behalf of the shareholders of the Company, the relationship between the Company and its external auditors, including:

- (i) appointing and replacing the external auditors, subject to shareholder approval;
- (ii) setting the compensation of the external auditors;
- (iii) overseeing the work of the external auditors;
- (iv) pre-approving all audit services and permitted non-audit services to be provided to the Company and its subsidiary entities by the external auditors;
- (v) having the external auditors report to the Committee in a timely manner with respect to all required matters;
- (vi) reviewing and approving the hiring policies of the Company with respect to present and former partners and employees of the current and former external auditors;
- (vii) overseeing the rotation of the audit partner having primary responsibility for the external audit of the Company, the audit partner responsible for reviewing the external audit and the external auditors at such intervals as may be required;
- (viii) overseeing any change in the external auditors, including the notice of change of auditors required under applicable laws; and
- (ix) reviewing and assessing the independence and objectivity of the external auditors.

**B. *Overseeing the External Audit***

The Committee shall be responsible for overseeing the external audit of the Company, including:

- (i) reviewing and defining the Policy on the Provision of Services by External Auditors, as currently defined in Schedule A;
- (ii) reviewing and approving the engagement letter and the audit plan, including financial risk areas identified by the external auditors and management, and facilitating coordination where more than one audit firm is involved;
- (iii) reviewing and assessing the accounting and reporting practices and principles used by the Company in preparing its financial statements, including:
  - (a) all significant accounting policies and practices used, including any changes from preceding years and any proposed changes for future years;
  - (b) all significant financial reporting issues, estimates and judgments made;
  - (c) all alternative treatments of financial information discussed by the external auditors and management, the results of such discussions and the treatments preferred by the external auditors;
  - (d) any material issues identified by the external auditors with respect to the adequacy of internal control structure and any special audit steps adopted in light of material deficiencies or weaknesses;
  - (e) the effect of regulatory and accounting initiatives and off-balance sheet transactions or structures on the financial statements;
  - (f) any errors or omissions in, and any required restatement of, the financial statements for preceding years;
  - (g) all significant tax issues;
  - (h) the reporting of all material contingent liabilities; and

- (i) any material written communications between the external auditors and management;
- (iv) reviewing and assessing the results of the external audit and the external auditors' opinion on the financial statements, including:
  - (a) the scope and quality of the external audit work performed;
  - (b) the resources required to carry out the audit work performed;
  - (c) the quality of the internal financial personnel;
  - (d) the cooperation and any lack of cooperation received by the external auditors from employees of the Company; and
  - (e) the contents of the audit report;
- (v) reviewing and discussing with the external auditors and management any management or internal control letters issued or proposed to be issued by the external auditors;
- (vi) reviewing and discussing with the external auditors any problems or difficulties encountered by them in the course of their audit work and management's response (including any restrictions on the scope of activities or access to requested information and any significant disagreements with management); and
- (vii) reviewing with the external auditors and, when appropriate, with legal counsel and other advisors matters that may have a material impact on the financial statements, operations, assets or compliance policies of the Company and any material reports or enquiries received by the Company and its subsidiary entities from regulators or government agencies that may be relevant in respect of the external audit.

**C. *Responsibilities, Policies and Procedures for Reviewing Financial Statements, Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") Earnings, Financial Related Press Releases, Interim Financial Reports and Other Material Public Disclosure of Financial Information of the Company***

- (i) Overseeing the establishment of policies and procedures for the review of material public disclosure information that includes financial information extracted from the Company's financial statements; including periodically overseeing the assessment of the adequacy of such policies and procedures, the overseeing of the establishment and function of the Disclosure Committee of the Company and its policies and procedures, and the Committee's liaising on a regular basis with the Disclosure Committee.
- (ii) The Committee shall review and approve, as it sees fit, and where required recommend to the Board for approval, annual and interim financial statements, MD&As, Press Releases involving earnings or other financial information and other material public disclosure of financial information; with particular focus on:
  - (a) the quality and appropriateness of accounting and reporting practices and principles and any changes thereto;
  - (b) major estimates or judgments, including alternative treatments of financial information discussed by management and the external auditors, the results of such discussions and the treatments preferred by the external auditors;
  - (c) material financial risks;
  - (d) material transactions;
  - (e) material adjustments;
  - (f) compliance with loan agreements;
  - (g) material off-balance sheet transactions and structures;
  - (h) compliance with accounting standards;
  - (i) compliance with legal and regulatory requirements; and
  - (j) disagreements with management.

**D. *Overseeing Internal Financial Controls and Financial Risk Management Systems***

The Committee shall be responsible for overseeing the internal financial control structure and financial risk management systems of the Company, including:

- (i) reviewing with management, the external auditors and personnel performing certain internal audit functions the quality and adequacy of the internal control over financial reporting structure of the Company including any material deficiencies or weakness and the steps taken by management to rectify these deficiencies or weaknesses;
- (ii) reviewing with management, the external auditors and personnel performing certain internal audit functions the quality and adequacy of the financial risk management systems of the Company including the major financial risk exposures of the Company and the steps taken by management to monitor and control these exposures;
- (iii) reviewing with the Board, annually and more frequently if necessary, the Committee's financial risk management policies in conjunction with the Company's overall risk management policies, for which the Board as a whole is responsible, with management being involved in such review, in making recommendations on such policies and in being responsible for implementing them;
- (iv) approving management's processes with respect to identifying principal financial risks, evaluating the impact of financial risk and implementing appropriate systems to manage such risk along with other risks of the Company;
- (v) regularly reviewing with the CEO the appropriateness and effectiveness of management's financial risk identification and evaluation of financial risk management strategies;
- (vi) reviewing with management and the external auditors the effect of regulatory and accounting initiatives;
- (vii) reviewing with management and the external auditors major changes to the Company's accounting standards and practices;
- (viii) reviewing the annual operating and capital budgets of the Company;
- (ix) reviewing the status of income tax returns and potentially material tax issues as reported to the Committee by management;
- (x) annually and more frequently if appropriate, reviewing the funding and administration of the employee benefit plans of the Company;
- (xi) reviewing with management and, when appropriate, the external auditors, legal counsel and/or other advisors any material reports or enquiries from or issues with regulatory or government agencies with respect to financial matters and management's response thereto;
- (xii) reviewing management's compliance reports and any issues that may arise and make recommendations to the Board;
- (xiii) reviewing with management the appropriateness and effectiveness of hedging instruments;
- (xiv) reviewing with management, the external auditors and personnel performing certain internal audit functions, the establishment of and compliance with the Code of Business Conduct and Ethics ("**Code**") of the Company;
- (xv) communicating the Committee's expectation of internal audit duties, including coordination between the external auditors and personnel performing certain internal audit functions and the resources available for the internal audit duties;
- (xvi) considering the findings of any internal audit reports and management's response thereto; and
- (xvii) reviewing with the CEO and the Chief Financial Officer of the Company ("**CFO**") the procedures undertaken by them in connection with the certifications required to be given by them in connection with annual and other filings required to be made by the Company under applicable securities laws.

#### ***E. Whistleblowing***

The Committee shall be responsible to oversee the setting of policies for handling complaints or whistleblowing as they may relate to financial reporting and processes, internal financial controls, financial risk management systems, external audit functions and the administration thereof. In particular, without limitation, the Chair with the Members of the Committee shall set policies for and oversee the establishment of procedures to facilitate the submission, on a confidential and anonymous basis, of complaints, reports and concerns by any person regarding:

- (i) such financial, accounting, internal accounting controls or auditing matters;
- (ii) actual or potential violations of laws, rules or regulations in respect thereof; and
- (iii) other suspected wrongdoing in respect thereof.

Such responsibilities and procedures shall be as prescribed by the Code and shall include a policy on how complaints and whistleblowing should be submitted on a confidential basis and on a confidential, investigative and reporting process.

***F. Other Responsibilities***

The Committee shall, in cooperation with the Board and management of the Company, develop a calendar of activities and a meeting schedule for each year.

***G. Matters for which the Committee is not Responsible***

For greater certainty, the Committee is not responsible for those matters which are the responsibility of management or the external auditors, including, without limitation:

- (i) planning and conducting the external audit;
- (ii) determining that the Company's financial statements and disclosures are complete and accurate, are in accordance with generally accepted accounting principles, fairly present in all material respects the financial condition, results of operations and cash flows of the Company and are in accordance with applicable rules and regulations;
- (iii) determining the adequacy of the internal control over financial reporting structure and the financial and other risk management systems of the Company; and
- (iv) compliance with the Code.

**4. NOMINATING AND COMPENSATION RESPONSIBILITIES**

The Committee shall assist the Board in fulfilling its oversight responsibilities in respect of the following matters:

- (a) the composition of the Board;
- (b) the recruitment and assessment of the performance of the CEO and senior management;
- (c) the compensation of the CEO, other senior management and the Directors;
- (d) executive compensation disclosure; and
- (e) oversight of the compensation structure and benefit plans and programs, short-term and long-term, including assessing any risks associated with the compensation policies and procedures. This is accomplished by:
  - (i) periodically conducting meetings with management, including the Chairman of the Board and the CEO, to fully understand management compensation and incentives;
  - (ii) considering the appropriateness of the compensation and incentive structure and whether it contributes to increased fraud risk; and
  - (iii) determining whether adequate and appropriate focus is being paid to the compensation of officers and directors.

The Committee shall have such responsibilities as set out below in this section 4.

*Composition of the Board*

The Committee shall:

- (a) at least annually, assess the size and composition of the Board and Board committees in order to satisfy the Board that the competencies and skills required to enable the Board and Board committees to properly discharge their responsibilities are represented;
- (b) at least annually, assess the effectiveness of the Board and Board committees, competencies and skills of the Directors and report the results of that assessment to the Board;
- (c) oversee the process of identifying and recruiting new candidates for election or appointment of Directors, including assessing the competencies and skills of identified individuals and reporting the results of that assessment to the Board; and

- (d) at least annually, recommend candidates for election or appointment as Directors based on its conclusions with respect to the appropriate size, composition and skills required for the Board and its committees.

#### *Recruitment and Assessment of the CEO*

The Committee shall:

- (a) when required, oversee the process of identifying and recruiting new candidates for appointment as CEO, including assessing the competencies and skills of identified individuals and reporting the results of that assessment to the Board; and
- (b) at least annually, assess the performance of the CEO in light of the goals and objectives set by the Board and the Company.

#### *Compensation of the CEO, Other Officers and Directors*

The Committee shall:

- (a) make recommendations to the Board with respect to the compensation and benefits of the CEO;
- (b) make recommendations to the Board with respect to the compensation and benefits of the other senior management;
- (c) review and approve the terms of the employment agreements and severance arrangements of the CEO and other senior management;
- (d) review and approve the statement of executive compensation required to be included in the management proxy circular of the Company;
- (e) review and approve any other executive compensation disclosure before it is publicly disclosed by the Company; and
- (f) review the compensation of the directors for service on the Board and Board committees periodically and make recommendations to the Board with respect thereto.

#### *Compensation, Benefit Plans and Programs*

The Committee shall periodically review and assess the Company's compensation structure and benefit plans and programs, including assessing any risks associated with the compensation policies and procedures, and make recommendations to the Board with respect thereto.

## **5. CORPORATE GOVERNANCE RESPONSIBILITIES**

The Committee shall assist the Board in fulfilling its oversight responsibilities with respect to corporate governance standards and practices and the composition and operation of the Board and Board committees.

The Committee shall have such responsibilities as set out below in this section 5.

### **A. *Corporate Governance***

The Committee shall:

- (a) identify corporate governance standards and practices applicable to the Company and make recommendations to the Board;
- (b) periodically review the articles and By-Laws of the Company, the Corporate Governance Policy, the Code of Business Conduct and Ethics, the Policy on Corporate Disclosure, Confidentiality and Insider Trading, and the charter of the Board, the charters of any Board committees, position descriptions for the Chairperson of the Board and Board committee chairs; and make recommendations to the Board thereon;
- (c) review corporate governance-related shareholder proposals and make recommendations to the Board;
- (d) review and approve the disclosure with respect to corporate governance practices required to be included in the regulatory filings and the annual management information circular and annual report of the Company; and
- (e) review and approve any other corporate governance practices disclosure before it is publicly disclosed by the Company.

**B. Strategic and Risk Management**

The Committee shall review and challenge, where appropriate, the Company's risk profile and strategy and ensure that risk management processes are in place, especially those affecting financial reporting and reputational risk. This will be accomplished as follows:

- (a) understand the Company's framework for risk assessment and management's related policies and procedures, and understand how the Company documents and responds to risks;
- (b) understand the Company's ability to identify emerging risks and anticipate risk events;
- (c) review the Company's major financial risk areas and understand the adequacy of controls and monitoring procedures;
- (d) review whether the risk disclosures in the Company's publicly filed reports (which includes, but is not limited to, the Company's financial statements, Management's Discussion & Analysis, the Information Circular) are appropriate and understandable;
- (e) understand whether Information Technology security processes are updated as appropriate and are in line with the strategy of the Company, and understand the Company's disaster recovery plan; and
- (f) empower key executives responsible for risk management to immediately inform the Committee members of extraordinary risk issues and developments that require the Committee's immediate attention.

**C. Board and Committee Composition**

The Committee shall:

- (a) at least annually, assess the size and composition of the Board and its committees, including the competencies and skills required to enable the Board and Board committees to properly discharge their responsibilities and report the results of that assessment to the Board;
- (b) at least annually, assess the effectiveness of the Board and its committees and assess the competencies and skills of the directors and report the results of that assessment to the Board; and
- (c) at least annually, assess the *independence and financial literacy* of the Directors and report the results of that assessment to the Board.

**D. Board and Committee Conduct**

The Committee shall:

- (a) periodically assess the effectiveness of the relationship between the Board, the CEO and other senior management and report the results of such assessment to the Board;
- (b) at least annually, review with the Chairperson of the Board, the CEO and the Lead Director, if any, the succession planning for senior management and report the results of that review to the Board;
- (c) review the operation of the Board and Board committees periodically, including the frequency and location of meetings, the agenda for and reports and other information provided at meetings and the conduct of meetings, and make recommendations to the Board;
- (d) review the position descriptions of the Chairperson, the CEO and the Lead Director, if any, and make recommendations to the Board; and
- (e) monitor the orientation and advancement of the Directors.

**6. AUTHORITY**

- A. The Committee is authorized to carry out its responsibilities as set out in this Charter and to make recommendations to the Board arising therefrom.
- B. The Committee may delegate to the Chair the authority, within specified limits, to authorize in advance all engagements of the external auditors to provide pre-approved services to the Company and its subsidiary entities. The Chair shall report all engagements authorized by him/her to the Committee at its next meeting.

- C. The Committee shall have direct and unrestricted access to the external auditors, officers and employees and information and records of the Company.
- D. The Committee is authorized to retain, and to set and pay the compensation of, independent legal counsel and other advisors if it considers this appropriate.
- E. The Committee is authorized to invite officers and employees of the Company and outsiders with relevant experience and expertise to attend or participate in its meetings and proceedings if it considers this appropriate.
- F. The external auditors shall have direct and unrestricted access to the Committee and shall report directly to the Committee.
- G. The Company shall pay directly or reimburse the Committee for the expenses incurred by the Committee in carrying out its responsibilities.

**7. MEETINGS AND PROCEEDINGS**

- A. The Committee shall meet at least five times each year and not less frequently than once each calendar quarter.
- B. Any Member or the Corporate Secretary may call a meeting of the Committee. The external auditors of the Company or the CFO may ask a Member to call a meeting of the Committee in respect of matters involving audit, accounting, financial reporting and internal financial controls.
- C. The Chair is responsible for the agenda of each meeting of the Committee, including input from the officers and employees of the Company, other Members and other directors of the Company as appropriate. Meetings will include presentations by management or professional advisors and consultants when appropriate and allow sufficient time to permit a full and open discussion of agenda items.
- D. Unless waived by all Members, a notice of each meeting of the Committee confirming the date, time, place and agenda of the meeting, together with any supporting materials, shall be forwarded to each Member at least three days before the date of the meeting.
- E. The quorum for each meeting of the Committee is two Members. Any matter to be voted upon shall be decided by a majority of the votes cast for a resolution. In the absence of the Chair, the other Members may appoint one of their number as chair of a meeting. The chair of a meeting shall not have a second or casting vote.
- F. The Chair or his delegate shall report to the Board following each meeting of the Committee.
- G. The Secretary shall keep minutes of all meetings of the Committee, including all resolutions passed by the Committee. Minutes of meetings shall be distributed to the Members and the other directors of the Company after preliminary approval thereof by the Chair.
- H. An individual who is not a Member may be invited to attend a meeting of the Committee for all or part of the meeting. A standing invitation shall be given to the Chairperson of the Board, the CEO and the CFO, and the engagement partners at the external auditors.
- I. The Committee shall meet regularly alone and also in separate private sessions with each of the external auditors, internal audit personnel and management of the Company to facilitate full communication.

**8. ASSESSMENT OF THE COMMITTEE AND CHARTER REVIEW**

- A. At least annually, the Committee and the Board shall assess the effectiveness of the Committee with a view to having the Committee perform in accordance with best practices that are reasonably applicable to the Committee.
- B. The Committee and the Board shall annually review and update this Charter as required.



## Schedule A to Audit and Governance Committee Charter

### NEWFOUNDLAND CAPITAL CORPORATION LIMITED

#### Policy on Provision of Services by External Auditors

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#### 1. GENERAL

The Audit and Governance Committee (“*Committee*”) of Newfoundland Capital Corporation Limited (“*Company*”) has developed this Policy after consideration of the rules with respect to the engagement of the external auditors of the Company to provide audit and permitted non-audit services to the Company.

#### 2. PURPOSE

The purpose of this Policy is:

- (i) to describe the services that the external auditors may not provide to the Company;
- (ii) to describe the audit and permitted non-audit services that have been pre-approved by the Committee as services that the external auditors may provide to the Company; and
- (iii) to describe the authorization process for all engagements of the external auditors to provide services to the Company.

#### 3. PROHIBITED SERVICES

The external auditors may not provide services to the Company that impair or have the potential to impair the independence and objectivity of the external auditors in relation to the external audit function (“*prohibited services*”).

Generally, prohibited services include services where the external auditors participate in activities that are normally undertaken by management of the Company, are remunerated through a “success fee” structure, act in an advocacy role for the Company or may be required to audit their own work.

The following are examples of prohibited services:

- (i) record or book-keeping or preparing or providing other services in relation to accounting records and financial statements;
- (ii) designing and implementing financial information systems or financial controls;
- (iii) providing valuation services, appraisals or fairness opinions;
- (iv) providing internal audit services;
- (v) seconding employees to the Company where the secondee acts as a Company officer or employee or performs any decision-making, supervisory or ongoing monitoring function;
- (vi) providing human resources and recruitment services;
- (vii) providing actuarial services;
- (viii) providing management functions;
- (ix) providing legal services;
- (x) providing broker-dealer, investment advisor or investment banking services; and
- (xi) providing expert services unrelated to the external audit (e.g., advocacy in litigation proceedings, other than tax matters).

#### 4. PRE-APPROVED SERVICES

The following audit and permitted non-audit services have been pre-approved by the Committee as services that the external auditors may provide to the Company (“*pre-approved services*”) subject to the authorization process described below.

All services not specifically listed below are not pre-approved services and must be approved by the Committee before the external auditors are engaged to provide those services to the Company.

The following are pre-approved services:

*Audit services* – services that constitute the agreed scope of the external audit or interim reviews of the Company, including:

- (i) statutory audits, financial audits or interim reviews; and
- (ii) attestation of management reports on disclosure controls and procedures and internal control over financial reporting.

*Audit related services* – services that are outside the agreed scope of, but are consistent with, the external audit or interim reviews of the Company, including work that is a logical extension of or reasonably related to the performance of the external audit or interim reviews, is of an assurance or compliance nature and is work that the auditors must or are best placed to undertake. Items of such work are:

- (iii) services associated with prospectuses, registration statements and other documents filed with regulatory authorities or issued in connection with securities offerings (e.g., comfort letters, consents) and assistance in responding to comment letters;
- (iv) services associated with interim financial reports and other public disclosure of financial information;
- (v) consultations with management as to the accounting or disclosure treatment of transactions or events and/or the actual or potential impact of final or proposed rules, standards or interpretations by regulatory or standard setting bodies;
- (vi) financial statement audits of employee benefit plans;
- (vii) due diligence services pertaining to potential business acquisitions/dispositions and other major transactions and events (excluding valuation services, appraisals or fairness opinions);
- (viii) agreed-upon or expanded audit procedures related to accounting or billing records required to respond to or comply with financial, accounting or regulatory reporting matters;
- (ix) advice and assistance in connection with disclosure controls and procedures and internal control over financial reporting;
- (x) attest services not required by statute or regulation (e.g., debt covenant certificates);
- (xi) statutory, subsidiary or equity investee audits incremental to the external audit;
- (xii) closing balance sheets audits pertaining to dispositions; and
- (xiii) assistance in complying with legal, regulatory or stock exchange listing requirements.

*Tax services* – tax services that do not compromise the independence and objectivity of the external auditors in relation to the external audit. Items of such work are:

- (xiv) tax compliance and advice (excluding strategic tax planning and structuring);
- (xv) review of income and other tax returns;
- (xvi) assistance with tax audits and appearances regulatory agencies and stock exchanges;
- (xvii) specialist tax services for acquisition and disposition due diligence activities – provided under the instruction and direction of management;
- (xviii) tax advice and assistance regarding statutory, regulatory or administrative developments; and
- (xix) employee tax assistance and compliance.

*Other services* – other services of an advisory nature that do not compromise the independence and objectivity of the external auditors in relation to the external audit. Items of such work are:

- (xx) risk management advisory services (e.g., assessment and testing of security infrastructure controls);
- (xxi) specific risk management and internal audit specialist services provided under the instruction and direction of management;
- (xxii) treasury advisory services (e.g., review of cheque-clearing and float-management practices and recommendations regarding potential areas of improvement);
- (xxiii) pension advisory services (e.g., consulting on pension matters such as company contributions (but excluding actuarial services); and
- (xxiv) review and assessment of environment, health and safety policies and procedures.

## **5. AUTHORIZATION PROCESS**

Except as provided in section 5(2) and (3), the Committee must authorize in advance all engagements of the external auditors to provide pre-approved services to the Company.

The Committee has authorized the Chair of the Committee to authorize in advance all engagements of the external auditors to provide pre-approved services to the Company up to a maximum of \$30,000 for all engagements in each calendar year. The Chair of the Committee must report all engagements authorized by him/her to the Committee at its next meeting.

The Committee has authorized the Chief Financial Officer of the Company (“**CFO**”) to authorize in advance all engagements of the external auditors to provide pre-approved services to the Company up to a maximum of \$15,000 for all engagements in each calendar year. The CFO must report all engagements authorized by him/her to the Committee at its next meeting.

Services that are not pre-approved services must be authorized by the Committee before the external auditors are engaged regardless of the dollar value of the services.

Exceptions can be made to this Policy where the exceptions are in the interests of the Company and appropriate arrangements are established with respect to the independence and objectivity of the external auditors in relation to the external audit. Any exception must be authorized by the Committee and must be reported to the board of directors of the Company.

