Newfoundland Capital Corporation Limited
First Quarter 2018
Period Ended March 31 ***(unaudited)***

Dartmouth, N.S. – May 15, 2018, Newfoundland Capital Corporation Limited (the "Company") today announces its financial results for the first quarter ended March 31, 2018.

Highlights

- **Revenue** of $35.7 million was $0.1 million or less than 1% lower than last year. The decrease was primarily due to revenue declines in Newfoundland and Labrador and Alberta due to economic challenges in those markets, partially offset by the recent business acquisition in Kamloops, British Columbia.
- **Adjusted Earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA"[(1)])** of $7.0 million was $0.1 million or 1% lower than last year as a result of slightly lower revenue and slightly higher operating expenses.
- **Profit** for the period was $3.3 million, an increase of $0.4 million or 12% compared to last year due to a lower provision for income taxes.

Significant events

- Subsequent to quarter end, the Company announced that it has signed a definitive agreement with Stingray Digital Group Inc. ("Stingray") under which Stingray will acquire all the issued and outstanding shares of the Company for $14.75 per share, payable by a combination of cash and Stingray shares.

"The first quarter saw slight declines in revenue and Adjusted EBITDA compared to the prior year", commented Rob Steele, President and Chief Executive Officer. "We will continue to focus on operations to overcome this small shortfall during the remainder of the year."

Financial Highlights - First Quarter

		Three months ended March 31	
(thousands of Canadian dollars, except share information)		**2018**	2017
Revenue	$	**35,677**	35,734
Adjusted EBITDA [(1)]		**6,955**	7,041
Profit		**3,313**	2,956
Earnings per share - basic		**0.13**	0.12
Earnings per share - diluted		**0.12**	0.11
Weighted average number of shares outstanding *(in thousands)*		**25,444**	25,574
		March 31	December 31
		2018	2017
Share price, NCC.A (closing)	$	**12.90**	12.95
Total assets		**360,190**	369,103
Long-term debt, including current portion		**111,541**	109,795
Shareholders' equity		**164,971**	163,758

(1) *Refer to page 12, "Non-IFRS Accounting Measure"*

MANAGEMENT'S DISCUSSION AND ANALYSIS

The purpose of the Management's Discussion and Analysis ("MD&A") is to provide readers with additional complementary information regarding the financial condition and results of operations for Newfoundland Capital Corporation Limited (the "Company" or "NCC") and should be read in conjunction with the unaudited condensed interim consolidated financial statements ("interim financial statements") and related notes for the periods ended March 31, 2018 and 2017, as well as the annual audited consolidated financial statements and related notes prepared in accordance with International Financial Reporting Standards ("IFRS") and the MD&A contained in the Company's 2017 Annual Report. The Company's first quarter 2018 interim financial statements and the accompanying notes have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB") and using the accounting policies described therein. These interim financial statements include the accounts of the Company and other entities that the Company controls in accordance with IFRS 10, "Consolidated Financial Statements" and are reported in Canadian dollars. These documents along with the Company's Annual Information Form, its Management Proxy Circular dated March 8, 2018 and other public information are filed electronically with various securities commissions in Canada through the System for Electronic Document Analysis and Retrieval and can be accessed at www.sedar.com. This information is also available on the Company's website at www.ncc.ca.

The Board of Directors, upon recommendation of the Audit and Governance Committee, approved the content of this MD&A on May 15, 2018. Disclosure contained in this document is current to this date, unless otherwise stated.

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

CORPORATE PROFILE

Newfoundland Capital Corporation Limited owns and operates Newcap Radio, which is one of Canada's leading radio broadcasters with 101 broadcast licences (72 radio stations and 29 repeating signals) across Canada. The Company reaches millions of listeners every day through a variety of formats and is a recognized industry leader in radio programming, sales and networking. It is Canada's largest pure-play radio company, employing approximately 800 of the best radio professionals across the country. The Company's portfolio of radio stations includes 83 FM and 18 AM licences serving markets of all sizes across Canada. All of the Company's stations are globally accessible via streaming from computers, mobile devices, smart speakers, and digital dashboards, allowing listeners the flexibility to tune in at any time from anywhere. The shares of the Company trade on the Toronto Stock Exchange under the symbols NCC.A and NCC.B.

STRATEGY AND OBJECTIVES

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

The Company's day-to-day operating objective is to grow its existing operations by increasing advertising revenue and remaining focused on controlling costs to maximize adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA"(1)) margins. Management will continue to explore acquisition and expansion opportunities that fit the Company's objectives, and it will submit applications to the CRTC for new licences. The Company's commitment to its talented employees, its customers, its listeners and to the communities it serves remains critical to its success.

CORPORATE DEVELOPMENTS

On May 2, 2018, the Company announced that it has signed a definitive agreement with Stingray Digital Group Inc. ("Stingray") under which Stingray will acquire all the issued and outstanding shares of the Company for $14.75 per share, payable by a combination of cash and Stingray shares (the "Transaction"). For each NCC share, shareholders will receive between $13.17 and $13.28 in cash, with the balance of the price to be paid in Stingray subordinate voting shares (or Stingray variable subordinate voting shares, as applicable). This will result in between 0.15371 and 0.14294 in Stingray shares for each share of the NCC owned, based on the total number of shares outstanding at closing. Shareholders will also be entitled to receive regular semi-annual dividends in the amount of $0.25 per share that would be expected to be declared by NCC until closing of the Transaction.

The Transaction will be effected through a plan of arrangement and will be subject to the approval of 66 2/3% of the votes cast by the Company's shareholders, voting together as a single class, at a special meeting of NCC shareholders expected to be held in July 2018. Members of the Steele Family, representing approximately 87% of the outstanding shares and approximately 93% of the voting rights of NCC, have entered into irrevocable support and voting agreements in favour of the Transaction.

The Board of Directors of NCC, having received a unanimous recommendation from a special committee comprised solely of independent directors (the "Special Committee"), has unanimously approved the Transaction and recommends that NCC shareholders vote in favour of it. The financial advisor to the Special Committee, Blair Franklin Capital Partners, has provided an opinion to the Board of Directors and the Special Committee to the effect that the consideration to be received by NCC shareholders is fair, from a financial point of view, to such shareholders.

In addition to NCC shareholder approval, the Transaction is subject to customary closing conditions, including court, CRTC, and other regulatory approvals.

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

Recent developments:

- March 2018 – repurchased 0.2 million of its outstanding Class A Subordinate Voting Shares ("Class A shares) for cash consideration of $2.1 million.
- February 2018 – rebranded CKRV-FM in Kamloops, British Columbia as K97.5.
- December 2017 – repurchased 0.1 million of its outstanding Class A shares for cash consideration of $1.4 million.
- November 2017 – rebranded CFCW-FM in Camrose, Alberta as New Country.
- November 2017 – relaunched current hit music in addition to throwbacks on 93-5 The Move in Toronto, Ontario.

(1)*Refer to page 12, "Non-IFRS Accounting Measure".*

- August 2017 – relaunched the VOCM network of stations in Newfoundland and Labrador in its traditional format of news, talk, and music.
- August 2017 – rebranded CJKC-FM in Kamloops to New Country.
- July 2017 – rebranded all small market Alberta rock and classic hits stations as "boom."
- June 2017 – completed the acquisition of three radio stations and four repeating signals in Kamloops for cash consideration of $7.0 million, net of cash acquired. The radio stations acquired consist of New Country 103.1, Radio NL 610 AM, and K97.5.
- June 2017 – completed the sale of CISL-AM in Vancouver, British Columbia to Rogers Media Inc.
- January and February 2017 – rebranded all British Columbia, New Brunswick, and Nova Scotia country stations as New Country.
- January 2017 – launched a new FM licence in Hinton, Alberta.

CONSOLIDATED FINANCIAL PERFORMANCE REVIEW

Business combination and disposal of broadcasting assets

In June 2017, the Company received CRTC approval and completed the acquisition of three radio stations as well as four repeating signals in Kamloops 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. The financial results of these stations have been included in profit since their respective acquisition dates. In June 2017, the Company also completed the sale of CISL-AM in Vancouver, British Columbia, for $5.3 million. On a net basis, these transactions resulted in $0.3 million higher revenue and $0.5 million higher operating expenses in the first quarter.

Consolidated Financial Results of Operations

(thousands of Canadian dollars, except percentages and per share data)		Three months ended March 31 2018	2017	% Change
Revenue	$	**35,677**	35,734	-
Operating expenses		**(28,722)**	(28,693)	-
Adjusted EBITDA [(1)]		**6,955**	7,041	(1%)
Depreciation and amortization		**(1,218)**	(1,127)	8%
Accretion of other liabilities		**(56)**	(68)	(18%)
Interest expense		**(1,098)**	(1,168)	(6%)
Business acquisition, integration, disposal and other income		**37**	16	131%
Profit before provision for income taxes		**4,620**	4,694	(2%)
Provision for income taxes		**(1,307)**	(1,738)	(25%)
Profit	$	**3,313**	2,956	12%
Earnings per share				
- Basic	$	**0.13**	0.12	
- Diluted		**0.12**	0.11	

[(1)] *Refer to page 12, "Non-IFRS Accounting Measure".*

ANALYSIS OF CONSOLIDATED FINANCIAL RESULTS

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

Revenue

In the quarter, consolidated revenue of $35.7 million was $0.1 million or less than 1% lower than last year due to lower revenue in the Broadcasting segment.

Operating expenses
Consolidated operating expenses of $28.7 million were consistent with the first quarter last year as lower costs in the Corporate and Other segment were offset by restructuring costs in the Broadcasting segment.

Adjusted EBITDA
Consolidated Adjusted EBITDA in the quarter of $7.0 million was $0.1 million or 1% lower than last year as a result of a slight decrease in revenue and slight increase in costs.

Depreciation and amortization
Depreciation and amortization in the first quarter of $1.2 million was $0.1 million or 8% higher than the same quarter last year as a result of additional depreciation on property and equipment acquired during 2017.

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

Interest expense
Interest expense in the first quarter was $1.1 million, $0.1 million or 6% lower than the prior year due to a lower balance of long-term debt because of repayments during 2017.

Business acquisition, integration, disposal and other income
Business acquisition, integration, disposal and other income generally consists of expenses related to business acquisitions and integration, realized gains and losses on the disposal of broadcasting assets, realized and unrealized gains and losses on investments and other items that are not indicative of the Company's core operating results, and not used in the evaluation of the Company's performance.

Provision for income taxes
Provision for income taxes in the first quarter was $0.4 million or 25% lower than the prior year because in 2017 the Company recognized a deferred tax liability on an investment in a subsidiary, which was held for disposal. The effective income tax rate during the quarter was 28.3%, lower than the statutory income tax rate of 31% primarily because of the subsidiary rate differential that arises from consolidated entities that are taxed in different jurisdictions with lower tax rates.

Profit
First quarter profit of $3.3 million was $0.4 million or 12% higher than the prior year primarily due to a lower provision for income taxes.

FINANCIAL REVIEW BY SEGMENT

Consolidated financial figures include the results of operations of the Company's two separately reported segments – Broadcasting and Corporate and Other. The Company provides information about segment revenue and segment Adjusted EBITDA because these financial measures are used by its key decision makers in making operating decisions and evaluating performance. For additional information about the Company's segmented information, see note 11 of the Company's interim financial statements.

During the first quarter, management of the Company adjusted how it allocates certain costs when reviewing the Company's operating results for the purpose of making resource allocation decisions and assessing performance. Certain revenues, expenses, assets, and liabilities that were previously included in the Corporate and Other segment have been moved to the Broadcasting segment and comparative figures have been reclassified to conform with current period presentation.

Broadcasting segment

The Broadcasting segment derives its revenue primarily from the sale of broadcast advertising from its licences across the country. Advertising revenue can vary based on market and economic conditions, the audience share of a radio station, the quality of programming and the effectiveness of a company's team of sales professionals. Cash-generating units ("CGUs") within the Broadcasting segment are managed and evaluated based on their revenue and Adjusted EBITDA. The following summarizes the key operating results of the Broadcasting segment.

Broadcasting Financial Results of Operations

		Three months ended March 31		
(thousands of Canadian dollars, except percentages)		**2018**	2017 [2]	**% Changes**
Revenue	**$**	**34,839**	34,970	-
Operating expenses		**(26,293)**	(25,995)	1%
Adjusted EBITDA [1]	**$**	**8,546**	8,975	(5%)
Adjusted EBITDA margin		**25%**	26%	(1%)

[1] *Refer to page 12, "Non-IFRS Accounting Measure".*
[2] *Comparative figures have been reclassified to conform with current period presentation.*

Revenue
Broadcasting revenue in the quarter of $34.8 million was $0.1 million or less than 1% lower than last year primarily as a result of declines in the Company's Newfoundland and Labrador and Alberta operations due to the challenging economy in those regions. Revenue from the Company's Toronto operations also declined as a result of competitive pressure that saw the Company's market share decline, despite maintaining a top ranked station in this market. These declines have been partially offset by the Kamloops business acquisition.

Operating expenses
Broadcasting operating expenses were $26.3 million in the first quarter, $0.3 million or 1% higher than last year. The increase in operating expenses was because of $0.7 million higher restructuring costs incurred as well as an increase in operating expenses from the Kamloops acquisition, net of the CISL disposal. These increases were partially offset by a decrease in advertising expenses as the Company deferred spending until later in the year.

Adjusted EBITDA
First quarter Broadcasting Adjusted EBITDA of $8.5 million was $0.4 million or 5% lower than 2017 as a result of the higher operating expenses.

Corporate and Other segment

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

Corporate and Other Financial Results of Operations

		Three months ended March 31		
(thousands of Canadian dollars, except percentages)		**2018**	2017 [2]	**% Change**
Revenue	**$**	**838**	764	10%
Operating expenses		**(2,429)**	(2,698)	(10%)
Adjusted EBITDA [1]	**$**	**(1,591)**	(1,934)	18%

[1] *Refer to page 12, "Non-IFRS Accounting Measure".*
[2] *Comparative figures have been reclassified to conform with current period presentation.*

Revenue
Revenue in the first quarter of $0.8 million was $0.1 million or 10% higher than last year due to higher revenue from the hotel operation.

Operating expenses
Operating expenses of $2.4 million were $0.3 million or 10% lower than the first quarter last year primarily because the prior year included a $0.2 million non-cash stock-based compensation expense related to the extension of the expiry date of certain executive stock options.

Adjusted EBITDA
Adjusted EBITDA was $0.3 million or 18% higher than the same period last year primarily due to lower operating expenses.

SELECTED QUARTERLY FINANCIAL INFORMATION

The Company's revenue and operating results vary, depending on the quarter. The first quarter is a period of lower retail spending, and as a result, advertising revenue is lower. The fourth quarter tends to be a period of higher retail spending. During the fourth quarter of 2017, the Company recorded a $5.5 million impairment charge, which had an after-tax impact on profit of $3.9 million.

(thousands of Canadian dollars, except per share data)	**2018**	2017				2016		
	1st	4th	3rd	2nd	1st	4th	3rd	2nd
Revenue	**$ 35,677**	47,430	43,103	43,604	35,734	46,972	41,455	44,225
Profit	**3,313**	7,160	8,215	8,359	2,956	10,375	7,738	8,300
Earnings per share								
- Basic	**0.13**	0.28	0.32	0.33	0.12	0.41	0.30	0.31
- Diluted	**0.12**	0.27	0.31	0.31	0.11	0.39	0.29	0.30

Selected cash flow information – three months ended March 31, 2018
In the quarter, cash flows from operating activities of $7.8 million and net debt borrowings of $2.7 million were used primarily to pay dividends of $6.4 million, repurchase share capital for $2.1 million, purchase property and equipment totaling $1.8 million, and pay down CCD commitments of $0.2 million.

Selected cash flow information – three months ended March 31, 2017
In the quarter, cash flows from operating activities of $7.2 million were used primarily for net debt repayments of $3.2 million, to pay dividends of $2.6 million, and to purchase property and equipment totaling $1.3 million.

Capital expenditures
Capital expenditures during the first quarter of $1.8 million primarily related to the acquisition of real property adjacent to the Company's head office in Dartmouth, Nova Scotia, as well as continued investment in studios and equipment related to the Broadcasting segment. Capital expenditures for 2018 are expected to approximate $6.0 million, with major planned expenditures including improvements to studios, broadcasting equipment and transmitters. The Company continuously upgrades its broadcasting equipment to improve operating efficiencies.

FINANCIAL CONDITION

Total assets
Assets of $360.2 million as at March 31, 2018 were $8.9 million lower than December 31, 2017 due to the collection of trade receivables, which was used to pay down liabilities during the first quarter of 2018. The decline in trade receivables is consistent with the Company's expected seasonal trends as the first quarter is typically a period of lower revenue and therefore additions to trade receivables do not keep pace with a high volume of collections.

Liabilities, shareholders' equity and capital structure
As at March 31, 2018, the Company had $2.6 million of current bank indebtedness (December 31, 2017 - $1.6 million) and $111.5 million of long-term debt, of which $11.3 million was current (December 31, 2017 - $109.8 million of which $11.3 million was current). The capital structure consisted of 46% equity ($165.0 million) and 54% liabilities ($195.2 million) at quarter end (December 31, 2017 - 44% equity or $163.8 million and 56% liabilities or $205.3 million).

LIQUIDITY

Liquidity risk

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

Credit facilities and covenants

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

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

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

Positive cash balances

The Company does not maintain any significant positive cash balances; instead it uses its cash balances to reduce debt and minimize interest expense. The fact that the Company does not have positive cash positions on its consolidated statements of financial position does not pose an increase to its liquidity risk because the Company generates cash from operations, and included in the $90 million revolving credit facility is $5.0 million available to fund any current obligations, $2.6 million of which the Company had drawn at March 31, 2018. The Company can access this remaining available amount of $2.4 million as well as the additional $21.0 million undrawn amount on its revolving credit facility to fund obligations.

Working capital requirements

As at March 31, 2018, the Company had a working capital surplus of $3.1 million. The cash from current receivables will be sufficient to cover the Company's current obligations to its suppliers and employees, and in combination with ongoing cash from operations and the availability of cash from the undrawn portion of its credit facility, the Company will be able to meet all other current cash requirements as they arise. If cash inflows from customers are not sufficient to cover current obligations, because of timing issues, the Company has access to the undrawn amount of its credit facilities.

Future cash requirements

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

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

Since the publication of the 2017 Annual MD&A (dated March 8, 2018), there has been no substantive change in the Company's commitments and contractual obligations other than a $12 million termination fee related to the Transaction with Stingray that NCC would be obligated to pay in the event that Stingray does not exercise its right to match and NCC supports a superior proposal, or in certain other conditions, including the Board or its special committee withdrawing its support for the Transaction or a material default by NCC of certain obligations under the agreement as further discussed in note 12 of the interim financial statements.

SHARE CAPITAL

Outstanding share data

The weighted average number of shares outstanding for the three months ended March 31, 2018 was 25,444,000 (2017 - 25,574,000). As at May 15, 2018, there are 21,524,933 Class A shares and 3,769,322 Class B Common Shares ("Class B shares") outstanding.

Dividends

Dividends of $0.25 per share ($6.4 million in total) declared in the fourth quarter of 2017 were paid in January 2018, and dividends of $0.10 per share ($2.6 million in total) declared in the fourth quarter of 2016 were paid in January 2017.

Share repurchases

The Company has approval under a Normal Course Issuer Bid ("NCIB") to repurchase up to 1,090,116 Class A shares and 75,386 Class B shares. This bid became effective July 4, 2017 and expires July 3, 2018. During the first quarter, the Company repurchased 165,000 Class A shares for cash consideration of $2.1 million (2017 - 3,400 shares were repurchased for cash consideration of less than $0.1 million). Effective May 2, 2018, the date on which it was announced that the Company had entered into an agreement with Stingray, the Company does not expect to make any further repurchases under the NCIB.

SHARE-BASED COMPENSATION PLANS

Executive stock option plan

A total of 1,905,000 executive stock options are outstanding pursuant to the Company's executive stock option plan.

During the first quarter of 2018, no options were granted (2017 - 30,000) and no options were exercised (2017 - 20,000). Compensation expense related to the stock option plan in the quarter was $14,000 (2017 - $180,000, $151,000 of which related to the extension of certain executive stock options).

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

Interest rate risk management

The Company is exposed to interest rate risk on the long-term debt issued at floating rates under its credit facilities. A 0.5% change in the annual floating interest rates would have a $0.1 million impact on profit for the quarter.

During the prior year, the Company had in place an interest rate swap agreement with a Canadian chartered bank to hedge its exposure to fluctuating interest rates on its long-term debt. The swap had a notional amount of
$45.0 million and expired in May 2017. The swap agreement involved the exchange of the three-month bankers' acceptance floating interest rate for a fixed interest rate. The difference between the fixed and floating rates was settled quarterly with the bank and recorded as an increase or decrease to interest expense. Changes in fair value of the swap were recorded in profit.

Market risk management

As at March 31, 2018, the Company held a long-term investment that was recorded in *other assets*. Investment values can fluctuate and are affected by numerous factors beyond the Company's control. In order to minimize the risk associated with changes in the value of any one particular investment, the Company only invested a limited amount of funds in marketable securities.

During the quarter, less than $0.1 million (2017 - $nil) was recorded as an unrealized gain in business acquisition, integration, disposal and other income as a result of changes in the fair value of investments.

As at March 31, 2018, a 10% change in the value of the Company's long-term investment would result in an estimated $0.1 million change in profit.

Credit risk management
Credit exposure on financial instruments arises from the possibility that a counterparty to an instrument in which the Company is entitled to receive payment fails to perform.

The Company is subject to normal credit risk with respect to its receivables. A large customer base and geographic dispersion minimize the concentration of credit risk. Credit exposure is managed through credit approval and monitoring procedures. The Company does not require collateral or other security from clients for trade receivables; however, the Company does perform credit checks on customers prior to extending credit. Based on the results of credit checks, the Company may require upfront deposits or full payments on account prior to providing service. At each consolidated statement of financial position date, the Company reviews its receivables to determine an appropriate allowance for lifetime expected credit losses. In calculating an appropriate allowance, the Company considers its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. As at March 31, 2018, the Company's allowance for expected credit losses totaled $0.9 million (December 31, 2017 - $1.0 million). The Company is of the opinion that the provision for potential losses adequately reflects the credit risk associated with its receivables.

Approximately 77% of trade receivables are outstanding for less than 90 days. Amounts would be written off directly against accounts receivable and against the allowance only if and when it was clear the amount would not be collected due to customer insolvency. Historically, the significance and incidence of amounts written off directly against receivables have been low. The total amount written off in the first quarter was $0.1 million, which represents a very small portion of accounts receivable and revenue. The Company believes its allowance for expected credit losses is adequate at this time given the current economic circumstances.

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

NEW AND FUTURE ACCOUNTING STANDARDS

Adoption of new accounting standards

IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15")
IFRS 15 was issued in May 2014 and established a new five-step model that applies to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recording revenue. Effective January 1, 2018, the Company has adopted IFRS 15, which did not impact the Company's financial results but does require additional disclosures as presented in note 10 of the Company's interim financial statements.

IFRS 9, "Financial Instruments" ("IFRS 9")
In July 2014, the IASB issued the final version of IFRS 9, which reflects all phases of the financial instruments project and replaces IAS 39, *Financial Instruments: Recognition and Measurement,* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required, but comparative information is not compulsory. Effective January 1, 2018, the Company has adopted IFRS 9, which did not have a material impact on the Company's interim financial statements.

Future accounting standards

Standards issued but not yet effective until after December 31, 2018 are consistent with those disclosed in the Company's annual financial statements for the year ended December 31, 2017.

CRITICAL ACCOUNTING ESTIMATES

There has been no substantive change in the Company's critical accounting estimates since the publication of the 2017 Annual MD&A dated March 8, 2018.

OFF-BALANCE SHEET ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS

The interim financial statements include the financial statements of the following wholly owned subsidiaries: Newcap Inc., Glynmill Inn Inc., 8504580 Canada Inc., 8384827 Canada Inc., 8384860 Canada Inc., 8384878 Canada Inc., N L Broadcasting Ltd. and Matricon Holdings Ltd. The results of 8384886 Canada Inc., previously a wholly owned subsidiary, have been included in comparative figures until the date of its sale on June 30, 2017. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends have been eliminated in full.

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

Related party transactions during the quarter were consistent in nature to those described in the 2017 Annual MD&A dated March 8, 2018.

RISKS, UNCERTAINTIES AND OPPORTUNITIES

There has been no substantive change in the Company's risks, uncertainties and opportunities since the publication of the 2017 Annual MD&A dated March 8, 2018.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

In accordance with the provisions of National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*, the Chief Executive Officer and the Chief Financial Officer of the Company have limited the scope of their design of the Company's disclosure controls and procedures and internal control over financial reporting to exclude the controls, policies and procedures of its Kamloops operations, which were acquired on June 26, 2017. The Kamloops operations' contribution to the overall consolidated financial statements of the Company for the three months ended March 31, 2018 was 2% of consolidated revenues and less than 1% of consolidated profit. As at March 31, 2018, the Kamloops operations' current assets and current liabilities were 2% and 1% of consolidated current assets and current liabilities, respectively, and their non-current assets and non-current liabilities were 3% and less than 1% of consolidated non-current assets and non-current liabilities, respectively. The design of the Kamloops operations' disclosure controls and procedures and internal control over financial reporting will be completed by the end of the second quarter.

There were no changes in the Company's internal controls over financial reporting that occurred in the three months ended March 31, 2018 that have materially affected, or are likely to materially affect, the Company's internal controls over financial reporting.

OUTLOOK

The first quarter of 2018 saw revenues decline slightly compared to the same period last year, in a quarter where the Canadian radio industry was flat compared to the prior year. The Company remains committed to providing listeners with a high-quality, community-focused product and will continue to promote its stations in an effort to maximize ratings. The Company also continues to expand and invest in its sales team in an effort to grow its share of revenues.

Throughout the remainder of 2018, the Company will continue to focus on cost control in an effort to maintain consistent Adjusted EBITDA margins despite flat industry revenues. Savings for the remainder of 2018 as a result of restructurings undertaken in the first quarter are expected to be used to fund advertising expenses that the Company deferred until later in the years, in an effort to ensure continued ratings success.

The Company is looking forward to the expansion of its Nova Scotia operations through the purchase of two radio stations in New Glasgow, which is expected to close in the summer of 2018, pending CRTC approval.

The Company is also excited about joining forces with Stingray to form a leading Canadian media group through a transaction announced on May 2, 2018, which is subject to shareholder, CRTC, and other regulatory approvals. The transaction is expected to close by the end of 2018. The Company believes that this transaction is beneficial to shareholders who will receive a fair price for their shares of the Company, including a portion paid in shares of Stingray, which will allow them to continue to benefit from the success of the combined entity.

Non-IFRS Accounting Measure

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

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

		Three months ended March 31	
(thousands of Canadian dollars)		***2018***	*2017*
Profit	*$*	***3,313***	*2,956*
Provision for income taxes		***1,307***	*1,738*
Interest expense		***1,098***	*1,168*
Depreciation and amortization		***1,218***	*1,127*
Standardized EBITDA		***6,936***	*6,989*
Business acquisition, integration, disposal and other income		***(37)***	*(16)*
Accretion of other liabilities		***56***	*68*
Adjusted EBITDA	*$*	***6,955***	*7,041*

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

Interim Consolidated Statements of Financial Position

(unaudited)

(thousands of Canadian dollars)	*Notes*		**March 31 2018**	December 31 2017
Assets				
Current assets				
Receivables	*8*	$	**30,540**	41,248
Prepaid expenses			**1,601**	1,436
Income taxes recoverable			**1,198**	-
Total current assets			**33,339**	42,684
Non-current assets				
Property and equipment			**44,413**	43,697
Other assets			**2,263**	2,309
Broadcast licences			**258,285**	258,285
Goodwill			**20,015**	20,015
Deferred income tax assets			**1,875**	2,113
Total non-current assets			**326,851**	326,419
Total assets	*4*	$	**360,190**	369,103
Liabilities and Shareholders' Equity				
Current liabilities				
Bank indebtedness		$	**2,560**	1,584
Accounts payable and accrued liabilities			**16,417**	21,373
Dividends payable			**-**	6,368
Income taxes payable			**-**	1,412
Current portion of long-term debt	*4*		**11,250**	11,250
Total current liabilities			**30,227**	41,987
Non-current liabilities				
Long-term debt	*4*		**100,291**	98,545
Other liabilities			**12,033**	12,305
Deferred income tax liabilities			**52,668**	52,508
Total non-current liabilities			**164,992**	163,358
Total liabilities			**195,219**	205,345
Shareholders' equity			**164,971**	163,758
Total liabilities and shareholders' equity		$	**360,190**	369,103

See accompanying notes to the interim financial statements

Interim Consolidated Statements of Income and Comprehensive Income

(unaudited)

(thousands of Canadian dollars, except per share data)	*Notes*		Three months ended March 31 **2018**	March 31 2017
Revenue	*10*	**$**	**35,677**	35,734
Operating expense			**(28,722)**	(28,693)
Depreciation and amortization			**(1,218)**	(1,127)
Accretion of other liabilities			**(56)**	(68)
Interest expense			**(1,098)**	(1,168)
Business acquisition, integration, disposal and other income	*8(a)*		**37**	16
Profit before provision for income taxes			**4,620**	4,694
Provision for income taxes				
Current			**(909)**	(950)
Deferred			**(398)**	(788)
			(1,307)	(1,738)
Profit and comprehensive income		**$**	**3,313**	2,956
Earnings per share				
- Basic		**$**	**0.13**	0.12
- Diluted			**0.12**	0.11
Weighted average number of shares outstanding *(thousands)*				
- Basic			**25,444**	25,574
- Diluted			**26,797**	26,772

See accompanying notes to the interim financial statements

Interim Consolidated Statements of Changes in Shareholders' Equity

(unaudited)

(thousands of Canadian dollars)	**Issued share capital *(note 5)***	**Contributed surplus**	**Accumulated other comprehensive loss**	**Retained earnings**	**Total shareholders' equity**
Balance as at January 1, 2018	$ 32,892	2,881	(254)	128,239	163,758
Profit and comprehensive income	**-**	**-**	**-**	**3,313**	**3,313**
Repurchase of share capital	**(243)**	**-**	**-**	**(1,871)**	**(2,114)**
Executive stock option compensation expense	**-**	**14**	**-**	**-**	**14**
Balance as at March 31, 2018	**$ 32,649**	**2,895**	**(254)**	**129,681**	**164,971**

See accompanying notes to the interim financial statements

(thousands of Canadian dollars)	**Issued share capital *(note 5)***	**Contributed surplus**	**Accumulated other comprehensive loss**	**Retained earnings**	**Total shareholders' equity**
Balance as at January 1, 2017	$ 33,023	2,326	(27)	115,833	151,155
Profit and comprehensive income	-	-	-	2,956	2,956
Repurchase of share capital	(5)	-	-	(27)	(32)
Exercise of executive stock options	19	(19)	-	-	-
Executive stock option compensation expense	-	180	-	-	180
Balance as at March 31, 2017	$ 33,037	2,487	(27)	118,762	154,259

See accompanying notes to the interim financial statements

Interim Consolidated Statements of Cash Flows

(unaudited)

(thousands of Canadian dollars)	*Notes*		Three months ended March 31 **2018**	2017
Operating activities				
Profit before provision for income taxes		$	**4,620**	4,694
Items not involving cash				
Depreciation, amortization and accretion of other liabilities			**1,274**	1,195
Interest expense			**1,098**	1,168
Share-based compensation expense	*6*		**14**	180
Unrealized gains on investments	*8(a)*		**(35)**	-
Other			**(111)**	(122)
			6,860	7,115
Net change in non-cash working capital balances related to operations			**5,504**	5,544
Cash generated from operations			**12,364**	12,659
Interest paid			**(1,053)**	(1,230)
Income taxes paid			**(3,514)**	(4,233)
Net cash flow from operating activities			**7,797**	7,196
Financing activities				
Change in bank indebtedness			**976**	109
Long-term debt borrowings			**4,500**	-
Long-term debt repayments			**(2,813)**	(3,313)
Dividends paid			**(6,368)**	(2,557)
Repurchase of share capital			**(2,114)**	(32)
Net cash flow used in financing activities			**(5,819)**	(5,793)
Investing activities				
Property and equipment additions			**(1,825)**	(1,288)
Canadian Content Development commitment payments			**(151)**	(50)
Other			**(2)**	(65)
Net cash flow used in investing activities			**(1,978)**	(1,403)
Cash, beginning and end of year		$	**-**	-

See accompanying notes to the interim financial statements

1. Reporting Entity

Newfoundland Capital Corporation Limited (the "Company" or "NCC") is incorporated under the *Canada Business Corporations Act*. The address of the Company's registered office of business is 8 Basinview Drive, Dartmouth, Nova Scotia, B3B 1G4. The Company's primary activity is radio broadcasting. These unaudited condensed interim consolidated financial statements ("interim financial statements") comprise the financial statements of the Company and its subsidiaries. The Company's revenue is derived primarily from the sale of advertising airtime.

These interim financial statements were authorized for issue in accordance with a resolution of the Board of Directors on May 15, 2018.

2. Basis of Preparation

a) Statement of compliance

These interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. Accordingly, certain information and note disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed. The same accounting policies and methods of computation were followed in the preparation of these interim financial statements as were followed in the preparation of the annual financial statements for the year ended December 31, 2017, with except for the adoption of new accounting standards described in note 3. Accordingly, these interim financial statements should be read together with the annual financial statements for the year ended December 31, 2017 prepared in accordance with IFRS.

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

b) Critical accounting estimates

There has been no substantive change in the Company's critical accounting estimates and assumptions since the publication of the annual financial statements for the year ended December 31, 2017.

3. New and Future Accounting Standards

Adoption of new accounting standards

IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15")
IFRS 15 was issued in May 2014 and established a new five-step model that applies to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recording revenue. Effective January 1, 2018, the Company has adopted IFRS 15, which did not impact the Company's financial results but does require additional disclosures as presented in note 10.

IFRS 9, "Financial Instruments" ("IFRS 9")
In July 2014, the International Accounting Standards Board issued the final version of IFRS 9, which reflects all phases of the financial instruments project and replaces IAS 39, *Financial Instruments: Recognition and Measurement,* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required, but comparative information is not compulsory. Effective January 1, 2018, the Company has adopted IFRS 9, which did not have a material impact on the Company's interim financial statements.

3. New and Future Accounting Standards *(continued)*

Future accounting standards

Standards issued but not yet effective until after December 31, 2018 are consistent with those disclosed in the Company's annual financial statements for the year ended December 31, 2017.

4. Long-Term Debt

(thousands of Canadian dollars)		**March 31 2018**	December 31 2017
Revolving term credit facility of $90 million, renewable, expires in May 2019	$	**64,000**	59,500
Non-revolving term credit facility of $90 million, repayable in quarterly instalments, expires in May 2019		**47,812**	50,625
		111,812	110,125
Less: current portion of non-revolving credit facility		**(11,250)**	(11,250)
Less: debt transaction costs, net of accumulated amortization of $1,293 (2017 - $1,234)		**(271)**	(330)
	$	**100,291**	98,545

The $90 million revolving term credit facility has no set terms of repayment. The undrawn amount, net of bank indebtedness, was $23,440,000. This amount may be used to fund future operations, capital requirements and investing activities, subject to the debt covenants that are disclosed in note 8. The $90,000,000 non-revolving term credit facility is being amortized over eight years and is repayable in quarterly instalments of $2,813,000.

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

5. Share Capital

Outstanding share capital

Outstanding share capital was 25,307,455 at March 31, 2018 (December 31, 2017 – 25,472,455).

Share repurchases

The Company has approval under a Normal Course Issuer Bid ("NCIB") to repurchase up to 1,090,116 Class A shares and 75,386 Class B shares. This bid became effective July 4, 2017 and expires July 3, 2018. During the first quarter, the Company repurchased 165,000 Class A shares for cash consideration of $2,114,000 (2017 - 3,400 shares were repurchased for cash consideration of $32,000).

Exercise of stock options

Pursuant to the Company's executive stock option plan, disclosed in note 6, no options were exercised during the first quarter. In the first quarter of 2017, 20,000 options were exercised using the cashless exercise option, resulting in 4,328 shares issued from treasury.

6. SHARE-BASED COMPENSATION PLANS

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

Executive stock options
A total of 1,905,000 executive stock options are outstanding pursuant to the Company's executive stock option plan. The options generally vest as follows: twenty-five percent on the date of grant and twenty-five percent on each of the three succeeding anniversary dates. Option holders may elect to exercise their options on a cashless basis, in which case capital shares are issued from treasury based on a formula that takes into account the market value of the Company's Class A shares and the option's strike price.

During the first quarter, no options were granted (2017 - 30,000) and no options were exercised (2017 - 20,000). Compensation expense related to the stock option plan in the quarter was $14,000 (2017 - $180,000, $151,000 of which related to the extension of certain executive stock options).

7. EMPLOYEE BENEFIT PLANS

		Three months ended March 31	
(thousands of Canadian dollars)		**2018**	2017
Defined contribution plan expense	$	**482**	466
Defined benefit plan expense		**80**	89

8. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Estimated fair value of financial instruments
The fair value of long-term debt approximates the carrying value because the interest charges under the terms of the long-term debt are based on the three-month Canadian bankers' acceptance rates. The premium to bankers' acceptance rates is based on certain financial ratios and is consistent with market value. The fair values of Canadian Content Development ("CCD") commitments approximate their carrying values as they were initially recorded at the net present value of their future cash flows, using a discount rate that remains consistent with fair value.

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

Estimated fair value of financial instruments *(continued)*

The following table outlines the fair value (equals carrying value) of financial instruments, all of which are Level 2 within the fair value hierarchy:

(thousands of Canadian dollars)

Description		Amount
Financial assets at fair value through profit or loss		
Investment included in *other assets*	$	**829**
Other liabilities at amortized cost, with fair values disclosed		
Long-term debt, excluding amortized credit facility fees		**111,812**
CCD commitments		**4,391**

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

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

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

Credit risk

Credit exposure on financial instruments arises from the possibility that a counterparty to an instrument in which the Company is entitled to receive payment fails to perform.

The Company is subject to normal credit risk with respect to its receivables. A large customer base and geographic dispersion minimize the concentration of credit risk. Credit exposure is managed through credit approval and monitoring procedures. The Company does not require collateral or other security from clients for trade receivables; however, the Company does perform credit checks on customers prior to extending credit. Based on the results of credit checks, the Company may require upfront deposits or full payments on account prior to providing service. The maximum credit exposure approximated $31,398,000 as at March 31, 2018 (December 31, 2017 - $42,241,000), which included accounts receivable. At each consolidated statement of financial position date, the Company reviews its receivables to determine an appropriate allowance for lifetime expected credit losses. In calculating an appropriate allowance, the Company considers its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. As at March 31, 2018, the Company's allowance for expected credit losses totaled $858,000 (December 31, 2017 - $993,000). The Company is of the opinion that the provision for potential losses adequately reflects the credit risk associated with its receivables.

Approximately 77% of trade receivables are outstanding for less than 90 days. Amounts would be written off directly against accounts receivable and against the allowance only if and when it was clear the amount would not be collected due to customer insolvency. Historically, the significance and incidence of amounts written off directly against receivables have been low. The total amount written off in the first quarter was $108,000, which represents a very small portion of accounts receivable and revenue. The Company believes its allowance for expected credit losses is adequate at this time given the current economic circumstances.

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

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, which includes quoted share prices in active markets and interest rates.

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

As at March 31, 2018, the Company held a long-term investment that was recorded in *other assets*. Investment values can fluctuate and are affected by numerous factors beyond the Company's control. In order to minimize the risk associated with changes in the value of any one particular investment, the Company only invests a limited amount of funds in investments.

During the quarter, $35,000 (2017 - $nil) was recorded as an unrealized gain in business acquisition, integration, disposal and other income as a result of changes in the fair value of investments.

As at March 31, 2018, a 10% change in the value of the Company's long-term investment would result in an estimated $70,000 change in profit.

b) Interest rate risk management

The Company is exposed to interest rate risk on the long-term debt issued at floating rates under its credit facilities. A 0.5% change in the annual floating interest rates would have a $100,000 impact on profit for the quarter.

During the prior year, the Company had in place an interest rate swap agreement with a Canadian chartered bank to hedge its exposure to fluctuating interest rates on its long-term debt. The swap had a notional amount of $45,000,000 and expired in May 2017. The swap agreement involved the exchange of the three-month bankers' acceptance floating interest rate for a fixed interest rate. The difference between the fixed and floating rates was settled quarterly with the bank and recorded as an increase or decrease to interest expense. Changes in fair value of the swap were recorded in profit.

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due or can do so only at excessive cost. The Company's growth is financed through a combination of the cash flows from operations and borrowings under the existing credit facilities. One of management's primary goals is to maintain an optimal level of liquidity through the active management of the assets and liabilities as well as the cash flows. Other than for operations, the Company's cash requirements are mostly for interest payments, repayment of debt, capital expenditures, CCD payments, and other contractual obligations that are disclosed below.

8. Financial Instruments and Financial Risk Management *(continued)*

Liquidity risk *(continued)*

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

Obligation *(thousands of Canadian dollars)*		**12 months**	**2019-2022**	**Thereafter**
Long-term debt, excluding debt transaction costs *(note 4)*	$	11,250	100,562	-
Bank indebtedness		2,560	-	-
Accounts payable and accrued liabilities, net of current portion of undiscounted CCD commitments		14,933	-	-
CCD commitments, undiscounted		1,484	3,059	138
	$	30,227	103,621	138

Assuming long-term debt is renewed in 2019, and at subsequent maturity dates, which is consistent with past practice, the payments would be $36,562,000 for the years 2019 to 2022 and $64,000,000 thereafter.

Capital risk

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

To comply with federal government directions, the *Broadcasting Act* and regulations governing radio stations (the "Regulations"), the Company has imposed restrictions respecting the issuance, transfer and, if applicable, voting of the Company's shares. Restrictions include limitations over foreign ownership of the issued and outstanding voting shares. Pursuant to such restrictions, the Company can prohibit the issuance of shares or refuse to register the transfer of shares or, if applicable, prohibit the voting of shares in circumstances that would or could adversely affect the ability of the Company, pursuant to the provisions of the Regulations, to obtain, maintain, renew or amend any licence required to carry on any business of the Company, including a licence to carry on a broadcasting undertaking, or to comply with such provisions or with those of any such licence.

The Company is subject to covenants on its credit facility. The Company's bank covenants include certain maximum or minimum ratios such as total debt to EBITDA ratio and fixed charge coverage ratio. Other covenants include seeking prior approval for acquisitions or disposals in excess of a quantitative threshold. For the purpose of covenant calculations, EBITDA is adjusted as defined in the Company's credit agreements.

Financial projections are updated and reviewed regularly to reasonably ensure that financial debt covenants will not be breached in future periods. The Company monitors the covenants and foreign ownership status of the issued and outstanding voting shares and presents this information to the Board of Directors quarterly. The Company was in compliance with all the above throughout the quarter and as at March 31, 2018.

9. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

During 2017, the Company entered into a purchase and sale agreement to acquire two FM radio stations in New Glasgow, Nova Scotia. The purchase is subject to Canadian Radio-television and Telecommunications Commission ("CRTC") approval and will result in a net increase in long-term debt and other liabilities of approximately $3,300,000, which includes the Company's obligation to fund CCD payments over a seven-year period.

10. REVENUE

Set out below is the disaggregation of the Company's revenue:

(thousands of Canadian dollars)	Three months ended March 31, 2018		
Segments	**Broadcasting**	**Corporate and Other**	**Total**
Local direct advertising sales	**$ 19,192**	**-**	**19,192**
Local agency advertising sales	**3,096**	**-**	**3,096**
National advertising sales	**11,565**	**-**	**11,565**
Revenue from hotel operation	**-**	**800**	**800**
Other	**986**	**38**	**1,024**
Total revenue	**$ 34,839**	**838**	**35,677**

(thousands of Canadian dollars)	Three months ended March 31, 2017		
Segments	Broadcasting	Corporate and Other	Total
Local direct advertising sales	$ 19,086	-	19,086
Local agency advertising sales	3,390	-	3,390
National advertising sales	11,662	-	11,662
Revenue from hotel operation	-	735	735
Other	832	29	861
Total revenue	$ 34,970	764	35,734

11. OPERATING SEGMENT INFORMATION

The Company has two reportable segments – Broadcasting and Corporate and Other. The Broadcasting segment consists of the operations of the Company's radio and television licences. This segment derives its revenue from the sale of broadcast advertising and is a strategic business unit that offers different services and is managed separately. Corporate and Other consists of a hotel and certain head office functions that do not relate to the Broadcasting segment. Its revenue relates to hotel operations as well as office space rental. The Company evaluates performance based on adjusted earnings before interest, taxes, depreciation and amortization, accretion of other liabilities, and business acquisition, integration, disposal and other income. During the first quarter, management of the Company adjusted how it allocates certain costs when reviewing the Company's operating results for the purpose of making resource allocation decisions and assessing performance. Certain revenues, expenses, assets, and liabilities that were previously included in the Corporate and Other segment have been moved to the Broadcasting segment and comparative figures have been reclassified to conform with this presentation.

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

11. OPERATING SEGMENT INFORMATION *(continued)*

(thousands of Canadian dollars)		Broadcasting	Corporate and Other	Total
	Three months ended March 31, 2018			
Revenue	**$**	**34,839**	**838**	**35,677**
Operating expenses		**(26,293)**	**(2,429)**	**(28,722)**
Segment profit (loss)		**8,546**	**(1,591)**	**6,955**
Depreciation, amortization and accretion of other liabilities		**(1,198)**	**(76)**	**(1,274)**
Interest expense		**-**	**(1,098)**	**(1,098)**
Business acquisition, integration, disposal and other income (expense)		**(2)**	**39**	**37**
Profit (loss) before provision for income taxes	**$**	**7,346**	**(2,726)**	**4,620**
Other disclosures				
Capital expenditures	**$**	**(610)**	**(1,215)**	**(1,825)**
	Three months ended March 31, 2017*			
Revenue	$	34,970	764	35,734
Operating expenses		(25,995)	(2,698)	(28,693)
Segment profit (loss)		8,975	(1,934)	7,041
Depreciation, amortization and accretion of other liabilities		(1,121)	(74)	(1,195)
Interest expense		-	(1,168)	(1,168)
Business acquisition, integration, disposal and other income		12	4	16
Profit (loss) before provision for income taxes	$	7,866	(3,172)	4,694
Other disclosures				
Capital expenditures	$	(1,261)	(27)	(1,288)
	As at March 31, 2018			
Total assets	**$**	**344,921**	**15,269**	**360,190**
Total liabilities		**(17,139)**	**(178,080)**	**(195,219)**
Other disclosures				
Broadcast licences		**258,285**	**-**	**258,285**
Goodwill		**20,015**	**-**	**20,015**
	As at December 31, 2017*			
Total assets	$	356,065	13,038	369,103
Total liabilities		(24,682)	(180,663)	(205,345)
Other disclosures				
Broadcast licences		258,285	-	258,285
Goodwill		20,015	-	20,015

*Comparative figures have been reclassified to conform with current period presentation

12. SUBSEQUENT EVENT

On May 2, 2018, the Company announced that it had entered into a definitive agreement with Stingray Digital Group Inc. (“Stingray”) under which Stingray will acquire all the issued and outstanding shares of the Company for $14.75 per share payable by a combination of cash and Stingray shares (the “Transaction”). For each share of the Company, shareholders will receive between $13.17 and $13.28 in cash with the balance of the price to be paid in Stingray subordinate voting shares (or Stingray variable subordinate voting shares, as applicable). This will result in between 0.15371 and 0.14294 in Stingray shares for each share of the Company owned, based on the total number of the Company’s shares outstanding at closing. Shareholders will also be entitled to receive regular semi-annual dividends in the amount of $0.25 per share that would be expected to be declared by NCC until closing of the Transaction.

The Transaction will be effected through a plan of arrangement and will be subject to the approval of 66 2/3% of the votes cast by the Company’s shareholders, voting together as a single class, at a special meeting of the Company’s shareholders expected to be held in June 2018. In addition to shareholder approval, the Transaction is subject to customary closing conditions, including court, CRTC and other regulatory approvals.

The agreement between Stingray and NCC provides for a non-solicitation covenant on the part of NCC, subject to customary "fiduciary out" provisions, and a right in favour of Stingray to match any superior proposal. If Stingray does not exercise its right to match, Stingray would receive a termination fee of $12 million (the “Termination Fee”) should NCC support any superior proposal. The Termination Fee is also payable in certain other conditions, including the Board or its special committee withdrawing its support for the Transaction or a material default by NCC of certain obligations under the agreement. A reverse break fee of up to $12 million would also be payable by Stingray to NCC under certain circumstances.

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

For shareholder account inquiries:
Telephone: 1-800-387-0825 (toll free in North America)
e-mail: inquiries@astfinancial.com
or write to: Newfoundland Capital Corporation Limited
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P.O. Box 700, Station B
Montreal, QC H3B 3K3

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

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

Newfoundland Capital Corporation

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