Newfoundland Capital Corporation Limited

Second Quarter 2018

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

Dartmouth, N.S. – August 2, 2018, Newfoundland Capital Corporation Limited (the "Company") today announces its financial results for the second quarter ended June 30, 2018.

Highlights

- **Revenue** for the second quarter of $43.5 million was $0.1 million or less than 1% lower than the same quarter last year and year-to-date revenue of $79.2 million was $0.2 million or less than 1% lower than 2017. The Company's expansion into Kamloops, British Columbia provided revenue growth while Newfoundland and Labrador faced challenging economic conditions. Soft audience ratings from last fall and winter temporarily impacted the Ontario operations. In the most recent ratings, released in June 2018, the Company has regained its first place ranking in the key Toronto market.
- **Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA"**[(1)]**)** of $14.6 million in the second quarter was $0.7 million or 5% higher than second quarter last year and year-to-date Adjusted EBITDA of $21.5 million was $0.6 million or 3% higher than the prior year as a result of the Company's continued focus on controlling costs. In addition, the prior periods included an expense related to the extension of certain executive stock options of $0.4 million in the quarter and $0.6 million year-to-date.
- **Profit** for the period of $7.7 million was $0.6 million or 7% lower than the same quarter last year and year-to-date profit of $11.0 million was $0.3 million or 2% lower than last year primarily because of higher integration costs in the current year. In addition, the second quarter last year included a gain on the disposal of CISL-AM of $0.9 million.

Significant events

- On June 27, 2018, the Company's shareholders approved the plan of arrangement involving the Company, Stingray Digital Group Inc. ("Stingray") and 10643432 Canada Inc. as announced on May 2, 2018 and further described in the Company's Management Information Circular dated May 23, 2018. Subsequent to the second quarter-end, the Company received final court approval for the plan of arrangement. The transaction remains subject to Canadian Radio-television and Telecommunications Commission ("CRTC") approval, and is expected to close in the next two to five months.
- Subsequent to the second quarter-end, the Company received CRTC approval to acquire CKEC-FM and CKEZ-FM located in New Glasgow, Nova Scotia. As agreed to by both parties, this transaction is expected to close after the completion of the plan of arrangement with Stingray.
- Subsequent to the second quarter-end, the Board of Directors declared a dividend of $0.25 per share on each of the Company's Class A Subordinate Voting Shares and Class B Common Shares, payable on September 7, 2018 to all shareholders of record as at August 23, 2018.

"The Company achieved growth in Adjusted EBITDA in the second quarter and year-to-date," commented Rob Steele, Chairman, President and Chief Executive Officer. "We are pleased with the Company's results and ability to control costs to maintain strong margins, demonstrating radio's ability to be resilient in a competitive media landscape."

Financial Highlights - Second Quarter

		Three months ended June 30	
(thousands of Canadian dollars, except share information)		**2018**	2017
Revenue	$	**43,475**	43,604
Adjusted EBITDA[(1)]		**14,551**	13,850
Profit		**7,735**	8,359
Earnings per share - basic		**0.31**	0.33
Earnings per share - diluted		**0.29**	0.31
Weighted average number of shares outstanding *(in thousands)*		**25,295**	25,572
		June 30	December 31
		2018	2017
Share price, NCC.A (closing)	$	**13.92**	12.95
Total assets		**361,798**	369,103
Long-term debt, including current portion		**102,787**	109,795
Shareholders' equity		**172,547**	163,758

(1) *As defined on page 13 "Non-IFRS Accounting Measure."*

MANAGEMENT'S DISCUSSION AND ANALYSIS

The purpose of the Management's Discussion and Analysis ("MD&A") is to provide readers with additional complementary information regarding the financial condition and results of operations for Newfoundland Capital Corporation Limited (the "Company" 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 June 30, 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 second quarter 2018 interim financial statements and the accompanying notes have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies described therein. These interim financial statements include the accounts of the Company and other entities in which the Company controls in accordance with IFRS 10, "Consolidated Financial Statements" and are reported in Canadian dollars. These documents along with the Company's Annual Information Form, its Management Proxy Circular dated March 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 August 2, 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 make applications to the CRTC for new licences. The Company's commitment to its talented employees, its customers, its listeners and to the communities it serves remains critical to its success.

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

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 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 as was approved by 99.996% of votes cast at a special meeting of shareholders held on June 27, 2018. Court approval was granted in July 2018. The Transaction remains subject to CRTC approval and is expected to close in the next two to five months.

The following is a review of the key operational 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 and April 2018 – repurchased 0.2 million of its outstanding Class A Subordinate Voting Shares ("Class A shares") for cash consideration of $2.3 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.
- 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. For a detailed description of this business combination, including the final purchase price allocation, please refer to note 4 to the interim financial statements.

In June 2017, the Company also completed the sale of CISL-AM in Vancouver, British Columbia, for $5.3 million, resulting in a gain on disposal of $0.9 million, net of certain restructuring expenses related to the disposal. This gain was recorded in business acquisition, integration, disposal, and other expense on the interim consolidated statements of income and comprehensive income. For a detailed description of the disposal, please refer to note 5 to the interim financial statements.

On a net basis, these transactions resulted in $0.5 million higher revenue and operating expenses in the second quarter and $0.8 million higher revenue and $1.0 million higher operating expenses year-to-date.

Consolidated Financial Results of Operations

(thousands of Canadian dollars, except percentages and per share data)	**Three months ended June 30**			**Six months ended June 30**		
	2018	2017	% Change	**2018**	2017	% Change
Revenue	**$ 43,475**	43,604	-	**79,152**	79,338	-
Operating expenses	**(28,924)**	(29,754)	(3%)	**(57,646)**	(58,447)	(1%)
Adjusted EBITDA[(1)]	**14,551**	13,850	5%	**21,506**	20,891	3%
Depreciation and amortization	**(1,224)**	(1,156)	6%	**(2,442)**	(2,283)	7%
Accretion of other liabilities	**(57)**	(69)	(17%)	**(113)**	(137)	(18%)
Interest expense	**(1,120)**	(1,079)	4%	**(2,218)**	(2,247)	(1%)
Business acquisition, integration, disposal and other expense	**(1,257)**	(89)	-	**(1,220)**	(73)	-
Profit before provision for income taxes	**10,893**	11,457	(5%)	**15,513**	16,151	(4%)
Provision for income taxes	**(3,158)**	(3,098)	2%	**(4,465)**	(4,836)	(8%)
Profit	**$ 7,735**	8,359	(7%)	**11,048**	11,315	(2%)
Earnings per share						
- Basic	**$ 0.31**	0.33		**0.44**	0.44	
- Diluted	**0.29**	0.31		**0.41**	0.42	

(1) *As defined on page 13 "Non-IFRS Accounting Measure."*

ANALYSIS OF CONSOLIDATED FINANCIAL RESULTS

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

Revenue

In the second quarter, consolidated revenue of $43.5 million was $0.1 million or less than 1% lower than the same quarter last year and year-to-date revenue of $79.2 million was $0.2 million or less than 1% lower than 2017. The revenue trends are further described in the Broadcasting segment.

Operating expenses

In the second quarter, consolidated operating expenses of $28.9 million were $0.8 million or 3% lower than the same period last year and year-to-date operating expenses of $57.6 million were $0.8 million or 1% lower than 2017. The decrease in operating expenses was primarily a result of lower operating expenses in the Corporate and Other segment due to the prior periods' non-cash expense related to the extension of executive stock options of $0.4 million in the quarter and $0.6 million year-to-date.

Adjusted EBITDA

In the second quarter, consolidated Adjusted EBITDA of $14.6 million was $0.7 million or 5% higher than the same period last year and year-to-date Adjusted EBITDA of $21.5 million was $0.6 million or 3% higher than 2017 due to lower operating expenses.

Depreciation and amortization
Depreciation and amortization in the second quarter of $1.2 million was $0.1 million or 6% higher than the same quarter last year and depreciation and amortization year-to-date of $2.4 million was $0.2 million or 7% higher than 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 second quarter and year-to-date than the same periods in 2017 because of the payments of CCD commitments during 2017 and year-to-date in 2018, which reduced the balance on which accretion was recorded.

Interest expense
Interest expense in the second quarter of $1.1 million was slightly higher than the same quarter last year as a result of higher interest rates in the current year, partially offset by a lower average debt balance. Year-to-date interest of $2.2 million was slightly lower than last year primarily because of a lower average debt balance.

Business acquisition, integration, disposal and other expense
Business acquisition, integration, disposal and other expense 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.

Business acquisition, integration, disposal and other expense in the second quarter was $1.3 million and year-to-date was $1.2 million resulting primarily from costs of $0.8 million associated with the plan of arrangement entered into with Stingray, $0.3 million of integration costs related to recent acquisition of three radio stations in Kamloops, and a $0.1 million unrealized loss on an investment recorded in *other assets*. Business acquisition, integration, disposal and other expense in the second quarter and year-to-date 2017 was a net expense of $0.1 million comprised of CCD commitments of $0.4 million expensed on the acquisition of the Kamloops operations, $0.7 million in expenses recognized in relation to business acquisitions and disposals, a gain on the disposal of CISL-AM of $0.9 million and an unrealized mark-to-market gain of $0.1 million on investments included in other assets.

Provision for income taxes
The effective tax rate was 29% in the second quarter and year-to-date, which was lower than the statutory tax rate of 31% primarily because of the subsidiary rate differential that arises from consolidated entities that are taxed in different jurisdictions with lower tax rates.

Profit
Profit for the second quarter of $7.7 million was $0.6 million or 7% lower than the same quarter last year and year-to-date profit of $11.0 million was $0.3 million or 2% lower than the same period last year due to higher integration costs in the current year. In addition, the second quarter last year included a gain on the disposal of CISL-AM of $0.9 million.

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 13 to the Company's interim financial statements.

During the year-to-date period, 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 to the 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 within the Broadcasting segment are managed and evaluated based on their revenue and Adjusted EBITDA. The following summarizes the key operating results of the Broadcasting segment.

Broadcasting Financial Results of Operations

(thousands of Canadian dollars,	**Three months ended June 30**			**Six months ended June 30**		
except percentages)	**2018**	2017 [2]	% Change	**2018**	2017 [2]	% Change
Revenue	**$ 42,447**	42,617	-	**77,286**	77,587	-
Operating expenses	**(26,577)**	(26,721)	(1%)	**(52,870)**	(52,716)	-
Adjusted EBITDA [1]	**$ 15,870**	15,896	-	**24,416**	24,871	(2%)
Adjusted EBITDA margin	**37%**	37%	-	**32%**	32%	-

[1] *As defined on page 13 "Non-IFRS Accounting Measure."*

[2] *Comparative figures have been reclassified to conform to the current period presentation.*

Revenue

Broadcasting revenue in the second quarter of $42.4 million was $0.2 million or less than 1% lower than the same period last year and year-to-date broadcasting revenue of $77.3 million was $0.3 million or less than 1% lower than 2017. The Company's expansion into Kamloops provided revenue growth while Newfoundland and Labrador faced challenging economic conditions. Soft audience ratings from last fall and winter temporarily impacted the Ontario operations. In the most recent ratings, released in June 2018, the Company has regained its first place ranking in the key Toronto market.

Operating expenses

For the second quarter, broadcasting operating expenses were $26.6 million, $0.1 million or 1% lower than the same quarter last year primarily as a result of $0.3 million lower restructuring costs as well as the Company's continued focus on cost control to maintain Adjusted EBITDA despite slight declines in revenue. Cost savings were partially offset by the net impact of the operating expenses related to the Kamloops stations, which were acquired and CISL-AM, which was sold.

Year-to-date operating expenses of $52.9 million were $0.2 million or less than 1% higher than 2017 primarily because of $0.5 million higher restructuring costs incurred as well as an increase in operating expenses from the Kamloops acquisition, net of the CISL-AM disposal.

Adjusted EBITDA

Second quarter broadcasting Adjusted EBITDA of $15.9 million was consistent with the same period last year and year-to-date Adjusted EBITDA of $24.4 million was $0.5 million or 2% lower than 2017 due to the slight decline in revenue and increase in 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						
(thousands of Canadian dollars, except percentages)	**Three months ended June 30**			**Six months ended June 30**		
	2018	2017 [2]	% Change	**2018**	2017 [2]	% Change
Revenue	**$ 1,028**	987	4%	**1,866**	1,751	7%
Operating expenses	**(2,347)**	(3,033)	(23%)	**(4,776)**	(5,731)	(17%)
Adjusted EBITDA [1]	**$ (1,319)**	(2,046)	36%	**(2,910)**	(3,980)	27%

[1] *As defined on page 13 "Non-IFRS Accounting Measure."*

[2] *Comparative figures have been reclassified to conform to the current period presentation.*

Revenue

Revenue in the second quarter of $1.0 million was less than $0.1 million or 4% higher than the second quarter last year and year-to-date revenue of $1.9 million was $0.1 million or 7% higher than last year as the Company earned higher revenue from its hotel operation.

Operating expenses

Operating expenses of $2.3 million in the second quarter were $0.7 million or 23% lower than the second quarter in 2017 and operating expenses of $4.8 million year-to-date were $1.0 million or 17% lower than the same time last year. The decrease in the quarter and year-to-date was primarily attributable to the non-cash expense related to the extension of executive stock options in the prior year of $0.4 million in the second quarter and $0.6 million year-to-date. The Company also realized savings in corporate salary expenses in the current year.

Adjusted EBITDA

Adjusted EBITDA in the quarter was negative $1.3 million, which was $0.7 million or 36% better than last year and year-to-date Adjusted EBITDA was negative $2.9 million, which was $1.1 million or 27% better than the same period last year. The improvements were a result of 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	
	2nd	1st	4th	3rd	2nd	1st	4th	3rd
Revenue	**$43,475**	35,677	47,430	43,103	43,604	35,734	46,972	41,455
Profit	**7,735**	3,313	7,160	8,215	8,359	2,956	10,375	7,738
Earnings per share								
- Basic	**0.31**	0.13	0.28	0.32	0.33	0.12	0.41	0.30
- Diluted	**0.29**	0.12	0.27	0.31	0.31	0.11	0.39	0.29

Selected cash flow information – six months ended June 30, 2018

Cash flows from operating activities of $18.5 million were used to repay net debt of $7.0 million, pay dividends of $6.4 million, purchase property and equipment for $2.6 million, repurchase share capital for $2.3 million, and make CCD payments of $0.3 million.

Selected cash flow information – six months ended June 30, 2017

Cash flows from operating activities of $14.8 million and proceeds on the disposal of broadcasting assets of $5.3 million were used to acquire the Kamloops radio stations for $7.0 million, repay debt of $7.4 million, purchase property and equipment for $2.6 million, pay dividends of $2.6 million, and make CCD payments of $0.4 million.

Capital expenditures and capital budget
Capital expenditures year-to-date of $2.6 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 $361.8 million were $7.3 million lower than December 31, 2017 due primarily to the collection of trade receivables, which was used to pay down liabilities during 2018. The decline in trade receivables is consistent with the Company's expected seasonal trends as the fourth quarter is typically a period of higher revenue and therefore collections of trade receivables early the following year outpace revenue.

Liabilities, shareholders' equity and capital structure
As at June 30, 2018, the Company had $1.7 million of current bank indebtedness (December 31, 2017 – $1.6 million) and $102.8 million of long-term debt, all of which was classified as current this quarter because the Company's credit facilities expire in May 2019 and there is no need to extend the credit facilities beyond that date due to the pending transaction with Stingray (December 31, 2017 – $109.8 million, $11.3 million of which was current). The capital structure consisted of 48% equity ($172.5 million) and 52% liabilities ($189.3 million) at quarter-end (December 31, 2017 – 44% or $163.8 million equity and 56% or $205.3 million liabilities).

LIQUIDITY

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

Credit facilities and covenants
The Company has two syndicated credit facilities both of which expire in May 2019. 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 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 interim 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, $1.7 million of which the Company had drawn as at

June 30, 2018. The Company can access this remaining available amount of $3.3 million as well as the additional $27.0 million undrawn amount on its revolving credit facility to fund obligations.

Working capital requirements
As at June 30, 2018, the Company's net working capital was negative $89.0 million as the entire balance of long-term debt has been presented as current because it expires within the next twelve months and was not renewed because it is expected to be fully repaid upon closing of the pending transaction with Stingray. Adjusting the current portion of long-term debt to a normalized level of $11.3 million, net working capital would be $2.5 million. The cash from current receivables should be sufficient to cover the Company's current obligations to its suppliers and employees and in combination with ongoing cash from operations and the availability of cash from its revolving credit facility, the Company will be able to meet all other current cash requirements as they arise. If cash inflows from customers are not sufficient to cover current obligations, because of timing issues, the Company has access to the undrawn amount of its credit facilities. The Company's credit facilities are renewable and could be extended prior to their expiry in May 2019 if the need arises.

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 $12.0 million termination fee related to the Transaction with Stingray; NCC would be obligated to pay the fee in the event of a superior proposal that is successful or otherwise supported by the Company, a material default by NCC of certain obligations under the agreement, or in certain other conditions.

SHARE CAPITAL

Outstanding share data
The weighted average number of shares outstanding for the three months ended June 30, 2018 was 25,295,000 (2017 – 25,572,000) and for the six months ended June 30, 2018 was 25,369,000 (2017 – 25,573,000). As at August 2, 2018, there are 21,524,933 Class A Subordinate Voting Shares ("Class A shares") and 3,769,322 Class B Common Shares ("Class B shares") outstanding.

Dividends
Subsequent to quarter-end, the Board of Directors declared a dividend of $0.25 per share on each of the Company's Class A shares and Class B shares, payable on September 7, 2018 to all shareholders of record as at August 23, 2018.

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 had 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 expired on July 3, 2018. During the second quarter, the Company repurchased 13,200 Class A shares for cash consideration of $0.2 million and year-to-date the Company repurchased 178,200 Class A shares for cash consideration of $2.3 million. In the second quarter of 2017, no shares were repurchased and year-to-date 2017, 3,400 Class A shares were purchased 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 did not 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 second quarter and year-to-date, no options were granted, and no options were exercised (2017 – no options were granted or exercised in the second quarter; 30,000 options were granted, and 20,000 options were exercised year-to-date).

Compensation expense related to the stock option plan in the second quarter was less than $0.1 million (2017 – $0.4 million, which included $0.4 million related to the extension of 1,675,000 executive stock options) and year-to-date was less than $0.1 million (2017 – $0.6 million, which included $0.6 million related to the extension of 1,850,000 executive stock options).

Financial Instruments and Financial Risk Management

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

Interest rate risk management
The Company is exposed to interest rate risk on the long-term debt issued at floating rates under its credit facilities. A 0.5% change in the annual floating interest rates would have had a $0.1 million impact on profit for the quarter and a $0.2 million impact on year-to-date profit.

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 June 30, 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 second quarter and year-to-date, $0.1 million was recorded as an unrealized loss in business acquisition, integration, disposal and other expense as a result of changes in the fair value of investments (2017 – $0.1 million gain in the second quarter and year-to-date).

As at June 30, 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. As 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 June 30, 2018, the Company's

allowance for expected credit losses totaled $0.8 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 85% of trade receivables are outstanding for less than 90 days. Amounts would be written off directly against accounts receivable and against the allowance only if and when it was clear the amount would not be collected due to customer insolvency. Historically, the significance and incidence of amounts written off directly against receivables have been low. The total amount written off in the second quarter was $0.2 million and year-to-date was $0.3 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 12 to 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

There were no changes in the Company's internal controls over financial reporting that occurred in the six months ended June 30, 2018 that have materially affected, or are likely to materially affect, the Company's internal controls over financial reporting.

OUTLOOK

The Company had a successful second quarter and achieved consistent Adjusted EBITDA margins in the Broadcasting segment as a result of its tight cost control. This contributed to the strong cash flow from operations in the quarter and year-to-date. The Company's revenue trends are similar to the Canadian radio industry, which continued to demonstrate its stability and resiliency as it experienced modest revenue decreases of approximately 2% during the quarter and 1% year-to-date.

In the second half of 2018, the Company will focus on operating efficiently and controlling costs while continuing to promote its stations in an effort to maximize ratings. The Company will also continue to expand and invest in its sales team in an effort to grow its share of revenue.

The Company has received both shareholder and court approval for the transaction with Stingray that was announced on May 2, 2018. The transaction remains subject to CRTC approval and is expected to close in the next two to five months.

Non-IFRS Accounting Measure

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

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

		Three months ended June 30		Six months ended June 30	
(thousands of Canadian dollars)		**2018**	2017	**2018**	2017
Profit	*$*	***7,735***	*8,359*	***11,048***	*11,315*
Provision for income taxes		***3,158***	*3,098*	***4,465***	*4,836*
Interest expense		***1,120***	*1,079*	***2,218***	*2,247*
Depreciation and amortization		***1,224***	*1,156*	***2,442***	*2,283*
Standardized EBITDA		***13,237***	*13,692*	***20,173***	*20,681*
Business acquisition, integration, disposal and other expense		***1,257***	*89*	***1,220***	*73*
Accretion of other liabilities		***57***	*69*	***113***	*137*
Adjusted EBITDA	*$*	***14,551***	*13,850*	***21,506***	*20,891*

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

Interim Consolidated Statements of Financial Position

(unaudited)

(thousands of Canadian dollars)	*Notes*		**June 30 2018**	December 31 2017
ASSETS				
Current assets				
Receivables	*10*	$	**34,046**	41,248
Prepaid expenses			**1,478**	1,436
Total current assets			**35,524**	42,684
Non-current assets				
Property and equipment			**43,982**	43,697
Other assets			**2,111**	2,309
Broadcast licences	*4,5*		**258,285**	258,285
Goodwill	*4,5*		**20,015**	20,015
Deferred income tax assets			**1,881**	2,113
Total non-current assets			**326,274**	326,419
Total assets	*6*	$	**361,798**	369,103
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Bank indebtedness		$	**1,709**	1,584
Accounts payable and accrued liabilities			**19,413**	21,373
Dividends payable			**-**	6,368
Income taxes payable			**657**	1,412
Current portion of long-term debt	*6*		**102,787**	11,250
Total current liabilities			**124,566**	41,987
Non-current liabilities				
Long-term debt	*6*		**-**	98,545
Other liabilities			**11,735**	12,305
Deferred income tax liabilities			**52,950**	52,508
Total non-current liabilities			**64,685**	163,358
Total liabilities			**189,251**	205,345
Shareholders' equity			**172,547**	163,758
Total liabilities and shareholders' equity		$	**361,798**	369,103

See accompanying notes to the condensed interim consolidated financial statements

Interim Consolidated Statements of Income and Comprehensive Income

(unaudited)

(thousands of Canadian dollars, except per share data)	*Notes*	Three months ended June 30 **2018**	2017	Six months ended June 30 **2018**	2017
Revenue	*12*	$ **43,475**	43,604	**79,152**	79,338
Operating expenses		**(28,924)**	(29,754)	**(57,646)**	(58,447)
Depreciation and amortization		**(1,224)**	(1,156)	**(2,442)**	(2,283)
Accretion of other liabilities		**(57)**	(69)	**(113)**	(137)
Interest expense		**(1,120)**	(1,079)	**(2,218)**	(2,247)
Business acquisition, integration, disposal, and other expense	*4, 5,10(a)*	**(1,257)**	(89)	**(1,220)**	(73)
Profit before provision for income taxes		**10,893**	11,457	**15,513**	16,151
Provision for income taxes					
Current		**(2,882)**	(2,116)	**(3,791)**	(3,066)
Deferred		**(276)**	(982)	**(674)**	(1,770)
		(3,158)	(3,098)	**(4,465)**	(4,836)
Profit and comprehensive income		$ **7,735**	8,359	**11,048**	11,315
Earnings per share					
- Basic		$ **0.31**	0.33	**0.44**	0.44
- Diluted		**0.29**	0.31	**0.41**	0.42
Weighted average number of shares outstanding *(thousands)*					
- Basic		**25,295**	25,572	**25,369**	25,573
- Diluted		**26,664**	26,805	**26,730**	26,790

See accompanying notes to the condensed interim consolidated financial statements

Interim Consolidated Statements of Changes in Shareholders' Equity

(unaudited)

(thousands of Canadian dollars)		Issued share capital *(note 7)*	Contributed surplus	Accumulated other comprehensive loss	Retained earnings	Total
Balance as at January 1, 2018	$	32,892	2,881	(254)	128,239	163,758
Profit and comprehensive income		**-**	**-**	**-**	**11,048**	**11,048**
Repurchase of share capital		**(262)**	**-**	**-**	**(2,021)**	**(2,283)**
Executive stock option compensation expense		**-**	**24**	**-**	**-**	**24**
Balance as at June 30, 2018	**$**	**32,630**	**2,905**	**(254)**	**137,266**	**172,547**

See accompanying notes to the condensed interim consolidated financial statements

(thousands of Canadian dollars)		Issued share capital *(note 7)*	Contributed surplus	Accumulated other comprehensive loss	Retained earnings	Total
Balance as at January 1, 2017	$	33,023	2,326	(27)	115,833	151,155
Profit and comprehensive income		-	-	-	11,315	11,315
Repurchase of share capital		(5)	-	-	(27)	(32)
Executive stock option compensation expense		19	585	-	-	604
Balance as at June 30, 2017	$	33,037	2,911	(27)	127,121	163,042

See accompanying notes to the condensed interim consolidated financial statements

Interim Consolidated Statements of Cash Flows

(Unaudited)

(thousands of Canadian dollars)	*Notes*		Six months ended June 30 **2018**	2017
Operating activities				
Profit before provision for income taxes		$	**15,513**	16,151
Items not involving cash				
Depreciation, amortization and accretion of other liabilities			**2,555**	2,420
Interest expense			**2,218**	2,247
Share-based compensation expense	*8*		**24**	604
Realized and unrealized losses (gains) on investments	*10(a)*		**98**	(130)
Gain on disposal of broadcasting assets	*5*		**-**	(938)
Canadian Content Development commitments arising from business acquisitions not yet paid	*4*		**-**	372
Other			**(268)**	(186)
			20,140	20,540
Net change in non-cash working capital balances related to operations			**5,047**	3,030
Cash generated from operations			**25,187**	23,570
Interest paid			**(2,103)**	(2,344)
Income taxes paid			**(4,541)**	(6,410)
Net cash flow from operating activities			**18,543**	14,816
Financing activities				
Change in bank indebtedness			**125**	(241)
Long-term borrowings			**4,500**	-
Long-term debt repayments			**(11,625)**	(7,125)
Dividends paid			**(6,368)**	(2,557)
Repurchase of share capital	*7*		**(2,283)**	(32)
Other			**-**	(146)
Net cash flow used in financing activities			**(15,651)**	(10,101)
Investing activities				
Property and equipment additions			**(2,639)**	(2,554)
Canadian Content Development commitment payments			**(253)**	(399)
Acquisition of business, net of cash acquired	*4*		**-**	(7,016)
Proceeds on disposal of broadcasting assets	*5*		**-**	5,250
Other			**-**	4
Net cash flow used in investing activities			**(2,892)**	(4,715)
Cash, beginning and end of period		$	**-**	-

See accompanying notes to the condensed interim consolidated financial statements

1. REPORTING ENTITY

Newfoundland Capital Corporation Limited (the "Company") is incorporated under the *Canada Business Corporations Act*. The address of the Company's registered office of business is 8 Basinview Drive, Dartmouth, Nova Scotia, B3B 1G4. The Company's primary activity is radio broadcasting. These unaudited condensed interim consolidated financial statements ("interim financial statements") comprise the financial statements of the Company and its subsidiaries. The Company's revenue is derived primarily from the sale of advertising airtime, which is subject to seasonal fluctuations. The first quarter of the year is generally a period of lower retail spending. As a result, revenue and profit are generally lower than the other quarters.

These interim financial statements were authorized for issue in accordance with a resolution of the Board of Directors on August 2, 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. 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 interim financial 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 12.

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

Adoption of new accounting standards *(continued)*

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.

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. BUSINESS ACQUISITION

On June 26, 2017, the Company acquired 100% of the shares of companies that hold the radio broadcasting assets of three radio stations in Kamloops, British Columbia, for total cash consideration of $7,633,000 (or $7,016,000 net of cash acquired). Because this was a share transaction, the Company did not receive full tax basis on the assets acquired and this resulted in the recognition of deferred income tax liabilities as set out in the table below.

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

The purchase price was allocated to the net assets acquired on the basis of the estimated fair values on the acquisition date using the acquisition method of accounting. The purchase price allocation has been finalized. The following table sets out the net assets acquired and their estimated acquisition date fair values:

(thousands of Canadian dollars)		
Cash	**$**	**617**
Receivables		**673**
Prepaid expenses		**71**
Property and equipment		**1,203**
Broadcast licences		**5,514**
Goodwill		**1,412**
Total assets acquired		**9,490**
Current liabilities assumed		**(228)**
Deferred income tax liabilities		**(1,629)**
Net assets acquired	**$**	**7,633**

Earnings have been included in profit since the date of acquisition. Included in the interim consolidated statements of income and comprehensive income related to this acquisition was revenue of $809,000 in the second quarter and $1,532,000 year-to-date (2017 – nil in the second quarter and year-to-date). Profit in the quarter and year-to-date related to this acquisition was minimal, excluding business acquisition, integration, disposal and other expense of $300,000 in the second quarter and year-to-date (2017 – nil in the second quarter and year-to-date, excluding acquisition related transaction costs that included Canadian Content Development ("CCD") commitments of $372,000).

5. DISPOSAL OF BROADCASTING ASSETS

On June 30, 2017, the Company completed the sale of 8384886 Canada Inc., which held the CISL-AM broadcast licence in Vancouver, British Columbia, for $5,250,000, resulting in a gain on disposal recorded in the second quarter of 2017 of $938,000, net of certain restructuring costs related to the disposal. This was a share transaction, and as such, the Company has derecognized certain deferred income tax liabilities that had been recorded as a result of taxable temporary differences recognized relating to the assets sold. The major classes of assets and liabilities disposed of were as follows:

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

6. LONG-TERM DEBT

(thousands of Canadian dollars)		**June 30 2018**	December 31 2017
Revolving term credit facility of $90 million, renewable, expires in May 2019	$	**58,000**	59,500
Non-revolving term credit facility of $90 million, repayable in quarterly instalments, expires in May 2019		**45,000**	50,625
		103,000	110,125
Less: current portion		**(102,787)**	(11,250)
Less: debt transaction costs		**(213)**	(330)
	$	**-**	98,545

In June 2017, the Company amended the credit facilities to extend the maturity date to May 31, 2019. As at June 30, 2018, the credit facilities have been presented as current liabilities as they expire within the next twelve months. The credit facilities are expected to be paid in full at the time of closing of the pending transaction with Stingray Digital Group Inc. ("Stingray") as announced on May 2, 2018, therefore they have not been extended by the Company.

The $90,000,000 revolving term credit facility has no set terms of repayment. The undrawn amount, net of bank indebtedness was $30,291,000. This amount may be used to fund future operations, capital requirements and investing activities, subject to the debt covenants that are disclosed in note 10. The $90,000,000 non-revolving term credit facility is being amortized over eight years and is repayable in quarterly instalments of $2,813,000.

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

7. SHARE CAPITAL

Outstanding share capital

Outstanding share capital was 25,294,255 as at June 30, 2018 (December 31, 2017 – 25,472,455).

Share repurchases

The Company had approval under a Normal Course Issuer Bid ("NCIB") to repurchase up to 1,090,116 Class A Subordinate Voting Shares ("Class A shares") and 75,386 Class B Common Shares ("Class B shares"). This bid became effective July 4, 2017 and expired July 3, 2018. During the second quarter, the Company repurchased 13,200 Class A shares for cash consideration of $169,000 and year-to-date the Company repurchased 178,200 Class A shares for cash consideration of $2,283,000 (2017 – 3,400 shares were repurchased for cash consideration of $32,000 in the second quarter and year-to-date).

Exercise of stock options

Pursuant to the Company's executive stock option plan disclosed in note 8, no options were exercised in the second quarter or year-to-date (2017 – no options exercised in the second quarter; 20,000 options exercised year-to-date using the cashless exercise option, resulting in 4,328 Class A shares issued from treasury).

Dividends

Subsequent to quarter-end, the Board of Directors declared a dividend of $0.25 per share to all shareholders of record as at August 23, 2018, payable on September 7, 2018.

8. SHARE-BASED COMPENSATION PLANS

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

Executive stock options

A total of 1,905,000 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 second quarter and year-to-date, no options were granted (2017 – no options granted during the quarter and 30,000 year-to-date). During the second quarter and year-to-date, no options were exercised (2017 – no options exercised in the second quarter and 20,000 options exercised year-to-date). Compensation expense related to the stock option plan in the second quarter was $10,000 (2017 – $424,000, which included $402,000 related to the extension of 1,675,000 options) and year-to-date was $24,000 (2017 – $604,000, which included $553,000 related to the extension of 1,850,000 options).

9. EMPLOYEE BENEFIT PLANS

		Three months ended June 30		Six months ended June 30	
(thousands of Canadian dollars)		**2018**	2017	**2018**	2017
Defined contribution plan expense	$	**488**	484	**970**	950
Defined benefit plan expense		**80**	89	**160**	179

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Estimated fair value of financial instruments

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

The following table outlines the 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*	$	696
Other liabilities at amortized cost, with fair values disclosed		
Long-term debt, excluding unamortized credit facility fees		103,000
CCD commitments		4,320

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 $34,875,000 as at June 30, 2018 (December 31, 2017 – $42,241,000), which included accounts receivable. As 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 June 30, 2018, the Company's allowance for expected credit losses totaled $829,000 (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.

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

Credit risk *(continued)*

Approximately 85% of trade receivables are outstanding for less than 90 days. Amounts would be written off directly against accounts receivable and against the allowance only if and when it was clear the amount would not be collected due to customer insolvency. Historically, the significance and incidence of amounts written off directly against receivables have been low. The total amount written off in the second quarter was $157,000 and year-to-date was $265,000, which represents a very small portion of accounts receivable and revenue. The Company believes its provision for potential credit losses is adequate at this time given the current economic circumstances.

Market risk

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

a) *Managing risk associated with fluctuations in fair value of investments*

As at June 30, 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, $133,000 and year-to-date, $98,000 was recorded as an unrealized loss in business acquisition, integration, disposal and other expense as a result of changes in the fair value of investments (2017 – unrealized gain of $130,000 for the quarter and year-to-date).

As at June 30, 2018, a 10% change in the value of the Company's investments would result in an estimated $59,000 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 had a $97,000 impact on profit for the quarter ended June 30, 2018, and a $197,000 impact on year-to-date profit.

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.

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

Liquidity risk

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

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

(thousands of Canadian dollars)

Obligation	12 months	Years 2 to 5	Thereafter
Long-term debt, excluding debt transaction costs *(note 6)*	$ 103,000	-	-
Bank indebtedness	1,709	-	-
Accounts payable and accrued liabilities, net of current portion of undiscounted CCD commitments	17,934	-	-
Income taxes payable	657	-	-
CCD commitments, undiscounted	1,479	2,963	138
	$ 124,779	2,963	138

Capital risk

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

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

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

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

Capital risk *(continued)*

Financial projections are updated and reviewed regularly to reasonably ensure that financial debt covenants will not be breached in future periods. The Company monitors the covenants and foreign ownership status of the issued and outstanding voting shares and presents this information to the Board of Directors quarterly. The Company was in compliance with all the above throughout the year-to-date period and as at June 30, 2018.

11. 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 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. Subsequent to June 30, 2018, the Company received Canadian Radio-television and Telecommunications Commission ("CRTC") approval for the purchase; however, as agreed by both parties, the transaction is not expected to close until after the closing of the plan of arrangement with Stingray as announced on May 2, 2018. Subsequent to quarter-end, the Company has loaned approximately $800,000 to the vendor to allow for the repayment of certain of its obligations. This amount will be deducted from the net amount owing on closing of the purchase.

12. REVENUE

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

(thousands of Canadian dollars)		Broadcasting	Corporate and Other	Total	Broadcasting	Corporate and Other	Total
		Three months ended June 30, 2018			**Six months ended June 30, 2018**		
Local advertising sales	**$**	**26,158**	**-**	**26,158**	**48,446**	**-**	**48,446**
National advertising sales		**15,075**	**-**	**15,075**	**26,640**	**-**	**26,640**
Revenue from hotel operation		**-**	**990**	**990**	**-**	**1,790**	**1,790**
Other		**1,214**	**38**	**1,252**	**2,200**	**76**	**2,276**
Total revenue	**$**	**42,447**	**1,028**	**43,475**	**77,286**	**1,866**	**79,152**
		Three months ended June 30, 2017			Six months ended June 30, 2017		
Local advertising sales	$	26,079	-	26,079	48,555	-	48,555
National advertising sales		15,515	-	15,515	27,177	-	27,177
Revenue from hotel operation		-	948	948	-	1,683	1,683
Other		1,023	39	1,062	1,855	68	1,923
Total revenue	$	42,617	987	43,604	77,587	1,751	79,338

13. OPERATING SEGMENT INFORMATION

The Company has two reportable segments – Broadcasting and Corporate and Other. The Broadcasting segment consists of the operations of the Company's radio and television licences. This segment derives its revenue from the sale of broadcast advertising and is a strategic business unit that offers different services and is managed separately. Corporate and Other consists of a hotel and the head office functions. Its revenue relates to hotel operations as well as office space rental and related services revenue. The Company evaluates performance based on earnings before interest, taxes, depreciation and amortization, accretion of other liabilities, and business acquisition, integration, disposal and other expense. During the year-to-date period, 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 earnings before interest, taxes, depreciation and amortization, accretion of other liabilities, and business acquisition, integration, disposal and other expense in determining that these segments are appropriate to aggregate.

13. OPERATING SEGMENT INFORMATION *(continued)*

Segment Results

(thousands of Canadian dollars)		Broadcasting	Corporate and Other	Total	Broadcasting	Corporate and Other	Total
		Three months ended June 30, 2018			**Six months ended June 30, 2018**		
Revenue	**$**	**42,447**	**1,028**	**43,475**	**77,286**	**1,866**	**79,152**
Operating expenses		**(26,577)**	**(2,347)**	**(28,924)**	**(52,870)**	**(4,776)**	**(57,646)**
Segment profit (loss)		**15,870**	**(1,319)**	**14,551**	**24,416**	**(2,910)**	**21,506**
Depreciation, amortization and accretion of other liabilities		**(1,203)**	**(78)**	**(1,281)**	**(2,401)**	**(154)**	**(2,555)**
Interest expense		**-**	**(1,120)**	**(1,120)**	**-**	**(2,218)**	**(2,218)**
Business acquisition, integration, disposal, and other expense		**(284)**	**(973)**	**(1,257)**	**(286)**	**(934)**	**(1,220)**
Profit (loss) before provision for income taxes	**$**	**14,383**	**(3,490)**	**10,893**	**21,729**	**(6,216)**	**15,513**
Other disclosures							
Capital expenditures	**$**	**(769)**	**(45)**	**(814)**	**(1,379)**	**(1,260)**	**(2,639)**
		Three months ended June 30, 2017*			Six months ended June 30, 2017*		
Revenue	$	42,617	987	43,604	77,587	1,751	79,338
Operating expenses		(26,721)	(3,033)	(29,754)	(52,716)	(5,731)	(58,447)
Segment profit (loss)		15,896	(2,046)	13,850	24,871	(3,980)	20,891
Depreciation, amortization and accretion of other liabilities		(1,151)	(74)	(1,225)	(2,272)	(148)	(2,420)
Interest expense		-	(1,079)	(1,079)	-	(2,247)	(2,247)
Business acquisition, integration, disposal, and other income (expense)		546	(635)	(89)	558	(631)	(73)
Profit (loss) before provision for income taxes	$	15,291	(3,834)	11,457	23,157	(7,006)	16,151
Other disclosures							
Capital expenditures	$	(889)	(377)	(1,266)	(2,150)	(404)	(2,554)

Segment Assets and Liabilities

(thousands of Canadian dollars)		Broadcasting	Corporate and Other	Total
		As at June 30, 2018		
Total assets	**$**	**347,929**	**13,869**	**361,798**
Total liabilities		**(23,331)**	**(165,920)**	**(189,251)**
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 to the current period presentation

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

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

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