FP Newspapers Inc.

Second Quarter
June 30, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS
Second Quarter
June 30, 2017

August 10, 2017

OVERVIEW

Management's discussion and analysis, prepared as at August 10, 2017, provides a review of significant developments that affected the performance of FP Newspapers Inc. ("FPI") in the three months ended June 30, 2017. This review is based on financial information contained in the unaudited interim condensed financial statements and accompanying notes ("interim financial statements") for the three and six months ended June 30, 2017.

Factors that could affect future operations are also discussed. These factors may be affected by known and unknown risks and uncertainties that may cause the actual future results to be materially different from those expressed in this discussion.

The interim financial statements, which are the basis for data presented in this report, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including IAS 34. The interim financial statements do not include all the information and disclosures required for annual financial statements and, therefore, the following information should be read in conjunction with the most recent audited consolidated financial statements and accompanying notes and management's discussion and analysis for the year ended December 30, 2016 prepared in accordance with IFRS and with the interim unaudited condensed financial statements and accompanying notes for the second quarter of 2017.

This Management's Discussion and Analysis contains "forward-looking statements" that are subject to risks and uncertainties set out below under the heading "Caution Regarding Forward-Looking Statements". The reader is cautioned not to place undue reliance on forward-looking statements.

Further information relating to FPI is available at www.sedar.com or on FPI's website at www.fpnewspapers.com.

FORMATION AND LEGAL ENTITIES

FPI, which was incorporated under the Canada Business Corporations Act on March 17, 2010, is the successor to the business of FP Newspapers Income Fund (the "Fund"). The Fund was created on May 15, 2002 and commenced operations on May 28, 2002 when it completed an initial public offering and purchased an interest in FP Canadian Newspapers Limited Partnership ("FPLP").

On December 31, 2010, the Fund completed its conversion from an income trust to a corporate structure pursuant to a plan of arrangement. Under the plan of arrangement, Unitholders of the Fund received, for each Unit of the Fund held, one common share of the resulting public corporation, FPI. The common shares of FPI commenced trading on the Toronto Stock Exchange on January 7, 2011 under the symbol "FP". Concurrently, the Fund's Units were delisted. Effective at the close of market on November 21, 2016 the Company delisted from trading on the Toronto Stock exchange and effective at the opening November 22, 2016, the common shares of FPI commenced trading on TSX Venture Exchange.

FPLP is a limited partnership formed on August 9, 1999. Effective November 29, 2001, FPLP acquired the business assets and assumed certain liabilities of the Winnipeg Free Press and the Brandon Sun. On July 13, 2004, FPLP acquired the business assets and liabilities of Canstar Community News ("Canstar"). On February 28, 2011, FPLP acquired the business assets and assumed certain liabilities of a commercial printing and publishing business operating under the name Derksen Printers based in Steinbach, Manitoba. On October 26, 2012 FPLP acquired substantially all of the assets and assumed certain liabilities of the Carberry News-Express, a weekly paid subscription publication.

FP NEWSPAPERS INC.

A summary of FPI's quarterly revenue, net earnings and net earnings per share for 2017, 2016, and 2015 is as follows:

	2017	2016	2015
	In thousands of dollars (except per share amounts)		
Revenue			
Quarter 1	$ 305	$ 391	$ 606
Quarter 2	802	740	1,367
Quarter 3		196	526
Quarter 4		1,051	1,407
Net earnings (loss)			
Quarter 1	$ 186	$ 250	$ 399
Quarter 2(*)	566	(5,683)	(17,655)
Quarter 3		90	331
Quarter 4(*)		(4,148)	(6,851)
Net earnings (loss) per share			
Quarter 1	$ 0.027	$ 0.036	$ 0.058
Quarter 2(*)	0.082	(0.823)	(2.558)
Quarter 3		0.013	0.048
Quarter 4(*)		(0.601)	(0.993)

(*) A non-cash write-down of $6.2 million was recorded in the second quarter of 2016 and a non-cash write-down of $4.9 million was recorded in the fourth quarter of 2016. A non-cash write-down of $18.6 million was recorded in the second quarter of 2015 and a non-cash write-down of $7.8 million was recorded in the fourth quarter of 2015. These write-downs were based on FPI's determination that its 49% equity investment in FPLP was impaired, primarily due to continued declines in revenue and earnings experienced by FPLP.

FPI reported net earnings of $0.6 million for the three months ended June 30, 2017, compared to a net loss of $5.7 million for the same period last year, due to a non-cash write-down of the equity investment in FPLP. Excluding the non-cash write-down in the equity investment in FPLP in 2016 the net earnings were $0.5 million. The increase in net earnings is primarily due to an increase in the equity share of the net earnings of FPLP with details of this increase disclosed in the FPLP section of this report and lower administration expenses in 2017. Other comprehensive loss for the three months ended June 30, 2017 was $0.8 million, compared to a loss of $0.4 million in the second quarter of 2016. Other comprehensive loss results from FPI's equity share of FPLP's recognition of remeasurements gains or losses related to the defined benefit pension plan.

As at August 10, 2017, FPI had 6,902,592 shares outstanding.

FP CANADIAN NEWSPAPERS LIMITED PARTNERSHIP

Results of Operations

FPLP's revenue for the three months ended June 30, 2017 was $18.8 million, a decrease of $2.0 million or 9.5% from the same three months in the prior year. FPLP's print advertising revenues for the three months ended June 30, 2017 were $10.8 million, a $1.4 million or 11.7% decrease compared to the same period last year. FPLP's largest advertising revenue category, display advertising including colour, was $6.1 million, a decrease of $0.9 million or 12.8% from the same period in the prior year, primarily due to decreased spending in the local and national automotive, travel and financial categories, partly offset by increased spending in the telecommunication category. Classified advertising revenues for the first quarter decreased by $0.3 million or 13.1% compared to the same period last year, primarily due to lower spending in the real estate, automobile and employment categories. Flyer distribution revenues decreased by $0.3 million or 8.6% compared to the second quarter in 2017, primarily due to a decrease in flyer volumes, partly offset by slightly higher rates.

Circulation revenues for the three months ended June 30, 2017 were virtually unchanged from the second quarter of 2016, with lower unit sales offsetting increased revenue from higher print subscription rates and new digital subscription revenues from the Winnipeg Free Press website. Digital revenues for the second quarter decreased by $0.2 million or 27.7%, primarily due to a decrease in on-line web ads. Commercial services revenue decreased by $0.3 million due to both fewer page counts printed for recurring customers as well as non-recurring print jobs.

FPLP's revenue for the six months ended June 30, 2017 was $37.0 million, a decrease of $3.4 million or 8.4% from the same period in the prior year. Print advertising revenues for the six months ended June 2017 were $21.2 million, a $2.8 million or 11.6% decrease compared to the same period last year. FPLP's largest advertising revenue category, display advertising including colour, was $11.9 million, a decrease of $2.1 million or 15.0% from the same period in the prior year, primarily due to decreased spending in the local and national automotive and financial categories, partly offset by increased spending in the travel category. Classified advertising revenues for the six months ended June 30, 2017 decreased by $0.6 million or 14.8% compared to the same period last year, primarily due to lower spending in the employment and real estate categories.

For the six months ended June 2017, circulation revenues were $12.2 million, virtually unchanged from the same period of 2016, with increased revenue from higher print subscription rates and new digital subscription revenues from the Winnipeg Free Press website, offset by lower print unit sales. Digital revenues for the first six months of 2017 decreased by $0.2 million or 18.1%, primarily due to lower on-line web ads revenue.

Operating expenses for the three months ended June 30, 2017 were $16.9 million, a decrease of $2.1 million or 11.0% compared to the same quarter last year. Employee compensation costs for the first quarter decreased by $1.0 million or 11.4% from the same period in the prior year, primarily due to a reduction in the number of employees across all of our business units. Newsprint expense for FPLP's own publications for the first quarter decreased by $0.1 million or 10.6% compared to the same period in the prior year, primarily due to lower volumes. Delivery expenses for the three months ended June 30, 2017 decreased by $0.3 million or 8.8%, primarily due to the cost savings related to the consolidation of the carrier depots. Other expenses decreased by $0.2 million or 5.3%, primarily from the loss of national commission costs with these efforts assumed by existing staff.

Operating expenses for the six months ended June 30, 2017 were $34.2 million, a decrease of $3.3 million or 8.8% compared to the same period last year. Employee compensation costs for the six months decreased by $1.8 million or 10.2% from the same period in the prior year, primarily due to a reduction in the number of employees across all of our business units. Newsprint expense for FPLP's own publications for the first quarter decreased by $0.2 million or 8.2% compared to the same period in the prior year, primarily due to lower volumes. Delivery expenses for the six months ended June 30, 2017 decreased by $0.5 million or 7.4%, primarily due to the cost savings related to the consolidation of the carrier depots. Other expenses decreased by $0.3 million or 3.6%, primarily from the loss of national commission costs with these efforts assumed by existing staff

EBITDA(1) for the three and six months ended June 30, 2017 was $2.7 million and $4.4 million compared to $2.9 million and $5.1 million for the same periods last year, a decrease of 5.9% and 9.5%, respectively. EBITDA(1) margin for the three and six months ended June 30, 2017 was 14.4% and 11.9%, compared to 13.8% and 12.5%in the same periods last year. The changes in EBITDA(1) were due to the revenue and operating expense paragraphs above.

Finance costs for the three and six months ended June 30, 2017 decreased slightly, primarily due to the lower level of debt outstanding.

FPLP's net earnings were $1.6 million and $2.3 million for the three and six months ended June 30, 2017, compared to $1.5 million and $2.3 million for the same periods last year, excluding the $12.7 million impairment charge relating to goodwill.

Under IFRS, comprehensive income includes remeasurements gains and losses related to FPLP's defined benefit pension plan. These gains and losses are primarily related to changes in actuarial discount rate assumptions and returns on plan assets differing from expected income. In the three months ended June 30, 2017, the actuarial loss was due to increases in the defined benefit obligation primarily resulting from a lower actual return on the plan's investments compared to the actuarial expected return assumptions and an actuarial discount rate decrease.

During the second quarter staff in the audience development area started a deep dive into both the city and rural home delivery route logistics. GPS technology was used to plot delivery addresses and map out redesigned routes to optimize efficiency and lower overall delivery costs. The rural project has been broken into three phases and early results are in line with our initial forecast for achievable savings. The city home delivery route re-alignment work has started as well, with the expectation that the work will be completed and redesigned routes implemented during the third and fourth quarters of this year.

Audience Development staff were recognized for their customer retention efforts at the annual Northwest International Circulation Executives. The Free Press was selected as Best in Show winner for work performed implementing a digital coupon book launched in conjunction with the Entertainment Book Group.

Winnipeg Free Press sports reporter Paul Wiecek has been inducted into the Manitoba Sportswriters and Sportscasters Association Media Roll of Honour. Wiecek has received many tributes during his career and this is more recognition of his outstanding service in sports journalism and amateur sports in Manitoba. He will be officially inducted on November 4 during the Manitoba Sports Hall of Fame annual dinner. Newly hired Free Press reporter Jane Gerster was named one of the winners of the 26th annual Hon. Edward Goff Penny Memorial Prizes for young Canadian Journalists.

On the digital content front, the NewsBreak ios App which was launched in March is now up to 14,000 downloads compared to 11,000 at the end of the first quarter. During the second quarter the Free Press launched a re-designed website for new and used automobiles. Early feedback has been positive from both the general public and local automotive dealerships who are able to purchase advertising for their inventory as well as brand advertising.

The Brandon Sun launched its redesigned website in early June which was initially set up as an open site for a one month trial period. In July the login requirement was enabled and Brandon Sun readers are able to subscribe for monthly periods or pay to read single articles similar to the Free Press page. Print subscribers to the Brandon Sun get complete access to the digital content included as part of their monthly fee.

The Brandon sun Community Leaders Awards program was introduced at the end of the second quarter. The awards program was established to recognize individuals who volunteer their own time and skills to make the community better. People can be nominated in eleven different categories and award winners were determined by the Brandon Sun Staff Selection Committee. At the awards night on June 21, 2017 Angela McGuire-Holder, a teacher in the Brandon School Division, was named the 2017 Brandon Sun Community Leader of the year.

At the end of the second quarter Jonathan Kirkup the Brandon Sun Controller since 2011 decided to pursue other career opportunities. The Brandon Controller's role will be filled on a shared basis with existing staff both in Brandon and Winnipeg. We thank Jonathan for his professionalism and positive approach and wish him well in his future career.

The six Canstar community weekly newspapers were recipients of nine awards at the Better Newspaper Competition held by the Manitoba Community Newspaper association. Reporter Danielle Da Silva won three first-place awards: best environmental story, best habitat conservation story, and best historical story. Reporter Liglia Braidotti won first place in the best news story category and Alana Trachenko won first place in the better communities category. Andrea Geary our reporter at the Headingly Headliner won second place in the best tourism story category and Tony Zerucha finished third in two categories: best news story and best historical story. An advertising feature in The Sou'Wester called Home Town Tourist was named third–best special section. Editorially, the papers have streamlined their special sections to better reflect the needs of advertisers. A monthly Community Homes section has proven a success, and special Canada 150 issues of the six papers issued in late June were popular with both readers and advertisers.

In Steinbach the second quarter saw some challenges as well as some opportunities. We experienced some extraordinary expense items with a major re-build to our main truck diesel engine as well as having our four colour sheet-fed press go down for two weeks with electrical problems. These expense items were large repairs and the two week downtime cost us a large investment in outside printing costs to meet client deadlines on work we had in the plant. On the positive side we continue to add new niche products which helped The Carillon revenues increase from our first quarter results. Our pre-print delivery area of the business continues to perform ahead of plan, benefitting from our expanded delivery area. Pressure from publications ceasing printing continued to challenge the Derksen web printing operation, however we were able to pick up one new client The Filipino Express. As we look to continue to find ways to cut costs we are restructuring our pre-press and layout area and have been able to reduce costs with one retirement with a second one possibly being announced in the third quarter.

Quarterly Summary

Newspaper publishing is, to a certain extent, a seasonal business, with a higher proportion of revenues and operating earnings occurring during the second and fourth quarters of the calendar year. Revenue, EBITDA[1] and net earnings of FPLP by quarter for 2017, 2016 and 2015 were as follows:

	2017	2016	2015
		In thousands of dollars	
Revenue			
Quarter 1	$ 18,218	$ 19,642	$ 21,300
Quarter 2	18,795	20,773	23,461
Quarter 3		19,209	21,139
Quarter 4		20,881	23,126
		$ 80,505	$ 89,026
EBITDA[1]			
Quarter 1	$ 1,704	$ 2,189	$ 2,684
Quarter 2[*]	2,706	2,877	4,207
Quarter 3		1,759	2,466
Quarter 4[*]		3,412	4,253
		$ 10,237	$ 13,610
Net Earnings (Loss)			
Quarter 1	$ 621	$ 797	$ 1,236
Quarter 2[*]	1,637	(11,192)	(20,413)
Quarter 3		401	1,073
Quarter 4[*]		(7,856)	(13,128)
		$ (17,850)	$ (31,232)

[*]Goodwill impairment charges of $12.7 million in the second quarter of 2016 and $23.2 million in the second quarter 2015 and $10.0 million in the fourth quarter of 2016 and $16.0 million in the fourth quarter of 2015 were recorded primarily due to continued declines in revenues and earnings.

Liquidity and Capital Resources of FPLP

Cash and cash equivalents at June 30, 2017 was $11.6 million, compared to $10.0 million at December 31, 2016. Cash and cash equivalents may be used to pay future distributions (including future income taxes payable by the partners), to reduce debt, to fund future capital expenditures, or for other general purposes. Cash flow from operations, together with cash balances on hand, are currently expected to be sufficient to fund FPLP's operating requirements, capital expenditures, required principal repayments under FPLP's credit facility and anticipated distributions, assuming that advertising revenues do not materially deteriorate beyond management's current expectations.

Cash Flow from Operating Activities

During the three and six months ended June 30, 2017, cash generated from operating activities was $1.9 million and $5.2 million, compared to $1.5 million and $4.6 million for the same periods in 2016. Net earnings for the three and six months ended June 30, 2017 were $1.6 million and $2.3 million, compared to $1.5 million and $2.3 million for the same periods in 2016, excluding the $12.7 million goodwill impairment charge. The net change in non-cash working capital used $0.2 million of cash for the three months ended June 30, 2017 and provided $2.4 million for the six months ended June 30, 2017, compared to $0.6 million used for the three months ended June 30, 2016 and provided $1.1 million for the six months ended June 30, 2016. The increase in cash provided by non-cash working capital changes is primarily the result of timing of receipts from customers and payments to vendors.

Investing Activities

Capital asset additions were less than $0.1 million for the three and six months ended June 30, 2017, compared to $0.3 million and $0.4 million in the same periods in the prior year. Capital spending in the three and six months ended June 30, 2017 was primarily for the development of the Winnipeg Free Press Newsbreak ios app, software purchases and press refurbishment.

Financing Activities

Financing activities used \$1.2 million and \$3.5 million for the three and six months ended June 30, 2017, compared to \$1.5 million and \$4.6 million for the same periods in 2016. The primary reason for the lower use of funds is due to the reduction of finance lease principal and there were no distributions to partners in 2017 compared to \$0.6 million distributions to partners in the first quarter of 2016.

Contractual Obligations

There have been no significant changes to contractual obligations since December 31, 2016.

Related Party Transactions

FPLP purchased a majority of its newsprint from Alberta Newsprint Company ("ANC"), a related party, as disclosed under the related party transaction section of FPLP's Annual Management's Discussion and Analysis at December 31, 2016. Total newsprint purchases from ANC, based on actual invoice prices, for the three and six months ended June 30, 2017 were \$1.1 million and \$2.3 million, compared to \$1.0 million and \$2.7 million for the same periods last year.

DISCLOSURE CONTROLS AND PROCEDURES

In FPI's 2016 filings, the CEO and CFO certified, as required by National Instrument 52-109, the appropriateness of the financial disclosure, the design and effectiveness of the Corporation's disclosure controls and procedures, and the design and effectiveness of internal controls over financial reporting.

In FPI's second quarter 2017 filings, the CEO and CFO certify, as required by National Instrument 52-109, the appropriateness of the financial disclosure, the design of the Corporation's disclosure controls and procedures, and the design of internal controls over financial reporting.

FPI's Audit Committee reviewed this MD&A, and the interim financial report, and the Board of Directors approved these documents prior to their release.

There have been no changes to FPI's internal controls over financial reporting that occurred during the first two quarters of 2017 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

CRITICAL ACCOUNTING ESTIMATES

There have been no significant changes in FPI's or FPLP's critical accounting estimates since the December 2016 year-end.

OUTLOOK

Print advertising revenue year-over-year declines continued in the second quarter at roughly the same pace as experienced in the first quarter. Improvements in the level of expense reductions in the second quarter contributed to the EBITDA decline of just under 6% in the second quarter compared to the 22% decline experienced in the first quarter. Early in the third quarter we are seeing continued revenue declines at levels similar to the first two quarters.

We are pleased with the progress made to date in strengthening our balance sheet after making the decision previously to stop distributions to shareholders. In the first six months of 2017, net debt, defined as gross debt less cash on hand, decreased to \$24.1 million compared to \$29.3 at December 31, 2016. The long term debt facility requires our gross term debt be a maximum of \$30 million at January 31, 2018, so an additional principal payment will be made prior to that date, as our gross debt in the term facility is \$33.0 million at the end of the second quarter.

On Saturday May 13, unionized employees of the Winnipeg Free Press and Canstar Community news voted in favour of ratifying a Memorandum of Agreement which among other things extends the current in-force contract from June 30, 2018 to June 30, 2019. The July 1, 2017 increase which was previously 1.5% was reduced to 0.75% and there is no additional increase in 2018. Contingency language was included in the memorandum if free cash (as defined in the agreement) falls below \$0.8 million for a rolling twelve month period, an eight percent wage reduction would apply for the majority of employees. Other employees on the reduced compensation grid would take a four percent reduction. The free cash calculation is to be completed on a rolling twelve month basis completed quarterly with the first measurement taking place on December 31, 2017. Nothing in the Memorandum of the Collective Agreement prevents the parties from reconvening to formally discuss another agreement should there be dramatic changes in the business model. The agreement also allowed for the appointment of a union representative to join the Board of Directors of both the general partner, FPCN General Partner Inc. and the public company, FP Newspapers Inc. Aldo Santin, a journalist at the Winnipeg Free Press and president of the union local, will join the general partner board at the August board meeting and have an observer role on the public company board until a shareholder's vote can be completed during the 2017 Annual General Meeting to seek his formal appointment to the public company board.

Winnipeg and surrounding communities look forward to hosting the Canada Summer Games which commence with the opening ceremony Friday July 28, 2017. Approximately four thousand athletes and coaches will take part in 250 events in 16 sports in Winnipeg, Gimli and Kenora, Ontario. The games run until August 13, 2017.

NON-IFRS MEASURES

(1) EBITDA

FPLP believes that in addition to net earnings as reported on FPLP's interim condensed consolidated statements of earnings, EBITDA is a useful supplemental measure as it is a measure used by many of FPLP's Unitholders, creditors and analysts as a proxy for the performance of the business and the amount of cash generated by FPLP's operating activities. EBITDA is not a recognized measure of financial performance under IFRS. Investors are cautioned that EBITDA should not be construed as an alternative to net earnings determined in accordance with IFRS as an indicator of FPLP`s performance. FPLP's method of calculating EBITDA is detailed below and may differ from that used by other issuers and, accordingly, EBITDA as calculated by FPLP may not be comparable to similar measures used by other issuers.

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2017 *In thousands of dollars*	**2016**	**2017** *In thousands of dollars*	**2016** *In thousands of dollars*
Net earnings (loss) for the period	$ 1, 637	$ (11,192)	$ 2,258	$ (10,395)
Add (subtract):				
Depreciation and amortization	788	1,065	1,579	2,130
Impairment of goodwill	-	12,700	-	12,700
Finance costs	301	325	614	670
Other income	(20)	(21)	(41)	(39)
EBITDA	$ 2,706	$ 2,877	$ 4,410	$ 5,066

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this management's discussion and analysis may constitute forward-looking statements within the meaning of applicable securities laws. All statements other than statements of historical fact are forward-looking statements. These statements include but are not limited to statements regarding management's intent, belief or current expectations with respect to market and general economic conditions, future costs and operating performance. Generally, but not always, forward-looking statements will be indicated by words such as "may", "will", "intend", "anticipate", "expect", "believe", "plan", "forecast", "is budgeting for" or similar terminology.

Forward-looking statements are subject to known and unknown risks and uncertainties that may cause the actual results, performance or achievements of the Corporation or FPLP, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, but are not limited to, the current general economic uncertainty, FPLP's ability to effectively manage growth and maintain its profitability, FPLP's ability to operate in a highly competitive industry, FPLP's ability to compete with other forms of media, FPLP's ability to attract advertisers, FPLP's reliance upon key personnel, FPLP's relatively high fixed costs, FPLP's dependence upon particular advertising customer segments, indebtedness incurred in making acquisitions, the availability of financing for capital improvements, the availability of an extension or refinancing of FPLP's term loan facilities, costs related to capital expenditures, cyclical and seasonal variations in FPLP's revenues, the risk of acts of terrorism, the cost of newsprint, the potential for labour disruptions, the risk of equipment failure, and the effect of Canadian tax laws. Additional information about these and other factors is discussed in our Annual Management Discussion and Analysis dated March 17, 2017, which is available at www.sedar.com.

In addition, although the forward-looking statements contained in this management's discussion and analysis are based upon what management of FPLP believes are reasonable assumptions, such assumptions may prove to be incorrect.

Forward-looking statements speak only as of the date hereof and, except as required by law, the Corporation and FPLP assume no obligation to update or revise them to reflect new events or circumstances. Because forward-looking statements are inherently uncertain, readers should not place undue reliance on them.

FP Newspapers Inc.
Condensed Balance Sheets
(unaudited, in thousands of Canadian dollars)

	Note	As at June 30, 2017	As at December 30, 2016
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		$ 457	$ 673
Prepaid expenses and other assets		3	5
Income tax receivable		253	327
		713	1,005
LONG-TERM ASSETS			
Investment in FP Canadian Newspapers Limited Partnership	3	8,828	8,782
TOTAL ASSETS		$ 9,541	$ 9,787
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		$ 64	$ 116
LONG-TERM LIABILITIES			
Deferred income tax liability		800	972
TOTAL LIABILITIES		864	1,088
SHAREHOLDERS' EQUITY			
Share capital		71,373	71,373
Deficit		(62,696)	(62,674)
TOTAL SHAREHOLDERS' EQUITY		8,677	8,699
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 9,541	$ 9,787

(See accompanying notes)

FP Newspapers Inc.
Condensed Statements of Earnings (Loss) and Comprehensive (Loss)
(unaudited, in thousands of Canadian dollars except per share amounts)

		Three Months Ended June 30,		Six Months Ended June 30,	
	Note	2017	2016	2017	2016
Equity interest from FP Canadian Newspapers Limited Partnership Class A limited partner units	3	$ 802	$ 739	$ 1,107	$ 1,130
Write-down of investment in FP Canadian Newspapers Limited Partnership Class A limited partner units		-	(6,200)	-	(6,200)
Administration expenses		(35)	(53)	(65)	(105)
Other income		-	1	-	1
Net earnings (loss) before income taxes		767	(5,513)	1,042	(5,174)
Current income tax (expense)		(159)	(122)	(175)	(181)
Deferred income tax (expense)		(42)	(48)	(115)	(78)
Net earnings (loss) for the period		**$ 566**	**$ (5,683)**	**$ 752**	**$ (5,433)**
Items that will not be reclassified to net earnings:					
Equity interest of other comprehensive (loss) from FP Canadian Newspaper Limited Partnership	3	(1,071)	(596)	(1,061)	(1,430)
Deferred income tax recovery		289	161	287	386
Comprehensive (loss) for the period		**$ (216)**	**$ (6,118)**	**$ (22)**	**$ (6,477)**
Weighted average number of Common Shares outstanding		6,902,592	6,902,592	6,902,592	6,902,592
Net earnings (loss) per share – basic and diluted		$ 0.082	$ (0.823)	$ 0.109	$ (0.787)

(See accompanying notes)

FP Newspapers Inc.
Condensed Statements of Changes in Equity
(unaudited, in thousands of Canadian dollars)

	Share Capital	Deficit	Total Shareholders' Equity
At December 30, 2015	$ 71,373	$ (54,053)	$ 17,320
Net (loss) for the period	-	(5,433)	(5,433)
Other comprehensive (loss) for the period	-	(1,044)	(1,044)
Comprehensive (loss) for the period	-	(6,477)	(6,477)
At June 30, 2016	$ 71,373	$ (60,530)	$ 10,843
At December 30, 2016	$ 71,373	$ (62,674)	$ 8,699
Net earnings for the period	-	752	752
Other comprehensive (loss) for the period	-	(774)	(774)
Comprehensive (loss) for the period	-	(22)	(22)
At June 30, 2017	$ 71,373	$ (62,696)	$ 8,677

(See accompanying notes)

FP Newspapers Inc.
Condensed Statements of Cash Flows
(unaudited, tabular amounts in thousands of Canadian dollars)

	Note	Three months Ended June 30, 2017	Three months Ended June 30, 2016	Six months Ended June 30, 2017	Six months Ended June 30, 2016
CASH PROVIDED BY (USED IN):					
OPERATING ACTIVITIES					
Net earnings (loss) for the period		$ 566	$ (5,683)	$ 752	$ (5,433)
Items not affecting cash:					
Equity interest from Class A Units of FP Canadian Newspapers Limited Partnership	3	(802)	(739)	(1,107)	(1,130)
Non-cash write-down of investment in FP Canadian Newspapers Limited Partnership		-	6,200	-	6,200
Deferred income tax expense (recovery)		42	48	115	78
Distributions received on Class A Units of FP Canadian Newspapers Limited Partnership	3	-	-	-	276
Net change in non-cash working capital items		156	876	24	560
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(38)	702	(216)	551
CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD		495	137	673	288
CASH AND CASH EQUIVALENTS – END OF PERIOD		$ 457	$ 839	$ 457	$ 839
Supplemental cash flow information:					
Income tax paid (received)		$ -	$ (741)	$ 100	$ (389)

(See accompanying notes)

(unaudited, tabular amounts in thousands of Canadian dollars)

1. GENERAL INFORMATION

FP Newspapers Inc. ("FPI"), which was incorporated under the Canada Business Corporations Act on March 17, 2010, owns securities entitling it to 49% of the distributable cash as defined in the partnership agreement of FP Canadian Newspapers Limited Partnership ("FPLP"). FPLP is a limited partnership formed under the laws of British Columbia on August 9, 1999. It owns the Winnipeg Free Press, the Brandon Sun and other newspapers, printing and media businesses. The address of FPI's registered office is Suite 2900, P.O. Box 11583, 650 West Georgia Street, Vancouver, British Columbia, V6B 4N8.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 "Interim Financial Reporting". In accordance with GAAP, these financial statements do not include all of the financial statement disclosures required for annual financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended December 30, 2016. In management's opinion, the financial statements reflect all adjustments that are necessary for a fair presentation of the results for the interim period presented.

These financial statements were approved by the Board of Directors of FPI on August 10, 2017.

3. INVESTMENT IN FP CANADIAN NEWSPAPERS LIMITED PARTNERSHIP

FPI holds all of the Class A limited partner Units of FPLP, which entitles it to 49% of the distributable cash, as defined in the Partnership Agreement of FPLP.

The investment in FPLP is summarized as follows:

	Class A limited partner units
Balance at December 30, 2015	$ 16,589
Equity interest in net earnings and comprehensive income for the year ended December 30, 2016	3,569
Non-cash write-down of investment in FP Canadian Newspapers limited Partnership Class A limited partner units	(11,100)
Distributions received for the year ended December 30, 2016	(276)
Balance at December 30, 2016	$ 8,782
Equity interest in net earnings and comprehensive income for the six months ended June 30, 2017	46
Balance at June 30, 2017	$ 8,828

(unaudited, tabular amounts in thousands of Canadian dollars)

The equity interest from FPI's investment in Class A limited partner units and the equity interest in the other comprehensive income of FPLP are calculated as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	**2016**	**2017**	**2016**
Net earnings (loss) of FPLP	$ 1,637	$ (11,192)	$ 2,258	$ (10,395)
Add back impairment of goodwill recorded by FPLP	-	12,700	-	12,700
Net earnings of FPLP before goodwill impairment charge	1,637	1,508	2,258	2,305
Interest attributable to FPI	49%	49%	49%	49%
Equity interest in net earnings of FPLP before goodwill impairment charge	802	739	1,107	1,130
Other comprehensive (loss) of FPLP	(2,186)	(1,217)	(2,166)	(2,919)
Interest attributable to FPI	49%	49%	49%	49%
Equity interest in other comprehensive (loss) of FPLP	$ (1,071)	$ (596)	$ (1,061)	$ (1,430)

4. FINANCIAL INSTRUMENTS

The fair value of current assets and liabilities including cash and cash equivalents and accounts payable and accrued liabilities approximates their carrying value due to the short-term nature of these financial instruments.

FPI does not carry any assets or liabilities at fair value, and therefore does not prepare a fair value hierarchy.

FP Canadian Newspapers Limited Partnership
Condensed Consolidated Balance Sheets
(unaudited, in thousands of Canadian dollars)

	Note	As at June 30, 2017	As at December 31, 2016
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		$ 11,608	$ 9,970
Accounts receivable		6,805	9,476
Inventories		965	1,128
Prepaid expenses and other assets		997	1,116
		20,375	21,690
LONG-TERM ASSETS			
Property, plant and equipment		27,935	29,334
Intangible assets		6,185	6,296
Goodwill		9,350	9,350
TOTAL ASSETS		$ 63,845	$ 66,670
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		$ 5,380	$ 6,059
Provision		-	58
Prepaid subscriptions and deferred revenue		2,812	2,680
Finance lease obligation		807	844
Mortgage loan		62	60
Term loan	6	4,000	1,500
		13,061	11,201
LONG-TERM LIABILITIES			
Accrued pension benefit liability		1,955	811
Finance lease obligation		1,051	1,458
Mortgage loan		830	862
Term loan	6	28,909	34,391
TOTAL LIABILITIES		45,806	48,723
UNITHOLDERS' EQUITY			
Partner units		98,280	98,280
Deficit		(80,241)	(80,333)
TOTAL UNITHOLDERS' EQUITY		18,039	17,947
TOTAL LIABILITIES AND UNITHOLDERS' EQUITY		$ 63,845	$ 66,670

(See accompanying notes)

FP Canadian Newspapers Limited Partnership
Condensed Consolidated Income (Loss) Statements and Statements of Comprehensive Income (Loss)
(unaudited, in thousands of Canadian dollars)

		Three Months Ended June 30,		Six Months Ended June 30,	
	Note	**2017**	**2016**	**2017**	**2016**
Revenue					
Print advertising		$ 10,825	$ 12,262	$ 21,157	$ 23,932
Circulation		6,224	6,261	12,206	12,288
Commercial printing		1,036	1,319	2,170	2,424
Digital		528	730	1,100	1,342
Promotion and services		182	201	380	429
TOTAL REVENUE		18,795	20,773	37,013	40,415
Operating expenses					
Employee compensation		7,791	8,793	15,807	17,599
Newsprint and other paper		1,568	1,803	3,106	3,400
Delivery of newspapers		3,318	3,638	6,570	7,097
Other		3,341	3,528	6,861	7,115
Depreciation and amortization		788	1,065	1,579	2,130
Restructuring charge		71	134	259	138
Operating income before impairment		1,918	1,812	2,831	2,936
Impairment of goodwill		-	(12,700)	-	(12,700)
OPERATING INCOME (LOSS)		1,918	(10,888)	2,831	(9,764)
Other income		20	21	41	39
Finance costs	4	(301)	(325)	(614)	(670)
NET EARNINGS (LOSS) FOR THE PERIOD		$ 1,637	$ (11,192)	$ 2,258	$ (10,395)
Items that will not be reclassified to net earnings:					
Remeasurements for defined benefit pension plan		(2,186)	(1,217)	(2,166)	(2,919)
COMPREHENSIVE EARNINGS (LOSS) FOR THE PERIOD		$ (549)	$ (12,409)	$ 92	$ (13,314)

(See accompanying notes)

FP Canadian Newspapers Limited Partnership
Condensed Consolidated Statements of Changes in Equity
(unaudited, in thousands of Canadian dollars)

	Partner Units	Deficit	Total Unitholders' Equity
UNITHOLDERS' EQUITY – DECEMBER 31, 2015	$ 98,280	$ (64,351)	$ 33,929
Net (loss) for the period	-	(10,395)	(10,395)
Other comprehensive (loss) for the period	-	(2,919)	(2,919)
Comprehensive (loss) for the period	-	(13,314)	(13,314)
Distributions paid	-	(563)	(563)
UNITHOLDERS' EQUITY – JUNE 30, 2016	$ 98,280	$ (78,228)	$ 20,052
UNITHOLDERS' EQUITY – DECEMBER 31, 2016	$ 98,280	$ (80,333)	$ 17,947
Net earnings for the period	-	2,258	2,258
Other comprehensive (loss) for the period	-	(2,166)	(2,166)
Comprehensive income for the period	-	92	92
UNITHOLDERS' EQUITY – JUNE 30, 2017	$ 98,280	$ (80,241)	$ 18,039

(See accompanying notes)

FP Canadian Newspapers Limited Partnership
Unaudited Condensed Consolidated Statements of Cash Flows
(tabular amounts in thousands of Canadian dollars)

	Three months ended June 30,		Six months ended June 30,	
	2017	**2016**	**2017**	**2016**
Cash provided by (used in):				
Operating activities				
Net earnings (loss) for the period	$ 1,637	$ (11,192)	$ 2,258	$ (10,395)
Items not affecting cash:				
Depreciation and amortization	788	1,065	1,579	2,130
Accretion of term loan related to financing costs	9	9	18	18
Impairment of goodwill	-	12,700	-	12,700
Gain on disposal of property, plant and equipment	-	(3)	-	(3)
(Excess) of pension contribution over expense	(298)	(500)	(1,121)	(966)
	2,136	2,079	2,734	3,484
Net change in non-cash working capital items	(213)	(606)	2,447	1,084
	1,923	1,473	5,181	4,568
INVESTING ACTIVITIES				
Purchases of property, plant and equipment	(16)	(93)	(23)	(129)
Purchase of intangibles	(12)	(207)	(46)	(277)
Proceeds from sale of property, plant and equipment	-	3	-	3
	(28)	(297)	(69)	(403)
FINANCING ACTIVITIES				
Distributions to partners	-	-	-	(563)
Principal repayments of finance lease	(198)	(471)	(444)	(984)
Principal repayments of mortgage loan	(15)	(14)	(30)	(28)
Principal repayment of term loan	(1,000)	(1,000)	(3,000)	(3,000)
	(1,213)	(1,485)	(3,474)	(4,575)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	682	(309)	1,638	(410)
CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD	10,926	10,620	9,970	10,721
CASH AND CASH EQUIVALENTS – END OF PERIOD	$ 11,608	$ 10,311	$ 11,608	$ 10,311
Supplemental Cash Flow Information:				
Interest paid during the period	$ 303	$ 320	$ 603	$ 654
Interest received during the period	21	19	40	35

(See accompanying notes)

(tabular amounts in thousands of Canadian dollars)

1. GENERAL INFORMATION

FP Canadian Newspapers Limited Partnership ("FPLP") is a limited partnership formed on August 9, 1999 in accordance with the laws of British Columbia. FPLP publishes, prints and distributes daily and weekly newspapers and specialty publications, delivers advertising materials in the Manitoba market and provides commercial printing services. The address of the registered office of its managing general partner, FPCN General Partner Inc., is Suite 2900, P.O. Box 11583, 650 West Georgia Street, Vancouver, British Columbia, V6B 4N8.

These interim condensed consolidated financial statements include the operating businesses owned by FPLP. The managing general partner of FPLP is FPCN General Partner Inc. ("FPGP"). These interim condensed consolidated financial statements include only the assets, liabilities, revenues and expenses of FPLP and its subsidiaries and do not include the other assets, liabilities, revenues and expenses, including income taxes of the partners.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 "Interim Financial Reporting". In accordance with GAAP, these financial statements do not include all of the financial statement disclosures required for annual financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2016. In management's opinion, the financial statements reflect all adjustments that are necessary for a fair presentation of the results for the interim period presented.

These interim condensed consolidated financial statements were approved by the Board of Directors of FPGP on August 10, 2017.

FPLP's advertising revenue is seasonal. Advertising revenue and accounts receivable are highest in the second and fourth fiscal quarters, while expenses are relatively constant throughout the fiscal year.

3. EMPLOYEE FUTURE BENEFIT PLANS

The net benefit plan costs included in operating expenses is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	**2016**	**2017**	**2016**
Defined benefit pension plan	$ 327	$ 414	$ 653	$ 828

(tabular amounts in thousands of Canadian dollars)

4. FINANCE COSTS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	**2016**	**2017**	**2016**
Finance costs				
Interest on finance leases	16	28	34	61
Interest on mortgage loan	8	9	16	18
Interest on term loan	268	279	546	573
Accretion of term loan related financing costs	9	9	18	18
Total finance costs	$ 301	$ 325	$ 614	$ 670

5. RELATED PARTY TRANSACTIONS

Total newsprint purchases from Alberta Newsprint Company, a company controlled indirectly by Ronald Stern, for the three and six months ended June 30, 2017 were $1,100,000 and $2,300,000 ($1,000,000 and $2,700,000 for the three and six months ended June 30, 2016).

6. LONG-TERM DEBT

The long-term debt renewal agreement with HSBC Bank Canada was renewed on January 8, 2015 with a maturity date of January 31, 2020. On the renewal date, $6,300,000 of principal was repaid reducing the outstanding principal to $40,000,000. Principal repayments of $1,000,000 are due on the first of June each year and a cash sweep is payable no later than 90 days after the end of each fiscal year. The cash sweep principal repayment of $2,000,000 was made on March 31, 2017 for the 2016 financial year results. The cash sweep is equal to the lesser of $3,500,000 or 25% of FPLP's annual distributable cash as defined in the agreement. Maximum principal balances under the agreement are $30,000,000 on January 31, 2018 and $20,000,000 on January 31, 2020. The renewal agreement includes negative covenants which must be observed in order to avoid an accelerated termination of the agreement, including a covenant in favour of HSBC not to pay distributions which exceed distributable cash by more than $1,000,000 in any fiscal year, as well as a covenant not to amend the share capital or permit changes to the beneficial ownership of FPGP. The loan is secured by substantially all of the assets of FPLP.

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of current assets and liabilities including cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities and provisions approximates their carrying value due to the short-term nature of these financial instruments. At June 30, 2017 the fair value of the HSBC term loan, based on Level 3 fair value hierarchy inputs, is approximately $33,000,000 (December 31, 2016 $37,000,000). The fair value of the mortgage loan, based on level 3 fair value hierarchy inputs, approximates its carrying value.

The fair value of long-term debt and mortgage payable has been calculated by discounting the expected cash flows of each debt using a discount rate of 3.07% and 3.50%, respectively. The discount rate is determined using a risk free benchmark bond yield for instruments of similar maturity adjusted for the Company's specific credit risk. In determining the adjustment for credit risk, the Company considers market conditions, the underlying values of properties and other assets secured by the associated loan and other indicators of the Company's credit worthiness.

FPLP's financial assets and liabilities are comprised of cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, provisions and long-term debt which include the term-loan and mortgage loan.

There were no transfers within the fair value hierarchy during the six month ended June 30, 2017.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this management's discussion and analysis may constitute forward-looking statements within the meaning of applicable securities laws. All statements other than statements of historical fact are forward-looking statements. These statements include but are not limited to statements regarding management's intent, belief or current expectations with respect to market and general economic conditions, future costs and operating performance. Generally, but not always, forward-looking statements will be indicated by words such as "may", "will", "intend", "anticipate", "expect", "believe", "plan", "forecast", "is budgeting for" or similar terminology.

Forward-looking statements are subject to known and unknown risks and uncertainties that may cause the actual results, performance or achievements of the Corporation or FPLP, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, but are not limited to, the current general economic uncertainty, FPLP's ability to effectively manage growth and maintain its profitability, FPLP's ability to operate in a highly competitive industry, FPLP's ability to compete with other forms of media, FPLP's ability to attract advertisers, FPLP's reliance upon key personnel, FPLP's relatively high fixed costs, FPLP's dependence upon particular advertising customer segments, indebtedness incurred in making acquisitions, the availability of financing for capital improvements, the availability of an extension or refinancing of FPLP's term loan facilities, costs related to capital expenditures, cyclical and seasonal variations in FPLP's revenues, the risk of acts of terrorism, the cost of newsprint, the potential for labour disruptions, the risk of equipment failure, and the effect of Canadian tax laws. Additional information about these and other factors is discussed in our Annual Management Discussion and Analysis dated March 17, 2017, which is available at www.sedar.com.

In addition, although the forward-looking statements contained in this management's discussion and analysis are based upon what management of FPLP believes are reasonable assumptions, such assumptions may prove to be incorrect.

Forward-looking statements speak only as of the date hereof and, except as required by law, the Corporation and FPLP assume no obligation to update or revise them to reflect new events or circumstances. Because forward-looking statements are inherently uncertain, readers should not place undue reliance on them.