FP Newspapers Inc.

Third Quarter
September 30, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Third Quarter
September 30, 2017

November 27, 2017

OVERVIEW

Management's discussion and analysis, prepared as at November 27, 2017, provides a review of significant developments that affected the performance of FP Newspapers Inc. ("FPI") in the three months and nine ended September 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 nine months ended September 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 third 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	150	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	71	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	0.010	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 $0.1 million for the three months ended September 30, 2017, compared to net earnings of $0.1 million for the same period last year. Other comprehensive income for the three months ended September 30, 2017 was $0.3 million, compared to income of $0.2 million in the third quarter of 2016. Other comprehensive income (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 November 27, 2017, FPI had 6,902,592 shares outstanding.

FP CANADIAN NEWSPAPERS LIMITED PARTNERSHIP

Results of Operations

FPLP's revenue for the three months ended September 30, 2017 was $16.9 million, a decrease of $2.3 million or 12.1% from the same three months in the prior year. FPLP's print advertising revenues for the three months ended September 30, 2017 were $9.0 million, a $1.9 million or 17.4% decrease compared to the same period last year. FPLP's largest advertising revenue category, display advertising including colour, was $4.6 million, a decrease of $1.4 million or 23.1% from the same period in the prior year, primarily due to decreased spending in the local and national automotive, telecommunication and financial categories. Classified advertising revenues for the third quarter decreased by $0.2 million or 13.7% compared to the same period last year, primarily due to lower spending in the real estate, and automotive categories. Flyer distribution revenues decreased by $0.3 million or 8.4% compared to the second quarter in 2017, primarily due to a decrease in flyer volumes, partly offset by slightly higher average rates.

Circulation revenues for the three months ended September 30, 2017 decreased by $0.2 million or 3.4% from the same period 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 third quarter decreased by $0.1 million or 15.4%, primarily due to a decrease in on-line web ads. Commercial services revenue decreased by $0.1 million due to both fewer page counts printed for recurring customers as well as non-recurring print jobs.

FPLP's revenue for the nine months ended September 30, 2017 was $53.9 million, a decrease of $5.7 million or 9.6% from the same period in the prior year. Print advertising revenues for the nine months ended September 2017 were $30.2 million, a $4.7 million or 13.4% decrease compared to the same period last year. FPLP's largest advertising revenue category, display advertising including colour, was $16.6 million, a decrease of $3.5 million or 17.4% 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 real estate category. Classified advertising revenues for the nine months ended September 30, 2017 decreased by $0.8 million or 14.5% compared to the same period last year, primarily due to lower spending in the automotive, real estate and employment categories.

For the nine months ended September 2017, circulation revenues were $18.4 million, a reduction of $0.3 million 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 nine months of 2017 decreased by $0.3 million or 17.2% compared to the third quarter of 2016, primarily due to lower on-line web ads revenue.

Operating expenses for the three months ended September 30, 2017 were $16.3 million, a decrease of $2.2 million or 11.9% compared to the same quarter last year. Employee compensation costs for the third quarter decreased by $0.8 million or 9.8% 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 third quarter decreased by $0.2 million or 14.2% compared to the same period in the prior year, primarily due to lower volumes. Delivery expenses for the three months ended September 30, 2017 decreased by $0.3 million or 8.1%, primarily due to the cost savings related to the consolidation of the carrier depots and route realignments to improve efficiency. Other expenses decreased by $0.5 million or 12.8%, primarily from the loss of national commission costs with these efforts assumed by existing staff.

Operating expenses for the nine months ended September 30, 2017 were $50.5 million, a decrease of $5.5 million or 9.8% compared to the same period last year. Employee compensation costs for the nine months decreased by $2.6 million or 10.0% 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 nine months ended September 30, 2017decreased by $0.4 million or 10.2% compared to the same period in the prior year, primarily due to lower volumes. Delivery expenses for the nine months ended September 30, 2017 decreased by $0.8 million or 7.6%, primarily due to the cost savings related to the consolidation of the carrier depots. Other expenses decreased by $0.7 million or 6.7%, primarily from the loss of national commission costs with these efforts assumed by existing staff.

EBITDA(1) for the three and nine months ended September 30, 2017 was $1.4 million and $5.8 million compared to $1.8 million and $6.8 million for the same periods last year, a decrease of 22.6% and 15.4%, respectively. EBITDA(1) margin for the three and nine months ended September 30, 2017 was 8.1% and 10.7%, compared to 9.2% and 11.4% 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 nine months ended September 30, 2017 decreased slightly, primarily due to the lower level of debt outstanding, partially offset by a slightly higher interest rate.

FPLP's net earnings were $0.3 million and $2.6 million for the three and nine months ended September 30, 2017, compared to $0.4 million and $2.7 million for the same periods last year, excluding the $12.7 million impairment charge relating to goodwill recorded in the second quarter of 2016.

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 September 30, 2017, the actuarial gain was due to decreases in the defined benefit obligation primarily resulting from a higher actual return on the plan's investments compared to the actuarial expected return assumptions and an actuarial discount rate increase.

The Winnipeg Free Press won two international awards honouring the best digital media websites. The 22nd annual EPPY awards, handed out by *Editor & Publisher*, named the Winnipeg Free Press the winner for Best Daily Newspaper Website and Best Photojournalism of a website, for Northern Stars, part one of the paper's Inuit Heart series. Inuit Heart was a two part series written by reporter Randy Turner with photography by John Woods that saw the Free Press investigating the impact the Winnipeg Art Gallery's Inuit Art Centre, which has the world's largest collection of Inuit art, would have on both Winnipeg and the communities in Nunavut where the artists live. The Winnipeg Free Press won the Best Daily Newspaper Website category for small/medium markets.

For the second consecutive year, the Winnipeg Free Press's Kelly Taylor has been honoured by the International Automotive Media Registry for his journalism. Taylor, an auto reporter and copy editor, took home the gold plus best award in the newspaper writing at the 26th annual International Automotive Media Competition for his May 2016 feature *Pumped Dry*, a deep look at the struggles of small gas stations in Manitoba.

During the third quarter we made a number of changes in the advertising department which we hope will lead to improved print and digital ad revenues. John Stebbe was brought on to lead the digital ad revenue strategy development. John has experience working with a wide range of large and small size businesses in the areas of audience focused content and data driven marketing. Alana Mowbry joined the advertising team in the role of digital sales representative. Alana was previously employed in the roll of Media Strategist and Team Lead Manager at another Winnipeg newspaper and her duties included developing media strategies for a wide range of local retail customers. Philip Latta joined the *Free Press* advertising team in September as an outside sales representative. Philip comes to us with over twelve years of experience in enterprise level account management. Philip was hired to replace Clare Cooke who took over the National account manager responsibilities from Kim Warburton who left us to pursue other interests. Clare has worked for over twenty years at the Winnipeg Free Press and has consistently been one of our top performers. In addition to Clare we have brought on Rosey Hooper to provide national account support based from Toronto. Rosey has worked in the media industry for many years and has formed many strong relationships with a wide range of national advertising customers and agencies. While there have been a number of changes in the advertising department we feel we have a deeper talent pool going forward and look forward to the new ideas and new energy brought to the organization by these additions.

The Brandon Sun website which was redesigned in the second quarter was locked down to paid subscribers during the third quarter. A number of new accounts were set-up during the sixty day trial period and Brandon Sun customer service agents will be reaching out to try to convert the trial account to a recurring subscription. Although revenues were down in the third quarter expense reductions in Brandon were able to offset the revenue shortfalls. In the fourth quarter the Brandon team will aggressively seek out new revenue from adjacent rural communities via "Community Spotlight" pages in the Brandon Sun. An initial test market showed positive results in terms of feedback from readers and advertisers alike. These community pages will provide a source of new revenue for the Sun in future quarters.

At Derksen Printers in Steinbach, Laurie Finley and his team have been progressing through the installation of a new integrated estimating/production management system. This system will eliminate a number of duplicated tasks in our existing workflow and provide more detailed cost analysis in the production environment. As the system is integrated throughout our operation it will also provide much better inventory tracking and control. The new system will improve the customer quoting process and overall job completion. In our constant effort to lower costs, we were able to restructure job duties and not have to replace a recent retiree in the layout/pagination department.

Revenue on the web printing side of the business is still under pressure from some publication closures as well as reductions in page count and quantity from contracted customers. The sheet fed side of the operation has remained steady which has allowed us to finish the third quarter with commercial printing revenue close to prior year levels. The Carillon revenues increased slightly in the third quarter compared to prior year driven by continued growth in our insert revenues and niche products. We are again increasing our distribution footprint in the fourth quarter which will hopefully drive future growth from insert revenues. The launch of a monthly Real Estate magazine in the fourth quarter will also add new revenue in a category where we do not presently have a large share of the market.

Canstar Community News has begun work on a new, streamlined look and feel for The Headliner, The Herald, The Lance, The Metro, The Sou'wester and The Times. Editorial and production staff are working together to create a new design, expected to be launching in the first quarter next year, that incorporates modular advertising sizes and which will result in brighter, better-looking products. The editorial and sales departments are also reviewing the paper's lineup of special advertising sections, keeping what works well, adjusting the scheduling of and adding others, which will better reflect the needs of local advertisers.

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	16,893	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	1,362	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	305	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 September 30, 2017 was $12.6 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 nine months ended September 30, 2017, cash generated from operating activities was $1.2 million and $6.4 million, compared to $0.5 million and $5.1 million for the same periods in 2016. Net earnings for the three and nine months ended September 30, 2017 were $0.3 million and $2.6 million, compared to $0.4 million and $2.7 million for the same periods in 2016, excluding the $12.7 million goodwill impairment charge. The net change in non-cash working capital provided $0.3 million and $2.7 million of cash for the three and nine months ended September 30, 2017, compared to providing $0.4 million and $1.5 million for the three and nine months ended September 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 and intangible asset additions were less than $0.1 million for the three and nine months ended September 30, 2017, compared to $0.2 million and $0.6 million in the same periods in the prior year. Capital spending in the three and nine months ended September 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 $0.2 million and $3.7 million for the three and nine months ended September 30, 2017, compared to $0.3 million and $4.9 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 nine months ended September 30, 2017 were $1.3 million and $3.6 million, compared to $1.5 million and $4.2 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 third 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 three 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 third quarter at roughly the same pace as experienced in the first two quarters. Revenue declines to date in the fourth quarter have been a little steeper than the levels experienced in the first three quarters. In the fourth quarter last year we did generate some non-recurring revenue from the Heritage Classic outdoor NHL hockey game played in Winnipeg as well as some non-recurring revenue from an international credit card brand.

Newsprint price increases were implemented by suppliers at the start of the fourth quarter which resulted in the price of newsprint increasing by approximately seven percent. The new price increases FPLP's expenses by approximately $0.4 million on an annualized basis.

On November 27, 2017 FPLP was given notice that effective immediately the free Metro weekday publication which was printed at FPLP's Derksen Printers business was ceasing publishing. FPLP is undertaking a review to determine the operational changes appropriate to minimize the financial impact to our businesses and accordingly the full financial effect cannot be estimated at this time. Annual gross revenues under the contract were approximately $0.86 million of which $0.24 million represented a newsprint recovery charge.

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 September 30,		**Nine Months Ended September 30,**	
	2017	**2016**	**2017**	**2016**
	In thousands of dollars		*In thousands of dollars*	*In thousands of dollars*
Net earnings (loss) for the period	$ 305	$ 401	$ 2,563	$ (9,994)
Add (subtract):				
Depreciation and amortization	774	1,058	2,353	3,188
Impairment of goodwill	-	-	-	12,700
Finance costs	309	318	923	988
Other income	(26)	(18)	(67)	(57)
EBITDA	$ 1,362	$ 1,759	$ 5,772	$ 6,825

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 September 30, 2017	As at December 30, 2016
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		$ 748	$ 673
Prepaid expenses and other assets		1	5
Income tax receivable		-	327
		749	1,005
LONG-TERM ASSETS			
Investment in FP Canadian Newspapers Limited Partnership	3	9,333	8,782
TOTAL ASSETS		$ 10,082	$ 9,787
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		$ 66	$ 116
Income tax payable		44	-
		110	116
LONG-TERM LIABILITIES			
Deferred income tax liability		964	972
TOTAL LIABILITIES		1,074	1,088
SHAREHOLDERS' EQUITY			
Share capital		71,373	71,373
Deficit		(62,365)	(62,674)
TOTAL SHAREHOLDERS' EQUITY		9,008	8,699
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 10,082	$ 9,787

(See accompanying notes)

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

		Three Months Ended September 30,		Nine Months Ended September 30,	
	Note	**2017**	**2016**	**2017**	**2016**
Equity interest from FP Canadian Newspapers Limited Partnership Class A limited partner units	3	$ 149	$ 196	$ 1,256	$ 1,326
Write-down of investment in FP Canadian Newspapers Limited Partnership Class A limited partner units		-	-	-	(6,200)
Administration expenses		(39)	(38)	(104)	(143)
Other income		1	-	1	1
Net earnings (loss) before income taxes		111	158	1,153	(5,016)
Current income tax recovery (expense)		28	134	(147)	(47)
Deferred income tax (expense)		(68)	(202)	(183)	(280)
Net earnings (loss) for the period		$ 71	$ 90	$ 823	$ (5,343)
Items that will not be reclassified to net earnings:					
Equity interest of other comprehensive income (loss) from FP Canadian Newspaper Limited Partnership	3	356	240	(705)	(1,191)
Deferred income tax recovery (expense)		(96)	(65)	191	321
Comprehensive income (loss) for the period		$ 331	$ 265	$ 309	$ (6,213)
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		$ 0.010	$ 0.013	$ 0.119	$ (0.774)

(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	-	(5,343)	(5,343)
Other comprehensive (loss) for the period	-	(870)	(870)
Comprehensive (loss) for the period	-	(6,213)	(6,213)
At September 30, 2016	$ 71,373	$ (60,266)	$ 11,107
At December 30, 2016	$ 71,373	$ (62,674)	$ 8,699
Net earnings for the period	-	823	823
Other comprehensive (loss) for the period	-	(514)	(514)
Comprehensive income for the period	-	309	309
At September 30, 2017	$ 71,373	$ (62,365)	$ 9,008

(See accompanying notes)

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

	Note	Three months Ended September 30, 2017	Three months Ended September 30, 2016	Nine months Ended September 30, 2017	Nine months Ended September 30, 2016
CASH PROVIDED BY (USED IN):					
OPERATING ACTIVITIES					
Net earnings (loss) for the period		$ 71	$ 90	$ 823	$ (5,343)
Items not affecting cash:					
Equity interest from Class A Units of FP Canadian Newspapers Limited Partnership	3	(149)	(196)	(1,256)	(1,326)
Non-cash write-down of investment in FP Canadian Newspapers Limited Partnership		-	-	-	6,200
Deferred income tax expense		68	202	183	280
Distributions received on Class A Units of FP Canadian Newspapers Limited Partnership	3	-	-	-	276
Net change in non-cash working capital items		301	(208)	325	352
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		291	(112)	75	439
CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD		457	839	673	288
CASH AND CASH EQUIVALENTS – END OF PERIOD		$ 748	$ 727	$ 748	$ 727
Supplemental cash flow information:					
Income tax paid (received)		$ -	$ 95	$ 100	$ (294)

(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 November 27, 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 nine months ended September 30, 2017	551
Balance at September 30, 2017	$ 9,333

(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 September 30,		**Nine Months Ended September 30,**	
	2017	**2016**	**2017**	**2016**
Net earnings (loss) of FPLP	$ 305	$ 401	$ 2,563	$ (9,994)
Add back impairment of goodwill recorded by FPLP	-	-	-	12,700
Net earnings of FPLP before goodwill impairment charge	305	401	2,563	2,706
Interest attributable to FPI	49%	49%	49%	49%
Equity interest in net earnings of FPLP before goodwill impairment charge	149	196	1,256	1,326
Other comprehensive income (loss) of FPLP	727	489	(1,439)	(2,430)
Interest attributable to FPI	49%	49%	49%	49%
Equity interest in other comprehensive income (loss) of FPLP	$ 356	$ 240	$ (706)	$ (1,191)

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 September 30, 2017	As at December 31, 2016
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		$ 12,581	$ 9,970
Accounts receivable		6,399	9,476
Inventories		1,108	1,128
Prepaid expenses and other assets		940	1,116
		21,028	21,690
LONG-TERM ASSETS			
Property, plant and equipment		27,246	29,334
Intangible assets		6,126	6,296
Goodwill		9,350	9,350
TOTAL ASSETS		$ 63,750	$ 66,670
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		$ 5,378	$ 6,059
Provision		-	58
Prepaid subscriptions and deferred revenue		2,724	2,680
Finance lease obligation		814	844
Mortgage loan		60	60
Term loan	6	4,000	1,500
		12,976	11,201
LONG-TERM LIABILITIES			
Accrued pension benefit liability		1,123	811
Finance lease obligation		845	1,458
Mortgage loan		817	862
Term loan	6	28,918	34,391
TOTAL LIABILITIES		44,679	48,723
UNITHOLDERS’ EQUITY			
Partner units		98,280	98,280
Deficit		(79,209)	(80,333)
TOTAL UNITHOLDERS’ EQUITY		19,071	17,947
TOTAL LIABILITIES AND UNITHOLDERS’ EQUITY		$ 63,750	$ 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)

	Note	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Revenue					
Print advertising		$ 9,017	$ 10,899	$ 30,174	$ 34,831
Circulation		6,166	6,385	18,372	18,673
Commercial printing		1,029	1,085	3,199	3,509
Digital		529	626	1,629	1,968
Promotion and services		152	214	532	643
TOTAL REVENUE		16,893	19,209	53,906	59,624
Operating expenses					
Employee compensation		7,695	8,526	23,502	26,125
Newsprint and other paper		1,449	1,670	4,555	5,070
Delivery of newspapers		3,226	3,509	9,796	10,606
Other		3,119	3,577	9,980	10,692
Depreciation and amortization		774	1,058	2,353	3,188
Restructuring charge		42	168	301	306
Operating income before impairment		588	701	3,419	3,637
Impairment of goodwill		-	-	-	(12,700)
OPERATING INCOME (LOSS)		588	701	3,419	(9,063)
Other income		26	18	67	57
Finance costs	4	(309)	(318)	(923)	(988)
NET INCOME (LOSS) FOR THE PERIOD		$ 305	$ 401	$ 2,563	$ (9,994)
Items that will not be reclassified to net income:					
Remeasurements for defined benefit pension plan		727	489	(1,439)	(2,430)
COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		$ 1,032	$ 890	$ 1,124	$ (12,424)

(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	-	(9,994)	(9,994)
Other comprehensive (loss) for the period	-	(2,430)	(2,430)
Comprehensive (loss) for the period	-	(12,424)	(12,424)
Distributions paid	-	(563)	(563)
UNITHOLDERS' EQUITY – SEPTEMBER 30, 2016	$ 98,280	$ (77,338)	$ 20,942
UNITHOLDERS' EQUITY – DECEMBER 31, 2016	$ 98,280	$ (80,333)	$ 17,947
Net earnings for the period	-	2,563	2,563
Other comprehensive (loss) for the period	-	(1,439)	(1,439)
Comprehensive income for the period	-	1,124	1,124
UNITHOLDERS' EQUITY – SEPTEMBER 30, 2017	$ 98,280	$ (79,209)	$ 19,071

(See accompanying notes)

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

	Three months ended September 30, 2017	2016	Nine months ended September 30, 2017	2016
Cash provided by (used in):				
Operating activities				
Net earnings (loss) for the period	$ 305	$ 401	$ 2, 563	$ (9,994)
Items not affecting cash:				
Depreciation and amortization	774	1,058	2,353	3,188
Accretion of term loan related to financing costs	9	9	27	27
Impairment of goodwill	-	-	-	12,700
Gain on disposal of property, plant and equipment	-	-	-	(3)
(Excess) of pension contribution over expense	(169)	(1,362)	(1,290)	(2,327)
	919	106	3,653	3,591
Net change in non-cash working capital items	294	395	2,741	1,479
	1,213	501	6,394	5,070
INVESTING ACTIVITIES				
Purchases of property, plant and equipment	-	(18)	(23)	(147)
Purchase of intangibles	(26)	(166)	(72)	(443)
Proceeds from sale of property, plant and equipment	-	-	-	3
	(26)	(184)	(95)	(587)
FINANCING ACTIVITIES				
Distributions to partners	-	-	-	(563)
Proceeds from mortgage	-	950	-	950
Principal repayments of finance lease	(199)	(505)	(643)	(1,490)
Principal repayments of mortgage loan	(15)	(744)	(45)	(772)
Principal repayment of term loan	-	-	(3,000)	(3,000)
	(214)	(299)	(3,688)	(4,875)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	973	18	2,611	(392)
CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD	11,608	10,311	9,970	10,721
CASH AND CASH EQUIVALENTS – END OF PERIOD	$ 12,581	$ 10,329	$ 12,581	$ 10,329
Supplemental Cash Flow Information:				
Interest paid during the period	$ 290	$ 310	$ 893	$ 964
Interest received during the period	24	18	64	53

(See accompanying notes)

(unaudited, 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 November 27, 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 September 30,		Nine Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
Defined benefit pension plan	$ 326	$ 414	$ 979	$ 1,242

(unaudited, in thousands of Canadian dollars)

4. FINANCE COSTS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
Finance costs				
Interest on finance leases	$ 14	$ 24	$ 48	$ 85
Interest on mortgage loan	8	9	24	27
Interest on term loan	278	276	824	849
Accretion of term loan related financing costs	9	9	27	27
Total finance costs	$ 309	$ 318	$ 923	$ 988

5. RELATED PARTY TRANSACTIONS

Total newsprint purchases from Alberta Newsprint Company, a company controlled indirectly by Ronald Stern, for the three and nine months ended September 30, 2017 were $1,300,000 and $3,600,000 ($1,500,000 and $4,200,000 for the three and nine months ended September 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 September 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 nine month ended September 30, 2017.

8. SUBSEQUENT EVENT

On November 27, 2017 FPLP was given notice that effective immediately the free Metro weekday publication which was printed at FPLP's Derksen Printers business was ceasing publishing. FPLP is undertaking a review to determine the operational changes appropriate to minimize the financial impact to our businesses and accordingly the full financial effect cannot be estimated at this time. Annual gross revenues under the contract were approximately $855,000 of which $240,000 represented a newsprint recovery charge.

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.