CANWEST LIMITED PARTNERSHIP
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED
FEBRUARY 28, 2010 AND FEBRUARY 28, 2009
(UNAUDITED)

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April 13, 2010

To the Audit Committee of Canwest Global Communications Corp.

In accordance with our engagement letter dated August 25, 2009, we have reviewed the consolidated balance sheet of **Canwest Limited Partnership** (the Partnership) as at February 28, 2010, the consolidated statements of earnings (loss), comprehensive income (loss), partners' deficiency and cash flows for the three and six month periods ended February 28, 2010 and February 28, 2009 (the interim financial statements). These interim financial statements are the responsibility of the Partnership's management.

We performed our review in accordance with Canadian generally accepted standards for a review of interim financial statements by an entity's auditor. Such an interim review consists principally of applying analytical procedures to financial data, and making enquiries of, and having discussions with, persons responsible for financial and accounting matters. An interim review is substantially less in scope than an audit, whose objective is the expression of an opinion regarding the financial statements; accordingly, we do not express such an opinion. An interim review does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit.

Based on our review, we are not aware of any material modification that needs to be made for these interim financial statements to be in accordance with Canadian generally accepted accounting principles.

This report is solely for the use of the Audit Committee of Canwest Global Communications Corp. to assist it in discharging its regulatory obligation to review these interim financial statements, and should not be used for any other purpose. Any use that a third party makes of this report, or any reliance or decisions made based on it, are the responsibility of such third parties. We accept no responsibility for loss or damages, if any, suffered by any third party as a result of decisions made or actions taken based on this report.

PricewaterhouseCoopers LLP

Chartered Accountants

CANWEST LIMITED PARTNERSHIP
(Under Creditor Protection as of January 8, 2010 – Notes 1 and 3)
CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)
(UNAUDITED)
(In thousands of Canadian dollars)

	For the three months ended		For the six months ended	
	February 28, 2010	February 28, 2009 (restated)	February 28, 2010	February 28, 2009 (restated)
Revenue	254,418	257,728	540,835	592,704
Operating expenses (note 16)	213,635	228,798	430,833	490,499
Restructuring expenses (recoveries) (note 15)	(81)	16,772	2,464	22,886
	40,864	12,158	107,538	79,319
Amortization of property and equipment	10,496	10,732	20,566	21,124
Other amortization	48	48	96	96
Operating income	30,320	1,378	86,876	58,099
Interest expense, net	(29,654)	(24,895)	(50,495)	(51,064)
Other income	500	625	1,001	1,250
Gain on disposal of property and equipment	-	2,195	2	2,198
Foreign currency exchange gains (note 17)	19,030	292	53,779	154
Earnings (losses) before reorganization costs and income taxes	20,196	(20,405)	91,163	10,637
Reorganization costs (note 4)	(30,940)	-	(40,076)	-
Earnings (losses) before income taxes	(10,744)	(20,405)	51,087	10,637
Recovery of current income taxes (note 11)	(290)	(65)	-	-
Recovery of future income taxes (note 11)	(2,841)	(14,070)	(3,143)	(14,260)
Net earnings (loss) for the period	(7,613)	(6,270)	54,230	24,897

The notes constitute an integral part of the interim consolidated financial statements.

CANWEST LIMITED PARTNERSHIP
(Under Creditor Protection as of January 8, 2010 – Notes 1 and 3)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(UNAUDITED)
(In thousands of Canadian dollars)

	For the three months ended		For the six months ended	
	February 28, 2010	**February 28, 2009** (restated)	**February 28, 2010**	**February 28, 2009** (restated)
Net earnings (loss) for the period	(7,613)	(6,270)	54,230	24,897
Other comprehensive earnings (loss)				
Change in fair value of hedging derivative instruments designated as cash flow hedges	-	9,220	-	(14,640)
Other comprehensive earnings (loss) for the period	-	9,220	-	(14,640)
Comprehensive income (loss) for the period	(7,613)	2,950	54,230	10,257

The notes constitute an integral part of the interim consolidated financial statements.

CANWEST LIMITED PARTNERSHIP
(Under Creditor Protection as of January 8, 2010 – Notes 1 and 3)
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(In thousands of Canadian dollars)

	As at February 28, 2010	As at August 31, 2009 (restated)
ASSETS		
Current Assets		
Cash	86,904	43,427
Restricted cash	-	13,902
Accounts receivable	128,779	105,686
Amounts due from related companies (note 16)	1,513	1,641
Inventory	5,360	6,618
Prepaid expenses (note 7)	14,802	14,020
	237,358	185,294
Property and equipment	326,495	341,628
Other assets (note 9)	34,426	26,195
Goodwill	95,034	95,034
Mastheads	6,750	6,750
	700,063	654,901
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	93,288	129,187
Amount due on swap settlement	-	68,874
Income taxes payable	71	12
Amounts due to related companies (note 16)	2,608	140,462
Deferred revenue	31,848	33,012
Current portion of long-term debt (note 10)	-	1,380,094
Current portion of obligations under capital leases	3,346	3,138
	131,161	1,754,779
Liabilities subject to compromise (note 5)	1,489,591	-
Obligations under capital leases	1,969	3,696
Accrued pension, post-retirement and other liabilities	68,968	79,459
Future income taxes	24,335	27,478
	1,716,024	1,865,412
Going concern (note 1)		
Contingencies (note 18)		
PARTNERS' DEFICIENCY		
Partners' capital	39,188	39,188
Contributed surplus	195,320	55,000
Deficit	(1,250,469)	(1,304,699)
	(1,015,961)	(1,210,511)
	700,063	654,901

The notes constitute an integral part of the interim consolidated financial statements.

CANWEST LIMITED PARTNERSHIP
(Under Creditor Protection as of January 8, 2010 – Notes 1 and 3)
CONSOLIDATED STATEMENTS OF PARTNERS' DEFICIENCY
(UNAUDITED)
(In thousands of Canadian dollars)

For the three months ended February 28, 2010

	Partners' Capital	Contributed Surplus	Deficit	Total
Balance as at December 1, 2009	39,188	193,629	(1,242,856)	(1,010,039)
Net loss for the period	-	-	(7,613)	(7,613)
Contribution from Canwest Media (note 7)	-	1,691	-	1,691
Balance as at February 28, 2010	39,188	195,320	(1,250,469)	(1,015,961)

For the three months ended February 28, 2009 (restated)

	Partners' Capital	Contributed Surplus	Accumulated other comprehensive loss	Deficit	Total
Balance as at December 1, 2008	39,188	55,000	(69,332)	(1,159,939)	(1,135,083)
Net loss for the period	-	-	-	(6,270)	(6,270)
Other comprehensive earnings	-	-	9,220	-	9,220
Distributions declared (note 14)	-	-	-	(10,000)	(10,000)
Balance as at February 28, 2009	39,188	55,000	(60,112)	(1,176,209)	(1,142,133)

For the six months ended February 28, 2010

	Partners' Capital	Contributed Surplus	Deficit	Total
Balance as at September 1, 2009 (restated)	39,188	55,000	(1,304,699)	(1,210,511)
Net earnings for the period	-	-	54,230	54,230
Contribution from Canwest Media (note 7)	-	1,691	-	1,691
Settlement of National Post liabilities (note 8)	-	138,629	-	138,629
Balance as at February 28, 2010	39,188	195,320	(1,250,469)	(1,015,961)

For the six months ended February 28, 2009 (restated)

	Partners' Capital	Contributed Surplus	Accumulated other comprehensive loss	Deficit	Total
Balance as at September 1, 2008	39,188	55,000	(45,472)	(1,156,106)	(1,107,390)
Net earnings for the period	-	-	-	24,897	24,897
Other comprehensive loss	-	-	(14,640)	-	(14,640)
Distributions declared (note 14)	-	-	-	(45,000)	(45,000)
Balance as at February 28, 2009	39,188	55,000	(60,112)	(1,176,209)	(1,142,133)

The notes constitute an integral part of the interim consolidated financial statements.

CANWEST LIMITED PARTNERSHIP
(Under Creditor Protection as of January 8, 2010 – Notes 1 and 3)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(In thousands of Canadian dollars)

	For the three months ended		For the six months ended	
	February 28, 2010	February 28, 2009 (restated)	February 28, 2010	February 28, 2009 (restated)
CASH GENERATED (UTILIZED) BY:				
OPERATING ACTIVITIES				
Net earnings (loss) for the period	(7,613)	(6,270)	54,230	24,897
Reorganization costs	30,940	-	40,076	-
Items not affecting cash				
Amortization	10,544	10,780	20,662	21,220
Future income taxes recovery	(2,841)	(14,070)	(3,143)	(14,260)
Gain on disposal of property and equipment	-	(2,195)	(2)	(2,198)
Non-cash interest	14,885	752	15,462	1,504
Unrealized gain on foreign exchange	(19,065)	-	(53,871)	-
Deficiency of pension expense over employer contributions	(2,917)	(4,676)	(9,349)	(4,376)
	23,933	(15,679)	64,065	26,787
Changes in amounts due from related companies (note 16)	(384)	(2,103)	2,360	3,783
Changes in non-cash operating accounts	36,827	32,309	8,037	16,438
Cash flows from operating activities before reorganization costs	60,376	14,527	74,462	47,008
Reorganization costs (note 4)	(14,724)	-	(23,557)	-
Cash flows from operating activities	45,652	14,527	50,905	47,008
INVESTING ACTIVITIES				
Acquisitions	-	-	-	(100)
Proceeds from sale of property and equipment	-	3,635	2	3,638
Purchase of property and equipment	(2,023)	(7,993)	(5,433)	(18,854)
Cash flows from investing activities	(2,023)	(4,358)	(5,431)	(15,316)
FINANCING ACTIVITIES				
Repayment of long term debt	-	(1,250)	-	(2,500)
Transfer of National Post business (note 8)	-	-	(2,367)	-
Advances of revolving facilities (note 10)	1,889	-	1,889	20,000
Distributions paid (note 14)	-	(10,000)	-	(45,000)
Payments of capital leases	-	(31)	(1,519)	(1,395)
Cash flows from financing activities	1,889	(11,281)	(1,997)	(28,895)
Net change in cash	45,518	(1,112)	43,477	2,797
Cash (bank overdraft) - beginning of period	41,386	1,606	43,427	(2,303)
Cash - end of period	86,904	494	86,904	494

The notes constitute an integral part of the interim consolidated financial statements.

CANWEST LIMITED PARTNERSHIP
(Under Creditor Protection as of January 8, 2010 – Notes 1 and 3)
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED FEBRUARY 28, 2010
AND FEBRUARY 28, 2009
(UNAUDITED)
(In thousands of Canadian dollars, except as otherwise noted)

1. BASIS OF PRESENTATION AND GOING CONCERN

Creditor Protection

On January 8, 2010, Canwest (Canada) Inc., Canwest Publishing Inc. ("CPI"), and Canwest Books Inc. (collectively the "LP Applicants"), applied for and obtained an order (the "Initial Order") from the Ontario Superior Court of Justice (Commercial List) (the "Court") granting creditor protection under the Companies' Creditors Arrangement Act (Canada) (the "CCAA"). The Initial Order applies to the LP Applicants and Canwest Limited Partnership ("Canwest LP" or the "Limited Partnership") (collectively, the "LP Entities"). National Post Inc., a wholly owned subsidiary of CPI, which owns and operates the National Post newspaper, is not included in the CCAA filing. The Initial Order, among other provisions, provides for a general stay of proceedings that has been extended to June 30, 2010 and may be further extended by the Court. The Initial Order can be further amended by the Court throughout the CCAA proceedings based on motions from the LP Entities, their creditors and other interested parties. For additional information, see the discussion below under "Creditor Protection and Going Concern" and note 3, "CCAA Proceedings".

The Limited Partnership is owned indirectly by Canwest Media Inc. ("Canwest Media"), a wholly owned subsidiary of Canwest Global Communications Corp. ("Canwest Global"). Canwest Global and Canwest Media and certain subsidiaries of Canwest Media (collectively, the "Canwest Media Entities") are also in creditor protection under separate CCAA proceedings commenced on October 6, 2009.

Description of Partnership

These interim consolidated financial statements include the operations of the Limited Partnership, CPI, Canwest Books Inc., and National Post Inc. (for the period after October 30, 2009) and The National Post Company (for periods prior to October 30, 2009).

On October 30, 2009, certain assets and liabilities and the business of the The National Post Company were transferred from The National Post Company, a wholly owned subsidiary of Canwest Media, to National Post Inc. (note 8).

Newspaper operations include daily and non-daily newspapers, including electronic editions, news content productions and editorial operations as well as certain shared service operations. The Digital Media operations operate the *canada.com* web portal and provide subscription services relating to investing and financial news and other information. In addition, the Limited Partnership provides business services including certain centralized customer and support services to the Canwest Media Entities, and to Canwest Media Inc.'s and CW Media Inc.'s Canadian broadcasting operations (together being the "Canadian Broadcasting Operations").

Revenue includes advertising, circulation and subscriptions, all of which are derived from a variety of sources. The Limited Partnership's advertising revenues are seasonal. Revenues and accounts receivable are highest in the first and third quarters, while expenses are relatively constant throughout the year.

1. BASIS OF PRESENTATION AND GOING CONCERN (continued)

Creditor Protection and Going Concern

The Limited Partnership's operating income and cash flows for its 2009 fiscal year and for the six months ended February 28, 2010 reflect the effects of the deterioration in the economy and reduced advertising revenue on its operations. These conditions have reduced cash flows from operations and have impacted the Limited Partnership's liquidity. As at February 28, 2010, current liabilities and liabilities subject to compromise significantly exceed current assets. The Limited Partnership is in default under the terms of its senior secured credit facilities ("Secured Credit Facilities"), its senior subordinated unsecured credit facility ("Senior Subordinated Credit Facility") and its senior subordinated unsecured notes indenture ("Senior Subordinated Notes") because it failed to make payments of interest and principal on its Secured Credit Facilities and its related hedging derivative instruments, it failed to make interest payments on its Senior Subordinated Credit Facility and its Senior Subordinated Notes and it failed to satisfy the demand for immediate repayment of its obligations related to the hedging derivative instruments.

As at May 31, 2009, the Limited Partnership was not in compliance with its financial covenants under its Secured Credit Facilities. From May 2009 to August 2009, the Limited Partnership did not make interest and principal payments on its Secured Credit Facilities and the associated hedging derivative instruments or in respect of its Senior Subordinated Credit Facility or its Senior Subordinated Notes. These payments were not made in order to preserve liquidity to fund operations while the Limited Partnership worked to negotiate a potential recapitalization transaction. As a result of the payment default under the Secured Credit Facilities, the hedging derivative instrument counterparties terminated the secured hedging arrangements and demanded immediate payment of an aggregate of $68.9 million (the "Secured Hedge Obligations").

On August 31, 2009, the LP Entities entered into a forbearance agreement with the Administrative Agent under its Secured Credit Facilities (the "Administrative Agent") under which the lenders under these facilities agreed not to take any steps with respect to the defaults under the Secured Credit Facilities and to work with management of the Limited Partnership to develop and implement a consensual pre-packaged restructuring, recapitalization, or reorganization. In accordance with the terms of the forbearance agreement the lenders cancelled all undrawn amounts under the revolving credit facility. The Limited Partnership agreed to pay the interest owing and the continuing interest on its Secured Credit Facilities and the interest amounts due in respect of the Secured Hedge Obligations. The forbearance agreement, as extended, expired on November 9, 2009. Canwest LP has continued to pay the interest on the Secured Credit Facilities and the Secured Hedge Obligations. The Limited Partnership was also in default under the terms of its Senior Subordinated Credit Facility and the Senior Subordinated Notes and did not enter into any forbearance arrangements with these unsecured lenders or the note holders thereunder.

On October 30, 2009, as part of the Canwest Media Entities CCAA proceedings, the Court approved an agreement on shared services and employees between certain of the LP Entities and the Canwest Media Entities. This agreement provides for the orderly termination of the shared services agreement (note 16) between the LP Entities and the Canwest Media Entities. The agreement also sets out termination dates for each of the categories of shared services identified therein, which dates range from February 28, 2010 to February 28, 2011.

On January 8, 2010, the LP Entities entered into a support agreement with the Administrative Agent (the "LP Support Agreement") which was approved by the Court on January 8, 2010. The Administrative Agent acts on behalf of the lenders under the Secured Credit Facilities and the Secured Hedge Obligations (collectively, the "Senior Lenders"). The LP Support Agreement, requires the LP Entities

1. BASIS OF PRESENTATION AND GOING CONCERN (continued)

among other things, (a) to commence the CCAA proceedings; (b) to implement and make effective a plan of compromise and arrangement under the CCAA (the "Senior Lenders CCAA Plan"); (c) to conduct a sale and investor solicitation process ("SISP") with a view to obtaining proposals from prospective purchasers or investors to acquire all or substantially all of the assets of the LP Entities or to invest in the LP Entities or their business; (d) if the SISP is not successful, to use their best efforts to implement the agreement for a newly established corporation ("Acquireco") capitalized by the Senior Lenders to acquire the operations and substantially all of the assets of the LP Entities and to assume certain liabilities of the LP Entities (the "Credit Acquisition"); and (e) to pay interest on Secured Credit Facilities and Secured Hedge Obligations, expenses of the Administrative Agent and its advisors, certain investment banking fees and consent fees to Senior Lenders committing to the Senior Lenders CCAA Plan. Further details of the LP Support Agreement, Senior Lenders CCAA Plan and SISP are provided in Note 3.

On January 8, 2010, certain of the Senior Lenders agreed to extend the LP Entities a senior secured super-priority debtor-in-possession revolving credit facility (the "DIP Facility") in the maximum amount of $25 million, including a letter of credit sub-facility of up to $5 million. On January 8, 2010, the Court approved the DIP Facility and authorized the LP Entities to execute definitive agreements related to the DIP Facility. The definitive agreements were executed on February 5, 2010. Further details on the DIP Facility are provided in Note 3.

On January 8, 2010, the Court appointed FTI Consulting Canada Inc. as the monitor (the "Monitor"). The Monitor will monitor the activities of the LP Entities, report to the Court from time to time on the LP Entities' financial and operational position and any other matters that may be relevant to the CCAA proceedings, advise the LP Entities on various matters, assist the Chief Restructuring Advisor to the LP Entities (the "CRA"), and supervise the SISP. CRS Inc. was appointed as the CRA. The CRA is responsible for formulating and implementing the restructuring and/or recapitalization of all or part of the business and/or capital structure of the LP Entities. The Court also approved the engagement of RBC Dominion Securities Inc. (the "Financial Advisor") to provide investment banking services to the LP Entities related to the SISP.

On March 1, 2010, all of the then directors and officers of the LP Entities resigned their directorships and offices with the LP Entities. In addition, the then current president and chief executive officer announced his resignation effective April 30, 2010. However, the other senior employees of the LP Entities continue to carry on the day to day operations of the LP Entities. For matters requiring approval of the board of directors of an LP Entity, the shareholder of the applicable LP Entity may pass a resolution authorizing named individuals to complete the required action.

These interim consolidated financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles ("GAAP") which assumes that the Limited Partnership will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. As further described in note 3, "CCAA Proceedings", the LP Entities have commenced CCAA proceedings which could result in the LP Entities selling substantially all of their assets or alternatively, recapitalizing the Limited Partnership through an injection of new equity. The CCAA proceedings and other uncertainties discussed below cast significant doubt about the Limited Partnership's ability to continue as a going concern. During the CCAA proceedings, the LP Entities may disclaim or repudiate certain contracts and undertake other restructuring activities. Such actions may result in the recognition of claims and liabilities which may be material.

1. BASIS OF PRESENTATION AND GOING CONCERN (continued)

These interim consolidated financial statements do not reflect the adjustments to the carrying amounts of the assets and liabilities of the Limited Partnership and the reported expenses and balance sheet classifications that would be necessary if the Limited Partnership were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations.

There is uncertainty and there can be no assurance related to the outcome of the CCAA proceedings and whether the Limited Partnership, as an entity, will continue in operation by means of an injection of new equity or will cease operation by a sale of substantially all of their assets to a new entity. If a sale of substantially all of the Limited Partnership's assets occurred, the going concern basis of presentation would no longer be appropriate and adjustments to the carrying values of assets and liabilities may be required. Such adjustments could be material.

If an investment in the Limited Partnership or one of the LP Entities is obtained, there may be a substantial realignment of the non-equity and equity interests in the Limited Partnership and the Limited Partnership may be required to comprehensively revalue any remaining assets and liabilities of the Limited Partnership based on the reorganization value, referred to as "fresh-start" accounting. These financial statements do not give effect to any adjustments that may be required as a result of fresh start accounting.

Canwest Media Entities CCAA Proceedings

Canwest Global, (the ultimate parent company of the Limited Partnership), Canwest Media, and certain of its subsidiaries including The National Post Company (collectively, the "Canwest Media Applicants"), voluntarily applied for and successfully obtained an order from the Court under the CCAA on October 6, 2009 (as amended, the "CMI Initial Order"). The National Post Company, a general partnership, previously operated the business of the National Post newspaper. Under the CMI Initial Order, related party obligations that the Canwest Media Applicants owe to the Limited Partnership both prior and subsequent to their CCAA filing date, will continue to be met.

Basis of presentation

The interim consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada applicable to a going concern for interim consolidated financial statements and reflect all adjustments which are, in the opinion of management, necessary for fair statement of the results of the interim periods presented. However, these interim consolidated financial statements do not include all of the information and disclosures required for annual consolidated financial statements. The accounting policies used in the preparation of these interim consolidated financial statements are the same as those used in the most recent annual consolidated financial statements except for the accounting policy changes disclosed below. These interim consolidated financial statements should be read in conjunction with the previously issued 2009 annual consolidated financial statements of the Limited Partnership. All amounts are expressed in Canadian dollars.

The interim consolidated financial statements of the Limited Partnership include the accounts of the Limited Partnership and its subsidiaries, CPI, Canwest Books Inc. and National Post Inc. (for the period after October 30, 2009) and The National Post Company (for periods prior to October 30, 2009).

1. BASIS OF PRESENTATION AND GOING CONCERN (continued)

Effective as of October 30, 2009, the business of The National Post Company, including substantially all of its assets and certain of its liabilities, was transferred from The National Post Company, a subsidiary of Canwest Media, to National Post Inc., a wholly owned subsidiary of CPI (note 8). Pursuant to this transaction, Canwest Media continues to indirectly control these assets and liabilities through its ownership of the Limited Partnership. Therefore, the acquisition was accounted for in accordance with EIC 89, "Exchanges of Ownership Interests Between Enterprises Under Common Control – Wholly and Partially-owned Subsidiaries", which states that the continuity of interests method of accounting must be followed. Consequently, the assets and liabilities of The National Post Company were transferred to the Limited Partnership at their carrying values. The continuity of interests method of accounting requires that the results of operations presented in the interim consolidated financial statements of the Limited Partnership include the operations of The National Post Company for the entire fiscal period in which the transaction took place. In addition, the comparative interim consolidated financial statements of the Limited Partnership were restated to reflect the financial position and results of operations as if the Limited Partnership and The National Post Company had been combined since their inception. Accordingly, the Limited Partnership has combined the assets, liabilities, revenues, expenses and cash flows of The National Post Company for all periods presented up to October 30, 2009. Thereafter, the financial statements consolidate the accounts of National Post Inc. The Limited Partnership has not yet restated its previously issued annual consolidated financial statements referred to above, accordingly, certain comparisons to previously issued consolidated financial statements may not be appropriate.

The Limited Partnership is unincorporated and its balance sheet does not include the assets, liabilities, revenue and expenses of its partners.

Current and future income taxes relate to the corporate subsidiaries of Canwest LP. Canwest LP is not subject to income or capital taxes, because the income, if any, is taxed in the hands of the individual partners.

2. SIGNIFICANT ACCOUNTING POLICIES

Intangible assets

Newspaper mastheads are recorded at their cost. The mastheads have indefinite lives and are not subject to amortization and are tested for impairment annually or when indicated by events or changes in circumstances. Impairment of an indefinite life intangible asset is recognized in an amount equal to the difference between the carrying value and the fair value of the related indefinite life intangible asset. The fair value of mastheads for each publication is estimated using a relief-from-royalty approach using the present value of expected after-tax royalty streams through licensing agreements. The key assumptions under this valuation approach are royalty rates, expected future revenue and discount rates.

Consolidated financial statements

The Limited Partnership has made certain changes in presentation and disclosures have been adopted to reflect the effect of the CCAA proceedings. The Limited Partnership has applied the guidance in section 852 of the Accounting Standard Codification issued by the Financial Accounting Standards Board of the United States, "Reorganizations" ("ASC 852"), where such guidance does not conflict with the requirements of Canadian generally accepted accounting principles.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

These consolidated financial statements include condensed financial information for the LP Entities that are subject to the CCAA proceedings as certain of the Limited Partnership's subsidiaries are not subject to the CCAA proceedings (note 6).

Interest expense

Interest expense on financial liabilities which have been stayed by the Court is recognized only to the extent the amounts will be paid during the CCAA proceedings. Interest expense is not a reorganization item.

Reorganization items

Incremental costs directly related to the CCAA proceedings are presented as Reorganization Costs on the consolidated statements of earnings (loss). These costs include professional fees paid to external parties for legal and financial consulting incurred during the period when the LP Entities were developing their financial reorganization plans, and employee related costs for the retention of employees essential to the operations during the CCAA proceedings. Gains and losses realized on the disposal of any assets approved during the CCAA proceedings and any provisions for losses related to restructuring, exit or disposal activities (including repudiation of contracts) will be presented as reorganization costs if those activities have been undertaken as a result of the CCAA proceedings. Foreign exchange gains and losses on liabilities subject to compromise are also included in reorganization costs. Gains and losses on other transactions or events occurring prior to the CCAA proceedings or that would have occurred irrespective of the CCAA proceedings are not classified as reorganization costs (note 4).

Liabilities subject to compromise

Liabilities incurred prior to the CCAA filing date that are or may be subject to compromise, or are or may be impaired by the CCAA proceedings, have been classified separately on the consolidated balance sheet from those that are not expected to be subject to compromise and the liabilities incurred after the CCAA filing date. Liabilities that are fully secured or will not be impaired under the CCAA proceedings are not reported as liabilities subject to compromise. Liabilities that may be affected by the CCAA proceedings are recognized in accordance with the Limited Partnership's accounting policies even if they may be settled for lesser amounts.

These costs, gains, losses and provisions are recognized and measured in accordance with the respective accounting policies for such items.

Accounting Changes

Goodwill and Intangible assets

The Accounting Standards Board ("AcSB") issued CICA Handbook Section 3064, *"Goodwill and Intangible assets" ("CICA 3064")*, which establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. CICA 3064 expands on the criteria for recognition of intangible assets. CICA 3064 applies to internally generated intangible assets such as research and development activities and rights under licensing agreements. The section also indicates that expenditures not meeting the recognition criteria of intangible assets are expensed as incurred. The Limited Partnership applied this new standard retrospectively effective September 1, 2009. There was no impact on the Limited Partnership as a result of the application of this standard.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Proposed Accounting Policies

Business Combinations
The AcSB issued CICA Handbook Section 1582, *"Business Combinations" ("CICA 1582")* and entities adopting CICA 1582 will also be required to adopt CICA Handbook Sections 1601, *"Consolidated Financial Statements"*, ("CICA 1601") and 1602 *"Non-Controlling Interests" ("CICA 1602")*. These sections replace the former CICA Handbook Sections 1581, *"Business Combinations"* and 1600, *"Consolidated Financial Statements"* and establish a new section for accounting for a non-controlling interest in a subsidiary. CICA 1582 will require additional use of fair value measurements, recognition of additional assets and liabilities and increased disclosure. CICA 1601 and 1602 will require a change in the measurement of non-controlling interest and will require the change to be presented as part of partner's equity. These standards will become effective for business combinations for which the acquisition date is on or after September 1, 2011. The Limited Partnership is currently considering the impacts of the adoption of such standards.

3. CCAA PROCEEDINGS

LP Support Agreement

On January 8, 2010, the LP Applicants entered into the LP Support Agreement with the Administrative Agent. In addition to the actions described in Note 1, the LP Support Agreement imposes several covenants on the LP Entities, including the covenants (a) to not make any payments of pre-filing obligations without the prior consent of the Monitor, subject to an aggregate limit on payments of pre-filing obligations ; (b) to maintain net cash flow within certain limits; and (c) not to enter into any merger, amalgamation, consolidation, reorganization or recapitalization, sale or any other transaction resulting in the change of ownership or control of the Limited Partnership or any other LP Entities, except as provided under the Credit Acquisition or SISP, without the consent of the Administrative Agent.

The LP Support Agreement may be terminated by the Administrative Agent if there is a breach by the LP Entities of any of the terms and conditions of the agreement, or if the following milestones are not met: (a) the Secured Lenders Approval has not been obtained by January 31, 2010 (which milestone was satisfied on January 27, 2010); (b) a sanction order has not been obtained in respect of the Credit Acquisition by May 15, 2010; or (c) the Credit Acquisition has not been completed by June 30, 2010. The LP Support Agreement automatically terminates upon the closing of the Credit Acquisition or the closing of an offer accepted under the SISP.

The LP Support Agreement provides that the Senior Lenders CCAA Plan may be amended or extended prior to its completion. There is uncertainty related to its completion as a result of the number and complexity of the conditions that must be satisfied.

Initial Order for Creditor Protection

As contemplated by the LP Support Agreement, on January 8, 2010, the LP Applicants commenced CCAA proceedings by applying for and obtaining the Initial Order. During the CCAA proceedings, the LP Entities continue to operate their business with the assistance of the Monitor and under the supervision of the Court.

Pursuant to the Initial Order, and subject to the conditions set out therein and the requirements set out in the LP Support Agreement, the LP Entities are (a) required to provide and pay for the shared services

3. CCAA PROCEEDINGS (continued)

between the LP Entities and Canwest Media Entities; (b) permitted to pay outstanding and future employee wages, salaries and employee benefits, employee related obligations and employee incurred expenses; (c) permitted to pay outstanding amounts for goods and services from suppliers considered critical to the ongoing operations of the LP Entities, sales taxes, certain amounts due to governmental bodies and agencies, and amounts due under sales representation agreements; (d) permitted to pay future expenses and capital expenditures reasonably necessary to carry on the operations of the LP Entities; and (e) permitted to make available to National Post Inc., secured revolving loans to a maximum of $12.9 million (note 6). The Initial Order also allows the LP Entities, subject to the provisions of the CCAA, to disclaim any arrangement or agreement. Any reference herein to any such agreements or arrangements and to termination rights or a quantification of the Limited Partnership's obligations under any such agreements or arrangements is qualified by any overriding disclaimer or other rights the LP Entities may have as a result of or in connection with the CCAA proceedings. Claims may be allowed related to damages of counterparties arising as a result of such disclaimers.

The Initial Order created a number of new charges against substantially all of the current and future assets of the LP Entities which in accordance with the Initial Order may rank in priority to certain other security interests, trusts, liens, charges and encumbrances. These charges, in order of priority, include (i) an administration charge to secure amounts owing to the Monitor and certain restructuring and financial advisors, up to a maximum of $3.0 million; (ii) a DIP charge to the extent of any obligations outstanding under the DIP Facility and the existing security interest granted by the LP Entities to secure obligations under the LP Entities' centralized cash management system up to $7.5 million, ranked on *pari passu* basis; (iii) a charge to secure fees payable to the Financial Advisor engaged to conduct the SISP, up to a maximum of $10.0 million; and (iv) a directors' charge to secure the indemnity created under the Initial Order in favour of the directors and officers of the LP Entities and a management incentive plan ("Limited Partnership MIP") charge, each with equal priority, to a maximum of $35.0 million and $3.0 million, respectively (the Limited Partnership MIP charge was subsequently increased to $4.3 million on March 26, 2010).

The stay of proceedings provided for in the Initial Order generally precludes parties from taking any action against the LP Entities for breach of contractual or other obligations. The purpose of the stay is to provide the LP Entities with the opportunity to stabilize operations and business relationships with customers, vendors, employees and creditors and to allow the Limited Partnership to implement an orderly restructuring while continuing its day-to-day operations.

Plan of Compromise or Arrangement affecting Senior Secured Claims

On January 8, 2010, the Court authorized the LP Entities to seek approval of the Senior Lenders CCAA Plan, established the claims process for Senior Lenders and ordered a meeting of Senior Lenders on January 27, 2010 for purposes of voting on the Senior Lenders CCAA Plan.

The Senior Lenders CCAA Plan does not compromise or affect any claims other than the claims of the Senior Lenders. The Senior Lenders CCAA Plan requires repayment in full of all claims related to the DIP Facility on the implementation date of the Senior Lenders CCAA Plan unless consent is received from the DIP Facility lenders for the DIP Facility to be assumed in the Credit Acquisition or a transaction under the SISP. The Senior Lenders CCAA Plan also addressed the manner in which certain priority claims would be dealt with as further described under the Credit Acquisition and SISP below. Under the Senior Lenders CCAA Plan, the claims for the Secured Credit Facility and the Secured Hedge Obligations are subject to a discount of $25 million. Under the Senior Lenders CCAA Plan, Senior Senior Lenders are entitled to (a) receive debt and equity of Acquireco in exchange for their claims less a

3. CCAA PROCEEDINGS (continued)

discount of $25 million and have unpaid interest either paid on the implementation date or assumed by Acquireco or (b) repayment of their claims less a discount of $25 million if a transaction is completed under the SISP.

The claims process under the Senior Lenders CCAA Plan was completed on January 22, 2010 and confirmed the amount of Secured Claims in the amount of $925.4 million as discussed in note 5. The Secured Lenders CCAA Plan was approved by the Senior Lenders in a meeting held on January 27, 2010.

Sales and Investor Solicitation Process

On January 8, 2010, the Court approved the SISP to determine whether a successful bid could be obtained by the LP Entities to sell substantially all of their assets or to obtain an investment in the LP Entities' business. If a successful bid is not obtained, the Credit Acquisition, as described below, would proceed. A successful bid is either (a) a credible, reasonably certain and financially viable offer that would result in a cash distribution to the Senior Lenders in an aggregate amount equal to the amount of their claims less a discount of $25 million ("Superior Cash Offer") or (b) a credible, reasonably certain and financially viable offer for the purchase of substantially all of the property of the LP Entities (including an offer where the cash component of the offer is less than the discounted amount of Senior Lenders' claims as determined in (a)) or a reorganization of the LP Entities ("Superior Alternative Offer"), in each case as approved by a formal vote of the Secured Lenders in which at least 66.7% in value of the secured debt under the Secured Credit Facilities and the Secured Hedge Obligations and at least an absolute majority in number of the Secured Lenders that participate in such vote approve such transaction.

If a Superior Cash Offer or a Superior Alternative Offer (collectively, the "Superior Offer") is received, the Monitor, after consultation with the Financial Advisor and CRA, will recommend to the Special Committee of the board of directors of Canwest Global ("Canwest Special Committee") the most favourable Superior Offer be selected and that a definitive agreement be negotiated and settled, conditional upon Court approval and conditional on the Superior Offer closing within 60 days after April 30, 2010. If the Canwest Special Committee accepts the Superior Offer, the Monitor, in consultation with the Financial Advisor and the CRA, will negotiate and settle a definitive agreement. If the Canwest Special Committee does not wish to proceed with the Superior Offer, the Monitor will seek advice and direction from the Court with respect to the SISP.

If a Superior Cash Offer is accepted, each of the Senior Lenders will receive its pro rata share of the claims for the Secured Credit Facility and the Secured Hedge Obligations less a discount of $25 million in aggregate. Certain unaffected claims including the DIP Facility, certain employee benefit claims, cash management obligations and any secured claims ranking in priority will be paid. If a Superior Alternative Offer is accepted, the Senior Lenders CCAA Plan will be terminated unless otherwise provided in such Superior Alternative Offer.

On March 5, 2010, the initial phase of the SISP was completed with potential bidders submitting non-binding indications of interest. In accordance with the SISP procedures, and following a review of the non-binding indications of interest, the Monitor determined that there was a reasonable prospect of obtaining a Superior Offer and on March 12, 2010, made a recommendation to the Canwest Special Committee that the SISP continue for a further seven weeks ("Phase 2"). The Canwest Special Committee accepted the Monitor's recommendation, and Phase 2 of the SISP commenced on March 12, 2010. During Phase 2, qualified bidders will be able to conduct due diligence and, in accordance with the SISP procedures, may deliver final, binding proposals to the Financial Advisor on or before April

30, 2010, following which a determination as to whether a Superior Offer has been proposed will be made in accordance with the terms of the SISP Procedures.

Acquisition and Assumption Agreement

If a Superior Offer is not obtained through the SISP, then, under the terms of the Senior Secured Plan, the LP Entities are required to use all commercially reasonable efforts to complete the Credit Acquisition. In connection with the Credit Acquisition, the Senior Lenders would assign their claims under the Secured Credit Facilities and Secured Hedge Obligations to Acquireco for a pro rata share of debt and equity to be issued by Acquireco. Acquireco would enforce its security on the assets of the LP Entities and acquire substantially all of the assets of the LP Entities, including the shares of National Post Inc., and assume certain liabilities and claims of the LP Entities, unpaid fees due to the Administrative Agent and unpaid interest due to the Senior Lenders.

Following the completion of the Credit Acquisition, Acquireco will continue to hold an unsecured claim against the LP Entities equal to the $25.0 million discount amount described under the SISP. The Credit Acquisition, if approved, does not provide for any recovery for any equity holders of any of the LP Entities. Prior to the transfer of the assets to Acquireco, the LP Entities, Acquireco and the Monitor will agree upon (or the Court will determine) the amount of cash to be reserved to pay certain priority charges, post-filing accounts payable, certain employment related obligations of the LP Entities, certain claims of government entities and the fees and costs of any trustee in bankruptcy of the LP Entities.

DIP Financing

On January 8, 2010, the Court approved the DIP Facility. On February 5, 2010, the Senior Secured Super-Priority Debtor-In-Possession Credit Agreement ("DIP Credit Agreement") was executed. The DIP lenders will not be affected by any plan of compromise or arrangement filed by the LP Entities under the CCAA or any other restructuring.

The DIP Credit Agreement provides for a revolving credit facility of up to $25 million, including a letter of credit sub-facility of up to $5 million. Under the DIP Facility, the availability of funds is determined by a borrowing base based on a percentage of each of the accounts receivable of the LP Entities and the fair value of eligible real property less certain reserves. The DIP Facility may only be used for working capital, capital expenditures and other ordinary course expenditures of the LP Entities, to pay certain fees and expenses related to the DIP Facility, the Secured Credit Facility and CCAA proceedings, to advance secured intercompany loans to National Post Inc. and to pay interest on the Secured Credit Facility and Secured Hedge Obligations. The Limited Partnership has not drawn on the DIP Facility, but has the full DIP Facility available to draw on based on the borrowing base calculations as at February 28, 2010.

The LP Entities may draw on the DIP Credit Facility in Canadian Dollars with interest at the prime rate or bankers' acceptance rates plus a margin or U.S. Dollars at the U.S. dollar base rate plus a margin.

The DIP Facility is secured by substantially all of the current and future assets of the LP Entities, subject only to a priority as listed in the priority of charges created in the initial order. The DIP Facility is also guaranteed by CPI, Canwest (Canada) Inc., and Canwest Books Inc.

The DIP Credit Agreement provides for various restrictions on, among other things, the payment of any pre-filing obligations on a basis consistent with the covenants in the LP Support Agreement, the ability of

3. CCAA PROCEEDINGS (continued)

the Limited Partnership and its subsidiaries to incur additional debt or make any guarantees for such debt, to pay distributions to the unit holders, to enter into any transactions with affiliates (except as outlined in previously approved court documents), make investments or enter into any mergers or to dispose of certain assets. Each of these transactions would require the consent of one or more of the DIP lenders, the Monitor and the Court. The DIP Credit Agreement also contains financial covenants that must be met if any advance shall remain unpaid or any letter of credit is outstanding.

Under the terms of the DIP Credit Agreement, the Limited Partnership is required to provide certain information, including but not limited to the following; cash flow forecasts, financial statements and Borrowing Base Reports on a weekly, monthly or quarterly basis. The DIP Facility matures, subject to acceleration under certain circumstances, on the earliest of; (i) July 31, 2010; (ii) the date of a plan of arrangement under CCAA has been implemented by the LP Entities; or (iii) the date on which the Initial Order expires without being extended or on which the CCAA proceedings are dismissed or converted into bankruptcy proceedings. In addition, the DIP Facility is to be repaid with the net cash proceeds of assets sales by the LP Entities.

Management Incentive Plans

On January 8, 2010, the Court approved the Limited Partnership MIP for the LP Entities and National Post Inc., and other employee special arrangements. These MIPs were developed to incentivize employees of the respective entities critical to the success of the restructuring to remain with the respective entities. These programs and arrangements approved payments in aggregate of $3.8 million of which $1.9 million was paid in December 2009.

4. REORGANIZATION COSTS

Reorganization costs represent post-filing expenses and gains that can be directly associated with the reorganization and restructuring of the LP Entities. The following schedule details amounts that have been included in the Consolidated Statements of Earnings (Loss) as reorganization costs:

	For the three months ended February 28, 2010	For the six months ended February 28, 2010
Professional fees [a]	12,633	19,292
Foreign exchange losses on compromised debt [b]	16,201	16,201
Other [c]	2,106	4,583
	30,940	40,076

[a] Professional fees include amounts paid to advisors in regards to the CCAA proceedings and the recapitalization process.
[b] Foreign exchange losses on compromised debt represent the losses on translating monetary items that are subject to compromise at the period end compared to the translated amounts at January 8, 2010, the date of the CCAA filing.
[c] Other includes the cost of the Limited Partnership MIP and the Canwest KERP.

For the three months ended November 30, 2009, restructuring costs of $9.2 million have been reclassified to reorganization costs.

8. LIABILITIES SUBJECT TO COMPROMISE

Liabilities subject to compromise ("LSTC") are liabilities that have been stayed under the CCAA proceedings and which are expected to be compromised under the CCAA proceedings. These LSTC are recognized at management's best estimate of the amount expected to be allowed under a claims process, but these amounts may change, and such changes may be material. It is also possible that items not currently classified as LSTC in these interim consolidated financial statements will be added or reclassified to this category of liabilities at a later date. It is also possible that items currently classified as LSTC will be reclassified out of this category should they be proven to be fully secured. Further, under the CCAA proceedings, certain contracts may be disclaimed and claims may be recognized for such contracts. Any adjustments to this category may prove to be material and, depending on their nature, may be recorded as reorganization costs.

	February 28, 2010
Secured Credit Facilities and Secured Hedging Obligations [a]	933,747
Senior Subordinated Unsecured Notes [b]	421,000
Senior Subordinated Unsecured Credit Facility [b]	75,000
Accounts payable and accrued liabilities [b]	52,404
Accrued pension, post-retirement and other liabilities [b]	7,440
	1,489,591

[a] As described in note 3, under the Senior Lenders CCAA Plan, the claims under the Secured Credit Facilities and Hedging Obligations ("Secured Claims") have been confirmed to be $925.4 million. The provisions of the SISP and the Credit Acquisition, provide that the Secured Lenders would receive proceeds of $900.4 million plus, in the case of the Credit Acquisition only, an unsecured claim against the LP Entities of $25 million. Because the Secured Claim is not expected to be fully satisfied, due to the $25 million discount, these obligations have been presented as liabilities subject to compromise.

The Secured Claim of $925.4 million differs from the recorded amount of $933.8 million due to foreign exchange fluctations on the US denominated debt from January 8, 2010 to February 28, 2010.

[b] These liabilities are not affected by the Senior Lenders CCAA Plan. On April 12, 2010, the Court approved a claims process for the LP Entities (note 20).

6. CONDENSED COMBINED FINANCIAL INFORMATION

The Condensed Combined Financial Information as at and for the three and six-month periods ended February 28, 2010 presents the results of operations, financial position and cash flows of the LP Entities that are subject to the CCAA proceedings and excludes the results of operations and financial position of certain subsidiaries which are not subject to the CCAA proceedings.

Condensed Combined Statements of Earnings (Loss)
Periods ended February 28

	For the three months ended February 28, 2010	For the six months ended February 28, 2010
Revenues	236,073	500,752
Operating expenses [a]	194,360	391,269
Restructuring expenses (recoveries)	(81)	2,464
	41,794	107,019
Amortization	10,441	20,413
Operating income	31,353	86,606
Interest expense, net [b]	(29,624)	(50,550)
Other income	579	1,158
Gain on disposal of property and equipment	-	2
Foreign currency exchange gains	19,036	53,884
Earnings before reorganization costs and income taxes	21,344	91,100
Reorganization costs	(30,629)	(39,766)
Earnings (loss) before income taxes	(9,285)	51,334
Recovery of future income taxes	(2,794)	(3,824)
Net earnings (loss) for the period	(6,491)	55,158

[a] Included in operating expenses for the three months ended February 28, 2010 are printing and distribution recoveries from National Post Inc. of $2.6 million ($5.5 million for the six months ended February 28, 2010) and advisory, business and administrative charges recovered from National Post Inc. of $1.4 million ($2.6 million for the six months ended February 28, 2010) and a rent recovery from National Post Inc. of $0.3 million ($0.6 million for the six months ended February 28, 2010).

[b] Included in interest expense, net for the three months ended February 28, 2010 is interest income from National Post Inc. of $0.03 million ($0.04 million for the six months ended February 28, 2010)

6. CONDENSED COMBINED FINANCIAL INFORMATION (continued)

Condensed Combined Balance Sheet

	As at February 28, 2010
ASSETS	
Current Assets	229,495
Property and equipment	325,988
Other assets	36,735
Goodwill	95,034
Total Assets	687,252
LIABILITIES AND PARTNERS' DEFICIENCY	
Other current liabilities	88,600
Amounts due to related companies [(1)]	939
Deferred revenue	29,208
Current portion of obligations under capital leases	3,346
Total current liabilities	122,093
Liabilities subject to compromise	1,489,591
Obligations under capital leases	1,969
Accrued pension, post-retirement and other liabilities	67,013
Future income taxes	23,654
Partners' capital	39,188
Contributed surplus	195,320
Deficit	(1,251,576)
Total Liabilities and Partners' Deficiency	687,252

[(1)] Amounts due to related companies, subject to elimination upon consolidation, are disclosed on a net basis and are recorded at their face value. Amounts due to related companies include a loan receivable from National Post Inc. of $1.8 million and amounts payable to National Post Inc. on account of revenue and service agreements of $1.4 million.

On October 30, 2009, CPI, as lender, entered into a credit facility agreement with National Post Inc., as borrower, to finance the payment in respect of the transfer of certain assets and liabilities of The National Post Company to National Post Inc. (note 8) and for its ongoing operations. The aggregate amount available is $12.9 million less a prescribed amount which is currently set at $2.5 million. This credit facility matures on the earlier of July 31, 2010 or upon a change in control of CPI. National Post Inc. is required to pay excess cash to CPI on a regular basis. The advances bear interest at 4.5% per annum and are secured by all of the present and future assets of National Post Inc.

6. CONDENSED COMBINED FINANCIAL INFORMATION (continued)

Condensed Combined Statements of Cash Flows

	For the three months ended February 28, 2010	For the six months ended February 28, 2010
CASH GENERATED (UTILIZED) BY:		
Cash flows from operating activites	45,380	45,853
INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	-	2
Purchase of property and equipment	(1,990)	(5,355)
Cash flows from investing activities	(1,990)	(5,353)
FINANCING ACTIVITIES		
Transfer of National Post business	-	(2,367)
Advances of revolving facilities	1,889	1,889
Payments of capital leases	-	(1,519)
Cash flows from financing activities	1,889	(1,997)
Net change in cash	45,279	38,503
Cash - beginning of period	40,002	46,778
Cash - end of period	85,281	85,281

7. CANWEST REIMBURSEMENTS AND TRANSFER OF PENSION OBLIGATIONS

The Limited Partnership has agreed to reimburse Canwest Global for a portion of the cost of Canwest Global's key employee retention plan ("Canwest KERP") and Canwest Global has agreed to reimburse the Limited Partnership for a portion of the cost of its MIP. These plans were established in September 2009 and are payable in two instalments, the first instalment as at December 31, 2009 has been made and the second instalment will be made on the completion of the Canwest Media CCAA proceedings for the Canwest KERP or the Limited Partnership CCAA proceedings for the Limited Partnership's MIP. The total net reimbursement by the Limited Partnership is $3.9 million and has been recorded as a prepaid expense. This prepaid expense has been reduced by $2.3 million to reflect the amount which has been included in restructuring costs for the six months ended February 28, 2010 (three months ended November 30, 2009 - $1.5 million). In November 2009 the Limited Partnership deposited $3.9 million with a trustee for the benefits of the employees of the Canwest Media Entities in full satisfaction of its reimbursement obligation. These funds will be disbursed to the participants of the Canwest KERP in accordance with the terms of the Canwest KERP. If the funds exceed the amount required to satisfy its obligations the excess will be returned to the Limited Partnership.

In the second quarter of 2010, Canwest Global determined that the allocation of an accrued pension liability between the Limited Partnership and Canwest Global resulted in an overstatement of this liability in the Limited Partnership's financial statements in prior periods. As such, an immaterial out-of-period adjustment was recorded during the second quarter of 2010 resulting in a $1.7 million decrease in the accrued pension, post-retirement and other liabilities and a corresponding increase in the contributed surplus of the Limited Partnership as Canwest Global assumed its portion of the obligation.

8. TRANSFER OF NATIONAL POST BUSINESS

Effective October 30, 2009 certain assets and liabilities of The National Post Company, a general partnership, were transferred to a National Post Inc., a subsidiary of CPI, for cash consideration of $2.4 million paid to The National Post Company (note 1). As described in note 1, this transaction was accounted for as a continuity of interests.

The following is a summary of the net assets transferred as at October 30, 2009:

Assets	
Current Assets	4,790
Property and Equipment	558
Mastheads	6,750
	12,098
Liabilities	
Current Liabilities	3,798
Pension and post-retirement liabilities	3,724
	7,522
Net Assets	4,576

For these financial statements, all of the assets, liabilities, revenues, expenses and cash flows of The National Post Company have been combined with those of the Limited Partnership for all periods prior to the date of the transfer. On the date of the transfer, the cash consideration and elimination of the assets and liabilities excluded from the October 30, 2009 legal transfer have been de-recognized as an adjustment to contributed surplus. The gain on the de-recognition of amounts due to and from other related entities and accounts payable was $140.8 million.

9. OTHER ASSETS

	As at February 28, 2010	As at August 31, 2009
Pension assets	33,708	25,301
Other	718	894
	34,426	26,195

10. LONG TERM DEBT

	Maturity (fiscal year)	Principal Outstanding February 28, 2010	As at February 28, 2010	As at August 31, 2009
Senior secured credit facilities - revolver	2012	$117,889	117,889	116,000
Senior secured credit facilities - credit C	2012	$265,000	265,000	262,692
Senior secured credit facilities - credit D	2014	US$458,042	482,090	497,311
Senior subordinated unsecured credit facility	2015	$75,000	75,000	74,235
Senior subordinated unsecured notes	2015	US$400,000	421,000	429,856
			1,360,979	1,380,094
Less long-term debt subject to compromise			1,360,979	-
Less portion due within one year			-	1,380,094
Long-term portion			-	-

The terms and conditions of the long-term debt are the same as disclosed in the previously issued 2009 annual consolidated financial statements except as explained in notes 1, 3 and 5 and as follows:

In December 2009, a letter of credit in the amount of $1.9 million was redeemed by its beneficiary. The redemption was funded by a draw on the revolving credit facility. In accordance with the accounting policies in note 2, the Limited Partnership recognized interest expense of $14.5 million in the quarter relating to the difference between the carrying value of the long-term debt measured at amortized cost prior to the CCAA filing and the subsequent carrying value of the debt as described in note 5, and stopped accruing interest on the Senior Subordinated Unsecured Credit Facility and the Senior Subordinated Unsecured Notes on January 8, 2010.

11. INCOME TAXES

The provision for income taxes reflects an effective income tax rate which differs from its combined Canadian federal and provincial statutory income tax rate as follows:

	For the three months ended		For the six months ended	
	February 28, 2010	February 28, 2009	February 28, 2010	February 28, 2009
Income taxes at combined Canadian statutory income tax rate of 30.7% (February 28, 2009 - 30.55%)	(3,205)	(6,107)	15,684	3,249
Valuation Allowance	(4,285)	(27)	(4,102)	(27)
Effect of income tax rates differing from the combined Canadian statutory income tax rate	(1,032)	1,969	13	1,911
Effect of change in expected future income tax rates	497	50	(51)	(556)
Partnership net earnings allocated to Limited Partners, and therefore not subject to tax	4,129	(11,058)	(11,620)	(20,164)
Timing difference on acquisition of The National Post Company	-	-	738	-
National Post earnings allocated to partners	-	1,112	(65)	1,112
Non-taxable portion of capital gains	(617)	(267)	(5,781)	(267)
Non-deductible expenses	1,296	188	2,014	450
Other	86	5	27	32
Recovery of income taxes	(3,131)	(14,135)	(3,143)	(14,260)

12. ACCUMULATED OTHER COMPREHENSIVE LOSS

	Unrealized loss on cash flow hedges	
	For the three months ended	
	February 28, 2010	February 28, 2009
Balance, beginning of period	-	(69,332)
Other comprehensive earnings for the period	-	9,220
Balance, end of period	-	(60,112)

	Unrealized loss on cash flow hedges	
	For the six months ended	
	February 28, 2010	February 28, 2009
Balance, beginning of period	-	(45,472)
Other comprehensive loss for the period	-	(14,640)
Balance, end of period	-	(60,112)

13. RETIREMENT ASSETS AND OBLIGATIONS

The Limited Partnership has a number of funded and unfunded defined benefit plans, as well as defined contribution plans, that provide pension and post retirement and post employment benefits to its employees. The defined benefit pension plans are based upon years of service and final average salary.

The Limited Partnership's pension benefit expense is determined as follows:

	For the three months ended		For the six months ended	
	February 28, 2010	February 28, 2009 (restated)	February 28, 2010	February 28, 2009 (restated)
Current service costs	3,991	4,188	7,982	8,376
Employee contributions	(1,491)	(1,455)	(2,982)	(2,910)
Accrued interest on benefits	5,200	5,029	10,400	10,058
Return on plan assets	(4,618)	(4,770)	(9,236)	(9,540)
Past service costs	20	89	40	178
Net actuarial losses	1,215	812	2,430	1,624
Benefit expense	4,317	3,893	8,634	7,786
Employer contribution to the defined contribution plan	504	505	1,016	1,035
Total pension benefit expense	4,821	4,398	9,650	8,821

On October 30, 2009, the pension plan assumed from The National Post Company had plan assets of \$10.4 million, plan obligations of \$12.1 million, and unamortized net actuarial gains of \$0.3 million, resulting in an accrued plan obligation of \$2.0 million.

13. RETIREMENT ASSETS AND OBLIGATIONS (continued)

The Limited Partnership's post-retirement and post-employment expense is determined as follows:

	For the three months ended		For the six months ended	
	February 28, 2010	February 28, 2009 (restated)	February 28, 2010	February 28, 2009 (restated)
Current service costs	978	61	1,956	122
Accrued interest on benefits	909	637	1,818	1,274
Net actuarial gains	(77)	(141)	(154)	(282)
Total post-retirement and post-employment benefit expense	1,810	557	3,620	1,114

On October 30, 2009, the assumed post-retirement liability from The National Post Company had plan obligations of $1 million, and unamortized net actuarial gains of $0.7 million, resulting in an accrued post-retirement obligation of $1.7 million.

As a result of the CCAA proceedings in note 1, payments of $0.1 million on account of the Southam Executive Retirement Plan have been stayed. As a result the total liability of $7.4 million related to this plan has been reclassified to liabilities subject to compromise.

14. PARTNERS' CAPITAL

During the three months ended February 28, 2010, Canwest LP declared distributions of nil to Canwest Global (three months ended February 28, 2009 - $10.0 million).

During the six months ended February 28, 2010, Canwest LP declared distributions of nil to Canwest Global (six months ended February 28, 2009 - $45.0 million).

15. RESTRUCTURING

In 2009, the Limited Partnership initiated certain initiatives in its Publishing segment which are expected to result in a workforce reduction of 632 positions. These initiatives are expected to be complete by August 31, 2010 with total costs estimated in the range of $30 million to $32 million. In 2009, the Limited Partnership accrued costs of $28.0 million related to these initiatives.

The Limited Partnership has recorded the restructuring amounts in accounts payable and accrued liabilities and has expensed the workflow reduction costs in restructuring expenses as follows:

	For the three months ended		For the six months ended	
	February 28, 2010	February 28, 2009 (restated)	February 28, 2010	February 28, 2009 (restated)
Restructuring liability, beginning of period	10,272	7,550	9,423	2,376
Accrued during the period	(81)	16,772	2,464	22,886
	10,191	24,322	11,887	25,262
Payments during the period	(843)	(13,574)	(2,539)	(14,514)
Restructuring liability, end of period	9,348	10,748	9,348	10,748

16. RELATED PARTY BALANCES AND TRANSACTIONS

(a) Amounts due to (from) related companies

Amounts due to (from) related companies are related to obligations incurred by Canwest LP on behalf of related companies and disbursements made on behalf of the Canwest Media Entities outside Canwest LP and are accordingly classified as operating cash flows.

Total amounts due to (from) related companies are non-interest bearing and have fixed repayment terms, except for amounts due from The National Post Company to Canwest Media Entities prior to October 30, 2009 which had no fixed repayment terms. On October 30, 2009, with the acquisition of the assets and the business of The National Post Company by Canwest LP all amounts owing from The National Post Company to Canwest Media Entities were transferred to Canwest Media and Canwest Global as they were not part of the liabilities assumed by Canwest LP (note 5).

(b) Related party transactions

The following 2009 related party transactions have been restated to eliminate transactions with The National Post Company (note 8).

Cross-promotional activities (restated)

Canwest LP and certain Canwest Media Entities are involved in cross-promotional activities whereby Canwest LP provides advertising space in its newspaper and online media to certain Canwest Media Entities, and the Limited Partnership is provided with advertising time or space by the Canadian Broadcasting Operations.

Canwest LP has entered into an agreement with the Canadian Broadcasting Operations, whereby these activities will be charged to the various entities.

For the three months ended February 28, 2010, Canwest LP has recorded revenue of $0.5 million related to these activities (three months ended February 28, 2009 - $0.2 million).

For the six months ended February 28, 2010, Canwest LP has recorded revenue of $1.1 million related to these activities (six months ended February 28, 2009 - $0.8 million).

Editorial content (restated)

Canwest LP and the Canadian Broadcasting Operations provide each other certain affiliation services related to editorial content. The Canadian Broadcasting Operations contributed editorial content to the Limited Partnership's and online interactive services, and Canadian Broadcasting Operations have access to the Limited Partnership's editorial content, information and editorial services. For editorial content activities, Canwest LP and the Canadian Broadcasting Operations provide such services on a cost-recovery basis. Canwest LP has recorded a cost recovery of $0.06 million for the three months ended February 28, 2010 (three months ended February 28, 2009 - nil).

Canwest LP has recorded a cost recovery of $0.11 million for the six months ended February 28, 2010 (six months ended February 28, 2009 - nil).

These cost recoveries have been included in operating expenses.

16. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Advisory, business and administrative services (restated)

Canwest LP provides a number of services to Canwest Media and the Canadian Broadcasting Operations entities as follows:

(a) business and administrative support services to the Canadian Broadcasting Operations and Canwest Media including information technology, human resources services, accounting; *and*
(b) website support services and provision of online sales representation to the Canadian Broadcasting Operations.

Canwest LP and certain Canwest Media Entities have entered into various agreements that outline the amount of the charges or the basis on which the charges above are determined.

For the three months ended February 28, 2010, Canwest LP recorded a recovery of $3.4 million related to services provided to the Canadian Broadcasting Operations and other Canwest Media entities (three months ended February 28, 2009 – $3.7 million).

For the six months ended February 28, 2010, Canwest LP recorded a recovery of $6.6 million related to services provided to the Canadian Broadcasting Operations and other Canwest Media entities (six months ended February 28, 2009 – $7.3 million).

In addition, Canwest Media provides a number of services to Canwest LP as follows:

(a) executive advisory services related to corporate development, strategic planning, capital allocation, financing, equity and debt holder relations, insurance and risk management, tax planning and certain operational matters; *and*
(b) services related to legal, tax compliance, financial reporting, internal audit, investor and public relations, treasury, human resource management, sales representation and capital asset management.

Canwest LP and Canwest Media have entered into various agreements that outline the amount of the charges or the basis on which the charges above are determined.

For the three months ended February 28, 2010, the Limited Partnership recorded expenses of $0.8 million related to services received from Canwest Media (three months ended February 28, 2009 - $1.3 million).

For the six months ended February 28, 2010, the Limited Partnership recorded expenses of $1.9 million related to services received from Canwest Media (six months ended February 28, 2009 - $2.6 million).

In accordance with the new shared services agreement Canwest Media ceased to provide these services to Canwest LP as of February 28, 2010.

The above costs and recoveries have been included in operating expenses.

16. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Occupancy costs (restated)

Canwest LP recovers occupancy costs based upon a proportionate allocation of actual costs based upon the square footage occupied by certain Broadcast operations. The total recoveries for the three months ended February 28, 2010 were $0.03 million (three months ended February 28, 2009 - $0.1 million).

The total recoveries for the six months ended February 28, 2010 were $0.08 million (six months ended February 28, 2009 - $0.2 million).

These cost recoveries have been included in operating expenses.

All the related party transactions have been recorded at the exchange amounts, which are the amounts agreed to by the related parties.

17. FINANCIAL INSTRUMENTS AND FINANCIAL INSTRUMENTS RISK MANAGEMENT

The financial instruments and financial instruments risk management are the same as disclosed in the August 31, 2009 audited consolidated financial statements other than as disclosed below.

Financial Instruments Risk Management

Foreign Currency Risk

Due to the termination of certain hedging derivative instruments in 2009, the Limited Partnership is exposed to foreign currency risk arising from US dollar denominated debt. The Initial Order stayed the US$400 Senior Subordinated Notes. The corresponding foreign exchange gains and losses arising after January 8, 2010 related to the Senior Subordinated Notes have been presented as reorganization costs. Effective January 8, 2010, the Initial Order stipulated that for voting purposes and distribution under the Senior Lenders CCAA Plan, the US$458 million Senior Secured Credit D Facility was converted at the Canadian dollar noon exchange rate on January 8, 2010 which resulted in a Canadian dollar amount of $474 million. For accounting purposes, this facility continues to be translated into Canadian dollars at the period end rate as the settlement amount is only effective on the distribution which has not yet been approved. The foreign exchange gains and losses arising after January 8, 2010 related to the Senior Secured Credit D Facility are presented as reorganization costs. The Limited Partnership has recorded foreign exchange gains and losses in relation to the US denominated debt as follows:

	For the three months ended February 28, 2010	**For the six months ended February 28, 2010**
Foreign currency exchange gains	19,065	53,871
Reorganization costs	(16,201)	(16,201)
	2,864	37,670

There was no foreign currency exchange gain or loss for the three or six months ended February 28, 2009 because the Limited Partnership had a foreign currency and interest rate swap in place (note 1).

17. FINANCIAL INSTRUMENTS AND FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

Interest rate risk

The Limited Partnership's interest rate risk arises from borrowings issued at variable rates which expose the Limited Partnership to cash flow interest rate risk. Borrowings issued at fixed rates expose the Limited Partnership to fair value interest rate risk. Refer to Notes 1 and 3 above for the impacts on the Limited Partnership's interest rate risk since August 31, 2009 as a result of the CCAA proceedings.

Liquidity risk

Liquidity risk is the risk that the Limited Partnership will encounter difficulty in meeting obligations associated with its financial liabilities and other contractual obligations. Refer to Notes 1 and 3 above for the impacts on the Limited Partnership's liquidity risk since August 31, 2009 as a result of the CCAA proceedings.

18. CONTINGENCIES

(a) CPI is one of several defendants to a claim by a proposed class of freelance writers instituted in July 2003 in respect of works that they provided to newspapers and other print publications in Canada. The total amount claimed (by all plaintiffs against all defendants) is $500 million in compensatory damages and $250 million in exemplary and punitive damages. While the final outcome of these proceedings is not determinable, no amount has been recognized in these financial statements. Canwest Media and Canwest Global have agreed to indemnify Canwest LP with respect to all of its potential liability in connection with this claim; however, Canwest Media and Canwest Global are subject to CCAA proceedings and settlement of any amount claimed is also uncertain.

(b) In addition, Canwest LP is involved in various legal matters arising in the ordinary course of business. The resolution of these matters is not expected to have a material adverse effect on the Limited Partnership's financial position, results of operations or cash flows.

19. SEGMENTED INFORMATION

Canwest LP has two operating segments, both in Canada, being the Newspapers segment and the Digital Media segment. The Newspapers segment publishes daily and non-daily newspapers. Its revenues are primarily from advertising and circulation. The Digital Media segment operates the *canada.com* web portal and provides subscription services relating to investing and financial news and other information. Its revenues are primarily from subscriptions and advertising. Operating expenses for the three and six months ended February 28, 2009 include a reduction of $6.2 million for active employee health and insurance benefits related to prior years for the Publishing segment. The Limited Partnership has determined these adjustments are not material to the recorded results and accordingly the adjustments have been included in net earnings (loss).

19. SEGMENTED INFORMATION (continued)

Each segment operates as a strategic business unit with separate management. Segment performance is measured primarily upon the basis of segment operating profit. Segmented information and a reconciliation from segment operating profit to earnings (losses) before income taxes are presented below. Canwest LP accounts for intersegment sales as if the sales were to third parties.

Revenue

	For the three months ended		For the six months ended	
	February 28, 2010	February 28, 2009 (restated)	February 28, 2010	February 28, 2009 (restated)
Operating Segments				
Newspapers	247,155	249,595	525,468	574,994
Digital Media	8,369	9,362	17,976	20,123
Inter-segment revenues	(1,106)	(1,229)	(2,609)	(2,413)
Total operating segments	254,418	257,728	540,835	592,704

Segment Operating Profit

	For the three months ended		For the six months ended	
	February 28, 2010	February 28, 2009 (restated)	February 28, 2010	February 28, 2009 (restated)
Operating Segments				
Newspapers	38,342	26,380	103,655	96,655
Digital Media	2,441	2,550	6,347	5,550
Total operating segments	40,783	28,930	110,002	102,205
Reconciliation of segment operating profit to earnings (losses) before income taxes for the period				
Total operating segments	40,783	28,930	110,002	102,205
Restructuring (1)	81	(16,772)	(2,464)	(22,886)
	40,864	12,158	107,538	79,319
Amortization of property and equipment	(10,496)	(10,732)	(20,566)	(21,124)
Other amortization	(48)	(48)	(96)	(96)
Interest expense, net	(29,654)	(24,895)	(50,495)	(51,064)
Other income	500	625	1,001	1,250
Gain on disposal of property and equipment	-	2,195	2	2,198
Foreign currency exchange gains	19,030	292	53,779	154
Earnings (losses) before reorganization costs and income taxes	20,196	(20,405)	91,163	10,637
Reorganization costs (2)	(30,940)	-	(40,076)	-
Earnings (losses) before income taxes	(10,744)	(20,405)	51,087	10,637

(1) Costs related to restructuring as described in note 15.

(2) Costs related to the reorganization as described in note 4.

26. SUBSEQUENT EVENTS

On April 12, 2010, the Court granted an Order (the "Claims Procedure Order") authorizing the LP Entities to commence a claims process pursuant to the terms of the Claims Procedure Order. On the same date, the Court also granted an Order approving, among other things (a) an extension to the general stay of proceedings to June 30, 2010, and (b) authorized a payment under the lease for the Edmonton Journal Building of that portion of the rent attributable to the period before January 8, 2010.

Claims Procedure Order

The Claims Procedure Order establishes a claims procedure (the "LP Claims Procedure") for the identification and quantification of certain claims (each a "Claim"), against the LP Entities. The LP Claims Procedure includes a call for: (i) claims against the LP Entities that arose on or before the LP Applicants filed for creditor protection under the CCAA on January 8, 2010 (the "Prefiling Claims"), and (ii) claims that arose after January 8, 2010 as the result of the restructuring, disclaimer, resiliation or termination of any agreement by the LP Entities (the "Restructuring Period Claims"). Certain categories of claims are excluded and unaffected for the purposes of the LP Claims Procedure, including, among others, claims against the directors and officers of the LP Entities, intercompany claims, claims of the Senior Lenders against the LP Entities and the majority of employee claims. Pursuant to the LP Claims Procedure, the Monitor must send a claims package (the "LP Claims Package") to each creditor with a Prefiling Claim as evidenced by the books and records of the LP Entities by no later than April 16, 2010. The Monitor must deliver the LP Claims Packages to creditors with Restructuring Period Claims as soon as possible after the LP Entities have knowledge of a Restructuring Period Claim but, in any event, no later than 31 Calendar Days before the date of any meeting of creditors. Creditors that wish to participate in the claims process must file proofs of claim with the Monitor no later than: (i) in the case of a Prefiling Claim, May 7, 2010; or (ii) in the case of a Restructuring Period Claim, no later than 21 days after the LP Claims Package is deemed to have been received by the creditor under the terms of the Claims Procedure Order. The Claims Procedure Order provides a process for the adjudication and resolution of Claims but, after the initial call for Claims, the Court has ordered that no steps shall be taken for the purposes of adjudicating or resolving the Claims unless: (a) Phase 2 of the SISP is completed and the Monitor, the CRA, the LP Entities and the Administrative Agent make a determination that such steps are reasonably required to close a sale or recapitalization transaction (a "Successful Bid"), if one is identified in the SISP; (b) after the closing of the Successful Bid (or such earlier date as may be agreed to by the Monitor, the CRA, the LP Entities and the Administrative Agent), the Monitor, the CRA and the LP Entities make a determination that the resolution of Claims is reasonably required to facilitate a distribution of proceeds from such Successful Bid; or (c) directed by further Order of the Court. The terms of a plan of compromise or arrangement, if any, and the procedures for a meeting of creditors, if any, are not addressed in the Claims Procedure Order.