CANWEST LIMITED PARTNERSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED
NOVEMBER 30, 2009 AND NOVEMBER 30, 2008

January 13, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the interim consolidated financial statements of Canwest Limited Partnership ("Limited Partnership") and related notes.

This discussion contains statements that are not historical facts and are forward-looking statements. Such statements reflect management's current views and are based on certain assumptions. They are, by necessity, only estimates of future developments, and actual developments may differ materially from these statements due to a number of factors. Investors are cautioned not to place undue reliance on such forward-looking statements. No forward-looking statement is a guarantee of future results.

This discussion also makes reference to EBITDA to assist in assessing our financial performance. Non-GAAP financial measures do not have any standard meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. See "Reconciliation of Non-GAAP Financial Measures."

OVERVIEW

Creditor Protection

On January 08, 2010, Canwest (Canada) Inc., Canwest Publishing Inc. ("CPI") and Canwest Books Inc. (collectively the "LP Applicants") applied for and obtained an order (from the Ontario Superior Court of Justice (the "Court") granting creditor protection under the Companies' Creditors Arrangement Act (Canada) ("CCAA") (the "Initial Order"). The order applies to the LP Applicants and the Limited Partnership (collectively, the "LP Entities"). National Post Inc., a wholly owned subsidiary of the Limited Partnership which owns and operates the *National Post* is not included in the CCAA filing. The Initial Order provides for a general stay of proceedings until and including February 5, 2010 and is subject to further extension by the Court. The Initial Order may 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 note 3 of the unaudited interim consolidated financial statements.

Description of Partnership

The consolidated financial statements include the operations of CPI, Canwest Books Inc., a shared service centre 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 of the *National Post* were transferred to National Post Inc., a wholly owned subsidiary of CPI for cash consideration of $2.4 million (see note 5 of the unaudited interim consolidated financial statements). For the financial statements, the comparative interim consolidated financial statements were restated to reflect the financial position and results of operations as if the *National Post* had been combined with us since our inception. Accordingly, we have 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. We have not yet restated our previously issued annual consolidated financial statements; accordingly, certain comparisons to previously issued consolidated financial statements may not be appropriate.

We are the largest publisher of English language daily newspapers in Canada, as measured by paid circulation and revenue. Our publications include ten major daily metropolitan newspapers (nine broadsheets and one tabloid), one national newspaper, 25 community newspapers and a number of shopping guides and newspaper-related publications. In addition, we operate the canada.com network of websites.

KEY FACTORS AFFECTING OPERATING RESULTS

We earn revenues primarily from advertising and circulation from our newspaper operations. Newspaper advertising revenues are a function of the volume, or linage, of advertising sold and rates charged. Circulation revenues are derived from home-delivery subscriptions for newspapers and single-copy sales at retail outlets and vending machines and are a function of the number of newspapers sold and the average price per copy.

For the three months ended November 30, 2009, our revenues decreased 15% as compared to the same period in the previous year. The decrease in revenue was driven primarily by lower advertising revenue due to the weak economic conditions. We expect to experience some recovery in revenues for the balance of the fiscal year as a result of modest improvements in economic conditions.

Our principal operating expenses are salaries, newsprint and distribution expenses, which comprised 52%, 15% and 17%, respectively, of our operating expenses in fiscal 2009.

Our operating results are particularly sensitive to variations in the cost and availability of newsprint. Newsprint is a commodity, the price of which varies considerably from time to time as a result of supply shortfalls, among other factors. We purchase our newsprint from a number of Canadian suppliers and typically are able to negotiate fixed pricing for intervals from six months to a year. We take advantage of the purchasing power that comes with the large volume of newsprint that we purchase as well as our proximity to paper mills across Canada to minimize our cost of newsprint. Changes in newsprint prices can significantly affect our operating results. A $50 per tonne increase or decrease in the price of newsprint would be expected to affect our operating expenses by approximately $6.5 million on an annualized basis.

We expect our expenses to decrease moderately in the balance of the fiscal year relative to the prior year. We expect salary costs to decrease slightly as normal wage escalation will be more than offset by a lower number of employees. Lower insert volumes and fuel costs will contribute to decreased distribution costs. We do not expect significant changes in newsprint pricing relative to current levels for the remainder of the fiscal year.

On October 30, 2009 we purchased assets and assumed certain liabilities of the National Post for $2.4 million (see note 5 of the unaudited interim financial statements). We purchased net assets of $4.6 million and recorded a corresponding future tax liability of $0.8 million on the purchase. We also recorded a charge to the deficit on October 30, 2009 of $137.9 million which reflects certain liabilities of the National Post that were not purchased or assumed.

Seasonality

Our revenue has experienced, and is expected to continue to experience, significant seasonality due to seasonal advertising patterns and seasonal influences on people’s media consumption habits. Typically, our revenue is lowest during the fourth quarter of our fiscal year, which ends in August, and highest during the first quarter of our fiscal year, which ends in November, primarily as a result of holiday-related advertising.

Going Concern

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 we are working to develop a plan which would allow the operations to continue as a going concert for the foreseeable future and expect the operations to realize its assets and discharge its liabilities, we believe the going concern basis of presentation to be appropriate. However, the commencement of the CCAA proceedings (see note 3 of the interim unaudited consolidated financial statements) and other uncertainties discussed below cast significant doubt about our ability to continue as a going concern.

Our operating income and cash flows for fiscal 2009 and the three months ended November 30, 2009 reflect the effects of the deterioration in the economy and reduced advertising revenue in our publishing operations. The significantly reduced advertising revenue has reduced cash flows from operations and has impacted our liquidity. As at November 30, 2009, current liabilities significantly exceed current assets. We are in default under the terms of our senior secured credit facilities, our senior subordinated unsecured credit facility and our senior subordinated unsecured notes indenture because we failed to make payments of interest and principal on our senior secured credit facilities and its related hedging derivative instruments, we failed to make interest payments on our senior subordinated unsecured credit facility and our senior subordinated unsecured notes and we failed to satisfy the demand for immediate repayment of our obligations related to the hedging derivative instruments.

As at May 31, 2009 we were not in compliance with our financial covenants under the senior secured credit facilities. From May 2009 to August 2009 we did not make interest and principle payments on the senior secured credit facilities and the associated hedging derivative instruments or in respect of the senior subordinated unsecured credit facility or the senior subordinated unsecured notes. These payments were not made in order to preserve liquidity to fund operations while we work to negotiate a potential recapitalization transaction. As a result of the payment default under the senior secured credit facilities, the hedging derivative instrument counterparties terminated the hedging arrangements and demanded immediate payment of an aggregate of $68.9 million (the “Secured Hedge Obligations”).

Effective August 31, 2009, we entered into a forbearance agreement with the Administrative Agent under our senior secured credit facilities (the “Administrative Agent”) under which the secured lenders agreed not to take any steps with respect to the defaults under the senior secured credit facility and to work with us 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. We agreed to pay the interest owing and the continuing interest on our senior 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. We have continued to pay the interest on the senior secured credit facilities and the Secured Hedge Obligations. We were also in default under the terms of our senior subordinated unsecured credit facility and the senior subordinated unsecured notes and did not enter into any forbearance arrangements with the unsecured lenders or the holders of the unsecured notes.

On January 8, 2010 we entered into a support agreement with the Administrative Agent (the “LP Support Agreement”). The Administrative Agent acts in consultation on various matters with a steering committee of the senior secured lenders including the lenders under the senior secured credit facilities and the counterparties to the Secured Hedge Obligations (the “Secured Lenders”). The LP Support Agreement provides that we will pursue the Plan of Compromise and Arrangement affecting senior secured lenders under the CCAA (“the Plan”) which will involve us implementing a court-supervised sales and investor solicitation process (the “SISP) with a view to obtaining proposals for the sale of all or substantially all of our assets and assumption of our liabilities or an investment in us, in each case that would constitute a Superior Offer, as defined in the LP Support Agreement (the “Superior Offer”). If the SISP is not successful in attracting a Superior Offer, the Plan sets out the terms under which substantially all our assets would be acquired by the Secured Lenders through a newly incorporated investment vehicle (“Acquireco”) and the liabilities would be assumed by Acquireco (other than certain specified liabilities and subject to Acquireco’s right to exclude certain additional liabilities) in exchange for the satisfaction of the debt owed by us to the Secured Lenders less a discount of $25 million (the “Credit Acquisition”).

We intend to enter into a debtor-in-possession (“DIP”) financing arrangement (see note 3 of the unaudited interim consolidated financial statements), the terms of which have been set out in a DIP financing term sheet attached to an executed commitment letter and approved by the Court.

The CCAA proceedings provide us with temporary relief from our creditors by preventing all secured and unsecured creditors from proceeding against us. The DIP financing arrangements will provide funding for operations during the course of the filing. The LP Support Agreement sets out the framework for the Plan which will be filed with the Court and voted on by the Secured Lenders at a creditor’s meeting during the course of the CCAA proceedings. If no satisfactory offer is received through the SISP the Court will be asked to sanction the Credit Acquisition.

During the CCAA proceedings, we will continue to prepare our consolidated financial statements on a going concern basis and using our existing accounting policies for the recognition and measurement of assets and liabilities, including the impairment of assets and derecognition of liabilities. These interim consolidated financial statements do not necessarily reflect our assets at their net realizable or liquidation values or liabilities at amounts they may be ultimately be settled for under the LP Plan or the SISP. In accordance with the CCAA proceedings, we may disclaim or repudiate certain contracts. Adjustments resulting from the CCAA proceedings may be material.

We will distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Accordingly, certain revenues, expenses, realized gains and losses and provisions for losses that are realized or incurred in the CCAA will be recorded as Reorganization Items on the consolidated statements of earnings. These Reorganization Items will include professional fees for services related to preparing for the CCAA Filing and Plan and ongoing monitoring and other activities during the CCAA proceedings and incremental costs to retain employees essential to the operations during the CCAA proceedings. In addition, liabilities that may be impacted by the CCAA proceedings will be classified on the consolidated balance sheets as liabilities subject to compromise. These liabilities will be reported at the amounts expected to be allowed by the Court, even if they may be settled for lesser amounts. Interest that is stayed by the Initial Order will not be accrued and recognized as interest expense.

Upon the implementation of the Plan there may be a substantial realignment of the non-equity and equity interests in the Limited Partnership and we may be required to comprehensively revalue any remaining assets and liabilities based on the reorganization value resulting from the Plan, referred to as “fresh-start” accounting. These financial statements do not give effect to any adjustments that may be required during the period in which we are under creditor protection or as a result of fresh start accounting.

There can be no assurance that the actions being take by us will result in improvements to the financial condition sufficient to allow us to continue as a going concern. If the going concern basis is not appropriate, adjustments may be necessary to the carrying amounts and/or classification of our assets and liabilities. These adjustments may be material.

Parent Company

Canwest Global Communications Corp. (“Canwest Global”), (the ultimate parent company of the Limited Partnership), Canwest, and certain subsidiaries which include The National Post Company (the “Canwest Media Applicants”) voluntarily applied for and successfully obtained an order from the Ontario Superior Court of Justice under CCAA on October 6, 2009. The National Post Company, a general partnership, operated the business of the *National Post*. On October 30, 2009, the *National Post* business and certain of its assets and liabilities were transferred to National Post Inc., a subsidiary of CPI. The commencement of these proceedings was undertaken in furtherance of a proposed recapitalization transaction. The Canwest Media Applicants' operations will continue uninterrupted during the recapitalization process and obligations to employees and suppliers of goods and services provided after the filing date will continue to be met. Under the order related party obligations that the Canwest Media Applicants have to the Limited Partnership both prior and subsequent to the filing date will continue to be met. The Canwest Media Applicants also continue to provide services to the Limited Partnership in accordance with the agreement on shared services and employees (“new shared services agreement”) described below.

On October 30, 2009 the Court granted an order approving the new shared services agreement which sets out an orderly transition and subsequent termination of certain shared services agreements between the Canwest Media Applicants, the Limited Partnership and other subsidiaries of Canwest Global. The agreement sets out termination dates for each of the categories of shared services (see note 14 of the unaudited interim consolidated financial statements) which range from February 28, 2010 to February 28, 2011. In addition, the court order provided for the transfer of the business of the *National Post* and certain of its assets and liabilities to National Post Inc., a wholly owned subsidiary of CPI (see note 5 of the unaudited interim consolidated financial statements).

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with Canadian GAAP requires our management to make estimates and judgments that affect the reported amounts of our assets, liabilities, revenue and expenses, as well as the disclosure of contingent assets and liabilities. Our management bases its estimates and judgments on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

There are no significant changes in our accounting policies or estimates since August 31, 2009 and as described in our Management's Discussion and Analysis for the year ended August 31, 2009, except as described below:

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.

Accounting Changes

Goodwill and Intangible assets

The Accounting Standards Board ("AcSB") issued CICA 3064, *"Goodwill and Intangible assets"*, 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. We applied this new standard retrospectively effective September 1, 2009. There was no impact on our results as a result of the application of this standard.

Proposed Accounting Policies

Business Combinations

The AcSB issued CICA Handbook Section 1582, *"Business Combinations"* and entities adopting CICA 1582 will also be required to adopt CICA Handbook Sections 1601, *"Consolidated Financial Statements"*, and 1602 *"Non-Controlling Interests".* 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. We are currently considering the impacts of the adoption of such standards.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

In 2006, the AcSB published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS") over an expected five year transitional period. In February 2008, AcSB confirmed that IFRS will be used for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Our first annual IFRS financial statements will be for the year ending August 31, 2012 and will require the restatement for comparative purposes of amounts reported in our financial statements for the year ended August 31, 2011. Starting in the first quarter of fiscal 2012 (November 30, 2011) we will provide unaudited consolidated interim financial information in accordance with IFRS including comparables for fiscal 2011.

In order to prepare for the transition date on September 1, 2010, we are currently evaluating this new requirement and we are in the process of creating a detailed plan to converge to IFRS. We have performed a preliminary project scoping exercise to identify the more significant differences between Canadian GAAP and IFRS. The detailed plan will cover the IFRS implementation impact on our consolidated financial statements including an analysis of the differences between IFRS and our current accounting policies to prioritize key impact areas. We will also analyze all options permitted under IFRS at the transition date and on an ongoing basis, and conclude on these options. In addition, we will identify all internal procedures and systems that must be updated in order for us to comply with IFRS. The financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures. In the period leading up to the changeover, the AcSB will continue to issue new accounting standards that are aligned with IFRS, thus mitigating the impact of adopting IFRS at the transition date. The International Accounting Standards Board ("IASB") will also continue to issue new accounting standards during the conversion period. As a result of the upcoming changes, the final impact of IFRS on our consolidated financial statements can only be determined once all of the standards at the time of transition are known.

Additional disclosure on the impact of the adoption of IFRS on our consolidated financial statements will be provided in future MD&As.

CONSOLIDATED OPERATING RESULTS

Results of Operations for the Three Months Ended November 30, 2009

The following table summarizes the operating results for the three months ended November 30, 2009.

	Three months ended	
(unaudited)	**November 30, 2009**	**November 30, 2008** ***(restated)***
	$000	**$000**
Revenue:		
Newspapers	**278,313**	325,399
Digital Media	**9,607**	10,761
Inter-segment elimination	**(1,503)**	(1,184)
	286,417	334,976
Segment operating expenses:		
Newspapers	**213,000**	255,124
Digital Media	**5,701**	7,761
Inter-segment elimination	**(1,503)**	(1,184)
	217,198	261,701
Segment operating profit:		
Newspapers	**65,313**	70,275
Digital Media	**3,906**	3,000
	69,219	73,275
Restructuring expenses	**11,681**	6,114
EBITDA (1)	**57,538**	67,161
Net Earnings	**61,843**	31,167

(1) See "Reconciliation of Non GAAP Financial Measures".

Revenue. Revenue decreased $48.6 million, or 15%, to $286.4 million for the three months ended November 30, 2009 as compared to $335.0 million for the three months ended November 30, 2008. Newspaper revenues decreased $47.1 million, or 15%, and digital media revenues decreased $1.2 million, or 11%.

Operating expenses. Operating expenses decreased 17%, to $217.2 million for the three months ended November 30, 2009 as compared to $261.7 million for the three months ended November 30, 2008. Decrease in operating expenses was the result of cost reduction initiatives implemented in the last nine months of fiscal 2009. Newspaper expenses decreased $42.1 million, or 17%, and digital media expenses decreased $2.1 million, or 27%.

Restructuring expenses. Restructuring expenses were $11.7 million for the three months ended November 30, 2009 compared to $6.1 million in the same period in the prior year. Restructuring costs in the current year consist of advisory fees related to current efforts to implement a recapitalization transaction. These fees are expected to continue for the remainder of the current fiscal year.

EBITDA. EBITDA decreased $9.6 million or 14% for the three months ended November 30, 2009 to $57.5 million as compared to $67.2 million for the three months ended November 30, 2008. EBITDA excluding restructuring expenses was $69.2 million in the current quarter compared to $73.3 million for the same period in the prior year, a decrease of $4.1 million or 6%. Declines in EBITDA are the result of higher restructuring costs and lower advertising revenue partially offset by declines in operating expenses.

Amortization. Amortization expenses were $10.1 million for the three months ended November 30, 2009 compared to $10.4 million for the same period in the prior year.

Interest expense. Interest expense is primarily related to advances under the senior secured credit facilities, the senior subordinated unsecured credit facility and the senior subordinated unsecured notes. Interest expense was $20.8 million for the three months ended November 30, 2009 as compared to $26.2 million for the three months ended November 30, 2008. The decrease in interest is due principally to lower effective interest rates in the period relative to the same period in the prior year.

Income taxes. The income tax provision was a recovery of $0.8 million for the three months ended November 30, 2009 as compared to a recovery of $0.1 million for the three months ended November 30, 2008. The Limited Partnership itself is not a taxable entity. Income and capital taxes are payable only by our corporate subsidiaries. While a substantial portion of our business is transacted through a corporate entity, the taxable earnings of the corporate entity are expected to be minimal on an annual basis as a consequence of interest payable by the corporate entity to the Limited Partnership on inter-company notes payable.

Net earnings. Net earnings increased 98% to $61.8 million for the three months ended November 30, 2009 as compared to $31.2 million for the three months ended November 30, 2008. This increase was primarily driven by foreign exchange gains related to our long term debt.

Newspapers

Revenue. Revenue for the newspapers segment decreased $47.1 million, or 15%, to $278.3 million for the three months ended November 30, 2009 as compared to $325.4 million for the three months ended November 30, 2008.

Total advertising linage decreased 12% relative to the prior year with weakness in all major advertising categories. Average line rate declined 9%. National and classified revenues decreased by 16% and 34%, respectively, and retail revenues decreased by 15% compared to the prior year. Newspaper online revenue grew 3% in the quarter relative to the same period in the prior year. Insert revenues decreased 7% compared to the prior year driven primarily by declines in insert volumes. Circulation revenues decreased 2% from the prior period as declines in circulation volume were offset by increases in per copy pricing.

Operating expenses. Operating expenses for the newspapers segment decreased $42.1 million, or 17%, to $213.0 million for the three months ended November 30, 2009 as compared to $255.1 million for the three months ended November 30, 2008. The decrease in operating expenses was primarily due the impact of strategic initiatives implemented in the prior fiscal year as well as a 19% decrease in newsprint prices. Newsprint consumption decreased 24% for the three months as compared to the same period in the prior year due to lower circulation volumes, declines in advertising linage and other newsprint reduction initiatives.

Segment operating profit. As a result of advertising revenue declines, operating profit for the newspapers segment decreased $5.0 million, or 7%, to $65.3 million for the three months ended November 30, 2009 as compared to $70.3 million for the three months ended November 30, 2008.

Digital Media

Revenue. Revenue for the digital media segment decreased $1.2 million, or 11%, to $9.6 million for the three months ended November 30, 2009 as compared to $10.8 million for the three months ended November 30, 2008. This decrease was driven by lower advertising revenues from canada.com, partially offset by a 2% increase in FPInfomart subscription revenue.

Operating expenses. Operating expenses of the digital media segment decreased $2.1 million, or 27%, to $5.7 million for the three months ended November 30, 2009 as compared to $7.8 million for the three months ended November 30, 2008. The decrease was driven primarily by lower discretionary costs such as marketing as a result of ongoing efforts to contain operating costs.

Segment operating profit. Operating profit for the digital media segment increased $0.9 million to $3.9 million for the three months ended November 30, 2009 as compared to $3.0 million for the three months ended November 30, 2008 primarily as a result of lower operating expenses.

CONSOLIDATED QUARTERLY FINANCIAL RESULTS

	2010	2009 (restated)				2008 (restated)		
(unaudited)	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	$000	$000	$000	$000	$000	$000	$000	$000
Revenue	**286,417**	237,727	268,645	257,728	334,976	298,724	332,992	305,586
Net earnings	**61,843**	(58,698)	(65,915)	(6,237)	31,167	19,305	1,945	26,567
Cash flow from operating activities	**5,253**	21,754	34,647	14,527	32,481	29,842	64,489	49,735

LIQUIDITY AND CAPITAL RESOURCES

As at May 31, 2009 we were not in compliance with our financial covenants under the senior secured credit facilities. From May 2009 to August 2009 we did not make interest and principle payments on the senior secured credit facilities and the associated hedging derivative instruments or in respect of the senior subordinated unsecured credit facility or the senior subordinated unsecured notes. These payments were not made in order to preserve liquidity to fund operations while we work to negotiate a potential recapitalization transaction. As a result of the payment default under the senior secured credit facilities, the hedging derivative instrument counterparties terminated the hedging arrangements and demanded immediate payment of the Secured Hedge Obligations of $68.9 million.

Effective August 31, 2009, we entered into a forbearance agreement with the Administrative Agent under which the secured lenders agreed not to take any steps with respect to the defaults under the senior secured credit facility 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 have cancelled all undrawn amounts on the revolving credit facility. We agreed to pay the interest owing and the continuing interest on our senior 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. We have continued to pay the interest on the senior secured credit facilities and the Secured Hedge Obligations. We were also in default under the terms of the senior subordinated unsecured credit facility and the senior subordinated unsecured notes and did not enter into any forbearance arrangements with the unsecured lenders or the holders of the unsecured notes.

The senior secured credit facilities noted above are secured by substantially all of the Limited Partnership's directly held assets including the assets of the Limited Partnership, Canwest Media (Canada) Inc. and Canwest Publishing Inc.

Sources of Cash

Our principal sources of liquidity are cash flows from operating activities. For the three months ended November 30, 2009, our cash flows from operating activities were $5.3 million compared to $32.5 million in the same period in the prior year. The decline in operating cash flow was due to lower EBITDA, increased contributions to pension plans and larger investment in working capital.

As of November 30, 2009, our cash position reflected cash on hand of $41.4 million (August 31, 2009 – $43.4 million).

We intend to enter into a debtor-in-possession ("DIP") financing arrangement (see note 3 of the unaudited interim consolidated financial statements), the terms of which have been set out in a DIP financing term sheet attached to an executed commitment letter and approved by the Court.

Uses of Cash

Transfer of National Post Business

On October 30, 2009 we purchased assets and assumed certain liabilities of the National Post for $2.4 million (see note 2 of the unaudited interim consolidated financial statements). We purchased net assets of $4.6 million and recorded a corresponding future tax liability of $0.8 million on the purchase. On the date of the transfer, the cash consolidation and elimination of the assets and liabilities excluded from the October 30, 2009 transaction have been de-recognized with an adjustment to contributed surplus. The gain on the derecognition of amounts due to and from other related entities and accounts payable was 140.8 million.

Capital Expenditures

For the three months ended November 30, 2009, our capital expenditures were $3.4 million compared with $10.9 million for the same period in the prior year. Capital expenditures decreased in this quarter relative to prior year based on continuing efforts to contain spending and improve liquidity. For the current fiscal year we expect capital expenditures in the range of $20 - $25 million.

Restructuring Costs

As we work towards developing and implementing a financial restructuring we continue to incur substantial professional fees for our advisors as well as the advisors of certain of our creditors. We expect these costs to be approximately $4 million per month until the restructuring is completed.

Distributions

Distributions paid to Canwest Media Inc. for the three months ended November 30, 2009 were nil ($35.0 million for the same period in the prior year). We suspended our distributions in January 2009 and do not expect to resume distributions.

Debt

(unaudited)	**November 30, 2009**	**August 31, 2009**
	$000	**$000**
Senior Secured Credit Facilities	858,290	876,003
Senior Subordinated Unsecured Notes	414,319	429,856
Senior Subordinated Unsecured Credit Facility	74,255	74,235
Long term debt	1,346,864	1,380,094
Less portion due within one year	1,346,864	1,380,094
Long-term portion	0	0

The terms and conditions of the long-term debt are the same as disclosed in the August 31, 2009 audited consolidated financial statements.

As of November 30, 2009, we had obligations under capital leases of $5.3 million, including the current portion of $3.3 million (August 31, 2009 - $6.8 million and $3.1 million, respectively).

The following table sets out the debt outstanding at November 30, 2009, which is translated at November 30, 2009 foreign currency exchange rates and includes debt issuance costs.

	Debt at current foreign exchange rates	Debt issuance costs	Carrying value as at November 30, 2009	Carrying value as at August 31, 2009
Senior secured credit - revolver	116,000	-	116,000	116,000
Senior secured credit - credit C	265,000	(2,142)	262,858	262,692
Senior secured credit - credit D	483,532	(4,100)	479,432	497,311
Senior subordinated unsecured credit facility	75,000	(745)	74,255	74,235
Senior subordinated unsecured notes	422,260	(7,941)	414,319	429,856
	1,361,792	(14,928)	1,346,864	1,380,094

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, except as disclosed below.

Financial Instruments Risk Management

Foreign Currency Risk

Due to the termination of certain hedging derivative instruments 2009, we are exposed to foreign currency risk arising from US dollar denominated debt of $858 million. During the three months ended November 30, 2009 we recorded foreign exchange gains of $33.8 million related to this US dollar denominated debt. There was no foreign currency exchange gain or loss for the three months ended November 30, 2008 because we had a foreign currency and interest rate swap in place (see note 1 of the unaudited interim consolidated financial statements).

GUARANTEES AND OFF BALANCE SHEET ARRANGEMENTS

We do not have any significant guarantees or off-balance sheet arrangements.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The Limited Partnership's obligations under firm contractual arrangements, including commitments for future payments under capital lease arrangements, operating lease arrangements, purchase commitments and other long-term liabilities are not materially different from those discussed in our Management's Discussion and Analysis for the year ended August 31, 2009.

RELATED PARTY TRANSACTIONS

We have entered into various transactions with related parties which we believe are on substantially comparable terms as those that we could have obtained with unrelated parties on an arm's length basis. All agreements between us and the Canwest group of companies have been done and will continue to be done on a cost recovery basis. The following discussion relates to our accounts for our related party transactions and provides a description of our related party agreements.

Amounts Due (to)/From Affiliated Companies

Amounts due (to)/from affiliated companies consist of the following:

(unaudited)	**November 30, 2009**	**August 31, 2009** *(restated)*
	$000	**$000**
Amounts due from related companies	**1,408**	1,641
Amounts due to related companies	**(2,887)**	(140,462)
Net amount due to related companies	**(1,479)**	(138,821)

Amounts due to (from) related companies are related to obligations incurred by the Limited Partnership on behalf of related companies and disbursements made on behalf of other Canwest companies outside the Limited Partnership 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 prior to October 30, 2009 which had no fixed repayment terms. On October 30, 2009 with the acquisition of the *National Post* by Canwest LP all amounts owing from *The National Post Company* to Canwest were transferred to Canwest as they were not part of the liabilities assumed by Canwest LP (see note 5 of the interim consolidated unaudited financial statements).

We have agreed to reimburse Canwest for a portion of the cost of the Canwest key employee retention plan ("Canwest KERP") and Canwest has agreed to reimburse us for a portion of the cost of its management incentive plan ("Limited Partnership 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 CCAA proceedings for the Canwest KERP or the Limited Partnership CCAA for the Limited Partnership MIP. The total net reimbursement by us is $3.9 million and has been recorded as a prepaid expense. This prepaid expense has been reduced by $1.5 million to reflect the amount which has been included in restructuring costs for the three months ended November 30, 2009. In November 2009 we deposited $3.9 million with a trustee in full satisfaction of our 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 us.

The following table provides details on the related party transactions of the Limited Partnership:

(unaudited)	Three months ended November 30, 2009	November 30, 2008 *(restated)*
	(in millions)	
Revenue (expenses) recorded for the following activities:		
Cross-promotional activities [(1)]		
- revenue earned on advertising services provided to other Canwest entities	**0.60**	0.60
Editorial content [(2)]		
- cost recovery for content provided to other Canwest entities	**0.05**	-
Advisory, business and administrative services [(3)]		
- Canwest Services	**3.20**	3.60
- Executive Advisory Services and Partnership Services	**(1.10)**	(1.30)
Occupancy costs [(4)]	**0.05**	0.10
	2.80	3.00

(1) The Limited Partnership and other Canwest entities are involved in cross-promotional activities whereby the Limited Partnership provides advertising space in its newspaper and online media to other Canwest entities and the Limited Partnership is provided with advertising time or space by the Canadian Broadcasting Operations. The Limited Partnership has entered into an agreement with the Canadian Broadcasting Operations, whereby these activities will be charged to the various entities.

(2) The Limited Partnership and the Canadian Broadcasting Operations provide each other certain affiliation services related to editorial content. The Canadian Broadcasting Operations contribute editorial content to the Limited Partnership's online digital media services, and Canadian Broadcasting Operations have access to the Limited Partnership's editorial content, information and editorial services. For editorial content activities, the Limited Partnership and the Canadian Broadcasting Operations agreed to provide such services on a cost recovery basis.

(3) The Limited Partnership provides a number of services (the "Canwest Services") to other Canwest entities as follows:

- business and administrative support services to the Canadian Broadcasting Operations and other Canwest entities including information technology, human resources services, and accounting; and
- website support services and provision of online sales representation to the Canadian Broadcasting Operations.

In addition, Canwest provides a number of services to the Limited Partnership as follows:

- 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
- services related to legal, tax compliance, financial reporting, internal audit, investor and public relations, treasury, human resource management and capital asset management.

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

(4) The Limited Partnership leases space to the Canadian Broadcast operations in its Toronto facility and charges rent in accordance with a related agreement.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

The following table provides a reconciliation of EBITDA to net earnings, the most closely comparable GAAP measure for the following periods.

(unaudited)	Three months ended	
	November 30, 2009	**November 30, 2008** ***(restated)***
	$000	**$000**
Net earnings for the period	**61,843**	31,167
(Recovery) of income taxes	**(12)**	(125)
Foreign currency exchange losses (gains)	**(34,749)**	138
Interest expense, net	**20,841**	26,169
Other income	**(501)**	(625)
Gain on disposal of property and equipment	**(2)**	(3)
Other amortization	**48**	48
Amortization of property and equipment	**10,070**	10,392
EBITDA	**57,538**	67,161