

More in Store



THE NORTH WEST COMPANY INC. 2012

Annual Information Form

YEAR ENDED JANUARY 31, 2013

APRIL 8, 2013



TABLE OF CONTENTS

EXPLANATORY NOTES	1
Date of Annual Information Form.....	1
Glossary of Terms	1
Currency	2
Forward-Looking Statements	2
Non-GAAP Financial Measures.....	2
CORPORATE STRUCTURE	3
Name, Address and Incorporation.....	3
Intercorporate Relationships.....	4
GENERAL DEVELOPMENT OF THE BUSINESS	4
History	5
Developments for 2010... ..	5
Developments for 2011.....	8
Developments for 2012.....	10
Developments for 2013.....	12
DESCRIPTION OF THE BUSINESS	12
General	12
Canadian Operations	13
International Operations	14
Distribution and Infrastructure	15
Financial Services.....	15
Markets	16
Stores and Other Facilities.....	16
Competition	17
Investing Activities.....	18
Management of Sales and Operations	18
Employees	18
Customers.....	18
Intangible Properties.....	19
Seasonality.....	19
Environment	19
Reorganizations	19
Debt Financing	20
RISK FACTORS	21
Business Model	21
Employee Development and Retention	21
Community Relations.....	21
Economic Environment.....	22
Consumer Income.....	22
Competition	22
Fuel and Utility Costs.....	23
Information Technology.....	23
Food Safety.....	23
Income Taxes	23
Laws, Regulations and Standards.....	24
Vendor and Third Party Service Partner Management.....	24
Environmental	24
Management of Inventory	24
Insurance	25
Climate	25

Post-Employment Benefits	25
Ethical Business Conduct	25
Geopolitical	26
Litigation	26
Financial Services Business	26
Dependence on Key Facilities	26
Financial Risks	26
Credit Risk.....	26
Liquidity Risk.....	27
Currency Risk.....	27
Interest Rate Risk	27
DESCRIPTION OF THE NORTH WEST COMPANY INC.	28
Conversion of the Fund into a Corporation	28
Capital Structure.....	28
DIVIDENDS AND DISTRIBUTIONS	29
Dividends.....	29
Dividend/ Distribution History	29
MARKET FOR SECURITIES	30
ESCROWED SECURITIES	30
TRANSFER AGENT AND REGISTRAR	30
DIRECTORS AND EXECUTIVES OF THE COMPANY	31
CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS	34
AUDIT COMMITTEE INFORMATION	35
Audit Committee Members	36
External Audit Service Fees	37
INTEREST OF EXPERTS	38
CONFLICTS OF INTEREST	38
LEGAL PROCEEDINGS	38
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS	38
MATERIAL CONTRACTS	38
ADDITIONAL INFORMATION	39
APPENDIX A – AUDIT COMMITTEE MANDATE	40

EXPLANATORY NOTES

Date of Annual Information Form

The information contained in this Annual Information Form (“AIF”) is stated as at January 31, 2013, unless otherwise indicated.

Glossary of Terms

Unless otherwise indicated or the context otherwise requires:

“AIF” means Annual Information Form;

“Board” means the Board of Directors of The North West Company Inc.

“CBCA” means the *Canada Business Corporations Act*;

“CCAA” means the *Companies’ Creditors Arrangement Act (Canada)*;

“CUL” means the Cost-U-Less banner;

“Company” means The North West Company Inc. and/or its subsidiaries, and where such references are made prior to January 1, 2011, the Fund and/or its subsidiaries;

“EBIT” means earnings from operations and/or earnings before interest and income taxes;

“EBITDA” means trading profit and/or earnings before interest, income taxes, depreciation and amortization;

“Fund” means North West Company Fund, and where the reference so requires, references to the Fund includes its subsidiaries;

“GAAP” means Canadian generally accepted accounting principles;

“IFRS” means International Financial Reporting Standards, as issued by the International Accounting Standards Board;

“IT” means information technology;

“LRP” means long range planning;

“Nutrition North” means a Canadian federal subsidy program for nutritious perishable food sold in northern Canada;

“Plan of Arrangement” has the meaning set out in “Corporate Structure – Name, Address and Incorporation”; and

“Senior Notes” has the meaning set out in “Description of the Business – Debt Financing – Senior Notes”.

Currency

Unless otherwise stated, all dollar amounts are expressed in Canadian dollars and references to “\$” are to Canadian dollars.

Forward-Looking Statements

This AIF contains “forward-looking statements” within the meaning of applicable securities laws, including (but not limited to) statements about the Company’s profitability, the Company’s objectives and strategies, outlook for the Company’s business or the economy, targeted and expected financial results, and new products and services, and similar statements concerning anticipated future events, results, circumstances, performance or expectations, which reflect the Company’s current expectations and are based on information currently available to management. The words “may”, “will”, “should”, “believe”, “expect”, “plan”, “anticipate”, “intend”, “estimate”, “predict”, “potential”, “continue” or the negative of these terms, or other expressions which are predictions of or indicate future events and trends and which do not relate to historical matters, identify forward-looking matters.

Reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those set forth in the forward-looking statements include, but are not limited to economic conditions and consumer confidence, fluctuations in interest rates and currency values, changes in economic and political conditions, legislative and regulatory developments, changes in income tax legislation affecting income, legal developments, the level of competition in the Company’s markets, the occurrence of weather related and other natural catastrophes, the ability to attract and retain key personnel, the ability to complete and integrate acquisitions, changes in tax laws, and those risks and uncertainties detailed in the section entitled “Risk Factors”. The preceding list is not an exhaustive list of possible factors. These and other factors should be considered carefully and readers are cautioned not to place undue reliance on these forward-looking statements. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by applicable law.

Non-GAAP Financial Measures

Trading profit (“EBITDA”) is not a recognized measure under IFRS. Management believes that in addition to net earnings, trading profit is a useful supplemental measure as it provides investors with an indication of the operational performance of the Company before allocating the cost of interest, income taxes and capital investments. Investors should be cautioned, however, that trading profit should not be construed as an alternative to net earnings determined in accordance with IFRS as an indicator of the Company’s performance. The Company’s method of calculating trading profit may differ from other issuers and may not be comparable to measures used by other issuers.

Earnings from Operations (“EBIT”) is not a recognized measure under IFRS. Management believes that EBIT is a useful measure as it provides investors with an indication of the performance of the consolidated operations and/or business segments, prior to interest expense and income taxes. Investors should be cautioned, however, that EBIT should not be construed as an alternative to net earnings determined in accordance with IFRS as an indicator of the Company’s performance. The Company’s method of calculating EBIT may differ from other issuers, and may not be comparable to measures used by other issuers.

CORPORATE STRUCTURE

Name, Address and Incorporation

The North West Company Inc. (the “Company”) is a corporation amalgamated on January 1, 2011 under the *Canada Business Corporations Act* (“CBCA”) and governed by the laws of Canada, resulting from the amalgamation of the predecessor entity named The North West Company Inc., and certain other corporations pursuant to the Plan of Arrangement referred to below. It is the successor to North West Company Fund (the “Fund”), following the completion of the reorganization of the Fund from an income trust structure to a corporate structure by way of a court-approved plan of arrangement (the “Plan of Arrangement”) under section 192 of the CBCA.

As a result of the Plan of Arrangement, unitholders of the Fund received, for each unit of the Fund held, one common share of the Company and consequently, the holders of the units of the Fund became the holders of the common shares of the Company. As a result of the reorganization, the Fund and NWC Trust were liquidated and dissolved. Accordingly, references to The North West Company Inc. or the Company in this AIF for periods prior to January 1, 2011 are references to the Fund and/or its subsidiaries, as the context may require. See “Description of The North West Company Inc. – Conversion of the Fund into a Corporation”.

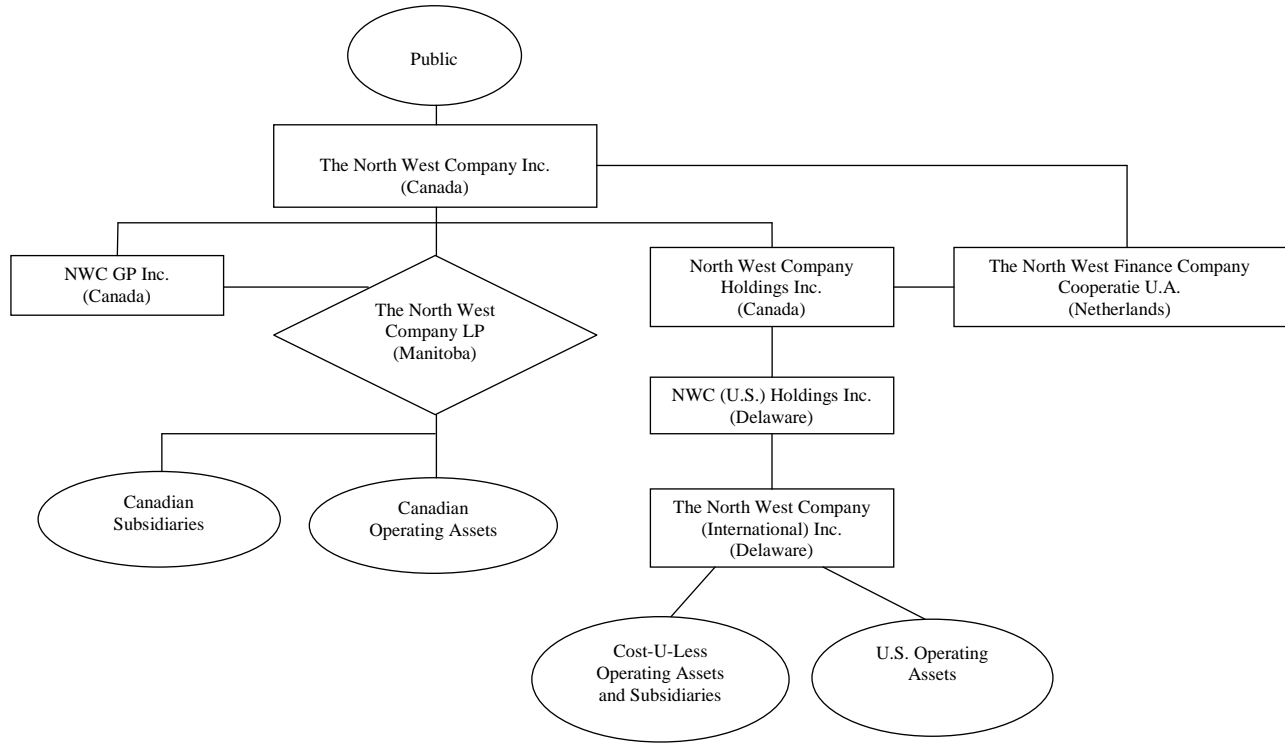
The head office of the Company is located at Gibraltar House, 77 Main Street, Winnipeg, Manitoba R3C 2R1.

Copies of the AIF, as well as the Company’s 2012 Annual Report can be obtained at www.sedar.com and at www.northwest.ca.

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Intercorporate Relationships

The following chart illustrates on a simplified basis, the structure of the Company as at January 31, 2013.



GENERAL DEVELOPMENT OF THE BUSINESS

The North West Company is a leading retailer to underserved rural communities and urban neighbourhood markets in northern Canada, western Canada, rural Alaska, the South Pacific islands and the Caribbean. Its stores offer a broad range of products and services with an emphasis on food. The Company's value offer is to be the best local shopping choice for everyday household and local lifestyle needs.

The delivery of top-quartile total returns through an equal emphasis on growth and dividend yield is a key long-term objective of the Company, just as it has been a key feature of the Company's performance over the past 26 years.

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History

The Company has a rich enterprising legacy as one of the longest continuing retail enterprises in the world. The history of the Company dates back to 1668, with the establishment of one of North America's early trading posts at Waskaganish on James Bay. The Hudson's Bay Company received its Royal Charter in 1670, and began establishing fur-trading outlets throughout what is now northern Canada. In 1821, the Hudson's Bay Company merged with its rival, The North West Company, a federation of partners which commenced operations in 1779. Over time, the original fur-trading outlets diversified their product lines and eventually became the Northern Stores division of the Hudson's Bay Company. In 1987, the Northern Stores division was sold to a management and private investor group. Shares of the successor of the Northern Stores division, The North West Company Inc., were listed for trading on the Winnipeg and Toronto Stock Exchanges in 1990, and a subsequent public offering was made in 1992. Later that year, The North West Company Inc. purchased Alaska Commercial Company ("AC") AC traces its roots back to the Russian-American Company, which was a semi-official colonial trading company started by Grigory Shelikhov and Nikolai Rezanov, and chartered by Tsar Paul in 1799.

In 1997, the Company was reorganized pursuant to a Plan of Arrangement and the outstanding shares of The North West Company were effectively exchanged on a one-for-one basis for trust units of North West Company Fund. On December 13, 2007 The North West Company acquired Cost-U-Less, Inc. ("CUL").

Effective January 1, 2011, the North West Company Fund reorganized from an income trust structure to a corporate structure called The North West Company Inc. by way of the Plan of Arrangement. See "Description of The North West Company Inc. – Conversion of the Fund into a Corporation".

Developments for 2010

The Company's long-range plans ("LRP") are developed in multi-year cycles and are reviewed and adjusted on an annual basis, or as required at the senior management and Board levels. 2009 was the start of an LRP cycle and included an in-depth assessment of North West's past performance, opportunity gaps within each business segment, and new business growth potential.

As a result of the Company's 2009 LRP work, it identified operational excellence as the first priority within its existing retail network, themed as "More Growth in Store". This finding and subsequent direction-setting was based on gaps that were identified in its current store base which, if effectively addressed, were expected to deliver attractive financial returns over the following three years and set the foundation for accelerated new market, product and service growth over the long term.

The strategic rationale for this approach fully considered the Company's past successes and unrealized opportunities. Over the previous five years, food market share and margin rates increased through better sourcing, through more store-branded products that offered a value alternative to national brands and by building on store-level capability with training, new technology and best practices. The Company's food growth strategy had been augmented by opportunistically pursuing complimentary everyday products and services. These included financial services, post offices, fuel and pharmacies. New store growth was achieved by acquiring independent stores in northern Canada and Alaska, through Giant Tiger store expansion in western Canada and through its acquisition of CUL in late 2007.

While the Company's business successfully developed beyond its core northern markets and merchandise mix, resources and executive attention were stretched. The effect was that other, high potential elements within its business were left without the necessary degree of investment and leadership.

The specific areas the Company highlighted for attention were to further protect, grow and optimize the performance of its food business, which accounted for approximately 76% of its sales base in 2010. The following describes the progress of the LRP initiatives in 2010.

Improve perishable food performance gaps

This initiative is a comprehensive reworking of products, processes and technology required to improve the performance of categories that attract higher activity costs and require more complex executions. These include produce, meat, chilled, frozen food and food service.

The emphasis in 2010 was on the produce category. A thorough review of produce item profitability led to the testing and then introduction of new assortment guidelines and lower waste, pre-packaged items in the majority of stores in the second half of the year. For the year, produce gross profit rate improved 347 basis points in Canadian Operations. Fourth quarter produce gross profit was up 12.5% at all stores that rolled out the full program changes.

Optimize in-stock position

This priority is highlighted by the fact that 87% of the Company's sales (excluding Giant Tiger) are in everyday consumable products that depend on a strong in-stock position. This initiative focuses on improving in-stock rates through technology-enabled tracking and ordering processes.

During 2010 these processes were designed and tested in the first half of the year, and then rolled out in the third quarter. Tracking of 2010 in-stock of performance improvements began late in the third quarter. The emphasis was on the highest volume items that the Company's customers expected to be in-stock on each day. By year-end, in-stock performance on these items had improved significantly.

Ensure store teams stability

Within such a remote, diverse store network, the Company's local skill and presence is a core advantage. Through the Company's assessment, a need was identified to solidify its store teams so that they stay together longer in specific locations, deepening customer and community relationships, and building their business. For this to happen consistently, the Company began revamping recruitment, retention and store work processes to ensure it attracted and retained highly capable, thoroughly trained store personnel in key roles. This initiative specifically addresses the opportunity to optimize overall store performance by ensuring that a highly capable store team is in place within each store location for an average time of at least three years.

The goal for fiscal 2010 was to establish one third of all stores with teams that met the Company's stability and capability criteria. By year-end, 80% of the targeted first third of stores had fully met the stability criteria set for them. This result fell short of goal due to a change in assessment criteria that increased the capability requirement for specific positions. As well, two key new management positions were added to the structure of most northern Canada banner stores and these positions were not completely filled at year-end.

Be “priced right”

Better price management is a strategic opportunity at North West, especially in its more remote banners. Market-based pricing is more difficult due to limited local shopping options in many of these locations, and this requires a deeper, more sophisticated understanding of true costs and purchase volumes relative to price.

In 2010, this initiative focussed on accurate and timely competitive price checking and price adjusting, coupled with the testing of new, lower pricing approaches in several Alaskan and northern Canadian markets. A major project under this initiative was to establish and deliver price reductions on foods qualifying for higher freight subsidies under a new Canadian federal government program (“Nutrition North”) that took effect on April 1, 2011. The price changes that directly resulted from this program and additional reductions from lower negotiated freight costs have been passed directly to the Company’s customers.

Build supply chain advantage

The Company is a major shipper of merchandise and other freight into the remote markets that it serves. This creates an opportunity to work more collaboratively with its transportation partners to fully leverage its knowledge and forecasted volumes. The outcomes expected from this strategy are improved product visibility and delivery service within a more productive and lower cost transportation network.

In 2010, the Company’s outbound logistics network in Canada was thoroughly reviewed to determine specific improvement opportunities. These opportunities were identified to include, over the next 3 years, the design and implementation of a transportation management system to track merchandise throughout the outbound supply chain, provide management with the necessary tools to proactively manage its diverse network of carriers, investment in additional refrigerated transportation and storage space, and a change to new, more efficient network and routing configurations. The Company expected to be able to reduce its supply chain costs by approximately 10% over this time frame with the freight related savings reinvested in lower retail prices.

Cascade leadership principles into practices

The Company considers its leadership principles to be the foundation for great, sustainable performance across all levels of the organization. From its cashiers to its buyers and store managers, the Company recognizes that effective management practices reflect these principles and align its work.

The work in 2010 carried forward this commitment to making leadership at the Company deeper and more effective. This customer-driven principle was demonstrated by a renewed store work program that applies to all management-level employees. One of the most effective enhancements was to include customer in-home interviews during the store work program. Dozens of interviews have captured new insight into customer lifestyles and buying behaviour and have given the Company’s head office employees important insights into how it can provide a better offer to its customers.

Throughout 2010 and in early 2011, leadership practice teaching cascaded through to store management. This was a major undertaking that included over 200 participants.

In the Company's Canadian Operations, new stores in 2010 included one Quickstop convenience store, a Northern store, three Giant Tiger stores and one stand-alone pharmacy. Two smaller Northern banner stores were closed in Fort St. James, British Columbia and Wawa, Ontario.

In the Company's International Operations, one AC Value Center was opened and one Quickstop in Bethel, Alaska was closed.

In December 2010, the Company refinanced its committed, revolving loan facilities of US\$52.0 million, which now mature on December 31, 2013. In January 2011, the Company refinanced the US\$15.0 million demand, revolving loan facility in its International Operations. The committed, revolving loan facility of US\$20.0 million matured on October 31, 2012.

Developments for 2011

The following describes the progress of the LRP initiatives in 2011.

Improve perishable food performance gaps

The emphasis in 2011 continued to be on the produce category and initial work was launched on fresh meat. The key elements were more tightly controlled assortments, increased use of pre-packaged product, daily company-wide visibility on product waste, simplified ordering processes and learning certification programs. The time to put these elements in place was longer than initially expected but has been a worthwhile investment and culture shift for the organization in preparation for additional product categories. The financial impact of this initiative has been very positive with Alaskan and northern Canada produce gross profit dollars up 20% or \$3.0 million over the two years ending January 31, 2012.

Optimize in-stock position

This initiative focuses on improving in-stock rates through technology-enabled tracking and ordering processes that were launched in the second half of 2010 and further refined in 2011 by adjusting product space allocations.

The 2011 in-stock performance at the Company's Alaskan and northern Canadian stores improved by 580 basis points, on top of a significant basis point improvement achieved in 2010. Combined with a wider range of products now being measured under this initiative, the estimated annualized sales gain is \$5.0 million or 1% of the food sales base of these divisions.

Ensure store teams stability

Similar to other "More Growth in Store" work, 2011 was an important year for putting plans into action and specifically, to achieve desired stability levels in two thirds of its stores by year-end.

By year-end all of the targeted stores had fully met the stability criteria established for them. A key accomplishment was the recruitment of a record 37 store manager candidates by year-end, setting the stage for successful results in 2012 when the final third of its stores were targeted for

completion. Capital spending on new and refurbished housing was \$7.0 million in 2011 as part of an \$18.0 million three-year investment to provide a higher-standard housing benefit for store management personnel recruited into the communities. Work was also completed on success role profiles for all store manager positions, providing a solid, practical reference for future development and recruitment.

Be “priced right”

A major project under this initiative was to establish and deliver price reductions on nutritious perishable foods qualifying for higher freight subsidies under a new Canadian federal government program (“Nutrition North”) that took effect on April 1, 2011. The price changes that directly resulted from this program, additional reductions from lower negotiated freight costs and a second round of lower prices under Nutrition North in October 2011 were all passed directly onto its customers.

Food tonnage and sales gains from stores serving Nutrition North eligible markets were significant in 2011 as were sales in other product categories, demonstrating the local shopping spillover from customers with lower living costs and more spending power created by Nutrition North items and the Company’s passing on of transportation cost efficiencies.

Build supply chain advantage

In 2011, \$4.0 million in outbound freight savings were achieved by consolidating freight that was previously shipped through the Canada Post system under the Canadian federal government’s previous food mail system and by the negotiation of new routing and freight rates across the remainder of the Company’s distribution network in Canada. During the year, work was completed on the scope, design and selection of a technology provider for a \$7.0 million transportation management system (“TMS”) investment. The TMS set to initially track merchandise throughout the Company’s outbound Canadian supply chain and provide management with the necessary tools to proactively manage its diverse network of freight modes and carriers to achieve optimal load and routing configurations.

Cascade leadership principles into practices

Throughout 2011, leadership principles and practices continued to be cascaded through to its managers, supervisors and store management. The training sessions included 267 participants with on-going coaching and follow-up on usage and effectiveness of the practices. The Company has found that the practices are valued as practical, effective management tools that help people work better, based on understood principles.

The Company’s trading symbol was changed to “NWC” in 2011, which is more reflective of the Company’s corporate identity and is consistent with the trading symbol of the Company prior to converting to an income trust in 1997.

In its Canadian Operations, two Giant Tiger stores were opened and two smaller Northern stores were closed in Obedjiwan, Quebec and Fort Ware, British Columbia as the store leases were not renewed because satisfactory lease renewal terms could not be reached with the landlords. During the year, three Northern stores, one of which was leased, were destroyed by fire. These fire losses were insured. Operations were resumed in temporary facilities in two communities during the year.

In its International Operations, a new AC Value Center was opened in Kotlik, Alaska replacing an existing facility. Construction began on a new Cost-U-Less store in Barbados.

On December 5, 2011, the Company completed the refinancing of its \$140.0 million loan facilities in the Canadian Operations. The new committed, extendible, revolving loan facilities provided the Company with a \$170.0 million revolving loan facility for working capital requirements and general business purposes. These facilities, which mature on December 31, 2015, are secured by a floating charge on the assets of the Company and rank *pari passu* with the US\$70.0 million senior notes and the US\$52.0 million loan facilities in International Operations.

Developments for 2012

The following describes the progress of the LRP initiatives in 2012.

Improve perishable food performance gaps

The emphasis in 2012 was on produce and fresh meat categories. Findings from this work were also applied to commercial bakery, fuel and tobacco and further gains in these latter categories are expected in 2013. The key drivers continue to be more controlled assortments, increased use of pre-packaged product, daily company-wide visibility on product waste, simplified ordering processes, enhanced inventory and margin management tools and training certification programs. After a slower start in 2011 because of the shift in discipline and attention that was required, 2012 moved at a faster, more productive pace. This is expected to continue into 2013 as new product categories are added. The financial impact has been very positive with Alaskan and northern Canadian produce and fresh meat gross profit dollars up 26% or \$11.0 million over the three years ending January 2013.

Optimize in-stock position

In 2012, the average in-stock performance at the Company's Alaskan and northern Canada stores improved by 470 basis points compared to the average in-stock rate in 2011. During the year, the Company also implemented the processes and tracking from its in-stock initiative in its Cost-U-Less stores which resulted in an 820 basis point improvement in its in-stock performance over 2011. Combined with a wider range of products now being measured under this initiative, the Company's in-stock rate has generated an estimated annualized sales gain of \$9.0 million or 1.1% of the food sales base of these divisions.

In 2013, the Company's in-stock work will be integrated into its everyday inventory focus. Elements of the Company's in-stock initiative will carry forward within new replenishment initiatives that build on the tracking capability of its Transportation Management System.

Ensure store teams stability

In 2012, a record number of managers were trained and placed in rewarding roles. The Company's search for talented managers goes across Canada and the international markets the Company operates in. A new recruitment platform was implemented in 2012 to reduce the time and cost to hire candidates. The movement of management between stores to fill critical vacancies was a barrier to achievement of overall stability. To reduce the need to transfer employees, improved recruitment planning was implemented, store level succession planning was established and a pool of ready trained managers is being created. The Company's staff housing upgrade program, which provides a higher-standard housing benefit for store personnel recruited

into northern communities, included capital spending of \$4.3 million in 2012. Work continued on success profiles for all store manager and district manager positions with the development of coaching guides and specific competency training to develop skills that are key drivers of success for the Company.

Be “priced right”

2012 built on the success of major price reductions on nutritious perishable foods qualifying for Nutrition North freight subsidies that took effect in 2011. Air freight routing changes in mid-2012 achieved a significant savings in transportation costs to Baffin Island. Similar to the Nutrition North price reductions, these savings were fully and transparently passed on in the form of price reductions on key volume items.

Work was also completed across all food categories to ensure correct “landed” costs and prices that reflected the optimal relationship between like items and between national and store brands. The net effect of this work was to improve both sales tonnage and margins.

Build supply chain advantage

In 2012, \$1.7 million in outbound freight savings and distribution centre efficiencies were achieved through improved routing and freight rates across its supply chain network and the implementation of productivity tools in its Winnipeg Distribution Centre. A dedicated cross-functional team is working on the implementation of the \$7.0 million, transportation management system (“TMS”). The deployment of TMS at the Company will utilize 40% more functionality than typical TMS implementations which speaks to the complexity of its diverse network of freight modes and carriers. For outbound shipments the TMS solution required the development of a custom track and trace system, smart-labeling of all warehouse and cross dock merchandise, enhanced warehouse management systems to facilitate load building in one system and the ability for air carriers to plan, execute and provide shipment status updates on shipments processed at their hubs.

The Company expects to have all phases of the project fully deployed by the third quarter of 2013 and estimates that, within 24 months following the roll-out, the Company will be able to reduce its annual supply chain costs by a further \$5.0 million. The net savings from TMS will be strategically reinvested to continue to bring greater value to the Company’s customers.

Cascade leadership principles into practices

2012 started and ended with a focus on its store management levels. In the first half of the year, progress was slower than expected due to personnel changes within the Company’s Human Resources team including a vacancy at the Vice-President, Human Resources position for most of 2012. CEO-led leadership sessions were a key part of the Company’s second half work and this will continue into 2013 assisted by the recruitment of a Vice-President, Human Resources and a greater time commitment from the entire senior management team.

In its Canadian operations, a new QuickStop store was opened in Rankin Inlet, Nunavut and a Giant Tiger store was opened in Swift Current, Saskatchewan. New Northern stores were opened in Taloyoak, Nunavut and Oxford House, Manitoba, replacing existing facilities and two Northern stores and six

underperforming Giant Tiger stores were closed.

The Company announced on September 5, 2012 that it has begun to air freight products directly to Baffin Island from its main Winnipeg distribution centre. The savings from this initiative will be passed on to its customers through price reductions of 15% or more on 175 key products sold in the Company's Baffin Island Northern and NorthMart stores.

In its International Operations, the Company opened a newly expanded Alaska Commercial Company store in Emmonak, Alaska. A new Cost-U-Less store opened in Welches, St. Thomas, Barbados on February 23, 2013.

On October 25, 2012, the Company completed the refinancing of its US\$20.0 million loan facility in the International Operations. The new, increased, committed, revolving loan facility provides the Company with a US\$30.0 million revolving loan facility for working capital requirements and general business purposes. This facility, which matures October 31, 2015, is secured by certain accounts receivable and inventories of the International Operations.

Developments for 2013

In addition to its "*More Growth in Store*" emphasis, the Company will complete an in-depth strategy assessment in 2013 to determine possible work directions over the following three to five years. Beyond the medium term potential of existing initiatives its scope will include the health and future of its general merchandise business, new market growth and complimentary business opportunities. The Company expects this work to be substantially completed by December 2013. Across this work the Company will continue to emphasize new ideas, clear principles, execution, and the ability to track performance and it will carefully assess the long-term potential of any major new business, product or service, and the probability of achieving threshold returns on a sustainable and consistent basis.

In alliance with new partners, the Company has created a unique "WE Financial™" prepaid Visa card product, which is scheduled to launch in the second quarter and is designed to provide its customers with expanded access to the world around them.

DESCRIPTION OF THE BUSINESS

General

The Company's operations are grouped into the Canadian Operations and International Operations. It is a leading retailer of food and everyday consumer goods and services to rural communities and urban neighborhoods in Canada, Alaska, the South Pacific islands and the Caribbean. The Company operates 223 retail stores that offer a broad assortment of food, general merchandise and other everyday products and services such as gasoline, cheque cashing and money transfers. The Company also operates complementary businesses, including food wholesale, pharmacies, and fur and Inuit art marketing.

For the fiscal year ended January 31, 2013, total revenues of the Company were \$1.514 billion, of which Canadian Operations accounted for approximately 69% and International Operations accounted for approximately 31%. For the fiscal year ended January 31, 2012 total revenues were \$1.495 billion.

At January 31, 2013, 6,336 people were employed by the Company, of which 4,768 people were employed in its Canadian Operations and 1,568 people employed in its International Operations.

Canadian Operations

The Canadian Operations operate primarily through its Canadian subsidiary called The North West Company LP. The Canadian Operations consist of the following:

Banner	Number of Locations	Description of Banner
Northern	121	Offer a combination of food, financial services and general merchandise to remote northern Canadian communities
NorthMart	7	Targeted at larger northern markets with an emphasis on an expanded selection of fresh foods, fashion and health products and services
Giant Tiger	31	Junior discount stores, offering family fashion, household products and food to urban neighbourhoods and larger rural centres in western Canada
Quickstop	13	Convenience stores, offering ready-to-eat foods, fuel and related services
Valu Lots	1	Discount centre and direct-to-customer food distribution outlet
Solo Market	1	Store targeted at less remote, rural markets
NorthMart Drug Store	1	Stand-alone pharmacy and convenience store combination
Crescent Multi Foods	1	Distributor of produce and fresh meats to independent grocery stores in Saskatchewan, Manitoba and northwestern Ontario
Fur Marketing	2	Trading in furs and offering Aboriginal handicrafts and authentic Canadian heritage products
Inuit Art Marketing Service	1	Canada's largest distributor of Inuit art

These outlets are located in numerous communities across the Canadian north and in urban neighbourhoods and rural centres across western Canada. The communities range in size from small, remote settlements with populations as low as approximately 300 people to larger, regional centres with populations of up to 15,000 people and to urban centres situated across western Canada. The average store size has approximately 7,500 square feet of selling space and features a broad assortment of food, general merchandise and services.

Northern and NorthMart food offerings consist of perishable and non-perishable products including groceries, dairy products, meat, produce convenience/fast-food services, and health and beauty aids. General merchandise consists of family apparel, housewares, sporting goods, toys, hardware, furniture, appliances, home entertainment products, boats, outboard motors, canoes, all-terrain vehicles and snowmobiles. Pizza Hut, Burger King, KFC, A&W and Tim Hortons outlets are also located in select Northern and NorthMart stores. Services include pre-paid card products, cheque cashing, income tax preparation, ATMs, proprietary credit programs, bill payment, and gasoline sales. Stores may also feature a post office, fast food franchise or a pharmacy. Quickstop convenience stores offer ready-to-eat foods, petroleum products and related services. Other retail formats include a Solo Market, which is a full service grocery with a community focused product assortment and pharmacy serving a road accessible community of less than 5,000 people and Valu Lots, which is a discount centre and a direct-to-customer food distribution outlet for remote communities in Canada.

In 2002, the Company signed a 30 year Master Franchise Agreement with Giant Tiger Stores Limited, based in Ottawa, Ontario which granted the Company the exclusive right to open Giant Tiger stores in western Canada. Under the agreement, Giant Tiger Stores Limited provides product sourcing, merchandising, systems and administration support to the Company's Giant Tiger stores in return for a

royalty based on sales. The Company is responsible for opening, owning, operating and providing food buying and distribution services to the stores. The Company's exclusivity right required that a minimum number of Giant Tiger stores be opened each year, based on an expected roll-out of 72 stores over the term of the agreement. As a result of the closure of six stores during 2012, the Company has fallen below the minimum number of stores required to maintain its exclusive right to open Giant Tiger stores in western Canada. The loss of exclusivity does not constitute an event of default under the Company's master franchise rights and will not prevent the Company from continuing to operate its existing stores or open new stores.

In addition to its retail operations, the Company operates complementary businesses that apply its unique heritage and knowledge of the north. These include: (i) the Fur Marketing Division, which purchases furs from trappers and sells aboriginal crafts and outerwear to the local and tourist retail market from two trading posts; (ii) the Inuit Art Marketing Service, which procures and markets carvings from Aboriginal artisans and is the largest Inuit art marketing service in Canada; (iii) Crescent Multi Foods, which is a full-line produce and fresh meat distributor, serving the Company's stores and third-party customers in Manitoba and northwestern Ontario; and (iv) Amdocs, which provides isolated northern communities with physician services.

International Operations

The Company's International Operations operate primarily through its U.S. subsidiary called The North West Company (International) Inc. and its operating CUL subsidiaries. The International Operations consist of the following:

Banner	Number of Locations	Description of Banner
AC Value Center	30	Stores similar to Northern and NorthMart, offering a combination of food and general merchandise to communities across remote and rural regions of Alaska
Quickstop	3	Convenience stores within rural Alaska
Pacific Alaska Wholesale	1	Leading distributor to independent grocery stores and individual households in rural Alaska
Cost-U-Less ("CUL")	13	Mid-sized warehouse stores, offering discount food and general merchandise products to island communities in the South Pacific and the Caribbean
Island Fresh Supermarket	1	Neighborhood store in Guam offering convenience with an emphasis on fresh and prepared foods

The average selling square footage of the AC Value Center stores is approximately 10,000 square feet. The International Operations also include Pacific Alaska Wholesale, which provides wholesale bulk foods services to independent retailers and businesses in Alaska.

The CUL stores are mid-sized warehouse club style retail stores located in the South Pacific and Caribbean. CUL stores offer a variety of U.S. branded food and general merchandise in addition to merchandise purchased locally. The average selling square footage of the CUL stores is approximately 28,000 square feet.

Additional financial information on the Company's Canadian and International Operations is provided in the Company's 2012 annual MD&A, which is incorporated by reference.

Distribution and Infrastructure

The Company operates a distribution centre in Winnipeg, Manitoba and has a third party managed distribution facility in Edmonton, Alberta. AC operates a distribution centre in the Port of Tacoma, Washington and a distribution centre in Anchorage, Alaska. CUL operates a distribution centre in San Leandro, California, and uses other third party facilities in Florida, California, Australia and New Zealand.

Due to the vast geography of the store network, transportation is an important element of operations. In Canada, 96 stores are inaccessible by all-weather roads. All of the AC Value Center stores are serviced by air or water transportation. Thirteen CUL stores rely on air and long haul water transportation. All available modes of transportation including sealift, long haul water transportation, barge, trucks including via winter roads, rail and air are used. The Company owns a 50% interest in Transport Nanuk Inc., a shipping company servicing the eastern Arctic.

The Company owns 128 stores in addition to staff housing. The balance of the stores are in leased facilities.

In Canada, the Company sources both food and general merchandise through its head office in Winnipeg, Manitoba. In the International Operations, the Company sources food and general merchandise for its Alaskan operations from local distributors and manufacturers as well as from the lower 48 U.S. states through a buying office in Bellevue, Washington. The Company sources food and general merchandise for its CUL stores from local distributors and manufacturers and other foreign entities through a buying office in Bellevue, Washington.

In addition to manufacturers in Canada and the United States, the Company also sources general merchandise from China.

Financial Services

Customers are offered convenient, local access to a wide variety of financial services. Northern, NorthMart and AC Value Center stores each offer a proprietary, revolving credit card for day-to-day purchases within its stores, similar to those offered by major department store chains. An extended payment program is also available to finance large dollar or big ticket purchases at the stores. In addition to revolving credit, these stores also offer financial services such as prepaid card products, ATMs, cheque cashing, debit card cash withdrawal, cash transfer, bill payment, personal income tax preparation, money order, prepaid and gift card services.

Most of the day-to-day credit decisions are centralized, freeing up the store manager's time for the marketing of products and services. The store manager's knowledge of the local economic conditions and their personal acquaintances with their customers continues to provide valuable input into the credit decision process. Credit provided on the extended payment program for big-ticket purchases is approved at the Company's head office. A central credit management system allows continuous monitoring of account activity and balances at the head office so that credit specialists can provide advice to the store managers. The allowance for doubtful accounts is adjusted monthly to reflect the changes in the currency of outstanding balances.

In alliance with new partners, the Company has created a unique-to-Canada, "WE Financial™" branded prepaid Visa card product, which is scheduled to launch in the second quarter of 2013 and is designed to provide its customers with expanded access to the world around them.

Markets

The Company operates the majority of its stores in remote Canadian and Alaskan communities inhabited principally by indigenous peoples. These markets range in population from approximately 300 to 5,000 and are generally not accessible by all-weather roads. These communities generally have a stable income base, which is dependent on government spending through social assistance and public sector employment in schools, health services, local government and public works projects. Income levels are also influenced by activities such as fishing, resource exploration, pipeline construction, tourism and hydroelectricity development and related construction activity. The CUL stores and the Island Fresh store are situated in island markets ranging in populations from 37,000 to 275,000 with an average population of 78,000. These stores range in size from 19,500 square feet to 35,500 square feet (selling area) with the average square footage being approximately 28,000 square feet. These markets rely on foreign aid, tourism, fishing, natural resources and resource development.

The Company also operates stores in less remote communities that are generally accessible by all-weather roads. These markets range in population from 1,000 to large urban centres. The economies of these communities are more diverse and income levels are generally higher than those of the more remote locations. Major sources of employment are in manufacturing, government services, transportation, health care, tourism and natural resources.

Stores and Other Facilities

The following table sets out the number of stores, the location of stores by region and whether the stores are owned or leased as at January 31, 2013:

		Number of Stores	Owned	Leased
Canadian Stores	Alberta	12	3	9
	British Columbia	1	1	0
	Newfoundland/ Labrador	5	5	0
	Manitoba	41	20	21
	Northwest Territories	20	17	3
	Nunavut	30	24	6
	Ontario	25	11	14
	Quebec	16	14	2
	Saskatchewan	26	14	12
	Yukon	1	0	1
Canadian Stores Total		177	109	68
International Stores	Alaska	33	16	17
	California	1	0	1
	Caribbean	5	2	3
	Pacific	7	1	6
International Stores Total		46	19	27
Grand Total		223	128	95

The following table summarizes the number of stores and selling square footage under the retail formats as at January 31, 2013:

Banner	# of Stores		Selling square footage	
	2012	2011	2012	2011
Northern	121	123	681,456	690,921
NorthMart	7	7	148,306	148,306
Quickstop	16	15	27,999	26,566
Giant Tiger	31	36	494,057	577,432
AC Value Centers	30	30	300,882	295,742
Cost-U-Less	12	12	336,138	336,138
Other Formats	6	6	45,716	45,716
Total at year-end	223	229	2,034,554	2,120,821

Selling areas of stores in remote communities in Canada and Alaska range in size from 900 square feet to 14,600 square feet. In regional and urban communities in Canada and Alaska, selling areas range from 3,000 square feet to 35,000 square feet. In the CUL stores, selling areas range from 19,500 square feet to 35,500 square feet. The Company owns employee residences and staff houses, which are typically located adjacent to the more remote store locations.

Competition

In the vast majority of the northern and remote communities that it serves, the Company's stores are the dominant providers of food, every day and seasonal general merchandise and financial services and enjoy a leading competitive position supported by high barriers to entry. Local competition consists of stores operated by independent store owners and local co-operatives, some of which are associated with regional or national buying groups. Many of the Company's stores enjoy strong local loyalties through established customer relationships. The strength of independent store competition varies considerably depending on the management skills, financial strength and scale of local operators. Additionally, the commitment of local staff to the store and to customer relationships and the ability to maintain consistent standards are other key factors that influence their success. In Canada, all of the communities in which the Company operates have access to mail order catalogue and direct mail services such as those provided by Sears Canada, Wal-Mart, Costco and smaller regional and specialized competitors. In the International Operations, this type of competition is more intense and includes catalogues and direct sales material from retailers such as Safeway, Wal-Mart and Sears. The CUL stores face equally highly competitive discount and grocery retailers such as Wal-Mart, Costco and Kmart.

The stores also face competition (in varying degrees based upon the specific market location) from non-independent stores, including traditional department stores, big box retailers, discount department stores and specialty stores. AC Value Center competes directly with Safeway or its subsidiaries in two markets and Wal-Mart in one market. The Giant Tiger stores are located in larger rural and urban Canadian markets and compete against major discount chains, food stores and department store formats. Canadian urban markets are facing more volatility as U.S. retailers such as Target Corp., Wal-Mart Supercentres and Dollar Tree continue to expand in Canada. CUL's competition includes local, national and international grocery store chains and other warehouse clubs and discount retailers.

Investing Activities

Financial information on the Company's capital expenditures is included in the Company's Management's Discussion and Analysis and Consolidated Annual Audited Financial Statements for the fiscal year ended January 31, 2013 and filed on SEDAR at www.sedar.com and on the Company's website at www.northwest.ca.

Management of Sales and Operations

Each store employs a full-time manager who has the primary responsibility to monitor daily operations, maximize selling opportunities and safeguard the Company's assets. All stores have direct access to sales and operations development, procurement and marketing, logistics, accounting, finance, legal, human resources, information technology, store development and real estate services provided by its support offices located in Anchorage, Alaska; Bellevue, Washington and Winnipeg, Manitoba.

The Company's Canadian Operations in northern Canada operating under the Northern, NorthMart, and Quickstop banners are managed within three regions under the leadership of the Vice President, Canadian Sales and Operations. Each region is led by a general manager. The general managers are responsible for the store level execution of corporate strategies, policies and programs. The general managers contribute to the development of corporate strategies by providing front line feedback from daily contact with staff, customers and communities.

The Giant Tiger stores are also managed under the leadership of the Vice President, Canadian Sales and Operations, along with specialist support teams and assistance from Giant Tiger Stores Limited.

The International Operations are under the leadership of the President and COO who is based out of Anchorage, Alaska. The retail sales and operations personnel of AC Value Centers and CUL each report to a Vice President and General Manager.

Employees

At January 31, 2013, the Company employed 6,336 people, including 1,568 in its International Operations. Of these, approximately one third are aboriginal and of the aboriginal employees, approximately 185 hold managerial positions. The Company is active in the recruitment of aboriginal and indigenous peoples for positions in stores, corporate and distribution centres.

Training and development of employees is also a major focus of the Company. Particular attention is being paid toward enhancing food expertise within store operations and with those who have category management responsibilities. The sales and operations teams for Canada and International Operations are accountable for providing training on best practices to the store managers and their teams and for ensuring compliance with operational standards. The Company is also recruiting more senior people for store operations positions through the Manager-In-Training and the Department Manager-in-Training programs. This provides training to experienced store managers and department managers as to operating processes prior to managing a store or a department within a store.

Customers

The primary customer segment consists of lower-income shoppers residing in remote and urban neighborhood communities across Canada and Alaska. The typical customer's income depends on wage income, direct and non-discretionary government transfer payments or regional government program funding. In smaller, more remote communities, this group's spending is also influenced by the

availability of seasonal employment opportunities, which are typically created by government-funded construction and infrastructure projects. The shopping needs of this customer group mainly consists of necessity food and everyday basic general merchandise and are influenced by the challenging climate and logistics conditions that exist in these communities. The urban Giant Tiger customers are somewhat less dependent upon government funding but still exhibit similar shopping needs. CUL's customers come from a variety of ethnic groups who demand products in sync with the ethnicity of each culture along with U.S. branded products and other internationally available products. Income levels of CUL's customers range from lower-income to the affluent. In several CUL markets, the economy is dependent on tourism, resource development and government subsidies.

Secondary target customers also include quality and selection-driven shoppers and younger trend-driven shoppers. Food and general merchandise assortments aimed at these shoppers consist of fashion and lifestyle products similar to those offered by retailers in urban markets.

Intangible Properties

The Company protects its trademarks and the design presentations associated with the trademarks which are material to the business.

Seasonality

The Company's business follows a seasonal pattern where historically the first quarter sales are the lowest and the fourth quarter sales are the highest, reflecting consumer buying patterns. As a result, a disproportionate amount of total sales and earnings are typically earned in the fourth quarter. Net earnings generally follow higher sales but can be dependent on markdown activity in key sales periods to reduce excess inventories. Net earnings are historically lower in the first quarter due to lower sales and fixed costs such as rent and overhead that apply uniformly throughout the year.

Environment

The Company is subject to environmental regulations pursuant to federal, provincial and state legislation. Environmental legislation provides for restrictions and prohibitions on releases or emissions of various substances handled. A breach of such legislation may result in the imposition of fines and penalties. To ensure that compliance is in accordance with applicable environmental laws, the Company retains environmental consulting engineers.

The Company is committed to meeting its responsibilities to protect the environment wherever it operates and annually budgets expenditures of both a capital and expense nature to meet the increasingly stringent laws relating to the protection of the environment. The Company believes it is in substantial compliance with applicable environmental laws and regulations and does not believe the expenditures will have a material effect on capital expenditures, earnings or its competitive position.

Reorganizations

In 2007, the Company completed a two-step reorganization amending the Company's structure from a "trust on corporation" structure to a "trust on trust partnership" structure. Details respecting the nature of this reorganization are set forth in the Company's Annual Information Form for the years ended January 31, 2006, January 31, 2007 and January 31, 2008, and Management's Information Circular dated April 21, 2006, all of which are filed on SEDAR at www.sedar.com and on the Company's website at www.northwest.ca.

Effective January 1, 2011, the Fund completed its conversion to a share corporation named The North West Company Inc. See “Description of The North West Company Inc. – Conversion of the Fund into a Corporation”.

Debt Financing

Senior Notes

On June 15, 2009, the Company issued senior notes for an aggregate amount of US\$70.0 million, which mature on June 15, 2014 (the “Senior Notes”). The Senior Notes are placed with two large U.S. based insurance companies. The net proceeds of the Senior Notes offering were used to retire senior debt of the Company that matured on June 15, 2009, to reduce bank debt and for general corporate purposes. The notes are secured by a floating first charge against the assets of the Company, and rank *pari passu* with Canadian \$170.0 million credit facilities and the US\$52.0 million credit facilities.

Other Senior Indebtedness

The Canadian Operations have available committed, extendible, revolving loan facilities of \$170.0 million that mature on December 31, 2015. These facilities are secured by a floating charge on the assets of the Company and rank *pari passu* with the US\$70.0 million senior notes and the US\$52.0 million loan facilities in International Operations. These loan facilities bear a floating interest rate based on Banker’s Acceptances’ rates plus stamping fees or the Canadian prime interest rate. At January 31, 2013, the Company had drawn \$52.5 million on these facilities (January 31, 2012 - \$68.9 million).

On October 25, 2012, the Company completed the refinancing of its US\$20.0 million loan facility in the International Operations. The new, increased, committed, revolving loan facility provides the Company with a US\$30.0 million revolving loan facility for working capital requirements and general business purposes. This facility, which matures October 31, 2015, is secured by certain accounts receivable and inventories of the International Operations and bears a floating interest rate based on LIBOR plus a spread. At January 31, 2013, the Company had drawn US\$0.7 million on these facilities (January 31, 2012 - US\$ NIL).

The Company’s International Operations also have available committed, revolving loan facilities of US\$52.0 million that mature on December 31, 2013. These facilities are secured by a floating first charge against the assets of the Company and rank *pari passu* with the US\$70.0 million senior notes and the \$170.0 million loan facilities. These facilities bear interest at LIBOR plus a spread or the U.S. prime rate. At January 31, 2013, the Company had drawn US\$40.0 million (January 31, 2012 - US\$36.0 million) on these facilities. The Company does not anticipate any difficulty in securing financing to satisfy its maturing loan facilities however, economic conditions can change which may negatively impact the availability of credit, interest rates and the scope of financing covenants.

The Senior Notes and other senior indebtedness are subject to the satisfaction of certain conditions, which are usual and customary for loans of this nature. The holders of the Senior Notes and other senior indebtedness have appointed the Bank of Montreal as security agent to hold all security jointly.

RISK FACTORS

The Company has an Enterprise Risk Management (“ERM”) program which assists in identifying, evaluating and managing risks that may reasonably have an impact on the Company. An annual ERM assessment is completed to evaluate risks and the potential impact that the risks may have on the Company’s ability to execute its strategies and achieve its objectives. The results of this assessment are presented to the Board of Directors who is accountable for providing oversight of the ERM program.

The Company is exposed to a number of risks in its business. The descriptions of risks below are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company, or that the Company deems immaterial, may also impair the operations of the Company. If any of such risks actually occur, the business, financial condition, liquidity, and financial performance of the Company could be materially adversely affected. While the Company employs strategies to minimize these risks, these strategies do not guarantee that events or circumstances will not occur that could negatively impact the Company’s financial condition and performance. Readers of this AIF are also encouraged to refer to the Company’s Annual Management’s Discussion and Analysis which provides further information on the risk factors facing the Company.

Business Model

The Company serves geographically diverse markets and sells a very wide range of products and services. Operational scale can be difficult to achieve and the complexity of the Company’s business model is higher compared to more narrowly-focused or larger retailers. Management continuously assesses the strength of its customer value offer to ensure that specific market, product and service activities are attractive. Considerable attention is also given to streamlining processes to simplify work across the Company. To the extent the Company is not successful in developing and executing its strategies, it could have an adverse effect on the financial condition and performance of the Company.

Employee Development and Retention

Attracting, retaining and developing high calibre employees is essential to effectively managing the Company’s business, executing its strategies and meeting its objectives. Due to the vast geography and remoteness of the Company’s markets, there is significant competition for talent and a limited number of qualified personnel, particularly at the store management level. The degree to which the Company is not successful in retaining and developing employees and establishing appropriate succession plans could lead to a lack of knowledge, skills and experience required to effectively run its operations and execute its strategies. The Company’s store stability initiative is focused on having all stores reach a targeted level of capability and stability. In addition to compensation programs and investments in staff housing that are designed to attract and retain qualified personnel, the Company also continues to implement and refine initiatives such as comprehensive store-based manager-in-training programs and the Company’s in-depth leadership development program.

Community Relations

A portion of the Company’s sales are derived from communities and regions that restrict commercial land ownership and usage by non-indigenous or non-local owned businesses or which have enacted policies and regulations to support locally-owned businesses. The Company successfully operates within these environments through initiatives that promote positive community and customer relations. These include store lease arrangements with community-based development organizations and initiatives to recruit local residents into management positions and to incorporate community stakeholder advice into the Company’s business at all levels. To the extent the Company is not successful in maintaining positive

community and customer relations in these locations, or is unable to renew lease agreements with community-based organizations, or is subject to punitive fees or operating restrictions, it could have an adverse effect on sales and financial performance.

Economic Environment

External factors which affect customer demand and personal disposable income, and over which the Company exercises no influence, include government fiscal health, general economic growth, changes in commodity prices, inflation, unemployment rates, personal debt levels and levels of personal disposable income, interest rates and foreign exchange rates. Changes in the inflation rate are unpredictable and may impact the cost of merchandise and the prices charged to consumers which in turn could negatively impact sales and net earnings. Although the Company's core customer is a lower income shopper with relatively stable income sources, a decrease in government income transfer payments to individuals, a recession, or a significant and prolonged decline in consumer spending could have an adverse effect on the financial condition and results of operations. Furthermore, customers in many of the Company's markets benefit from product cost subsidies through programs such as Nutrition North, the U.S. Supplemental Nutrition Assistance Program ("SNAP") and the by-pass mail system in Alaska. Any deterioration in government fiscal health could result in a reduction in financial support for these programs which would have a significant impact on the price of merchandise and consumer demand. Management regularly monitors economic conditions and considers factors which can affect customer demand in making operating decisions and the development of strategic initiatives and long-range plans.

Consumer Income

The Company's largest customer segments derive most of their income directly or indirectly from government infrastructure spending or direct payment to individuals in the form of social assistance, child tax benefits and old age security. These tend to be stable sources of income, independent of economic cycles. Other forms of government spending such as Nutrition North and SNAP also contribute to lower living costs for eligible customers. A major source of employment income is generated from local government and spending on public infrastructure. This includes housing, schools, health care facilities, military facilities, roads and sewers. Local employment levels will fluctuate from year-to-year depending on the degree of infrastructure activity and a community's overall fiscal health, especially near the end of the government budget year. A similar fluctuating source of income is employment related to tourism and natural resource development. A significant or prolonged reduction in government transfers, subsidy programs, spending on infrastructure projects, natural resource development and tourism spending would have a negative impact on consumer income which in turn could result in a decrease in sales and gross profit, particularly for more discretionary general merchandise items.

Competition

The Company has a leading market position in a large percentage of the markets it serves. Sustaining and growing this position depends on the Company's ability to continually improve customer satisfaction while identifying and pursuing new sales opportunities. The Company actively monitors competitive activity and proactively enhances its value offer elements, ranging from in-stock position to service and pricing. The entrance of new competitors, an increase in competition, both local and outside the community, or the introduction of new products and services in the Company's markets could negatively impact sales and financial performance.

Fuel and Utility Costs

Compared to other retailers, the Company is more exposed to fluctuations in the price of energy, particularly oil. Due to the vast geography and remoteness of the store network, expenses related to aviation fuel, diesel-generated electricity, and heating fuel costs are a more significant component of the Company's and its customers' expenses. To the extent that escalating fuel and utility costs cannot be offset by alternative energy sources, energy conservation practices or offsetting productivity gains, they may result in higher retail prices or lower operating margins which may affect the Company's financial performance. In this scenario, consumer retail spending will also be affected by higher household energy-related expenses.

Information Technology

The Company relies on information technology ("IT") to support the current and future requirements of the business. Any significant failure or disruption in IT systems, or the failure to successfully upgrade legacy systems or implement new systems could have an adverse effect on the financial condition and results of operations. In 2013, the Company will implement a transportation management system ("TMS"). Failure by the Company to successfully implement this system could cause disruption in the flow of merchandise to the stores, which could negatively affect the reputation and financial performance of the Company. Furthermore, the failure to integrate the TMS with other IT systems and implement appropriate processes to support the TMS may result in failing to capture planned efficiency and effectiveness gains. To mitigate these risks, the Company has engaged an implementation partner and instilled a strong governance structure and disciplined project management.

Food Safety

The Company is exposed to risks associated with food safety and product handling. Food sales represent approximately 77% of total Company sales. A significant outbreak of a food-borne illness or increased public concerns with certain food products could have an adverse effect on the financial performance and reputation of the Company. The Company has food preparation, handling and storage procedures which help mitigate these risks. The Company also has product recall procedures in place in the event of a food-borne illness outbreak. The existence of these procedures does not eliminate the underlying risks and the ability of these procedures to mitigate risk in the event of a food-borne illness is dependent on their successful execution.

Income Taxes

The Company accounts for income taxes using the liability method of tax allocation. Under the liability method, deferred income tax assets and liabilities are determined based on the differences between the financial statement carrying values and tax bases of assets and liabilities, and are measured using substantively enacted tax rates and laws that are expected to be in effect in the periods in which the deferred income tax assets or liabilities are expected to be realized or settled. The provision for income taxes is recorded in the Company at applicable statutory rates.

In the ordinary course of business, the Company is subject to ongoing audits by tax authorities. While the Company believes that its tax filing positions are appropriate and supportable, the possibility exists that certain matters may be reviewed and challenged by the tax authorities. The Company regularly reviews the potential for adverse outcomes and the adequacy of its tax provisions. The Company believes that it has adequately provided for these matters. If the final outcome differs materially from the tax provisions, the Company's income tax expense and its earnings could be affected positively or negatively in the period in which the matters are resolved.

Laws, Regulations and Standards

The Company is subject to various laws and regulations administered by federal, provincial and foreign regulatory authorities, including but not limited to income, commodity and other taxes, duties, currency repatriation, zoning, health and safety, employment standards, privacy laws and licensing requirements. New accounting standards and pronouncements or changes in accounting standards, may also impact the Company's financial results. These laws, regulations and standards and their interpretation by various courts and agencies are subject to change. In the course of complying with such changes, the Company may incur significant costs. Failure by the Company to fully comply with applicable laws, regulations and standards could result in financial penalties, assessments, sanctions, or legal action that could have an adverse effect on the reputation and the financial performance of the Company.

Vendor and Third Party Service Partner Management

The Company relies on a broad base of manufacturers, suppliers, logistics service providers and operators of distribution facilities to provide goods and services. Events or disruptions affecting these suppliers outside of the Company's control could in turn result in delays in the delivery of merchandise to the stores and therefore negatively impact financial performance. A portion of the merchandise the Company sells is purchased offshore. Offshore sourcing could provide products that contain harmful or banned substances or do not meet the required standards. The Company uses offshore consolidators and sourcing agents to monitor product quality and reduce the risk of sub-standard products however, there is no certainty that these risks can be completely mitigated in all circumstances.

Environmental

The Company owns a large number of facilities and real estate, particularly in remote locations, and is subject to environmental risks associated with the contamination of such facilities and properties. The Company operates gasoline dispensing units in a number of locations and also uses fuel to heat stores and housing. Contamination resulting from gasoline and heating fuel is possible. The Company employs operating, training, monitoring and testing procedures to minimize the risk of contamination. The Company also operates refrigeration equipment in its stores and distribution centres which, if the equipment fails, could release gases that may be harmful to the environment. The Company has monitoring and preventative maintenance procedures to reduce the risk of this contamination occurring. Even with these risk mitigation policies and procedures, the Company could incur increased or unexpected costs related to environmental incidents and remediation activities, including litigation and regulatory compliance costs, all of which could have an adverse effect on the reputation and financial condition and financial performance of the Company.

Management of Inventory

Success in the retail industry depends on being able to select the right merchandise, in the correct quantities in proportion to the demand for such merchandise. A miscalculation of consumer demand for merchandise could result in having excess inventory for some products and missed sales opportunities for others. Excess inventory may result in higher markdowns or inventory shrinkage all of which could have an adverse effect on the financial performance of the Company.

Insurance

The Company manages its exposure to certain risks through an integrated insurance program which combines an appropriate level of self-insurance and the purchase of various insurance policies. The Company's insurance program is based on various lines and limits of coverage. Insurance is arranged with financially stable insurance companies as rated by the professional rating agencies. There is no guarantee that any given risk will be mitigated in all circumstances or that the Company will be able to continue to purchase this insurance coverage at reasonable rates.

Climate

The Company's operations are exposed to extreme weather conditions ranging from blizzards to hurricanes, typhoons, cyclones, and tsunamis which can cause loss of life, damage to or destruction of key stores and facilities, or temporary business disruptions. The stores located in the South Pacific, Caribbean and coastal areas of Alaska are also at risk of earthquakes which can result in loss of life and destruction of assets. Such losses could have an adverse effect on the financial condition and performance. Global warming conditions would also have a more pronounced effect, both positive and negative, on the Company's most northern latitude stores.

Post-Employment Benefits

The Company engages professional investment advisors to manage the assets in the defined benefit pension plans. The performance of the Company's pension plans and the plan funding requirements are impacted by the returns on plan assets, changes in the discount rate and regulatory funding requirements. If capital market returns are below the level estimated by management, or if the discount rate used to value the liabilities of the plans decreases, the Company may be required to make contributions to its defined benefit pension plans in excess of those currently contemplated, which may have an adverse effect on the Company's financial condition and performance.

The Company regularly monitors and assesses the performance of the pension plan assets and the impact of changes in capital markets, changes in plan member demographics, and other economic factors that may impact funding requirements, benefit plan expenses and actuarial assumptions. The Company makes cash contributions to the pension plan as required and also uses letters of credit to satisfy a portion of its funding obligations. Effective January 1, 2011, the Company entered into an amended and restated staff pension plan and added a defined contribution plan. Under the amended pension plan, all members who did not meet a qualifying threshold based on number of years in the pension plan and age were transitioned to the defined contribution pension plan effective January 1, 2011 and no longer accumulate years of service under the defined benefit pension plan.

Ethical Business Conduct

The Company has a Code of Business Conduct and Ethics policy which governs both employees and directors. The Business Ethics Committee monitors compliance with the Code of Business Conduct and Ethics. The Company also has a Whistleblower policy that provides direct access to members of the Board. Unethical business conduct could negatively impact the Company's reputation and relationship with its customers, investors, and employees, which in turn could have an adverse effect on the financial performance of the Company.

Geopolitical

Changes in the domestic or international political environment may impact the Company's ability to source and provide products and services. Acts of terrorism, riots, and political instability, especially in less developed markets, could have an adverse effect on the financial condition and results of operations.

Litigation

In the normal course of business, the Company is subject to a number of claims and legal actions that may be made by its customers, suppliers and others. If management believes the Company has liability for such claim or legal action, provisions are made in the Company's financial statements. If management's assessment of liability or the amount of any such claim is incorrect, or the Company is unsuccessful in defending its position, any difference between the judgment or penalty amount and the provision would become an expense or a recovery in the period such claim was resolved.

Financial Services Business

The financial services operations are a part of the business of the Company. There is a risk of customer defaults on credit accounts, particularly following deterioration in the economy. The credit card industry is highly competitive and other credit card issuers may seek to expand or to enter its markets. New federal, provincial and state laws and amendments to existing laws may be enacted to further regulate the credit card industry or to reduce finance charges or other fees or charges applicable to credit card accounts. Deterioration in the financial services business could have an adverse effect on the financial condition or performance of the Company.

Dependence on Key Facilities

There are six major distribution centres which are located in Winnipeg, Manitoba; Anchorage, Alaska; San Leandro, California; Port of Tacoma, Washington; and third party managed facilities in Edmonton, Alberta and Miami, Florida. The Company's Canadian Operations support office is located in Winnipeg, Manitoba and the International Operations has support offices in Anchorage, Alaska and Bellevue, Washington. A serious disruption at any of these facilities or those of any of the corporate alliance partners due to fire, inclement weather or otherwise could have a material adverse effect on the financial condition or performance of the Company.

Financial Risks

In the normal course of business, the Company is exposed to financial risks that have the potential to negatively impact its financial performance. The Company manages financial risk with oversight provided by the Board, who also approve specific financial transactions. The Company uses derivative financial instruments only to hedge exposures arising in respect of underlying business requirements and not for speculative purposes. These risks and the actions taken to minimize the risks are described below.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk primarily in relation to individual and commercial accounts receivable. The Company manages credit risk by performing regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable. The Company does not have any individual customer accounts greater than 10% of total accounts receivable.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due or can do so only at excessive cost. The Company manages liquidity risk by maintaining adequate credit facilities to fund operating requirements and sustaining and growth-related capital expenditures and regularly monitoring actual and forecasted cash flow and debt levels. At January 31, 2013, the Company had undrawn committed revolving loan facilities available of \$144.1 million (January 31, 2012 - \$126.4 million).

The Company's International Operations has a US\$52.0 million loan facility that matures December 31, 2013. The Company does not anticipate any difficulty in refinancing this loan facility however, global economic conditions can change which may negatively impact the availability of credit, interest rates and covenants for companies seeking to refinance debt. To the extent that the Company cannot meet its obligations or refinance its debt when it comes due, or can only do so at an excessive cost, this may have an adverse effect on the financial condition and financial performance of the Company.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk, primarily the U.S. dollar, through its net investment in International Operations and its U.S. dollar denominated borrowings. The Company manages its exposure to currency risk by hedging the net investment in foreign operations with a portion of U.S. dollar denominated borrowings. At January 31, 2013, the Company had US\$111.3 million in U.S. denominated debt compared to US\$107.2 million at January 31, 2012.

The Company is also exposed to currency risk relating to the translation of International Operations earnings from U.S. dollars to Canadian dollars. In 2012, the average exchange rate used to translate U.S. denominated earnings from the International Operations was relatively flat at 0.998 compared to 0.991 last year. The Canadian dollar's depreciation versus the U.S. dollar in 2011 positively impacted consolidated net earnings by \$0.1 million. In 2011, the average exchange rate of 0.991 was 3.4% lower than the 1.026 average exchange rate in 2010 which decreased 2011 consolidated net earnings by \$0.4 million compared to 2010.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk primarily through its long-term borrowings. The Company manages exposure to interest rate risk by using a combination of interest rate swaps and a mixture of fixed and floating interest rate debt.

DESCRIPTION OF THE NORTH WEST COMPANY INC.

Conversion of the Fund into a Corporation

During the first quarter of the 2010, the Fund announced the details of a Plan of Arrangement which was designed to facilitate the conversion of the Fund from an income trust structure to a traditional dividend paying public corporation. As part of this Plan of Arrangement, the Fund obtained an interim order on April 28, 2010 from the Manitoba Court of Queen's Bench. The interim order confirmed the calling of an annual and special meeting of the Fund's unitholders on June 10, 2010 for the purpose of considering the Plan of Arrangement and approving the arrangement agreement dated April 22, 2010 (as amended and restated on November 29, 2010).

In order to become effective, the Plan of Arrangement required the receipt of all necessary court, regulatory and Toronto Stock Exchange approvals and other customary conditions, along with the approval of more than 66% of the votes cast by the Fund's unitholders voting in person or by proxy at the annual and special meeting of the Fund held on June 10, 2010. This approval was obtained on June 10, 2010, when the Fund's unitholders adopted the Plan of Arrangement by a vote of 99.93%. On June 18, 2010, the Manitoba Court of Queen's Bench issued a final order approving the Plan of Arrangement.

On January 1, 2011, the Plan of Arrangement became effective resulting in the conversion of the Fund's income trust structure into a dividend paying publicly traded corporation named The North West Company Inc. Unitholders of the Fund received, for each unit of the Fund held, one common share of The North West Company Inc. On the same date, units of the Fund were delisted from the Toronto Stock Exchange and trading of the common shares of the Company on the Toronto Stock Exchange commenced under the symbol "NWF".

As part of the conversion, NWC Trust was liquidated and dissolved and its assets and liabilities were distributed to and assumed by the Fund. The Fund was then liquidated and dissolved and its assets and liabilities were distributed and assumed by the predecessor entity called The North West Company Inc. (an existing corporation amalgamated under the CBCA). Such corporation was then amalgamated with 7578270 Canada Limited (successor corporation to 2891973 Manitoba Ltd.), 7578237 Canada Limited (successor corporation to 4698844 Manitoba Ltd.), and 7577583 Canada Ltd. (successor corporation to Buffalo Pharmacy Ltd.) to form the Company.

Capital Structure

The Company is authorized to issue an unlimited number of common shares. As at April 8, 2013, there were 48,388,721 common shares of the Company issued and outstanding. The rights, privileges, restrictions and conditions attaching to the common shares of the Company are listed below.

Voting Rights

The holders of the common shares of the Company are entitled to one vote per common share at all meetings of the shareholders of the Company.

Dividends

The holders of the common shares of the Company are entitled to receive any dividend declared by the Board on the common shares. See "Dividends and Distributions – Dividends".

Rights Upon Dissolution

In the event of liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the holders of the common shares of the Company are entitled to receive, after payment of all liabilities of the Company, the remaining assets and property of the Company.

DIVIDENDS AND DISTRIBUTIONS

Dividends

On January 1, 2011, the Fund's income trust structure was converted into a dividend paying publicly traded corporation named The North West Company Inc. See Description of The North West Company Inc. – Conversion of the Fund into a Corporation". Unitholders of the Fund received one common share of The North West Company Inc. for each unit of the Fund held.

On the same day, units of the Fund were delisted from the Toronto Stock Exchange and trading of common shares of The North West Company Inc. commenced under the symbol, "NWF". On May 2, 2011, the Company commenced trading its common shares under the symbol "NWC". This symbol is more reflective of the Company's corporate identity and is consistent with the trading symbol of the Company prior to converting to an income trust in 1997.

The Company anticipates paying dividends of approximately \$1.12 annually or \$0.28 per quarter in 2013, compared to \$1.04 annually or \$0.26 per quarter in 2012.

The payment of dividends on the Company's common shares is subject to the discretion of the Board, and will vary based on, among other factors, the financial performance of the Company, its current and anticipated future business needs and the satisfaction of solvency tests imposed by the CBCA for the declaration of dividends and other conditions existing at such future time.

Dividend/ Distribution History

The following table shows the quarterly cash dividends per common share, and distributions per unit paid for the past three years.

	Dividends 2012 (\$)	Dividends 2011 (\$)	Distributions 2010 (\$)
First Quarter	0.26	0.24	0.34
Second Quarter	0.26	0.24	0.34
Third Quarter	0.26	0.24	0.34
Fourth Quarter	0.26	0.24	0.34
Special Distribution	-	0.09	0.06
Total	1.04	1.05	1.42

The determination to declare and make payable distributions from the Fund was subject to the terms of the Fund's Declaration of Trust and the discretion of the Board of Trustees of the Fund. The Fund's distribution policy was to make distributions to unitholders equal to the taxable income of the Fund. The

taxable income of the Fund was primarily based on an allocation of the taxable income of The North West Company LP (Canadian Operations) less Fund expenses. In addition to the quarterly distributions, a special year-end distribution was declared to unitholders if the taxable income of the Fund exceeded the cumulative distributions for the year. A special distribution of \$0.09 per unit was declared in December, 2010, and paid February 18, 2011 to unitholders of record on December 31, 2010. The Fund's obligation to pay the \$0.09 per unit special distribution was assumed by the Company as part of the conversion to a share corporation.

MARKET FOR SECURITIES

The common shares are listed on The Toronto Stock Exchange under the trading symbol "NWC". The following table shows the trading prices and the trading volume of common shares by month for the period of February 2012 to January 2013.

TRADING PRICE AND VOLUME			
MONTH	HIGH (\$)	LOW (\$)	VOLUME
February 2012	20.52	19.34	1,653,528
March 2012	22.54	20.25	1,781,198
April 2012	22.43	21.60	1,680,325
May 2012	22.47	21.35	1,081,154
June 2012	22.00	20.20	1,061,398
July 2012	22.44	21.24	855,293
August 2012	22.00	21.01	509,493
September 2012	22.90	21.15	855,900
October 2012	23.62	21.94	810,457
November 2012	23.88	22.50	778,636
December, 2012	23.76	21.56	1,339,650
January 2013	23.49	21.67	1,132,432

ESCROWED SECURITIES

To the Company's knowledge, no securities of the Company were held in escrow as at January 31, 2013.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar of the Company is Canadian Stock Transfer Company at its principal office located at 199 Bay Street, Commerce Court West, Securities Level, Toronto, Ontario M5L 1G9.

DIRECTORS AND EXECUTIVES OF THE COMPANY

The name, municipality of residence, position and principal occupation of the Directors and executives of the Company as at April 8, 2013 are as follows:

Directors

<u>Name and Municipality of Residence</u>	<u>Principal Occupation</u>	<u>Trustee/Director Since ⁽⁵⁾</u>
H. SANFORD RILEY ⁽⁴⁾ Winnipeg, Manitoba, Canada	President and Chief Executive Officer, Richardson Financial Group Limited	2003
FRANK J. COLEMAN ⁽¹⁾⁽²⁾ Corner Brook, Newfoundland and Labrador, Canada	President and Chief Executive Officer, Coleman Group of Companies	1999
WENDY F. EVANS ⁽¹⁾⁽³⁾ Toronto, Ontario, Canada	President, Evans and Company Consultants Inc.	2005
EDWARD S. KENNEDY ⁽⁴⁾ Winnipeg, Manitoba, Canada	President and Chief Executive Officer, The North West Company Inc.	1996
ROBERT J. KENNEDY ⁽²⁾⁽³⁾ Winnipeg, Manitoba, Canada	Chief Executive Officer, WiBand Communications Corporation	2003
GARY J. LUKASSEN, CA, CPA ⁽¹⁾⁽²⁾ Mississauga, Ontario, Canada	Corporate Director	1987
GARY MERASTY ⁽²⁾⁽³⁾ Saskatoon, Saskatchewan, Canada	Vice President, Corporate Social Responsibility, Cameco Corporation	2011
ERIC L. STEFANSON, FCA ⁽¹⁾⁽²⁾ Winnipeg, Manitoba, Canada	Corporate Director	2012
ANNETTE M. VERSCHUREN O.C. ⁽¹⁾⁽³⁾ Toronto, Ontario, Canada	Chair and Chief Executive Officer, NRStor Incorporated	2011

Executives

<u>Name and Municipality of Residence</u>	<u>Principal Occupation and Position with the Company</u>	<u>Executive Since</u>
EDWARD S. KENNEDY Winnipeg, Manitoba, Canada	President and Chief Executive Officer	1989
JOHN D. KING Winnipeg, Manitoba, Canada	Chief Financial Officer	2006
CRAIG T. GILPIN Winnipeg, Manitoba, Canada	Executive Vice President and Chief Corporate Officer	2010
REX A. WILHELM Anchorage, Alaska, U.S.A.	President and Chief Operating Officer, The North West Company (International) Inc.	1993
MICHAEL T. BEAULIEU Winnipeg, Manitoba, Canada	Vice President, NWC Services	2013
J. ROBERT CAIN Seattle, Washington, Alaska, U.S.A.	Vice President, Logistics and Supply Chain Services, The North West Company (International) Inc.	2000
DAVID M. CHATYRBOK Winnipeg, Manitoba, Canada	Vice President, Procurement and Marketing	2009
LEANNE FLEWITT Winnipeg, Manitoba, Canada	Vice President, Merchandise Performance Services	2013

Name and Municipality of Residence	Principal Occupation and Position with the Company	Executive Since
CHRISTIE FRAZIER-COLEMAN Bellevue, Washington, U.S.A.	Vice President, Food Procurement and Marketing, The North West Company (International) Inc.	2010
DEBBIE A. GILLIS Winnipeg, Manitoba, Canada	Vice President, Information Services	2013
PAULINA HIEBERT Edmonton, Alberta, Canada	Vice President, Legal and Corporate Secretary	2009
THOMAS M. KALLIO Renton, Washington, U.S.A.	Vice President and General Manager, Cost-U-Less, The North West Company (International) Inc.	2008
DANIEL G. MCCONNELL Winnipeg, Manitoba, Canada	Vice President, Real Estate and Store Development	2008
SCOTT A. MCKAY Sammamish, Washington, U.S.A.	Vice President, General Merchandise Procurement and Marketing, The North West Company (International) Inc.	2004
KINA PEREZ Anchorage, Alaska, U.S.A.	Vice President, Human Resources, The North West Company (International) Inc.	2011
WALTER E. PICKETT Eagle River, Alaska, U.S.A.	Vice President and General Manager, Alaska Commercial Company, The North West Company (International) Inc.	2005
CHRISTINE REIMER Winnipeg, Manitoba, Canada	Vice President, Canadian Sales and Operations	2011
MICHAEL E. SOROBEY Winnipeg, Manitoba, Canada	Vice President, Logistics and Supply Chain Services	2010
JIM W. WALKER Anchorage, Alaska, U.S.A.	Vice President and General Manager, Wholesale Operations, The North West Company (International) Inc.	2008

- (1) Member of Audit Committee.
- (2) Member of the Governance and Nominating Committee.
- (3) Member of the Human Resources, Compensation and Pension Committee.
- (4) The Chairman of the Board is not a member of any Board Committee, but attends all meetings in an ex-officio capacity. The President and Chief Executive Officer is not a member of any Board Committee, but attends these meetings as an invited guest.
- (5) Due to the various reorganizations of the Company as described in this AIF, this reference refers to either the Board of Trustees or the Board of Directors, as the context may require.

The term of office of each of the Directors expires at the next annual meeting of the Company.

All of the Directors and executives of the Company have held their present positions or other executive positions with the Company (or its predecessors) during the past five years, except as follows:

H. Sanford Riley was appointed Chairman of the Company in June, 2008. Mr. Riley has been President and Chief Executive Officer of Richardson Financial Group Limited since 2003. He held the positions of Chairman of Investors Group Inc. from 2001 to 2002 and President and Chief Executive Officer of Investors Group Inc. from 1992 to 2001. He currently holds the positions of Director of Molson Coors Brewing Company, Richardson GMP Limited, GMP Capital Inc., The Canada West Foundation, Canadian Western Bank, Winnipeg Airport Authority and MTS Allstream. He is the Chairman of the University of Winnipeg Foundation. Mr. Riley was appointed to the Order of Canada in July, 2002. He has been a board member of the Company and its predecessor entities since 2003.

Craig T. Gilpin joined the Company in March, 2010 as Executive Vice President and Chief Corporate Officer. Prior to joining the Company, Mr. Gilpin held the position of President, Operations, Sobeys Ontario since 2004. Prior to joining Sobeys, Mr. Gilpin worked for 17 years in various senior roles with A&P Canada.

John D. King joined the Company in 1994. Mr. King was appointed to the position of Chief Financial Officer on June 28, 2010, Vice President, Finance on November 3, 2009, and Vice President, Finance and Secretary on June 19, 2006. Prior to these appointments, Mr. King held the positions of Director of Finance and Stores Controller.

Michael T. Beaulieu joined the Company in 1993 as a Management Associate. He advanced to Store Manager and to Regional Store Management positions before joining Procurement and Marketing as a Director. Mr. Beaulieu was instrumental in leading the product profitability and in-stock long range planning initiatives and store performance support for northern Canada. In January, 2013, Mr. Beaulieu was promoted to Vice President, NWC Services.

David M. Chatyrbok joined the Company in 2000. Mr. Chatyrbok was appointed to the position of Vice President, Procurement and Marketing on March 13, 2009. From 2000 to 2007 he held various management positions within the Procurement and Marketing division of the Company, including Senior Category Manager and Director. In 2007, Mr. Chatyrbok was promoted to Vice President of Marketing for the Alaska Commercial Company. Prior to joining the Company, Mr. Chatyrbok spent 10 years with Zellers of the Hudson Bay Company in different capacities including Store Manager and Senior Buyer.

Leanne Flewitt joined the Company in May, 1993 as Associate Buyer in the Food Marketing group. Leanne progressed through roles in Procurement and Marketing and Supply Chain, holding the positions of Inventory Manager, Category Manager, Senior Category Manager, Project Business Lead and Director of Supply Chain Services. In January, 2013, Ms. Flewitt was promoted to Vice President, Merchandise Performance Services.

Christie Frazier-Coleman joined The North West Company (International) Inc. as Vice President of Procurement and Marketing in January, 2010. Ms. Frazier-Coleman worked for over 20 years at Bashas' Supermarkets, a US\$2.0 billion privately held grocery chain in Arizona starting as a Category Manager and moving into various senior roles in Loyalty Marketing, Brand Marketing, then Sales and Merchandising. She then worked at Revionics a lifecycle pricing software company as Vice President of Business Consulting, working with many different retailers implementing business and pricing strategies.

Debbie A. Gillis joined the Company in January, 2013 as Vice President, Information Services, bringing with her over 20 years of broad IT experience to her role. Ms. Gillis has held a number of progressively senior IT roles with various retailers including Chief Information Officer for the past 10 years and has also held leadership roles with IT consulting companies.

Paulina Hiebert joined the Company in November, 2009 after being employed as Vice President, Legal and Corporate Secretary of The Brick Group Income Fund since 2002. Prior to joining The Brick, she was Corporate Counsel for Alberta Treasury Branches, and an Associate with the law firm of Milner Fenerty in Edmonton. Ms. Hiebert has also held various senior management positions with a venture capital company and several chartered banks in Canada. Ms. Hiebert has been a director of several privately held companies. She is a member of the Law Societies of Alberta and Manitoba.

Daniel G. McConnell joined the Company in 2002 as the Manager, Real Estate and Store Development. Mr. McConnell was appointed Vice President Real Estate and Store Development on September 23, 2008 and was prior to this appointment, the Director, Real Estate and Store Development.

Scott A. McKay joined the Company in 2004 as Vice President and General Manager of Giant Tiger, West Store Division. In 2011 he became the Vice President, General Merchandise Procurement and Marketing for The North West Company (International) Inc. He brings many years of retail experience from Eaton's, Toys R Us Canada, Plug-Ins Electronix in Dubai, UAE and Intrawest Retail Group Inc. in Denver, Colorado.

Kina Perez joined The North West Company (International) Inc. as Vice President, Human Resources in April 2011. Ms. Perez brings over 20 years of executive management experience in both Human Resources and Operations; in a variety of industries including, retail, oil and gas, medical manufacturing, construction, staffing and executive placement. She relocated to Alaska in 2007 to direct employment and logistics on the North Slope and within rural communities.

Christine Reimer joined the Company in August of 2001, when she opened the second Giant Tiger store as Store Manager. Ms. Reimer was appointed Vice President and General Manger, Giant Tiger, West Store Division in 2011 and Vice President, Canadian Sales and Operations in January, 2013. She held several management positions with Giant Tiger West Store Division, including Merchandising Specialist and Director of Stores. Prior to joining the Company, Ms. Reimer held management positions with GAP Inc., Old Navy Canada, Suzy Shier and Smart Set.

Michael E. Sorobey joined the Company in March, 2010 as Vice President, Logistics and Supply Chain. Prior to joining the Company, Mr. Sorobey held the position of Vice President of GES Exposition Services. Prior to joining GES Exposition Services, Mr. Sorobey held various senior roles with Tibbett & Britten Group PLC for nine years, and spent seven years at Westfair Foods Limited in various warehouse management roles.

As at April 8, 2013, to the knowledge of the Company, Directors and executives of the Company as a group beneficially own, directly or indirectly, or exercise control or direction over 534,683 common shares or 1.1% of the outstanding common shares of the Company.

As at January 31, 2013 based on public filings, Franklin Templeton Investments Corp., on behalf of Bissett Investment Management, beneficially owned, or controlled or directed, directly or indirectly, 4,861,616 or 10.05% of the issued and outstanding common shares.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

Other than as noted in the declarations set forth below, no Director or executive of the Company is, or has been within the past 10 years, a director or executive officer or promoter of any other company that, while such person was acting in that capacity: (i) was the subject of a cease trade or similar order or an order that denied the issuer access to any statutory exemptions for a period of more than 30 consecutive days; (ii) was subject to an event that resulted, after the person ceased to be a director or executive officer, in the issuer being the subject of a cease trade order or similar order or an order denying statutory exemption; or (iii) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that person.

No Director or executive of the Company has, within the 10 years preceding the date hereof, been subject to any penalties or sanctions imposed by a court relating to securities legislation or by any securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or been subject to any other penalties or sanctions imposed by a court or regulatory body or self-regulatory authority that would be likely to be considered important to a reasonable investor making an investment decision.

No Director or executive is, or has become, within the 10 years preceding the date hereof, bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

Mr. Gary Lukassen and Mr. Robert Kennedy have made the following declarations.

Mr. Gary J. Lukassen, CA, CPA

Mr. Lukassen was a director of Stelco Inc. from June 2002 until March 31, 2006. On January 29, 2004, Stelco Inc. filed for and was granted Court protection under the *Companies' Creditors Arrangement Act* (Canada) ("CCAA"). Stelco Inc. emerged from Court protection under the CCAA on March 31, 2006.

Mr. Lukassen was a director of Abitibi Consolidated Inc from April 2003 to October 2007 and a director of AbitibiBowater Inc. from October 2007 until December 9, 2010. On April 16, 2009 AbitibiBowater Inc. filed for relief under the provisions of Chapter 11 of the United States Bankruptcy Code and on April 17, 2009 filed for protection under the CCAA in Canada. AbitibiBowater Inc. emerged from Court protection under CCAA and Chapter 11 on December 9, 2010.

Mr. Robert J. Kennedy

Mr. Kennedy was a director of Jazz Golf Equipment Inc. In 2006, Jazz Golf Equipment Inc., a company listed on the TSX Venture Exchange filed a proposal under the Bankruptcy Act to sell its assets to Ensis Corporation to become a private company. Under the proposal, all creditors were to be satisfied. Mr. Kennedy resigned on November 22, 2006 from the Board. Jazz Golf Equipment Inc. was de-listed from the TSX Venture Exchange.

AUDIT COMMITTEE INFORMATION

The current Audit Committee Charter as approved by the Board is included in Appendix "A" to this AIF. The Audit Committee of the Company is currently comprised of Gary J. Lukassen, who also is the Chairperson of the Audit Committee, Frank Coleman, Wendy F. Evans, Annette M. Verschuren and Eric L. Stefanson. All members of the Audit Committee are independent and financially literate within the meaning of National Instrument 52-110, Audit Committees and have the education and experience as shown below which is relevant to their roles as Audit Committee members.

Audit Committee Members

The following is a summary of the education and experience of the members of the Audit Committee that is relevant to the performance of responsibilities as an Audit Committee member.

Gary J. Lukassen, CA, CPA

Corporate Director; Retired as Executive Vice President and Chief Financial Officer and Director of The Hudson's Bay Company in March 2001. Mr. Lukassen was also a member of the Audit Committee of Abitibi Bowater Inc. from October 2007 to December 9, 2010.

Frank J. Coleman

President and Chief Executive Officer of the Coleman Group of Companies since 1991. Chair of the Board of Directors of Rocky Mountain Liquor Inc.; the President and Chief Executive Officer of Humber Valley Paving Ltd. and Humber Valley Aggregates and Asphalt Ltd.; Director of Distribution Council of the Canadian Federation of Independent Grocers; Emera Newfoundland and Labrador Holdings Incorporated.

Wendy J. Evans

President of Evans and Company Consultants Inc. since 1987, providing international marketing, financial and management services. Associate of Cambridge Corporate Development, a Member of the Dean's Advisory Council and Adjunct Professor, Ted Rogers School of Management, Ryerson University. She is also a Director of City Living Foundation, the Canadian Executive Service Organization, and author of "Border Crossings, Doing Business in the U.S". Served as a Director for Sun Life Financial Trust and the Canadian Cancer Society, and was on the Advisory Board of the Ontario Retail Sector Strategy, and the past President and Chair of Granite Ltd.

Eric L. Stefanson, FCA

Managing partner of the Central Canada Region for BDO Canada LLP from 2004 to 2009. Held various positions with Assante Canada, including the position of Chief Financial Officer from 2001 to 2004. Member of the Legislative Assembly of Manitoba from 1990 to 2000, with portfolios including the position of Finance Minister and Chair of the Treasury Board from 1993 to 1999. Board member of Via Rail Canada (Vice Chairman and Chair of Audit Committee); Health Sciences Centre Foundation (Past Chair); FWS Holdings Ltd. (Chair of Audit Committee); PGNX Capital Corp.; as well as Chair of the Investment Committee of the Winnipeg Civic Employee's Benefit Program. Member of the Board of Directors and Chair of the Audit Committee for the Winnipeg Foundation from 2005 to 2011.

Annette M. Verschuren O.C.

Chair and Chief Executive Officer of NRStor Incorporated. President of Home Depot Canada from 1986 to January, 2011 and former President and co-owner of Michaels of Canada. Board member of Liberty Mutual; Air Canada, and former board member of Sobeys. Vice Chair of the Conference Board of Canada and Co-chair of the June 2012 Governor General Leadership Conference.

External Audit Service Fees

The auditors of the Company are PricewaterhouseCoopers LLP (“PWC”), Richardson Building, One Lombard Place, Winnipeg, Manitoba R3B 0X6.

Fees paid to the external auditors in the past two years with respect to services provided to the Company and the subsidiaries were:

Type of Fees	Fiscal 2012	Fiscal 2011
Audit Fees	\$472,181	\$412,721
Audit-Related Fees	19,565	30,230
Tax Fees	239,892	534,286
All Other Fees	3,728	7,140
Total	\$735,366	\$984,377

The nature of each category of fees is described below:

Audit Fees

Audit fees were paid for professional services rendered by the auditors for the audit of the Company’s annual financial statements or services provided in connection with statutory and regulatory filings or engagements, and the review of the Company’s interim financial statements.

Audit-Related Fees

Audit related fees related to professional services for store audit procedures, review of procedures for the Company, confirmation on compliance with debt covenants, assistance with the implementation of International Financial Reporting Standards (“IFRS”) and advice on new accounting standards.

Tax-Related Fees

Tax related fees include professional services for tax compliance services and advice, trust conversion, acquisition and other tax-related matters. In 2011, these tax-related fees were significantly higher than normal due to the restructuring of the Company’s International Operations, which required professional advice. PWC was engaged to provide this advice based on the proposal submitted, their familiarity with the Company, and the resulting cost savings due to this familiarity. The Audit Committee concluded that these services were not restricted services and monitored the work performed by PWC to ensure independence was maintained.

All Other Fees

All other fees are related to professional services for business consulting.

Pre-Approval Policies and Procedures

As part of the Company’s governance structure, the Audit Committee annually reviews and approves the terms of the external auditor’s engagement. To further ensure the independence of the auditors is not compromised, the Audit Committee pre-approves all engagements of the auditors for non-audit related services.

INTEREST OF EXPERTS

The only persons who are named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, under National Instrument 51-102, Continuous Disclosure by the Company during, or relating to, the Company's most recently completed financial year, and whose profession or business gives authority to the statement, report or valuation made by the person or the Company, is PricewaterhouseCoopers LLP, the auditors of the Company, who prepared a report on the audited annual financial statements of the Company.

To the knowledge of the Company, at the time that PricewaterhouseCoopers LLP prepared its report on the audited consolidated financial statements of the Company, the partners of PricewaterhouseCoopers LLP had no registered or beneficial interest in the securities of the Company.

CONFLICTS OF INTEREST

No Director or officer of the Company, or any associate or affiliate of the foregoing persons, has any substantial interest, direct or indirect, in any material transaction with the Company for the period February 1, 2012 to January 31, 2013.

LEGAL PROCEEDINGS

Management is not aware of any litigation outstanding, threatened or pending as of the date hereof by or against the Company or their respective subsidiaries which would be material to a purchaser of common shares, see "Risk Factors – Litigation".

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Management is not aware of any Director or executive of the Company, or other insider of the Company, or any associate or affiliate of the foregoing persons who has any substantial interest, direct or indirect, in any material transaction since the commencement of the Company's most recently completed financial year or in any proposed transaction.

MATERIAL CONTRACTS

The Company has entered into the following material contracts:

- Fourth Amended and Restated Partnership Limited Partnership Agreement of The North West Company LP, dated January 1, 2011, as the same may be amended, supplemented or restated from time to time.
- The Arrangement Agreement in respect of the conversion of the Fund's income trust structure into a corporate structure (see Description of The North West Company Inc. – Conversion of the Fund into a Corporation").

A copy of the foregoing documents may be examined during normal business hours at the office of the Company located at Gibraltar House, 77 Main Street, Winnipeg, Manitoba, R3C 2R1 and are available on SEDAR at www.sedar.com.

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on SEDAR at www.sedar.com and on the Company's website at www.northwest.ca.

Additional information, including Director and executive remuneration and indebtedness, principal holders of the Company's securities, and securities authorized for issuance under equity compensation plans, is contained in the Company's Management Information Circular to be issued in connection with the Annual Meeting of Shareholders to be held on June 5, 2013 in Winnipeg, Manitoba.

Additional financial information is provided in the Company's Consolidated Financial Statements and Management's Discussion and Analysis for the year ended January 31, 2013 and the Company's 2012 Annual Report, all of which are available on SEDAR at www.sedar.com and at www.northwest.ca.

Copies of the information referred to in this section, and well as the AIF, can be obtained by writing to the Corporate Secretary, The North West Company Inc., Gibraltar House, 77 Main Street, Winnipeg, Manitoba, R3C 2R1.

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APPENDIX A

THE NORTH WEST COMPANY INC. AUDIT COMMITTEE MANDATE

The Audit Committee (the “Committee”) of The North West Company Inc. (“North West”) is established in order to assist the Board of Directors of North West (the “Board”) in its oversight activities, including overseeing the work of North West’s external auditor as set out below.

1. Purpose

The primary purpose of the Committee is to assist the Board in fulfilling its responsibilities of oversight and supervision of:

- (a) the integrity of North West’s accounting and financial reporting practices and procedures;
- (b) the adequacy of North West’s internal accounting and disclosure controls and procedures;
- (c) the quality and integrity of North West’s consolidated annual and quarterly financial statements;
- (d) the independence and performance of North West’s external auditor;
- (e) compliance by North West with legal and regulatory requirements in regard to financial reporting and disclosure that North West is subject to; and
- (f) the performance of the internal audit function and ensuring processes are in place to ensure the independence of the internal audit function.

2. Composition

- (a) The Committee will be comprised of a minimum of three directors who are “independent” directors within the meaning of Multilateral Instrument 52-110 Audit Committee (the “Policy”). Any Committee member, who, for any reason, is no longer independent, immediately ceases to be a Committee member;
- (b) All Committee members will be “financially literate” or will become financially literate within the time limits as set out in the Policy. “Financially literate” means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by North West’s consolidated financial statements; and
- (c) Committee members will be appointed and removed by the Board. The Committee Chairperson will be appointed by the Board.

3. Reports

The Committee shall report to the Board on a regular basis, including prior to the public disclosure by North West of its quarterly and annual financial results. The reports of the Committee shall include any issues of which the Committee is aware with respect to the quality or integrity of North West’s

consolidated financial statements, its compliance with legal and regulatory requirements, and the performance and independence of North West's external auditor.

4. Responsibilities

Subject to the powers and duties of the Board, and with the requirement that the Committee provides timely summary reports to the Board on its activities, the Board hereby delegates to the Committee the following powers and duties to be performed by the Committee on behalf of and for the Board:

A. Financial Statements and Other Financial Information

The Committee shall:

- (a) review North West's consolidated interim unaudited financial statements and annual audited financial statements and related documents, prior to any public disclosure of such information;
- (b) following a review with management and the external auditor of such annual and interim consolidated financial statements and related documents including the auditor's report thereon, recommend to the Board the approval of such financial statements and related documents;
- (c) review with management and/or the external auditor all critical accounting policies and practices used as well as significant management estimates and judgments and any changes in accounting policies or financial reporting requirements that may affect North West's consolidated financial statements;
- (d) review with management and/or the external auditor the treatment in the financial statements of any significant transactions, and other potentially difficult matters;
- (e) review with management and the external auditor all matters required to be communicated to the Committee under generally accepted auditing standards;
- (f) review and recommend to the Board for approval, other annual and quarterly financial reporting documents, including management's discussion and analysis, earnings press releases, Annual Information Form, and Annual Report of North West prior to any disclosure to the public;
- (g) review with management and the external auditor any material off-balance sheet financing mechanisms, transactions or obligations of North West;
- (h) review a summary provided by North West's management, of the status of any material existing, pending or threatened litigation, claims and assessments respecting North West and its subsidiaries;
- (i) review with management and the external auditor any correspondence with securities regulators or commissions which raise material issues regarding North West's financial statements or accounting policies; and

- (j) review in advance and approve, any communications regarding material financial matters between North West and any applicable securities regulators or commissions.

B. Financial Reporting Control Systems

The Committee shall:

- (a) in consultation with management, the external auditor and the officer or employee responsible for the internal audit function, review, evaluate and assess the adequacy, integrity and effectiveness of North West's consolidated financial reporting processes, management information systems, and internal controls and discuss significant financial risk, exposures and the steps management has taken to monitor, control and report such exposures;
- (b) review guidelines and policies with respect to identifying and managing the principle financial risks inherent in North West's business and operations, and review the processes that are implemented by management to manage and monitor those risks;
- (c) submit to the Board, any recommendations that the Committee may have from time to time (through its own inquiries or through those of advisors retained by the Committee) with respect to financial reporting, accounting procedures and policies and internal controls;
- (d) ensure that due diligence processes and controls in connection with certification of North West's annual and interim filings are in place, monitoring their continued effectiveness, and ensure that such filings are in a form that permits their certification;
- (e) review any disclosures concerning any weaknesses or any deficiencies in the design or operation of internal controls made to the Committee by the CEO and CFO during their certification process for forms filed with applicable securities regulators;
- (f) review with management and/or the external auditor any related party transactions (as defined under International Financial Reporting Standards);
- (g) review the management representation letter to the external auditor;
- (h) review reports obtained from the external auditor regarding the overall control environment and the adequacy of accounting system controls;
- (i) review any new appointments to Vice President positions of North West and its subsidiaries with financial reporting responsibilities;
- (j) satisfy itself that adequate procedures are in place for the review of North West's disclosure of North West's financial information extracted or derived from North West's consolidated financial statements, and periodically assess the adequacy of those procedures;

- (k) establish procedures for the receipt, retention, and treatment of confidential, anonymous concerns received from employees of North West or its subsidiaries regarding questionable accounting, internal accounting controls, or auditing matters;
- (l) review and approve North West's (and its respective subsidiaries) hiring policies regarding employees and former employees of the present and former external auditor of North West; and
- (m) review annually North West's property and liability insurance policies (other than Director and Officer Liability Insurance), and satisfy itself that adequate insurance programs are in place.

C. Disclosure Controls

The Committee shall:

- (a) satisfy itself that management has developed and implemented a system of disclosure controls to ensure that North West meets its continuous disclosure obligations;
- (b) receive regular reports from management on the functioning of the disclosure compliance system, including any significant instances of non-compliance with such system, in order to satisfy itself that such system may be reasonably relied upon; and
- (c) review any disclosures concerning any weaknesses or any deficiencies in the design or operation of disclosure controls made to the Committee by the CEO and CFO during their certification process for forms filed with applicable securities regulators.

D. Internal Audit

The Committee shall:

- (a) review and concur with any appointment or dismissal of the senior internal audit officer or employee;
- (b) review the performance and ensure processes are in place for the independence of the internal audit function;
- (c) meet separately with the senior internal audit officer or employee to discuss any matters that the Committee or auditor believe should be discussed in private;
- (d) review and approve the proposed annual corporate internal audit plan, including assessment of major risks, areas of focus, responsibilities and objectives, and staffing; and
- (e) receive quarterly reports from internal audit on (i) the progress on the internal audit plan, including any significant changes to it; (ii) significant internal audit findings, including issues as to the adequacy of internal control over financial

reporting and any procedures implemented in light of significant control deficiencies; and (iii) any significant internal fraud issues.

E. External Auditor

The Committee shall:

- (a) obtain confirmation from the external auditor that it will be accountable to, and report directly to, the Committee;
- (b) review and approve the external auditor's annual audit plan;
- (c) meet with North West's external auditor on a regular basis in the absence of management, and discuss in private with the external auditor matters affecting the conduct of their audit and other corporate matters;
- (d) review regularly the performance, qualifications, independence and remuneration of North West's external auditor, as well as the competence and responsiveness of the individual partners assigned to North West's account;
- (e) recommend to the Board each year the remuneration of, and the retention or replacement of the external auditor to be nominated for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for North West, and annually approve the terms of such engagement;
- (f) if there is a plan to change the external auditor, review all issues related to the change and the steps planned for an orderly transition;
- (g) oversee the work of the external auditor engaged for the purpose of preparing or issuing an audit report or performing other services;
- (h) discuss with North West's external auditor the quality and not just the acceptability of North West's accounting principles and policies;
- (i) relay its expectations to North West's external auditor from time to time including its expectation that (i) any disagreements of a material nature with management be brought to the attention of the Committee, (ii) any irregularities in the financial information be reported to the Committee; and (iii) the external auditor discloses any conflict of interest that may arise in their engagement; and
- (j) pre-approve all non-audit services to be provided to North West or its subsidiary entities by its external auditor to obtain assurance that the performance of such services will not compromise the independence of the external auditor. The Committee may delegate to the Chairperson of the Committee authority to pre-approve non-audit services in satisfaction of this requirement. The pre-approval of non-audit services by the Chairperson of the Committee must be presented to the full Committee at its first scheduled meeting following such pre-approval.

E. Other

- (a) The Committee shall assess the performance of the CFO and report their views to the CEO, in conjunction with the CEO's annual performance review of the CFO.

5. Structure

- (a) The Board shall appoint one of the Committee members to act as Chairperson of the Committee.
- (b) The Committee will appoint the Corporate Secretary of North West as secretary of the Committee, who will keep minutes of all meetings. In absence of the Corporate Secretary, the Committee will appoint an acting secretary who will keep minutes of the meeting.
- (c) The Committee will meet as many times as is necessary to carry out its responsibilities but in no event will the Committee meet less than quarterly each year. Meetings will be at the call of the Chairperson. Notwithstanding the foregoing, the external auditor of North West or any member of the Committee may call a meeting of the Committee. The Committee may hold a meeting by telephone conference call.
- (d) No business may be transacted by the Committee except at a meeting of its members at which a quorum of the Committee is present or by a resolution in writing signed by all the members of the Committee. A majority of the members of the Committee shall constitute a quorum provided that if the number of members of the Committee is an even number one half of the number of members plus one shall constitute a quorum.
- (e) Any member of the Committee may be removed or replaced at any time by the Board or shall cease to be a member of the Committee as soon as such member ceases to be a director. Subject to the foregoing, each member of the Committee shall hold such office until the next annual meeting of shareholders.
- (f) The external auditor of North West shall be entitled to receive notice of every meeting of the Committee to attend and be heard thereat.
- (g) The time at which and the place where the meetings of the Committee shall be held, the calling of meetings and the procedure in all respects of such meeting shall be determined by the Committee, unless otherwise provided for in North West's bylaws, or otherwise determined by resolution of the Board.
- (h) members of the Committee shall be entitled to receive such remuneration for acting as members of the Committee as the Board may from time to time determine.

6. Chairperson of the Committee

The Chairperson of the Committee (the “Chairperson”) is responsible for the effective functioning of the Committee.

7. Independent Advice

In discharging its mandate, the Committee shall have the authority to retain and receive advice from independent legal, accounting or other advisors at the expense of North West, as required to fulfill its duties, and to set and pay the compensation for such advisors.

8. Evaluation

The Committee shall:

- (a) regularly review and assess the adequacy of its Mandate, and recommend any proposed changes to the Governance and Nominating Committee, for recommendation to the Board for approval; and
- (b) participate in a regular performance evaluation of the Committee, the results of which will be reviewed by the Governance and Nominating Committee, and the Board.

Approved by the Board of Directors: Effective December 14, 2012.



Nor'Westers are associated with the vision, perseverance, and enterprising spirit of the voyageurs who pushed past limits to further our Company's growth during the fur trade. We trace our roots to 1668, and the establishment of one of North America's early trading posts at Waskaganish on James Bay. Today, we continue to embrace this pioneering culture as true "frontier merchants."

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