THE NORTH WEST COMPANY INC.

Report to Shareholders

Quarterly Period Ended July 31, 2020

THE NORTH WEST COMPANY

2020 SECOND QUARTER REPORT TO SHAREHOLDERS

Report to Shareholders

The North West Company Inc. reports its results for the second quarter ended July 31, 2020. Sales increased 23.0% to $648.5 million compared to the second quarter last year and were up 21.4% excluding the impact of foreign exchange. COVID-19-related factors were significant in the quarter, including a shift towards in-community and at-home spending as well as basic income support provided by different jurisdictions within which the Company operates.

Second quarter net earnings increased $44.6 million to $62.6 million and net earnings attributable to shareholders were $61.9 million or $1.25 per share compared to $0.35 per share last year on a diluted earnings per share basis. This increase is due to the impact of higher sales and a $20.0 million after-tax gain on the completion of the previously announced sale of 36 Giant Tiger stores (the "Giant Tiger Transaction"). These factors were partially offset by COVID-19-related expenses and higher incentive plan and share-based compensation costs this year, and the impact of an insurance-related gain in the second quarter last year. Adjusted net earnings[2], which excludes the impact of the Giant Tiger Transaction gain, share-based compensation costs and the insurance-related gain last year, increased $29.8 million compared to last year due to sales gains and margin improvements partially offset by COVID-19-related expenses and higher annual incentive plan costs.

The Board of Directors has approved a quarterly dividend of $0.36 per share, an increase of $0.03 per share or 9.1%, to shareholders of record on September 30, 2020.

On behalf of the Board of Directors:

H. Sanford Riley	Edward S. Kennedy
Chairman	President and Chief Executive Officer

Management's Discussion & Analysis

The following Management's Discussion & Analysis should be read in conjunction with the Company's 2020 second quarter unaudited interim period condensed consolidated financial statements for the period ended July 31, 2020 ("Interim Condensed Consolidated Financial Statements") and the audited annual consolidated financial statements and accompanying notes included in the 2019 Annual Report. The first quarter of 2020 had 90 days of operations compared to 89 days of operations in the first quarter of 2019 as a result of February 29. The estimated impact of this extra day has been deducted from the reported same store sales.

CONSOLIDATED RESULTS

Quarter

Second quarter consolidated sales increased 23.0% to $648.5 million led by same store sales gains, the impact of new store sales largely driven by the November 1, 2019 re-opening of the Company's Cost-U-Less ("CUL") store in St. Thomas, USVI which was destroyed by hurricane Irma in the third quarter of 2017, and the positive impact of foreign exchange on the translation of International Operations sales. These factors were partially offset by lower sales in Giant Tiger stores related to the previously announced sale of 36 stores which was completed on July 5, 2020. Further information on the Giant Tiger Transaction is provided under Canadian Operations. Excluding the foreign exchange impact, consolidated sales increased 21.4% and were up 25.4%[1] on a same store basis. Food sales[1] increased 20.2% and were up 19.1% on a same store basis and general merchandise sales[1] increased 41.1% and were up 54.8% on a same store basis. Sales were driven by COVID-19-related factors including consumer spending changes in favor of in-community and at-home activities, supported by enhanced government income transfers in many jurisdictions. Strong in-stock conditions at CUL and lower food prices in northern Canada stores were also factors in capturing a higher share of consumer spending.

(1) Excluding the foreign exchange impact
(2) See Non-GAAP Measures Section of Management's Discussion & Analysis

Gross profit increased 28.2% driven by higher sales and a 135 basis point increase in the gross profit rate compared to last year. The increase in gross profit rate was primarily due to favourable changes in product sales blend and higher inventory turns contributing to lower markdowns and less inventory shrinkage. These factors were partially offset by food price reductions in northern Canada aimed at capturing more local spending dollars, weaker margin rates in the British Virgin Islands and a higher blend of CUL sales which carry a lower gross profit rate consistent with CUL's discount warehouse format.

Selling, operating and administrative expenses ("Expenses") decreased $10.5 million or 7.5% and were down 658 basis points to last year as a percentage to sales. This decrease in Expenses is substantially due to the impact of the pre-tax Giant Tiger Transaction gain of $24.7 million, partially offset by a $3.4 million increase in share-based compensation costs primarily due to mark-to-market adjustments resulting from changes in the Company's share price and the impact of a $4.3 million insurance-related gain in Canadian Operations in the second quarter last year (collectively "Non-Comparable Factors"). Excluding the impact of the Non-Comparable Factors, Expenses increased $6.6 million or 4.8% but were down 388 basis points as a percentage to sales. This increase is primarily due to higher annual incentive plan costs, insurance expense and the impact of foreign exchange on the translation of International Operations expenses. COVID-19-related expenses of $6.5 million related to wage increases for front-line associates, the purchase of protective equipment and enhanced sanitation procedures were also a factor. These factors were partially offset by a decrease in Expenses in Giant Tiger stores as a result of the Giant Tiger Transaction, lower support office costs in Canadian Operations as a result of the previously announced administration cost reductions and the impact of $3.5 million in support office restructuring and relocation costs last year.

Earnings from operations increased $58.2 million to $87.8 million compared to $29.6 million last year and earnings before interest, income taxes, depreciation and amortization (EBITDA[2]) increased $59.3 million to $110.9 million due to the sales, gross profit and Expense factors previously noted. Adjusted EBITDA[2], which excludes the Non-Comparable Factors, increased $42.3 million compared to last year and as a percentage to sales was 14.8% compared to 10.2% last year as the impact of significant sales gains in the quarter more than offset higher Expenses.

Income tax expense was $20.9 million compared to $6.5 million last year and the consolidated effective tax rate was 25.1% compared to 26.6%. This rate decrease was primarily due to the impact of the Giant Tiger Transaction in Canadian Operations and the blend of earnings in International Operations across the various tax rate jurisdictions.

Net earnings increased $44.6 million to $62.6 million. Net earnings attributable to shareholders were $61.9 million and diluted earnings per share were $1.25 per share compared to $0.35 per share last year due to the factors noted above. Adjusted net earnings[2], which excludes the impact of the after-tax Non-Comparable Factors noted above, increased $29.8 million compared to last year driven by earnings gains in Canadian Operations and International Operations resulting from the factors previously noted. The impact of foreign exchange on the translation of International Operations net earnings was also a factor.

Comprehensive income increased to $56.7 million compared to $6.0 million last year due to higher net earnings noted above and the impact of a $7.0 million net actuarial loss on the remeasurement of defined benefit pension plan assets and liabilities last year.

Year-to-date

Year-to-date sales increased 21.5% to $1.241 billion led by same store sales gains, the impact of foreign exchange on the translation of International Operations sales and new stores. Excluding the foreign exchange impact, consolidated sales increased 19.6% and were up 20.5%[1] on a same store basis. Food sales[1] increased 20.5% and were up 17.7% on a same store basis and general merchandise sales[1] increased 29.2% and were up 33.6% on a same store basis. Sales were driven by COVID-19-related consumer spending changes and government income support payments as previously noted. One extra day of sales as a result of February 29 was also a factor.

Gross profit increased 23.2% due to higher sales and a 46 basis point increase in the gross profit rate primarily related to product sales blend changes, lower markdowns and less promotional pricing. Selling, operating and administrative expenses ("Expenses") increased $35.0 million or 13.5% but were down 167 basis points as a percentage to sales. This increase in Expenses is partially due to a $9.4 million Giant Tiger asset impairment and store closure provision, $7.9 million in higher share-based compensation costs offset by the impact of the $24.7 million Giant Tiger Transaction gain this year and $15.0 million in insurance-related gains last year (collectively "Non-Comparable Factors"). Excluding the impact of the Non-Comparable Factors, Expenses increased $27.4 million or 10.1% but were down 247 basis points as a percentage to sales. Of this Expense increase, $11.3 million is due to the impact of COVID-19 expenses

(1) Excluding the foreign exchange impact
(2) See Non-GAAP Measures Section of Management's Discussion & Analysis

primarily related to wage increases for front-line associates, the purchase of protective equipment and enhanced sanitation procedures. Higher annual incentive plan costs, insurance, amortization, corporate donations and the impact of foreign exchange on the translation of International Operations expenses were also factors.

Earnings from operations increased $40.7 million to $107.3 million compared to $66.6 million last year and earnings before interest, income taxes, depreciation and amortization (EBITDA[2]) increased $44.4 million to $154.3 million. Adjusted EBITDA[2], which excludes the impact of the Non-Comparable Factors, increased $52.0 million compared to last year with both Canadian and International Operations contributing to the increase driven by the sales, gross profit and Expense factors noted above.

Income tax expense increased $10.8 million to $23.1 million and the consolidated effective tax rate was 23.6% compared to 21.7% last year. This rate increase was mainly due to the blend of earnings in International Operations across the various tax rate jurisdictions partially offset by the impact of the GT Transaction and non-taxable share-based compensation costs in Canadian Operations.

Net earnings increased $30.6 million to $74.8 million. Net earnings attributable to shareholders were $73.2 million and diluted earnings per share were $1.48 per share compared to $0.86 per share last year due to the factors noted above. The impact of foreign exchange on the translation of International Operations net earnings was also a factor as the average exchange rate in the quarter was 1.3731 compared to 1.3299 last year. Adjusted net earnings[2], which excludes the impact of the Non-Comparable Factors, increased $35.7 million compared to last year driven by earnings gains in Canadian Operations and International Operations. The impact of foreign exchange on the translation of International Operations net earnings was also a factor.

Comprehensive income increased $41.9 million to $77.5 million compared to $35.6 million last year due to higher net earnings of $30.6 million described above, the positive impact of foreign exchange on the translation of the International Operations financial statements and a remeasurement of defined benefit pension plans. The change in foreign exchange rates resulted in a gain of $2.7 million compared to a loss of $1.6 million last year. The remeasurement of defined benefit pension plan assets and liabilities resulted in a net actuarial loss of $7.0 million last year.

(2) See Non-GAAP Measures Section of Management's Discussion & Analysis

CANADIAN OPERATIONS

Canadian Operations sales increased 20.3% to $386.8 million compared to $321.5 million in the second quarter last year and were up 30.0% on a same store basis largely driven by COVID-19-related consumer spending changes in favour of the Company's in-community everyday product offering combined with various income transfer and support programs for individuals. Food sales increased 20.2% and were up 23.3% on a same store basis due to the COVID-19 factors previously noted as well as lower food prices leading to market share capture. General merchandise sales increased 37.0% from the second quarter last year and were up 53.8% on a same store basis led by closer-to-home indoor and outdoor living merchandise categories. These gains were partially offset by lower retail sales within the Giant Tiger store group as a result of the Giant Tiger Transaction, net of the impact of continued wholesale food sales to the sold Giant Tiger stores. Further information on the Giant Tiger Transaction is provided below. A significant decrease in passenger revenue at North Star Air ("NSA") due to COVID-19-related travel restrictions also affected consolidated sales.

Gross profit increased 30.2% driven by sales gains and higher gross profit rates. The change in gross profit rate is primarily due to changes in product sales blend, lower markdowns and inventory shrinkage due to improved sell-through, and less promotional pricing in Giant Tiger stores. Margin gains in NSA as a result of improved utilization of cargo aircraft was also a factor. These factors were partially offset by food price reductions in northern Canada aimed at capturing more local spending dollars and the decline in NSA's air passenger revenues.

Selling, operating and administrative expenses ("Expenses") decreased 16.7% and were down 881 basis points as a percentage to sales compared to last year due to the impact of the $24.7 million gain related to the Giant Tiger Transaction. This gain was partially offset by a $3.3 million increase in share-based compensation costs this year and the impact of a $4.3 million insurance-related gain last year. Excluding these factors, Expenses increased 2.0%, as the impact of COVID-19 expenses and higher annual incentive plan costs, insurance expense and corporate donations were partially offset by lower Expenses related to one month less operations as a result of the Giant Tiger Transaction and savings from the Winnipeg support office cost reductions announced in the first quarter.

Canadian earnings from operations increased to $65.2 million compared to $16.9 million last year and EBITDA[2] increased 148.4% to $80.8 million compared to $32.5 million last year due to the sales, gross profit and Expense factors previously noted. Adjusted EBITDA[2], which excludes the impact of the Giant Tiger Transaction gain, share-based compensation costs and the insurance-related gains last year, increased $31.1 million compared to last year driven by sales gains in northern Canada. Improved earnings in Giant Tiger stores and NSA were also factors. Giant Tiger EBITDA[2] in the quarter increased $3.1 million compared to poor results last year, and, like the Company's other store formats, was helped by the COVID-19-related consumer behaviour changes previously noted and higher gross profit rates due to products sales blend changes and lower promotional pricing. NSA EBITDA[2] increased compared to softer results last year as the impact of higher cargo volumes and better aircraft utilization more than offset the negative impact of lower passenger-related earnings net of $1.9 million in Canada Emergency Wage Subsidy ("CEWS") payments.

Giant Tiger Transaction

On July 5, 2020, the Company completed the previously announced sale of 36 of the Company's 46 Giant Tiger stores (the "Acquired Stores") to Giant Tiger Stores Limited ("GTSL") for cash consideration of $45.0 million, subject to working capital adjustments, payable in $15.0 million installments on the second, third and fourth anniversaries of the transaction closing date and, subject to meeting certain profitability milestones, additional contingent consideration payable on the fourth and fifth anniversaries of the closing date of up to $22.5 million (the "Giant Tiger Transaction"). The Company has recorded a promissory note receivable with a fair value of $48.5 million comprised of the net present value of the installments and estimated additional contingent consideration. The Giant Tiger Transaction resulted in a pre-tax gain of $24.7 million or $20.0 million net of tax.

As part of the Giant Tiger Transaction, the Company and GTSL have entered into reciprocal product supply and distribution agreements related to the supply of food-related products by the Company to the Acquired Stores and the supply of certain general merchandise and food products by GTSL to the Company's northern Canada stores. These agreements enable buying efficiencies for both parties and will provide the Company with access to an expanded general merchandise assortment.

Of the remaining 10 GT locations, the Company is: (i) retaining and operating five key stores in northern market locations, (ii) converting one store to a Valu-Lots clearance center, and (iii) closing four stores in the third quarter of 2020. The Company recorded a $9.4 million asset impairment and store closure provision in the first quarter substantially related to a reduction in the carrying amount of fixtures

(2) See Non-GAAP Measures Section of Management's Discussion & Analysis

and equipment and right-of-use assets. Further information on the Giant Tiger transaction and store closure provision is provided in Note 19 to the Interim Condensed Consolidated Financial Statements.

INTERNATIONAL OPERATIONS (stated in U.S. dollars)

International Operations sales increased 23.5% to $191.4 million compared to $155.0 million in the second quarter last year led by same store sales growth of 17.2% and the re-opening of our Cost-U-Less store in St. Thomas, USVI which was destroyed by Hurricane Irma in September 2017. These gains were partially offset by the closure of an Alaska Commercial Company ("AC") main store and a convenience store in Barrow, Alaska on October 31, 2019, net of opening a smaller store in this market on November 1, 2019. Food sales increased 20.2% and were up 12.6% on a same store basis and general merchandise sales increased 58.6% and were up 58.4% on a same store basis. Sales in all regions and banners were up sharply with the exception of the British Virgin Islands ("BVI") where incomes fell due to recessionary conditions. Similar to Canadian Operations, sales were positively impacted by consumer spending changes including more at-home-dining, an increase in closer-to-home and in-home outdoor living products and COVID-19-related government income support payments within the United States, including U.S. Territories served by CUL. CUL also captured market share in most locations through superior in-stock conditions. The early issuance of a $992 Permanent Fund Dividend ("PFD") payment to Alaska residents in July this year compared to a $1,606 dividend issued in the third and fourth quarters last year was also a factor. Strong sales results were partially offset by periodic government-mandated COVID-19-related store closures across different Caribbean countries, community curfews and poor economic conditions in the British Virgin Islands and St. Maarten.

Gross profit increased 20.8% compared to last year driven by sales gains, partially offset by a decrease in gross profit rates largely related to more challenging selling conditions in the BVI and a higher blend of Cost-U-Less sales which have a lower gross profit rate consistent with a discount warehouse format.

Selling, operating and administrative expenses ("Expenses") increased 7.1% compared to last year primarily due to significantly higher sales activity, the impact of new stores, COVID-19-related expenses and higher annual incentive plan costs. These were partially offset by the non-recurring impact of $0.9 million in support office restructuring and relocation costs in the second quarter last year.

Earnings from operations were $16.5 million compared to $9.6 million in the second quarter last year and EBITDA[2] increased to $22.0 million compared to $14.3 million last year due to the sales, gross profit and Expense factors previously noted above.

FINANCIAL CONDITION

Financial Ratios

The Company's debt-to-equity ratio at the end of the second quarter was 0.78:1 compared to 0.97:1 last year.

Working capital decreased $113.7 million or 50.9% compared to the second quarter last year primarily due to an increase in the current portion of long-term debt related to $93.8 million in senior notes which mature June 16, 2021, a decrease in inventories due to the GT Transaction and the accelerated sell-down of winter road inventories due to higher sales in northern Canada. An increase in accounts payable and accrued liabilities related to the timing of payments and higher annual incentive plan costs was also a factor. These factors were partially offset by an increase in cash, largely in International Operations, and higher accounts receivable.

Outstanding Shares

The weighted-average basic shares outstanding for the quarter were 48,766,000 shares compared to 48,751,000 shares last year. The weighted-average fully diluted shares outstanding for the quarter were 49,390,000 shares compared to 49,243,000 shares last year. The increase in fully diluted shares outstanding compared to last year is due to options granted under the Share Option Plan, shares granted under the Director Deferred Share Unit Plan and shares granted under the Performance Share Unit plan that may be treasury settled. Further information on share capital and share-based compensation plans is provided in Note 7 and Note 14 respectively to the Company's Interim Condensed Consolidated Financial Statements.

(2) See Non-GAAP Measures Section of Management's Discussion & Analysis

LIQUIDITY AND CAPITAL RESOURCES

The following table summarizes the major components of cash flow:

$ in thousands	**Three Months Ended July 31, 2020**	Three Months Ended July 31, 2019	Change	**Six Months Ended July 31, 2020**	Six Months Ended July 31, 2019	Change
Cash flows from (used in):						
Cash from operating activities	**$ 85,928**	$ 51,800	$ 34,128	**$ 175,808**	$ 85,231	$ 90,577
Cash used in investing activities	**(13,366)**	(21,992)	8,626	**(39,822)**	(42,750)	2,928
Cash used in financing activities	**(52,687)**	(29,777)	(22,910)	**(90,974)**	(17,647)	(73,327)
Effect of changes in foreign exchange rates on cash	**(17)**	(249)	232	**266**	(63)	329
Net change in cash	**$ 19,858**	$ (218)	$ 20,076	**$ 45,278**	$ 24,771	$ 20,507

Cash from operating activities in the quarter increased $34.1 million to $85.9 million compared to $51.8 million last year, substantially due to higher net earnings. For the year-to-date, cash from operating activities increased $90.6 million to $175.8 million compared to $85.2 million last year due to higher net earnings as previously noted and the change in non-cash working capital primarily related to higher than planned sales drawing down winter road inventories in Canadian Operations, the change in accounts receivable related to increased payments received compared to the prior year and the change in accounts payable related to the timing of payments. The change in other non-cash items is mainly due to the change in long-term liabilities related to share-based compensation.

Cash used in investing activities in the quarter decreased to $13.4 million compared to $22.0 million last year. The purchase of property and equipment in the quarter was largely related to investments in stores, fixtures and equipment and completion of the reconstruction of a warehouse in Iqaluit, Nunavut that was destroyed by fire in November 2018. For the year-to-date, cash used in investing activities decreased to $39.8 million compared to $42.8 million last year and included investments in property and equipment previously noted and the purchase of a third ATR 72-500 aircraft which replaced a Basler aircraft. Further information on planned capital expenditures is included in the Outlook section.

Cash used in financing activities in the quarter was $52.7 million compared to cash used in financing activities of $29.8 million last year. The $123.0 million change in long-term debt in the quarter is due to a decrease in amounts drawn on the Company's revolving loan facilities related to the debt issuance of $94.8 million (US$70.0 million) in senior notes and strong cash flow from operating activities. Further information on long-term debt is provided in the Sources of Liquidity section and in Note 9 to the Company's Interim Condensed Consolidated Financial Statements. The issuance of common shares is due to shares issued under the Company's share option plan. For the year-to-date, cash used in financing activities was $91.0 million compared to $17.6 million last year substantially related to the decrease in amounts drawn on the Company's revolving loan facilities as previously noted.

Sources of Liquidity

Canadian Operations have US$70.0 million senior notes that mature on June 16, 2021. These senior notes have a fixed interest rate of 3.27% on US$55.0 million and a floating interest rate on US$15.0 million based on U.S. LIBOR plus a spread, payable semi-annually. These senior notes are secured by certain assets of the Company and rank *pari passu* with the Company's other senior debt.

In June 2020, the Company issued US$70.0 million senior notes in two tranches; US$35.0 million 2.88% senior notes that will mature on June 16, 2027 and US$35.0 million 3.09% senior notes that will mature on June 16, 2032. These senior notes are secured by a floating charge on certain assets of the Company and rank *pari passu* with the Company's other senior debt comprised of the $300.0 million Canadian Operations loan facilities, the US$70.0 million senior notes that mature June 16, 2021 and the US$52.0 million loan facilities. The proceeds from the issuance of the senior notes were used to reduce amounts drawn on the Company's revolving loan facilities in Canadian Operations and provides additional capacity for growth opportunities that may arise during the COVID-19 pandemic environment or to repay the US$70.0 million senior notes when they mature on June 16, 2021.

The Company has outstanding $100.0 million in senior notes that mature September 26, 2029 and have a fixed interest rate of 3.74%. The notes are secured by certain assets of the Company and rank *pari passu* with the Company's other senior debt.

Canadian Operations also have committed, revolving loan facilities of $300.0 million that bear a floating rate of interest based on Bankers Acceptances rates plus a stamping fee. These facilities mature September 26, 2022 and are secured by certain assets of the Company on a *pari passu* basis with the Company's other senior debt. At July 31, 2020, the Company had drawn $43.5 million on these facilities (July 31, 2019 - $171.7 million).

The Company has committed, revolving loan facilities of US$52.0 million that bear interest at U.S. LIBOR plus a spread. These facilities mature September 26, 2022 and are secured by certain assets of the Company on a *pari passu* basis with the Company's other senior debt. At July 31, 2020, the Company had drawn US$27.9 million on these facilities (July 31, 2019 - US$27.9 million).

The International Operations have a US$40.0 million committed, revolving loan facility for working capital and general business purposes. This loan facility, which matures February 12, 2025, bears a floating rate of interest based on U.S. LIBOR plus a spread and is secured by certain accounts receivable and inventories of the International Operations. At July 31, 2020, the Company had drawn US$NIL on these facilities (July 31, 2019 - US$NIL).

The Company's lease liabilities are discounted at its incremental borrowing rate, generally calculated from applicable Canadian and U.S. corporate bond yields. At July 31, 2020, lease liabilities reflect a weighted-average risk-free rate of 3.6% (July 31, 2019 – 4.0%) and weighted-average remaining lease term of 9.7 years (July 31, 2019 – 10.2 years).

The loan facilities and senior notes contain covenants and restrictions including the requirement to meet certain financial ratios and financial condition tests. The financial covenants include a fixed charge coverage ratio, minimum current ratio, a leverage test and a minimum net worth test. At July 31, 2020, the Company is in compliance with the financial covenants under these facilities. Current and forecasted debt levels are regularly monitored for compliance with debt covenants. Further information on the Company's long-term debt and loan facilities is provided in Note 9 to the Interim Condensed Consolidated Financial Statements.

Cash flow from operating activities and unutilized capacity available on existing loan facilities are expected to be sufficient to fund operating requirements, pension plan contributions, planned sustaining and growth-related capital expenditures as well as anticipated dividends during 2020.

SHAREHOLDER DIVIDENDS

The Board of Directors declared a quarterly dividend of $0.36 per share, an increase of $0.03 per share or 9.1%, to shareholders of record on September 30, 2020, to be paid on October 15, 2020.

Dividend payments are subject to the approval of the Board of Directors and are 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 Canada Business Corporations Act ("CBCA") for the declaration of dividends. The dividends are designated as eligible dividends in accordance with the provisions of the Canadian Income Tax Act.

Normal Course Issuer Bid

North West intends to make a Normal Course Issuer Bid ("NCIB") for a portion of its shares. The maximum number of shares that can be purchased under the NCIB is 10% of the Company's public float. The NCIB will be made in accordance with the requirements of the Toronto Stock Exchange (the "TSX") and remains subject to TSX approval. Further details regarding the NCIB will be provided following TSX approval.

OTHER HIGHLIGHTS

- As part of the Company's response to greater community needs during the COVID-19 pandemic, it announced $1.0 million in special donations to the Company's Healthy Horizons Foundation, the Winnipeg United Way campaign and the Winnipeg Foundation. This is in addition to $1.6 million in special donations announced in the first quarter for community support initiatives in northern Canada.

- As announced at the Annual General Meeting of Shareholders on June 10th, 2020, the Company is committing more attention and action to workplace inclusion and to addressing systemic racism. As a key step, during the quarter the Company launched a broad-based employee workplace platform to foster more open conversations and understanding on these important issues. As important insights are surfaced from this dialogue, they will inform of changes required within the Company and in relations with all stakeholders.

COMMENT ON COVID-19 PANDEMIC

On March 11, 2020, the World Health Organization declared the rapidly spreading novel coronavirus ("COVID-19") a pandemic. This contagious disease outbreak has resulted in material disruption to businesses globally and significant economic uncertainty. In response, governments worldwide have enacted emergency measures to both combat the spread of the virus and stabilize economic conditions. All of the Company's operations are considered to be essential services by the applicable government authorities. As such, the Company's focus is on business continuity and safety plans, related cost management and liquidity to ensure uninterrupted operations and to help mitigate the health impact of COVID-19 on employees and customers. This includes the implementation of physical spacing, including the installation of plexiglass barriers at checkouts, and enhanced sanitation protocols in stores, distribution centers and support offices. Included in this scope of work were increased communications with our customers and community leaders to help understand their expectations and protocols. The Company is also continuing to work closely with governments and suppliers to help ensure the uninterrupted flow of merchandise to our stores. COVID-19 is a rapidly changing situation and the Company continues to adjust and adapt its operations as required.

To date, the impact of COVID-19 on communities served by the Company has ranged from modest to severe. The rate of cases in northern Canada has been significantly below other regions of Canada with the exception of a significant outbreak in northern Saskatchewan, affecting four communities. In northern Canada, the largest negative economic factors are disruptions to mining activities and construction projects. International Operations have experienced higher rates of COVID-19 with a more negative economic impact within regions which rely heavily on tourism and which do not appear at this time to have fiscal sponsorship or inherent fiscal capacity to deliver compensating income support programs, notably the British Virgin Islands and St. Maarten.

The future impact of COVID-19 is uncertain and the Company is not able to reliably forecast the severity and duration of the impact on the economy, the financial markets, the availability of capital and on the Company's employees, customers, and suppliers, including the possible temporary closure of stores or interruptions to the Company's supply chain. Although the Company foresees continued above average demand for the products and services it provides based on its role as an essential service and consumer spending changes, the full impact of COVID-19 is not determinable at this time and there can be no assurance that COVID-19 will not have a material adverse impact on the Company's operations and financial condition. Further information on the potential impact of COVID-19 is provided in the Outlook section.

STRATEGY

The Company is focused on building a stronger range of more essential products and services that help our customers to live better and that sustain and grow our business within all economic conditions. For investors, the Company is committed to delivering sustainable, superior total returns with a commitment to downside risk management, disciplined allocation of capital, cash flow optimization and dividend growth.

The Company's focus areas for the next three years are set out below:

1. In the short-term, our priority is on meeting the sales growth opportunities and other demands of COVID-19, completing the Canadian Operations administration cost reductions and continuing to invest in lower food pricing in our northern Canada stores.
2. Priority work for the remainder of 2020 and 2021 includes planning for new opportunities and risks presented by COVID-19, optimizing North Star Air Ltd. ("NSA") cargo business, completing the roll-out of next generation merchandise and store systems, store key role capability and shifting to a more decentralized operation structure in our International Operations, to be followed by our Canadian business, so that more decisions are made within and closer to the different banners, regions, communities and customers that we serve.
3. As the core retail and logistics work is achieved, we will begin to put more focus on complimentary growth opportunities that leverage our core remote market capabilities and expertise as well as opportunities presented by COVID-19.

Further information on the Company's strategy is provided in the 2019 Annual Report.

OUTLOOK

The Company's near-term consumer outlook is clouded by the COVID-19 pandemic. While the Company foresees revenue to remain above average through the duration of COVID-19 based on its role as an essential service and an ongoing shift in consumer spending in favour of the Company's product and service offering, there is downside risk to this outlook related to increased outbreaks of COVID-19 and potentially severe economic challenges within tourism-dependent countries which do not have strong government income support programs such as the British Virgin Islands and St. Maarten. The Company is monitoring the COVID-19 situation on a daily basis and adjusting people practices as appropriate as well as product sourcing and distribution requirements. As a relied-upon provider of everyday needs to many remote communities, the Company is committed to ensuring continuity of service throughout this challenging period.

The impact of the Giant Tiger Transaction is expected to result in lower sales in the second-half of 2020 compared to last year, net of continued wholesale food sales to the sold Giant Tiger stores, of approximately $112.0 million. The Giant Tiger Transaction is also expected to have a positive impact on earnings from operations of approximately $4.0 million in the second-half of 2020. The Company expects that COVID-19-related expenses will decrease in the second-half of the year to approximately $6.0 million compared to $11.3 million in the first-half of the year. In Canadian Operations, the Company is on-track to achieve the previously announced $17.0 million in annualized administrative cost savings by the end of the year. In International Operations, sales in our Alaska stores in the second-half of the year are expected to be impacted by the timing of the Permanent Fund Dividend payment to Alaska residents which was $992 and paid in July this year compared to a $1,606 dividend issued late in the third quarter last year.

With the exception of the COVID-19 economic risk to the Caribbean, the medium and longer-term outlook in the Company's markets is favourable and leverages our lower pricing and cost positions, our emphasis on execution capability and the resiliency of our everyday essential product and service focus, augmented by opportunistic investments. Northern Canada's outlook in particular, is buoyed by different forms of ongoing government investment into individual incomes and the northern economy generally. Even with the economic uncertainty in the Caribbean, the Company believes there will be opportunities to grow market share organically and through acquisitions.

A third owned ATR aircraft was put into operation in NSA's fleet on June 20th, 2020 and has added more efficient capacity by reducing reliance on more expensive, chartered planes as well as providing more opportunity to grow NSA's third party cargo business.

Global insurance market conditions are becoming more challenging as insurance companies are limiting their capacity for underwriting risks in certain geographic areas such as the Caribbean and northern Canada or in sectors such as the aviation industry. These factors are expected to continue to result in higher insurance costs; and, changes in self-insured retention levels may result in greater earnings volatility in the event of future losses. To help mitigate future losses, the Company has completed resiliency upgrades to facilities and enhanced preventative measures in all higher risk areas of its business as well as continuing to look for innovative methods to contain insurance costs.

In 2020, the Company expects that capital expenditures, including investments in aircraft capacity, will be in the $65.0 million range (2019 - $104.3 million) net of expected recoveries on the settlement of fire insurance claims. The timing and amount of store-based capital expenditures is being impacted by COVID-19-related travel restrictions in addition to other delays that can occur with remote location capital projects.

QUARTERLY RESULTS OF OPERATIONS

The following is a summary of selected quarterly financial information:

Operating Results - Consolidated(1)

	Second Quarter		First Quarter		Fourth Quarter		Third Quarter	
	92 days	92 days	90 days	89 days	92 days	92 days	92 days	92 days
($ in millions)	2020	2019	2020	2019	2019	2018	2019	2018
Sales	**$ 648.5**	$ 527.3	$ 592.6	$ 494.5	$ 553.1	$ 532.5	$ 519.5	$ 511.5
EBITDA²	**110.9**	51.6	43.4	58.2	50.4	44.3	59.3	77.6
Earnings from operations	**87.8**	29.6	19.5	37.0	26.7	23.2	37.0	56.5
Net earnings	**62.6**	17.9	12.3	26.2	17.3	14.0	24.8	39.5
Net earnings attributable to shareholders of the Company	**61.9**	17.2	11.3	25.1	16.3	13.1	24.1	38.3
Net earnings per share:								
Basic	**1.27**	0.35	0.23	0.52	0.34	0.27	0.49	0.78
Diluted	**1.25**	0.35	0.23	0.51	0.33	0.27	0.49	0.78
Adjusted EBITDA²	**95.9**	53.6	54.8	45.1	47.4	49.7	58.8	57.4
Adjusted net earnings²	**50.5**	20.7	21.0	15.1	15.2	19.3	24.3	23.7

(1) The Company adopted IFRS 16 Leases (IFRS 16) effective February 1, 2019 using the full retrospective approach and restated 2018. See the audited annual consolidated financial statements and accompanying notes included in the 2019 Annual Report for additional information.

(2) See Non-GAAP Measures Section of Management's Discussion & Analysis.

Historically, the Company's first quarter sales are the lowest and the fourth quarter sales are the highest, reflecting the holiday selling period. Due to the remote location of many of the Company's stores, weather conditions are often more extreme compared to other retailers and can affect sales in any quarter. Net earnings generally follow higher sales but can be dependent on changes in merchandise sales blend, promotional activity in key sales periods, markdowns to reduce excess inventories and other factors which can affect net earnings.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining disclosure controls and procedures for the Company in order to provide reasonable assurance that all material information relating to the Company is made known to management in a timely manner so that appropriate decisions can be made regarding public disclosure. Management is also responsible for establishing and maintaining internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports for external purposes in accordance with IFRS. All internal control systems, no matter how well designed, have inherent limitations. Therefore even those systems determined to be designed effectively can only provide reasonable assurance of achieving the control objectives. Additionally, management is necessarily required to use judgment in evaluating controls and procedures. Management used the Internal Control - Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission as the control framework in designing its internal controls over financial reporting.

There have been no changes in the internal controls over financial reporting during the quarter ended July 31, 2020 that have materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting.

ACCOUNTING STANDARDS IMPLEMENTED IN 2020

The significant accounting policies are set out in the Company's 2019 Annual Audited Consolidated Financial Statements. These policies have been applied to all periods presented in these Interim Condensed Consolidated Financial Statements, and have been applied consistently by both the Company and its subsidiaries using uniform accounting policies for like transactions and other events in similar circumstances, except for assets and liabilities held for sale as described below.

Assets & Liabilities held for sale Assets and liabilities are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. To qualify as held for sale, the sale must be highly probable, assets must be available for immediate sale in their present condition and management must be committed to a plan to sell that should be expected to close within one year from the date of classification.

Such assets are generally measured at the lower of their carrying amount and fair value less costs to sell. Any resulting impairment loss is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets or deferred tax assets, which continue to be measured in accordance with the Company's other accounting policies. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognized in profit or loss.

New Standards Implemented Effective February 1, 2020, the Company adopted amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. These amendments clarified the definition of material. Under the amended definition, information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make. The amendments are effective for the Company on February 1, 2020 and are required to be applied prospectively. The implementation of these amendments did not have a significant impact on the Company.

FUTURE ACCOUNTING STANDARDS TO BE IMPLEMENTED

There are no IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

NON-GAAP MEASURES

The Company uses the following non-GAAP financial measures: earnings before interest, income taxes, depreciation and amortization (EBITDA), adjusted EBITDA and adjusted net earnings. The Company believes these non-GAAP financial measures provide useful information to both management and investors in measuring the financial performance and financial condition of the Company for the reasons outlined below.

Earnings Before Interest, Income Taxes, Depreciation and Amortization (EBITDA) is not a recognized measure under IFRS. Management believes that in addition to net earnings, EBITDA is a useful supplemental measure as it provides investors with an indication of the Company's operational performance before allocating the cost of interest, income taxes and capital investments. Investors should be cautioned however, that EBITDA 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 EBITDA may differ from other companies and may not be comparable to measures used by other companies.

Adjusted EBITDA and Adjusted Net Earnings Adjusted EBITDA and adjusted net earnings are not recognized measures under IFRS. Management uses these non-GAAP financial measures to exclude the impact of certain income and expenses that must be recognized under IFRS. The excluded amounts are either subject to volatility in the Company's share price or may not necessarily be reflective of the Company's underlying operating performance. These factors can make comparisons of the Company's financial performance between periods more difficult. The Company may exclude additional items if it believes that doing so will result in a more effective analysis and explanation of the underlying financial performance. The exclusion of these items does not imply that they are non-recurring.

These measures do not have a standardized meaning prescribed by GAAP and therefore they may not be comparable to similarly titled measures presented by other publicly traded companies and should not be construed as an alternative to the other financial measures determined in accordance with IFRS.

Reconciliation of consolidated net earnings to EBITDA and adjusted EBITDA:

	Second Quarter		Year-to-Date	
($ in thousands)	**2020**	2019	**2020**	2019
Net earnings	**$ 62,560**	$ 17,947	**$ 74,814**	$ 44,172
Add: Amortization	**23,099**	22,019	**47,001**	43,234
Interest expense	**4,353**	5,146	**9,363**	10,182
Income taxes	**20,917**	6,503	**23,124**	12,275
EBITDA	**$ 110,929**	$ 51,615	**$ 154,302**	$ 109,863
Adjusted for:				
Insurance gains	**—**	(4,309)	**—**	(14,965)
Share-based compensation expense(1)	**9,703**	6,330	**11,754**	3,810
Gain on disposition of Giant Tiger stores	**(24,712)**	—	**(24,712)**	—
Giant Tiger asset impairment and store closure expense	**—**	—	**9,411**	—
Adjusted EBITDA	**$ 95,920**	$ 53,636	$ 150,755	$ 98,708

(1) Share-based compensation expense includes all share-based compensation as indicated in Note 11 and Note 14 to the Company's Interim Condensed Consolidated Financial Statements. In prior quarters, the adjustment for share-based compensation only included stock options. This change has been made on a comparative basis.

For EBITDA information by business segment, see Note 4 to the Company's Interim Condensed Consolidated Financial Statements.

Reconciliation of consolidated net earnings to adjusted net earnings:

	Second Quarter		Year-to-Date	
($ in thousands)	**2020**	2019	**2020**	2019
Net earnings	**$ 62,560**	$ 17,947	**$ 74,814**	$ 44,172
Adjusted for:				
Insurance gains, net of tax	**—**	(3,148)	**—**	(11,547)
Share-based compensation expense, net of tax(1)	**7,970**	5,921	**9,853**	3,190
Gain on disposition of Giant Tiger stores, net of tax	**(19,991)**	—	**(19,991)**	—
Giant Tiger asset impairment and store closure expense, net of tax	**—**	—	**6,874**	—
Adjusted net earnings	**$ 50,539**	$ 20,720	**$ 71,550**	$ 35,815

(1) Share-based compensation expense includes the after-tax impact of all share-based compensation as indicated in Note 11 and Note 14 to the Company's Interim Condensed Consolidated Financial Statements. In prior quarters, the adjustment for share-based compensation only included stock options. This change has been made on a comparative basis.

The Company recorded gains on the settlement of fire and hurricane Irma related insurance claims. These gains were due to the difference between the replacement cost of the assets destroyed and their book value and also for the recovery of business interruption losses on hurricane claims.

Certain share-based compensation costs are presented as liabilities on the Company's consolidated balance sheets. The Company is exposed to market price fluctuations in its share price through these share-based compensation costs. These liabilities are recorded at fair value at each reporting date based on the market price of the Company's shares at the end of each reporting period with the changes in fair value recorded in selling, operating and administrative expenses. Further information on share-based compensation is provided in Note 11 and Note 14 to the Company's Interim Condensed Consolidated Financial Statements.

Further information on the gain on the disposition of Giant Tiger stores and the Giant Tiger asset impairment and store closure expense is provided in the Canadian Operations section and in Note 19 to the Company's Interim Condensed Consolidated Financial Statements.

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Unless otherwise stated, this Management's Discussion & Analysis (MD&A) is based on the financial information included in the Company's Interim Condensed Consolidated Financial Statements and notes to the Interim Condensed Consolidated Financial statements which have been prepared in accordance with International Financial Reporting Standards and is in Canadian dollars. The information contained in this MD&A is current to September 11, 2020.

Forward-Looking Statements

This Quarterly Report, including Management's Discussion & Analysis (MD&A), contains forward-looking statements about the Company, including its business operations, strategy and expected financial performance and condition. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects","anticipates","plans","believes","estimates", "intends","targets","projects","forecasts"or negative versions thereof and other similar expressions, or future or conditional future financial performance (including sales, earnings, growth rates, capital expenditures, dividends, debt levels, financial capacity, access to capital, and liquidity), on-going business strategies or prospects, the Company's intentions regarding making a normal course issuer bid, the anticipated impact of the COVID-19 pandemic on the Company's operations and the Company's related business continuity plans, the realization of expected savings from administrative cost reduction plans and possible future action by the Company.

Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, economic factors and the retail industry in general. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by the Company due to, but not limited to, important factors such as general economic, political and market factors in North America and internationally including the duration and the impact of the COVID-19 pandemic, interest and foreign exchange rates, changes in accounting policies and methods used to report financial condition, including uncertainties associated with critical accounting assumptions and estimates, the effect of applying future accounting changes, business competition, technological change, changes in government regulations and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, the Company's ability to complete capital projects, strategic transactions and integrate acquisitions, the Company's ability to realize benefits from investments in information technology ("IT") and systems, including IT system implementations or unanticipated results from these initiatives and the Company's success in anticipating and managing the foregoing risks.

The reader is cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. Other risks are outlined in the Risk Management section of the 2019 Annual Report and in the Risk Factors sections of the Annual Information Form and Management Information Circular. The reader is also cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. Other than as specifically required by applicable law, the Company does not intend to update any forward-looking statements whether as a result of new information, future events or otherwise.

Additional information on the Company, including our Annual Information Form, can be found on SEDAR at *www.sedar.com* or on the Company's website at *www.northwest.ca*.

Consolidated Balance Sheets

(unaudited, $ in thousands)	July 31, 2020	July 31, 2019	January 31, 2020
CURRENT ASSETS			
Cash	**$ 73,465**	$ 63,219	$ 28,187
Accounts receivable (Note 5)	**96,746**	88,794	104,869
Inventories (Note 6)	**218,040**	240,637	248,040
Prepaid expenses	**15,351**	17,399	12,375
Income tax receivable (Note 13)	**—**	1,850	6,122
	403,602	411,899	399,593
NON-CURRENT ASSETS			
Property and equipment	**542,971**	521,348	555,075
Right-of-use assets	**108,622**	123,143	127,870
Promissory note receivable (Note 19)	**48,468**	—	—
Goodwill	**50,120**	47,845	49,569
Intangible assets	**40,488**	40,815	41,608
Deferred tax assets	**18,749**	36,244	28,233
Other assets	**12,146**	11,743	13,588
	821,564	781,138	815,943
TOTAL ASSETS	**$ 1,225,166**	$ 1,193,037	$ 1,215,536
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	**$ 180,973**	$ 169,147	$ 173,058
Current portion of long-term debt (Note 9)	**94,933**	900	1,850
Current portion of lease liabilities (Note 10)	**17,342**	18,599	19,176
Income tax payable (Note 13)	**825**	—	—
	294,073	188,646	194,084
NON-CURRENT LIABILITIES			
Long-term debt (Note 9)	**276,669**	402,027	409,115
Lease liabilities (Note 10)	**104,411**	118,982	119,928
Defined benefit plan obligation (Note 11)	**41,738**	38,279	40,138
Deferred tax liabilities	**9,698**	11,193	8,750
Other long-term liabilities	**21,365**	17,414	16,551
	453,881	587,895	594,482
TOTAL LIABILITIES	**747,954**	776,541	788,566
SHAREHOLDERS' EQUITY			
Share capital (Note 7)	**174,798**	173,681	173,681
Contributed surplus	**12,411**	5,581	8,650
Retained earnings	**252,271**	204,490	211,252
Accumulated other comprehensive income	**22,900**	18,268	20,315
Equity attributable to The North West Company Inc.	**462,380**	402,020	413,898
Non-controlling interests	**14,832**	14,476	13,072
TOTAL EQUITY	**477,212**	416,496	426,970
TOTAL LIABILITIES & EQUITY	**$ 1,225,166**	$ 1,193,037	$ 1,215,536

See accompanying notes to condensed consolidated financial statements.

Consolidated Statements of Earnings

(unaudited, $ in thousands, except per share amounts)		**Three Months Ended July 31, 2020**		Three Months Ended July 31, 2019		**Six Months Ended July 31, 2020**		Six Months Ended July 31, 2019
SALES	**$**	**648,504**	$	527,282	**$**	**1,241,073**	$	1,021,811
Cost of sales		**(431,044)**		(357,598)		**(839,457)**		(695,874)
Gross profit		**217,460**		169,684		**401,616**		325,937
Selling, operating and administrative expenses (Notes 11, 17, 19)		**(129,630)**		(140,088)		**(294,315)**		(259,308)
Earnings from operations		**87,830**		29,596		**107,301**		66,629
Interest expense (Note 12)		**(4,353)**		(5,146)		**(9,363)**		(10,182)
Earnings before income taxes		**83,477**		24,450		**97,938**		56,447
Income taxes (Note 13)		**(20,917)**		(6,503)		**(23,124)**		(12,275)
NET EARNINGS FOR THE PERIOD	**$**	**62,560**	$	17,947	**$**	**74,814**	$	44,172
NET EARNINGS ATTRIBUTABLE TO								
The North West Company Inc.	**$**	**61,929**	$	17,155	**$**	**73,203**	$	42,279
Non-controlling interests		**631**		792		**1,611**		1,893
TOTAL NET EARNINGS	**$**	**62,560**	$	17,947	**$**	**74,814**	$	44,172
NET EARNINGS PER SHARE								
Basic	**$**	**1.27**	$	0.35	**$**	**1.50**	$	0.87
Diluted	**$**	**1.25**	$	0.35	**$**	**1.48**	$	0.86
WEIGHTED-AVERAGE NUMBER OF SHARES OUTSTANDING (000's)								
Basic		**48,766**		48,751		**48,758**		48,751
Diluted		**49,390**		49,243		**49,378**		49,302

See accompanying notes to condensed consolidated financial statements.

Consolidated Statements of Comprehensive Income

(unaudited, $ in thousands)	**Three Months Ended July 31, 2020**	Three Months Ended July 31, 2019	**Six Months Ended July 31, 2020**	Six Months Ended July 31, 2019
NET EARNINGS FOR THE PERIOD	**$ 62,560**	$ 17,947	**$ 74,814**	$ 44,172
Other comprehensive income (loss), net of tax:				
Items that may be reclassified to net earnings:				
Exchange differences on translation of foreign controlled subsidiaries	**(5,839)**	(4,955)	**2,734**	(1,586)
Items that will not be subsequently reclassified to net earnings:				
Remeasurements of defined benefit plans (Note 20)	**—**	(6,982)	**—**	(6,982)
Total other comprehensive income (loss), net of tax	**(5,839)**	(11,937)	**2,734**	(8,568)
COMPREHENSIVE INCOME FOR THE PERIOD	**$ 56,721**	$ 6,010	**$ 77,548**	$ 35,604
OTHER COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO				
The North West Company Inc.	**$ (5,315)**	$ (11,630)	**$ 2,585**	$ (8,581)
Non-controlling interests	**(524)**	(307)	**149**	13
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	**$ (5,839)**	$ (11,937)	**$ 2,734**	$ (8,568)
COMPREHENSIVE INCOME ATTRIBUTABLE TO				
The North West Company Inc.	**$ 56,614**	$ 5,525	**$ 75,788**	$ 33,698
Non-controlling interests	**107**	485	**1,760**	1,906
TOTAL COMPREHENSIVE INCOME	**$ 56,721**	$ 6,010	**$ 77,548**	$ 35,604

See accompanying notes to condensed consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

(unaudited, $ in thousands)	Share Capital	Contributed Surplus	Retained Earnings	AOCI [1]	Total	Non-Controlling Interests	Total Equity
Balance at January 31, 2020	$ 173,681	$ 8,650	$ 211,252	$ 20,315	$ 413,898	$ 13,072	$ 426,970
Net earnings for the period	—	—	73,203	—	73,203	1,611	74,814
Other comprehensive income	—	—	—	2,585	2,585	149	2,734
Comprehensive income (loss)	—	—	73,203	2,585	75,788	1,760	77,548
Equity settled share-based payments	—	3,969	—	—	3,969	—	3,969
Dividends (Note 8)	—	—	(32,184)	—	(32,184)	—	(32,184)
Issuance of shares (Note 7)	1,117	(208)	—	—	909	—	909
	1,117	3,761	(32,184)	—	(27,306)	—	(27,306)
Balance at July 31, 2020	**$ 174,798**	**$ 12,411**	**$ 252,271**	**$ 22,900**	**$ 462,380**	**$ 14,832**	**$ 477,212**
Balance at January 31, 2019	$ 173,681	$ 3,530	$ 201,368	$ 19,867	$ 398,446	$ 12,570	$ 411,016
Net earnings for the period	—	—	42,279	—	42,279	1,893	44,172
Other comprehensive income (loss)	—	—	(6,982)	(1,599)	(8,581)	13	(8,568)
Comprehensive income (loss)	—	—	35,297	(1,599)	33,698	1,906	35,604
Equity settled share-based payments	—	2,051	—	—	2,051	—	2,051
Dividends (Note 8)	—	—	(32,175)	—	(32,175)	—	(32,175)
	—	2,051	(32,175)	—	(30,124)	—	(30,124)
Balance at July 31, 2019	$ 173,681	$ 5,581	$ 204,490	$ 18,268	$ 402,020	$ 14,476	$ 416,496

(1) Accumulated Other Comprehensive Income

See accompanying notes to condensed consolidated financial statements.

Consolidated Statements of Cash Flows

(unaudited, $ in thousands)	**Three Months Ended July 31, 2020**	Three Months Ended July 31, 2019	**Six Months Ended July 31, 2020**	Six Months Ended July 31, 2019
CASH FROM (USED IN):				
Operating activities				
Net earnings for the period	**$ 62,560**	$ 17,947	**$ 74,814**	$ 44,172
Adjustments for:				
Amortization	**23,099**	22,019	**47,001**	43,234
Provision for income taxes (Note 13)	**20,917**	6,503	**23,124**	12,275
Interest expense (Note 12)	**4,353**	5,146	**9,363**	10,182
Equity settled share-based compensation (Note 14)	**2,851**	1,033	**3,969**	2,051
Insurance proceeds, property and equipment	**—**	(4,309)	**—**	(5,514)
Taxes paid	**(2,264)**	(4,683)	**(5,773)**	(9,993)
(Gain)/Loss on disposal of property and equipment	**(12)**	129	**112**	317
Gain on disposition of Giant Tiger stores (Note 19)	**(24,712)**	—	**(24,712)**	—
Giant Tiger asset impairment & store closure provision (Note 19)	**—**	—	**9,411**	—
	86,792	43,785	**137,309**	96,724
Change in non-cash working capital	**(1,712)**	9,377	**35,288**	(6,855)
Change in other non-cash items	**848**	(1,362)	**3,211**	(4,638)
Cash from operating activities	**85,928**	51,800	**175,808**	85,231
Investing activities				
Purchase of property and equipment	**(13,044)**	(26,301)	**(37,093)**	(43,790)
Intangible asset additions	**(1,264)**	—	**(3,680)**	(4,550)
Proceeds from disposal of property and equipment	**942**	—	**951**	76
Insurance proceeds, property and equipment	**—**	4,309	**—**	5,514
Cash used in investing activities	**(13,366)**	(21,992)	**(39,822)**	(42,750)
Financing activities				
Net increase/(decrease) in long-term debt (Note 9)	**(122,969)**	(2,448)	**(135,195)**	35,858
Debt issuance (Note 9)	**94,808**	—	**94,808**	—
Payment of lease liabilities, principal	**(4,952)**	(5,253)	**(10,207)**	(10,469)
Payment of lease liabilities, interest	**(1,354)**	(1,299)	**(2,759)**	(2,769)
Dividends (Note 8)	**(16,096)**	(16,088)	**(32,184)**	(32,175)
Interest paid	**(3,033)**	(4,689)	**(6,346)**	(8,092)
Issuance of common shares	**909**	—	**909**	—
Cash used in financing activities	**(52,687)**	(29,777)	**(90,974)**	(17,647)
Effect of foreign exchange rates on cash	**(17)**	(249)	**266**	(63)
NET CHANGE IN CASH	**19,858**	(218)	**45,278**	24,771
Cash, beginning of period	**53,607**	63,437	**28,187**	38,448
CASH, END OF PERIOD	**$ 73,465**	$ 63,219	**$ 73,465**	$ 63,219

See accompanying notes to condensed consolidated financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

The North West Company Inc. (NWC or the Company) is a corporation amalgamated under the Canada Business Corporations Act (CBCA) and governed by the laws of Canada. The Company, through its subsidiaries, is a leading retailer of food and everyday products and services. The address of its registered office is 77 Main Street, Winnipeg, Manitoba, Canada.

The Company has two reportable geographical segments, Canada and International. The International segment consists largely of wholly owned subsidiaries operating in the continental United States, Caribbean and South Pacific. 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 holiday buying patterns.

On July 5, 2020, the Company sold 36 of its 46 Giant Tiger (GT) stores to Giant Tiger Stores Limited (GTSL) for cash consideration of $45,000, payable in $15,000 installments on the second, third and fourth anniversaries of the transaction closing date and, subject to meeting certain profitability milestones, additional contingent cash consideration payable on the fourth and fifth anniversaries of the closing date of up to $22,500. See Note 19.

These unaudited interim period condensed consolidated financial statements (condensed consolidated financial statements) have been approved for issue by the Board of Directors of the Company on September 11, 2020.

2. BASIS OF PREPARATION

(A) Statement of Compliance These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting,* as issued by the International Accounting Standards Board (IASB). These condensed consolidated financial statements should be read in conjunction with the Company's annual audited consolidated financial statements and the accompanying notes included in The North West Company Inc.'s 2019 Annual Report which have been prepared in accordance with International Financial Reporting Standards (IFRS).

(B) Basis of Measurement The condensed consolidated financial statements have been prepared on a historical cost basis, except for the following which are measured at fair value, as applicable:

- Liabilities for share-based payment plans (Note 14)
- Defined benefit pension plan
- Assets and liabilities acquired in a business combination

The methods used to measure fair values are discussed further in the notes to the Company's 2019 Annual Audited Consolidated Financial Statements.

(C) Functional and Presentation Currency The presentation currency of the condensed consolidated financial statements is Canadian dollars, which is the Company's functional currency. All financial information is presented in Canadian dollars, unless otherwise stated, and has been rounded to the nearest thousand.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are set out in the Company's 2019 Annual Audited Consolidated Financial Statements. These policies have been applied to all periods presented in these interim condensed consolidated financial statements, and have been applied consistently by both the Company and its subsidiaries using uniform accounting policies for like transactions and other events in similar circumstances, except for assets and liabilities held for sale as described below.

Assets & Liabilities held for sale Assets and liabilities are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. To qualify as held for sale, the sale must be highly probable, assets must be available for immediate sale in their present condition and management must be committed to a plan to sell that should be expected to close within one year from the date of classification.

Such assets are generally measured at the lower of their carrying amount and fair value less costs to sell. Any resulting impairment loss is allocated first to goodwill, and then to the remaining assets and liabilities on a pro-rata basis, except that no loss is allocated to inventories, financial assets or deferred tax assets, which continue to be measured in accordance with the Company's other accounting policies. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognized in profit or loss.

New Standards Implemented Effective February 1, 2020, the Company adopted amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. These amendments clarified the definition of material. Under the amended definition, information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make. The implementation of these amendments did not have a significant impact on the Company.

Future Standards and Amendments There are no IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates, assumptions and judgments that affect the application of accounting policies, the reported amounts of revenues and expenses during the reporting period and disclosure of contingent assets and liabilities in the consolidated financial statements and notes. Judgment has been used in the application of accounting policy and to determine if a transaction should be recognized or disclosed in these consolidated financial statements while estimates and assumptions have been used to measure balances recognized or disclosed.

Estimates, assumptions and judgments are based on management's historical experience, best knowledge of current events, conditions and actions that the Company may undertake in the future and other factors that management believes are reasonable under the circumstances. Estimates and underlying assumptions are reviewed on an ongoing basis. Certain of these estimates require subjective or complex judgments by management about matters that are uncertain and changes in these estimates could materially impact the consolidated financial statements and notes. Revisions to accounting estimates are recognized in the period in which the estimates are reviewed and in any future periods affected.

Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates have the most significant effect on the amounts recognized in the condensed consolidated financial statements include: allowance for doubtful accounts, inventories, amortization of property and equipment, determination of lease term, estimate of incremental borrowing rate of each leased asset, impairment of long-lived assets, goodwill and indefinite life intangible asset impairment, income taxes, accounting for vendor allowances, measurement of contingent consideration, and defined benefit plan obligations.

The COVID-19 contagious disease outbreak has resulted in material disruption to business globally and significant economic uncertainty. In response, governments worldwide have enacted emergency measures to both combat the spread of the virus and stabilize economic conditions. The rapidly evolving COVID-19 economic environment in which we operate could be subject to sustained volatility. The Company is unable to reliably forecast the severity and duration of the impact of COVID-19 on the economy, the Company's customers, suppliers and employees, and consequently, its impact on the future financial results and condition of the Company, including its estimates, assumptions and judgments.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENTED INFORMATION

The Company is a retailer of food and everyday products and services in two geographical segments, Canada and International. The Canadian segment consists of subsidiaries operating retail stores and complimentary businesses to serve northern Canada. The International segment consists largely of subsidiaries operating in the continental United States, Caribbean and South Pacific. Financial information for these business segments is regularly reviewed by the Company's President and Chief Executive Officer to assess performance and make decisions about the allocation of resources.

The following key information is presented by geographic segment:

Consolidated Statements of Earnings

	Three Months Ended July 31, 2020	Three Months Ended July 31, 2019	**Six Months Ended July 31, 2020**	Six Months Ended July 31, 2019
Sales				
Canada				
Food	**$ 257,521**	$ 214,275	**$ 496,984**	$ 416,605
General merchandise and other	**129,327**	107,176	**237,939**	207,191
Canada	**$ 386,848**	$ 321,451	**$ 734,923**	$ 623,796
International				
Food	**$ 227,370**	$ 183,774	**$ 449,818**	$ 356,316
General merchandise and other	**34,286**	22,057	**56,332**	41,699
International	**$ 261,656**	$ 205,831	**$ 506,150**	$ 398,015
Consolidated	**$ 648,504**	$ 527,282	**$ 1,241,073**	$ 1,021,811
Earnings before amortization, interest and income taxes				
Canada	**$ 80,786**	$ 32,518	**$ 101,449**	$ 64,800
International	**30,143**	19,097	**52,853**	45,063
Consolidated	**$ 110,929**	$ 51,615	**$ 154,302**	$ 109,863
Earnings from operations				
Canada	**$ 65,198**	$ 16,905	**$ 69,404**	$ 34,304
International	**22,632**	12,691	**37,897**	32,325
Consolidated	**$ 87,830**	$ 29,596	**$ 107,301**	$ 66,629

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENTED INFORMATION (continued)

Supplemental information

	July 31, 2020	July 31, 2019	January 31, 2020
Assets			
Canada [(1)]	**$ 748,233**	$ 775,497	$ 787,392
International [(1)]	**476,933**	417,540	428,144
Consolidated	**$ 1,225,166**	$ 1,193,037	$ 1,215,536

(1) Canadian total assets includes goodwill of $11,025 (July 31, 2019 –$10,957; January 31, 2020 – $11,025); International total assets includes goodwill of $39,095 (July 31, 2019 – $36,888; January 31, 2020 - $38,544).

	Three Months Ended July 31, 2020		Three Months Ended July 31, 2019		**Six Months Ended July 31, 2020**		Six Months Ended July 31, 2019	
	Canada	**International**	Canada	International	**Canada**	**International**	Canada	International
Purchase of property and equipment	**$ 11,828**	**$ 1,216**	$ 17,058	$ 9,243	**$ 35,203**	**$ 1,890**	$ 29,900	$ 13,890
Amortization	**$ 15,588**	**$ 7,511**	$ 15,613	$ 6,406	**$ 32,045**	**$ 14,956**	$ 30,496	$ 12,738

5. ACCOUNTS RECEIVABLE

	July 31, 2020	July 31, 2019	January 31, 2020
Trade accounts receivable	**$ 71,686**	$ 85,378	$ 81,925
Corporate and other accounts receivable	**35,695**	21,533	34,782
Less: allowance for doubtful accounts	**(10,635)**	(18,117)	(11,838)
Total	**$ 96,746**	$ 88,794	$ 104,869

The carrying values of accounts receivable are a reasonable approximation of their fair values. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. Corporate and other accounts receivable have a lower risk profile relative to trade accounts receivable because they are largely due from government or corporate entities.

6. INVENTORIES

Included in cost of sales for the three months ended July 31, 2020, the Company recorded $204 (three months ended July 31, 2019 – $113) for the write-down of period end inventories as a result of net realizable value being lower than cost. For the six months ended July 31, 2020, the Company recorded $741 (six months ended July 31, 2019 - $560) for the write-down of period end inventories as a result of net realizable value being lower than cost. There was no reversal of inventories written down previously that are no longer estimated to sell below cost during the six months ended July 31, 2020 or 2019.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. SHARE CAPITAL

Authorized – The Company has an unlimited number of Common Voting Shares and Variable Voting Shares.

July 31, 2020	**Shares**	**Consideration**
Balance at January 31, 2020	**48,750,929**	**$ 173,681**
Issued under share-based compensation plans (Note 14)	**38,387**	**1,117**
Balance at July 31, 2020	**48,789,316**	**$ 174,798**

July 31, 2019		
Balance at January 31, 2019	48,750,929	$ 173,681
Issued under share-based compensation plans (Note 14)	—	—
Balance at July 31, 2019	48,750,929	$ 173,681

8. DIVIDENDS

	Six Months Ended July 31, 2020	Six Months Ended July 31, 2019
Dividends recorded in equity and paid in cash	**$ 32,184**	$ 32,175
Dividends per share	**$ 0.66**	$ 0.66

The payment of dividends on the Company's shares is subject to the approval of the Board of Directors and is based upon, 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. Dividends are recognized as a liability in the consolidated financial statements in the period in which they are approved by the Board of Directors.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. LONG-TERM DEBT

	July 31, 2020	July 31, 2019	January 31, 2020
Current:			
Revolving loan facility [(1)]	**$ —**	$ —	$ 950
Senior notes [(4)]	**93,765**	—	—
Promissory notes payable [(8)]	**1,168**	900	900
	$ 94,933	$ 900	$ 1,850
Non-current:			
Revolving loan facility [(1)]	**$ —**	$ —	$ —
Revolving loan facilities [(2)]	**37,470**	36,742	36,943
Revolving loan facilities [(3)]	**43,461**	171,688	176,716
Senior notes [(4)]	**—**	91,797	92,334
Senior notes [(5)]	**93,765**	—	—
Senior notes [(6)]	**100,000**	100,000	100,000
Revolving loan facility [(7)]	—	—	—
Promissory notes payable [(8)]	**1,973**	1,800	3,122
	$ 276,669	$ 402,027	$ 409,115
Total	**$ 371,602**	$ 402,927	$ 410,965

(1) The committed, revolving U.S. loan facility provides the International Operations with up to US$40,000 for working capital requirements and general business purposes. This facility matures February 12, 2025, bears a floating rate of interest based on U.S. LIBOR plus a spread and is secured by certain accounts receivable and inventories of the International Operations. As at July 31, 2020, the International Operations had drawn US$NIL (July 31, 2019 - US$NIL; January 31, 2020 - US$719) on this facility.

(2)?The US$52,000 loan facilities mature September 26, 2022 and bear interest at U.S. LIBOR plus a spread. These committed loan facilities are secured by certain assets of the Company and rank *pari passu* with the US$70,000 senior notes due 2021, the $100,000 senior notes, the US$70,000 senior notes due in 2027 and 2032 and the $300,000 Canadian Operations loan facilities. At July 31, 2020, the Company had drawn US$27,936 (July 31, 2019 – US$27,936; January 31, 2020 - US$27,936) on these facilities.

(3) These committed, revolving loan facilities provide the Company's Canadian Operations with up to $300,000 for working capital and general business purposes. These facilities mature September 26, 2022, are secured by certain assets of the Company and rank *pari passu* with the US$70,000 senior notes due 2021, the $100,000 senior notes, the US$70,000 senior notes due in 2027 and 2032 and the US$52,000 loan facilities. These facilities bear a floating interest rate based on Bankers Acceptances rates plus stamping fees or the Canadian prime interest rate.

(4) The US$70,000 senior notes mature June 16, 2021, have a fixed interest rate of 3.27% on US$55,000 and a floating interest rate on US$15,000 based on U.S. LIBOR plus a spread. The senior notes are secured by certain assets of the Company and rank *pari passu* with the $300,000 Canadian Operations loan facilities, the $100,000 senior notes, the US$70,000 senior notes due in 2027 and 2032 and the US$52,000 loan facilities.

9. LONG-TERM DEBT (continued)

(5) In June 2020, the Company issued US$70,000 senior notes. These US$70,000 senior notes comprise US$35,000 due June 16, 2027 with a fixed interest rate of 2.88% and US$35,000 due June 16, 2032 with a fixed interest rate of 3.09%. The senior notes are secured by certain assets of the Company and rank *pari passu* with the $300,000 Canadian Operations loan facilities, the $100,000 senior notes, the US$70,000 senior notes due June 16, 2021 and the US$52,000 loan facilities.

(6) The $100,000 senior notes mature September 26, 2029, have a fixed interest rate of 3.74%, are secured by certain assets of the Company and rank *pari passu* with the $300,000 Canadian Operations loan facilities, the US$70,000 senior notes due 2021, the US $70,000 senior notes due in 2027 and 2032 and the US$52,000 loan facilities.

(7) The Canadian and International Operations have revolving loan facilities to meet working capital requirements and for general business purposes. These facilities bear a floating rate of interest and are secured by certain assets of the Company.

(8) Promissory notes payable are non-interest bearing, have annual principal payments and are secured by certain assets of the Company.

10. LEASE LIABILITIES

The Company's lease liabilities are discounted at its incremental borrowing rate, generally calculated from applicable Canadian and U.S. corporate bond yields. At July 31, 2020, lease liabilities reflect a weighted-average risk-free rate of 3.6% (July 31, 2019 – 4.0%; January 31, 2020 - 3.8%) and weighted-average remaining lease term of 9.7 years (July 31, 2019 – 10.2 years; January 31, 2020 - 9.7 years).

11. EMPLOYEE COSTS

	Three Months Ended July 31, 2020	Three Months Ended July 31, 2019	**Six Months Ended July 31, 2020**	Six Months Ended July 31, 2019
Wages, salaries and benefits including bonus	**$ 86,901**	$ 78,071	**$ 176,126**	$ 151,331
Post-employment benefits	**2,313**	2,152	**4,920**	4,425
Share-based compensation (Note 14)	**9,703**	6,330	**11,754**	3,810

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. INTEREST EXPENSE

	Three Months Ended July 31, 2020	Three Months Ended July 31, 2019	Six Months Ended July 31, 2020	Six Months Ended July 31, 2019
Interest on long-term debt	**$ 2,808**	$ 3,621	**$ 6,212**	$ 6,991
Interest on lease liabilities	**1,356**	1,299	**2,761**	2,769
Net interest on defined benefit plan obligation	**267**	256	**537**	513
Less: interest capitalized	**(78)**	(30)	**(147)**	(91)
Interest expense	**$ 4,353**	$ 5,146	**$ 9,363**	$ 10,182

13. INCOME TAXES

The estimated effective income tax rate for the three months ended July 31, 2020 is 25.1% (three months ended July 31, 2019 – 26.6%) and for the six months ended July 31, 2020 is 23.6% (six months ended July 31, 2019 – 21.7%). The Company estimates its effective income tax rate on a weighted-average basis by determining the income tax rate applicable to each taxing jurisdiction and applying it to its pre-tax earnings.

14. SHARE-BASED COMPENSATION

The Company offers the following share-based compensation plans: Performance Share Units (PSUs); Share Options; Director Deferred Share Units (DDSUs); Executive Deferred Share Units (EDSUs) and an Employee Share Purchase Plan. The purpose of these plans is to directly align the interests of the participants and the shareholders of the Company by providing compensation that is dependent on the performance of the Company's shares.

The total expense relating to share-based payment plans for the three months ended July 31, 2020 was $9,703 (three months ended July 31, 2019 – $6,330) and for the six months ended July 31, 2020 is $11,754 (six months ended July 31, 2019 - $3,810). The carrying amount of the Company's share-based compensation arrangements including PSU, share option, DDSU and EDSU plans are recorded on the consolidated balance sheets as follows:

	July 31, 2020	July 31, 2019	January 31, 2020
Accounts payable and accrued liabilities	**$ 11,187**	$ 13,954	$ 11,080
Other long-term liabilities	**11,694**	11,370	10,225
Contributed surplus	**10,842**	4,012	7,081
Total	**$ 33,723**	$ 29,336	$ 28,386

14. SHARE-BASED COMPENSATION (continued)

Performance Share Units

The Company has granted Performance Share Units to officers and senior management. Each PSU entitles the participant to receive one share of the Company for each notional unit granted at the end of the vesting period based on the achievement of specific performance based criteria. The PSU account for each participant includes the value of dividends from the Company as if reinvested in additional PSUs. PSU awards vest with the employee on the third fiscal year following the date of the grant to which the award relates. Compensation expense is measured based on the grant date fair market value of the award. The compensation expense is recognized over the vesting period factoring in the probability of the performance criteria being met.

Compensation costs related to the PSUs for the three months ended July 31, 2020 are $3,301 (three months ended July 31, 2019 – $1,611) and for the six months ended July 31, 2020 is $4,679 (six months ended July 31, 2019 - $2,664). The total number of PSUs outstanding at July 31, 2020 that may be settled in shares is 313,820 (July 31, 2019 – 342,846). There were 11,401 PSUs exercised in shares during the six months ended July 31, 2020 (six months ended July 31, 2019 – NIL).

Share Option Plan

The Company has a Share Option Plan that provides for the granting of options to certain officers and senior management. Options are granted at fair market value based on the volume weighted-average closing price of the Company's shares for the five trading days preceding the grant date. Effective June 14, 2011, the Share Option Plan was amended and restated. The amendments afford the Board of Directors the discretion to award options giving the holder the choice, upon exercise, to either deduct a portion of all dividends declared after the grant date from the options exercise price or to exercise the option at the strike price specified at the grant date (Declining Strike Price Options). Options issued prior to June 14, 2011 and certain options issued subsequently are standard options (Standard Options). Each option is exercisable into one share of the Company at the price specified in the terms of the option. Declining Strike Price options allow the employee to acquire shares or receive a cash payment based on the excess of the fair market value of the Company's shares over the exercise price.

The fair value of the Declining Strike Price Options is remeasured at the reporting date and recognized both in net earnings and as a liability over the vesting period. The grant date fair value of the Standard Options is recognized in net earnings and contributed surplus over the vesting period.

The maximum number of shares available for issuance is a fixed number set at 4,354,020, representing 8.9% of the Company's issued and outstanding shares at July 31, 2020. Fair value of the Company's options is determined using an option pricing model. Share options granted vest on a graduated basis over four to five years and are exercisable over a period of seven years. The share option compensation costs recorded for the three months ended July 31, 2020 are an expense of $4,216 (three months ended July 31, 2019 – expense of $3,185) and for the six months ended July 31, 2020 are an expense of $4,678 (six months ended July 31, 2019 - recovery of $117).

The fair values for options issued were calculated based on the assumptions below.

	July 31, 2020	July 31, 2019
Fair value of options granted	**$ 2.70**	$ 2.69
Exercise price	**$ 29.23**	$28.11 to $30.01
Dividend yield	**4.5%**	4.3%
Annual risk-free interest rate	**0.4%**	1.5%
Expected share price volatility	**24.1%**	19.3%

14. SHARE-BASED COMPENSATION (continued)

The assumptions used to measure cash settled options at the balance sheet dates were as follows:

	July 31, 2020	July 31, 2019
Dividend yield	**4.4%**	4.4%
Annual risk-free interest rate	**0.3%**	1.5%
Expected share price volatility	**18.7% to 45.4%**	16.8% to 19.4%

The expected dividend yield is estimated based on the quarterly dividend rate and the closing share price on the date the options are granted. The expected share price volatility is estimated based on the Company's historical volatility over a period consistent with the expected life of the options. The risk-free interest rate is estimated based on the Government of Canada bond yield for a term to maturity equal to the expected life of the options.

The following continuity schedules reconcile the movement in outstanding options during the six months ended July 31:

Number of options outstanding	**Declining Strike Price Options**		**Standard Options**	
	July 31, 2020	July 31, 2019	**July 31, 2020**	July 31, 2019
Outstanding options, beginning of period	**1,919,959**	1,967,723	**899,854**	430,340
Granted	**—**	—	**465,403**	493,242
Exercised	**(290,360)**	(7,999)	**(13,081)**	—
Forfeited or cancelled	**(13,915)**	(16,764)	**(57,367)**	(10,614)
Outstanding options, end of period	**1,615,684**	1,942,960	**1,294,809**	912,968
Exercisable at end of period	**1,195,797**	1,063,137	**310,033**	116,812

Weighted-average exercise price	**Declining Strike Price Options**		**Standard Options**	
	July 31, 2020	July 31, 2019	**July 31, 2020**	July 31, 2019
Outstanding options, beginning of period	**$ 27.34**	$ 27.36	**$ 28.01**	$ 27.83
Granted	**—**	—	**29.23**	28.17
Exercised	**18.99**	21.86	**25.39**	—
Forfeited or cancelled	**31.28**	30.54	**28.01**	27.77
Outstanding options, end of period	**$ 28.03**	$ 27.35	**$ 28.48**	$ 28.01
Exercisable at end of period	**$ 26.93**	$ 21.78	**$ 27.88**	$ 27.18

Options outstanding at July 31, 2020 have an exercise price range of $20.43 to $32.40 and a weighted-average remaining contractual life of 3.9 years.

14. SHARE-BASED COMPENSATION (continued)

Director Deferred Share Unit Plan

This plan is available for independent Directors. Participants are credited with deferred share units for the amount of the annual equity retainer and fees each participant elects to allocate to the DDSU plan. Each deferred share unit entitles the holder to receive a share of the Company. The DDSUs are exercisable by the holder at any time but no later than December 31 of the first calendar year commencing after the holder ceases to be a Director. A participant may elect at the time of exercise of any DDSUs, subject to the consent of the Company, to have the Company pay an amount in cash equal to the aggregate current market value of the shares, determined based on the closing price of the shares on the TSX on the trading day preceding the exercise date. This cash payment is in consideration for the surrender by the participant to the Company the right to receive shares from exercising the DDSUs. Effective December 2016, the plan was amended for those DDSUs credited to participants for the portion of the annual cash retainer and fees each participant elects to allocate to the plan. The holder of these DDSUs is entitled to receive at the time of exercise, an amount in cash equal to the aggregate current market value of the shares, determined based on the closing price of the shares on the TSX on the trading day preceding the exercise date.

Compensation expense is initially measured at the time of the grant. Subsequent changes in the fair value of the DDSUs based on changes in the market value of the Company's shares are recognized at each reporting date. The DDSU plan compensation costs recorded for the three months ended July 31, 2020 are $1,893 (three months ended July 31, 2019 – $1,301) and for the six months ended July 31, 2020 are $1,752 (six months ended July 31, 2019 - $714). The total number of DDSUs outstanding at July 31, 2020 is 353,083 (July 31, 2019 – 302,514). There were no DDSUs exercised in cash during the year ended July 31, 2020 and July 31, 2019.

Executive Deferred Share Unit Plan

The EDSU plan was implemented to assist executive management to meet the Company's minimum share ownership guidelines. This plan provides for the granting of deferred share units to those executives who elect to receive a portion of their annual short-term incentive payment in EDSUs, subject to plan limits. Effective April 2016, participants will be credited with EDSUs based on the amount of their short-term incentive payment allocated to the plan and the fair market value of the Company's shares. The EDSU account for each participant includes the value of dividends from the Company as if reinvested in additional EDSUs. The EDSUs are exercisable at any time after the executive ceases to be an employee of the Company, but no later than December 31 of the first calendar year commencing after the holder ceased to be an employee. Each EDSU entitles the holder to a cash payment equal to the market value of the equivalent number of the Company's shares, determined based on their closing price on the TSX on the trading day preceding the exercise date.

Total compensation expense is measured at the time of the grant. Subsequent changes in the fair value of the EDSUs based on changes in the market value of the Company's shares are recognized at each reporting date. The EDSU plan compensation costs recorded for the three months ended July 31, 2020 are $121 (three months ended July 31, 2019 – $64) and for six months ended July 31, 2020 are $92 (six months ended July 31, 2019 - $21).

Employee Share Purchase Plan

The Employee Share Purchase Plan provides participants with the opportunity to acquire an ownership interest in the Company. The Company contributes an additional 33% of the amount invested, subject to a maximum annual contribution of 2% of the participants' base salary. The plan is administered by a trustee who uses the funds received to purchase shares on the TSX on behalf of the participating employees. These shares are registered in the name of the plan trustee on behalf of the participants. The Company’s contribution to the plan is recorded as compensation expense. The employee share purchase plan compensation costs recorded for the three months ended July 31, 2020 are $172 (three months ended July 31, 2019 – $169) and for the six months ended July 31, 2020 are $553 (six months ended July 31, 2019 - $528).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. 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 holiday buying patterns. 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.

16. SUBSIDIARIES AND JOINT VENTURES

The Company's principal operating subsidiaries at July 31, 2020 are set out below:

			Proportion of voting rights held by:	
	Activity	**Country of Organization**	**Company**	**Subsidiary**
NWC GP Inc.	General Partner	Canada	100%	
North West Company Holdings Inc.	Holding Company	Canada	100%	
The North West Company LP	Retailing	Canada	100% (less one unit)	
NWC (U.S.) Holdings Inc.	Holding Company	United States		100%
The North West Company (International) Inc.	Retailing	United States		100%
Roadtown Wholesale Trading Ltd.	Retailing	British Virgin Islands		77%
North Star Air Ltd.	Airline	Canada		100%

The Company's investment in joint ventures comprises a 50% interest in a Canadian Arctic shipping company, Transport Nanuk Inc.

17. EXPENSES BY NATURE

	Three Months Ended July 31, 2020	Three Months Ended July 31, 2019	**Six Months Ended July 31, 2020**	Six Months Ended July 31, 2019
Employee costs (Note 11)	**$ 98,917**	$ 86,553	**$ 192,800**	$ 159,566
Amortization	**23,099**	22,019	**47,001**	43,234
Operating lease rentals	**1,717**	1,932	**3,590**	3,679
Insurance gain (1)	**—**	(4,309)	**—**	(14,965)
Gain on disposition of Giant Tiger stores (2)	**(24,712)**	—	**(24,712)**	—

(1) The Company recorded gains on insurance claims for the period ended July 31, 2019. These gains were due to the difference between the replacement cost of the assets destroyed and their net book values and also for recovery of business interruption losses on certain insurance claims.
(2) The Company recorded a gain on the disposition of 36 of its Giant Tiger stores. See Note 19.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. FINANCIAL INSTRUMENTS

Accounting classifications and fair value estimation

The following table comprises the carrying amounts of the Company's financial instruments at July 31, 2020. All of the Company's financial instruments are carried at amortized cost using the effective interest rate method.

These amounts represent point-in-time estimates and may not reflect fair value in the future. These calculations are subjective in nature, involve uncertainties and are a matter of significant judgment.

		Assets (Liabilities) carried at amortized cost	
	Maturity	Carrying amount	Fair value
Cash	Short-term	$ 73,465	$ 73,465
Accounts receivable	Short-term	96,746	96,746
Promissory note receivable (Note 19)	Long-term	48,468	48,468
Other financial assets	Long-term	1,347	1,347
Accounts payable and accrued liabilities	Short-term	(180,973)	(180,973)
Current portion of long-term debt	Short-term	(94,933)	(96,023)
Long-term debt	Long-term	(276,669)	(291,129)

The methods and assumptions used in estimating the fair value of the Company's financial instruments are as follows:

- The fair value of short-term financial instruments, excluding debt with fixed interest rates, approximates their carrying values due to their immediate or short-term period to maturity. Any differences between fair value and book values of short-term financial instruments are considered to be insignificant.
- The fair value of promissory note receivable represents the present value of future cash flows, based on an interest rate specific to its counterparty.
- The fair value of debt with fixed interest rates is estimated by discounting the expected future cash flows using the current risk-free interest rate on an instrument with similar terms adjusted for an appropriate risk premium. This is considered a level 2 fair value estimate.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19. DISPOSITION & STORE CLOSURE PROVISION

On July 5, 2020, the Company sold 36 of its 46 Giant Tiger stores (the Acquired Stores) to Giant Tiger Stores Limited for cash consideration of $45,000, subject to working capital adjustments, payable in $15,000 installments on the second, third and fourth anniversaries of the transaction closing date and, subject to meeting certain profitability milestones, additional contingent cash consideration payable on the fourth and fifth anniversaries of the closing date of up to $22,500. The Company recognized a pre-tax gain on sale of $24,712 ($19,991, net of tax) in selling, operating and administrative expenses.

The cash consideration has been recorded as an unsecured, non-interest bearing promissory note receivable at a fair value of $48,468. The fair value is comprised of the net present value of the installments and estimated additional contingent consideration, discounted using an interest rate specific to the counterparty.

Giant Tiger Asset Impairment Charge & Store Closure Provision

Of the remaining 10 GT locations, the Company is: (i) retaining and operating five key stores in northern market locations, (ii) converting one store to a Valu-Lots clearance center, and (iii) closing four stores in the third quarter of 2020. For the six-months ended July 31, 2020, the Company recorded an asset impairment and store closure provision of $9,411, of which $1,057 has been realized. The provision was included in selling, operating and administrative expenses in the consolidated statements of earnings, and has been applied to reduce the carrying amount of fixtures and equipment and right-of-use assets and to increase accrued liabilities on the consolidated balance sheets.

20. POST-EMPLOYMENT BENEFITS

A remeasurement of the defined benefit pension plan assets and liabilities was performed at July 31, 2019. During the three months ended July 31, 2019, the Company recorded a net actuarial loss on its defined benefit plan obligation of $6,982 in other comprehensive income, which was recognized immediately in retained earnings.

This remeasurement was primarily due to a change in the discount rate used to measure the defined benefit obligation. The discount rate used to determine the benefit obligation for the defined benefit pension plan at July 31, 2019 was 3.00% (January 31, 2019 - 3.75%).

There was no actuarial remeasurement during the six months ended July 31, 2020.

21. SUBSEQUENT EVENTS

Dividends

On September 11, 2020, the Board of Directors declared a dividend of $0.36 per share payable October 15, 2020 to shareholders of record on September 30, 2020.