THE NORTH WEST COMPANY INC.

Report to Shareholders

Quarterly Period Ended July 31, 2022

2022 SECOND QUARTER REPORT TO SHAREHOLDERS

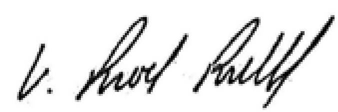
Report to Shareholders

The North West Company Inc. reports its results for the second quarter ended July 31, 2022. Sales increased 2.4% to $578.9 million led by sales gains in International Operations and the impact of foreign exchange on the translation of International Operations sales. Excluding the foreign exchange impact, sales increased 0.4% compared to last year but were down 4.1%[1] on a same store basis. Although same store sales were down compared to the COVID-19-related sales that were impacted by government income support payments to individuals and higher in-community spending due to travel restrictions last year, they were up 16.3% compared to pre-pandemic sales in the second quarter of 2019.

Second quarter net earnings decreased to $32.4 million compared to $42.4 million last year and net earnings attributable to shareholders were $31.4 million or $0.64 per share compared to $0.86 per share last year on a diluted earnings per share basis as we continue to cycle through the comparison against the impact of COVID-19-related earnings from last year. Adjusted net earnings[2], which excludes the impact of share-based compensation costs, decreased $10.8 million or 24.1% compared to the strong earnings last year. This decrease is mainly due to the impact of a lower gross profit rate resulting from changes in product sales blend and higher cost inflation that was not fully passed through in retail prices and higher expenses. Although adjusted net earnings[2] decreased compared to the second quarter of 2021 due to the COVID-19-related factors that continued to positively impact earnings last year, they were up $13.2 million or 63.9% compared to pre-pandemic adjusted net earnings[2] in the second quarter of 2019.

The Board of Directors has approved a quarterly dividend of $0.38, an increase of $0.01 or 2.7% per share, to shareholders of record on September 30, 2022.

On behalf of the Board of Directors:



Brock Bulbuck
Chairman

Daniel G. McConnell
President and Chief Executive Officer

Management's Discussion & Analysis

The following Management's Discussion & Analysis should be read in conjunction with the Company's 2022 second quarter unaudited interim period condensed consolidated financial statements for the period ended July 31, 2022 ("Interim Condensed Consolidated Financial Statements") and the audited annual consolidated financial statements and accompanying notes included in the 2021 Annual Report.

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

Second Quarter Highlights

CONSOLIDATED RESULTS SECOND QUARTER

Key Performance Indicators and Selected Second Quarter Information:

($ in thousands, except per share)		Three Months Ended July 31, 2022		July 31, 2021
Sales	**$**	**578,874**	$	565,109
Same store sales %(1)				
Food		**(1.3)%**		(2.1)%
General Merchandise		**(18.8)%**		(16.7)%
Total		**(4.1)%**		(4.8)%
Gross profit	**$**	**184,057**	$	189,699
Selling, operating and administrative expenses		**137,962**		131,237
EBITDA(2)		**70,444**		81,100
Earnings from operations (EBIT)		**46,095**		58,462
Interest expense		**3,429**		3,240
Income taxes		**10,295**		12,822
Net earnings		**32,371**		42,400
Net earnings attributable to shareholders of the Company		**31,395**		41,850
Net earnings per share - basic		**0.66**		0.86
Net earnings per share - diluted		**0.64**		0.86

Sales Second quarter consolidated sales increased 2.4% to $578.9 million led by sales gains in International Operations and the impact of foreign exchange on the translation of International Operations sales. An increase in other sales in Canadian Operations, which includes airline revenue, financial services, fuel and pharmacy, and the impact of new stores were also factors. Excluding the foreign exchange impact, consolidated sales increased 0.4%, with food sales increasing 0.7% and general merchandise sales decreasing 14.9% compared to last year. The impact of higher merchandise and freight cost inflation has continued to result in changes in product sales blend as consumers allocated more of their spending to food and reduced purchases of general merchandise. On a same store basis, sales decreased 4.1%[1] compared to the second quarter last year, with both food and general merchandise same store sales decreasing 1.3% and 18.8% respectively. The decrease in same store sales in 2022 and 2021 as shown in the table above is primarily due to the impact of COVID-19-related factors including government income support payments and higher in-community spending as a result of travel restrictions which contributed to significant sales gains in 2020 and, to a lesser degree, continued to impact sales in 2021 as income support payments were reduced and there were fewer travel restrictions. In 2022, COVID-19-related income support payments have substantially been phased out and travel restrictions have largely been eliminated. Although same store sales this year have decreased compared to strong COVID-19-related sales gains over the past two years, they were up 16.3% compared to pre-COVID levels in 2019 with food same store sales up 16.2% and general merchandise same store sales up 17.1%.

Gross Profit Gross profit decreased 3.0% as sales gains were more than offset by a 177 basis point decrease in gross profit rate compared to last year. The decrease in gross profit rate was mainly due to changes in sales blend, the impact of higher freight and merchandise cost inflation that was not fully passed through in retail prices and an increase in markdowns on seasonal general merchandise.

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

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") increased $6.7 million or 5.1% compared to last year and were up 61 basis points as a percentage to sales. The increase in Expenses is mainly due to cost inflation impacts including higher fuel-based utility expenses. The impact of new stores was also a factor. These factors were partially offset by lower annual incentive plan expenses, share-based compensation costs and a decrease in COVID-19-related expenses compared to last year.

Earnings From Operations Earnings from operations (EBIT) decreased to $46.1 million compared to $58.5 million last year and earnings before interest, income taxes, depreciation and amortization ("EBITDA[2]") decreased to $70.4 million compared to $81.1 million last year due to the gross profit and Expense factors previously noted. Adjusted EBITDA[2], which excludes share-based compensation costs, decreased $11.4 million compared to last year and as a percentage to sales was 12.6% compared to 14.9% last year due to the sales, gross profit and Expense factors previously noted, but was up $19.0 million or 35.4% compared to pre-pandemic adjusted EBITDA[2] in the second quarter of 2019.

Interest Expense Interest expense increased to $3.4 million compared to $3.2 million last year. Further information on interest expense is provided in Note 12 to the Company's Interim Condensed Consolidated Financial Statements.

Income Tax Expense Income tax expense decreased to $10.3 million compared to $12.8 million last year and the consolidated effective tax rate was 24.1% compared to 23.2% last year. The effective tax rate can fluctuate as a result of various factors, including the taxation of items such as share-based compensation and insurance related gains, changes in tax estimates and the blend of earnings across the various tax rate jurisdictions.

Net Earnings Net earnings decreased to $32.4 million compared to $42.4 million last year. Net earnings attributable to shareholders were $31.4 million and diluted earnings per share were $0.64 per share compared to $0.86 per share last year. Adjusted net earnings[2], which excludes the after-tax impact of the share-based compensation costs, decreased $10.8 million compared to the COVID-19-related driven earnings last year due to the gross profit and Expense factors previously noted, but were up $13.2 million or 63.9% compared to the pre-pandemic second quarter of 2019.

Comprehensive Income Comprehensive income decreased to $31.5 million compared to $44.5 million last year due to lower net earnings as noted above and the impact of foreign exchange on the translation of International Operations.

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

Year-To-Date Highlights

CONSOLIDATED RESULTS

Key Performance Indicators and Selected Year-To-Date July 31, 2022 Information:

		Year-to-date		
($ in thousands, except per share)		**July 31, 2022**		July 31, 2021
Sales	**$**	**1,130,890**	$	1,116,097
Same store sales %[1]				
Food		**0.6 %**		(0.9)%
General Merchandise		**(17.5)%**		(0.2)%
Total		**(2.4)%**		(0.8)%
Gross profit	**$**	**360,097**	$	372,271
Selling, operating and administrative expenses		**272,571**		257,497
EBITDA[2]		**135,389**		159,769
Earnings from operations (EBIT)		**87,526**		114,774
Interest expense		**6,452**		6,703
Income taxes		**20,542**		25,383
Net earnings		**60,532**		82,688
Net earnings attributable to shareholders of the Company		**58,775**		81,506
Net earnings per share - basic		**1.23**		1.68
Net earnings per share - diluted		**1.21**		1.66

Sales Year-to-date sales increased 1.3% to $1.131 billion due to the impact of foreign exchange on the translation of International Operations sales as sales gains in International Operations were offset by lower sales in Canadian Operations. The exchange rate used for the translation of International Operations sales increased to 1.2767 compared to 1.2430 last year. Excluding the foreign exchange impact, consolidated sales were flat to last year with food sales increasing 1.1% and general merchandise sales decreasing 15.3%. The impact of higher cost inflation this year has resulted in changes in product sales blend as consumers allocated more of their spending to food and reduced purchases of general merchandise. The decrease in general merchandise sales was partially offset by an increase in other sales in Canadian Operations largely due to higher airline revenue and retail fuel sales. Same store sales were down 2.4%[1] compared to last year as a 0.6% increase in food sales was more than offset by a 17.5% decrease in general merchandise sales. Consistent with the second quarter results, the decrease in same store sales this year is largely due to the impact of COVID-19-related factors that contributed to strong sales last year however, same store sales are up 18.7% compared to 2019 pre-pandemic levels with food and general merchandise same store sales up 18.1% and 22.8% respectively.

Gross Profit Gross profit decreased 3.3% as the impact of higher sales was offset by a 151 basis point decrease in the gross profit rate. The decrease in gross profit rate was primarily due to changes in sales blend and the impact of higher merchandise and freight cost inflation that was not fully passed through in retail prices. An increase in markdowns on seasonal general merchandise was also a factor.

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

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") increased $15.1 million or 5.9% and were up 103 basis points as a percentage to sales. The increase in Expenses is mainly due to the impact of an $8.6 million insurance related-gain last year partially offset by a $2.7 million decrease in share-based compensation costs compared to last year (collectively "Non-Comparable Factors"). Excluding the Non-Comparable Factors, Expenses increased $9.2 million or 3.6% compared to last year primarily due to cost inflation impacts, including higher fuel-based utility expenses, compared to last year. New stores and the impact of foreign exchange on the translation of International Operations Expenses also contributed to the increase in Expenses. These factors were partially offset by lower annual incentive plan costs and a $1.6 million decrease in COVID-19-related expenses compared to last year.

Earnings From Operations Earnings from operations (EBIT) decreased to $87.5 million compared to $114.8 million last year and earnings before interest, income taxes, depreciation and amortization ("EBITDA[2]") decreased to $135.4 million compared to $159.8 million last year. Adjusted EBITDA[2], which excludes the impact of the Non-Comparable Factors, decreased $18.5 million or 11.6% compared to last year due to the sales, gross profit and Expense factors noted above but was up $42.6 million or 43.2% compared to pre-pandemic adjusted EBITDA[2] in 2019.

Interest Expense Interest expense decreased to $6.5 million compared to $6.7 million last year. Further information on interest expense is provided in Note 12 to the Company's Interim Condensed Consolidated Financial Statements.

Income Tax Expense Income tax expense decreased $4.8 million to $20.5 million due to lower earnings, partially offset by an increase in the consolidated effective tax rate to 25.3% compared to 23.5% last year. Changes in the effective tax rate can occur as a result of various factors, including the taxation of items such as share-based compensation and insurance related gains, changes in tax estimates and the blend of earnings across the various tax rate jurisdictions.

Net Earnings Net earnings decreased $22.2 million to $60.5 million compared to $82.7 million last year. Net earnings attributable to shareholders were $58.8 million and diluted earnings per share were $1.21 per share compared to $1.66 per share last year due to the factors noted above. Adjusted net earnings[2], which excludes the impact of the Non-Comparable Factors, decreased $17.5 million or 21.2% compared to last year but was up $29.3 million or 81.8% compared to pre-pandemic adjusted net earnings[2] in 2019.

Comprehensive Income Comprehensive income decreased $19.0 million to $71.0 million compared to $90.0 million last year due to the $22.2 million decrease in net earnings described above and the remeasurement of defined benefit pension plan assets and liabilities which resulted in a net actuarial gain of $9.5 million this year compared to a $10.4 million gain last year. These factors were partially offset by the impact of foreign exchange on the translation of the International Operations financial statements which resulted in a gain of $1.0 million compared to a loss of $3.1 million last year.

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

CANADIAN OPERATIONS SECOND QUARTER

Canadian Operations results for the second quarter are summarized by the following key performance indicators:

Key Performance Indicators:

($ in thousands)		Three Months Ended July 31, 2022		July 31, 2021
Sales	**$**	**323,315**	$	323,362
Same store sales %				
Food		**(2.6)%**		(5.9)%
General Merchandise		**(20.3)%**		(18.6)%
Total		**(6.0)%**		(8.7)%
EBITDA[(2)]	**$**	**45,321**	$	55,023
Earnings from operations (EBIT)		**28,740**		39,476

Sales Canadian Operations sales were $323.3 million compared to $323.4 million in the second quarter last year and were down 6.0% on a same store basis. Food sales decreased 0.7% and were down 2.6% on a same store basis and general merchandise sales decreased 15.6% and were down 20.3% on a same store basis compared to last year as higher cost inflation continued to result in a shift in customer spending from general merchandise to food. The decrease in food and general merchandise sales was largely offset by an increase in other sales substantially due to higher airline revenue resulting from the impact of passing through increases in fuel costs and higher passenger volumes. An increase in retail fuel sales was also a factor. The decrease in same store sales in 2022 and 2021 is due to the impact of the COVID-19-related factors previously noted that contributed to significant sales gains in 2020 and to a lesser but still meaningful extent in 2021 however, same store sales increased 17.0% compared to the pre-pandemic second quarter of 2019.

Gross Profit Gross profit decreased 7.2% due to a decrease in gross profit rate primarily related to changes in sales blend as previously noted and the impact of higher merchandise and freight cost inflation that was not fully passed through in retail prices. Higher markdowns on seasonal general merchandise compared to last year was also a factor.

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") increased 2.5% and were up 64 basis points as a percentage to sales compared to last year mainly due to higher staff costs and fuel-based utility expenses. These factors were partially offset by a decrease in annual incentive plan and share-based compensation costs and lower COVID-19-related expenses.

Earnings From Operations Earnings from operations (EBIT) decreased $10.8 million or 27.2% to $28.7 million compared to $39.5 million last year and EBITDA[2] decreased to $45.3 million compared to $55.0 million last year due to the impact of the sales, gross profit and Expense factors previously noted. Adjusted EBITDA[2], which excludes the impact of share-based compensation costs, decreased $10.4 million compared to last year. In the quarter, North Star Air received $1.1 million in subsidies under the Ontario Remote Air Carrier Support Program ("RACSP") compared to $1.7 million received in the second quarter last year. This payment was for continued operation of passenger service into remote communities for the period July 2021 to March 2022 and is the final payment as the RACSP has been closed.

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

INTERNATIONAL OPERATIONS SECOND QUARTER (stated in U.S. dollars)

International Operations results for the second quarter are summarized by the following key performance indicators:

Key Performance Indicators:

		Three Months Ended		
($ in thousands)		**July 31, 2022**		July 31, 2021
Sales	**$**	**198,663**	$	196,786
Same store sales % increase				
Food		**0.4 %**		3.0 %
General Merchandise		**(15.3)%**		(11.7)%
Total		**(1.3)%**		1.1 %
EBITDA(2)	**$**	**19,546**	$	21,223
Earnings from operations (EBIT)		**13,505**		15,444

Sales International Operations sales increased 1.0% to $198.7 million compared to $196.8 million in the second quarter last year led by the impact of new stores in Alaska and food same store sales gains. An improved tourism-driven economy largely in the British Virgin Islands and Alaska was also a factor. These factors were offset by the impact of the USDA Farmers to Families Food Box Program and income support payments through the American Rescue Plan in the second quarter last year. Same store sales decreased 1.3% compared to last year but were up 15.4% compared to the second quarter of 2019. Food sales increased 2.5% and were up 0.4% on a same store basis compared to last year and general merchandise sales decreased 13.1% and were down 15.3% on a same store basis compared to last year as the impact of higher inflation continued to result in a shift in consumer spending from general merchandise to food.

Gross Profit Gross profit decreased 0.3% compared to last year as the impact of sales gains was more than offset by a decrease in the gross profit rate. The change in gross profit rate is mainly due to changes in food and general merchandise sales blend as previously noted and an increase in markdowns in seasonal general merchandise. The impact of higher merchandise and freight cost inflation that was not fully passed through in retail prices was also a factor.

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") increased 4.4% compared to last year mainly due to inflationary cost pressures, including higher fuel-based utility costs, and new store Expenses, partially offset by lower annual incentive plan costs.

Earnings From Operations Earnings from operations (EBIT) decreased $1.9 million or 12.6% to $13.5 million compared to $15.4 million in the second quarter last year and EBITDA[2] decreased 7.9% to $19.5 million compared to $21.2 million last year due to the sales, gross profit and Expense factors previously noted.

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

FINANCIAL CONDITION

Financial Ratios

The Company's debt-to-equity ratio at the end of the second quarter was 0.48:1 compared to 0.49:1 last year.

Working capital increased $53.8 million compared to last year substantially due to an increase in inventories and accounts receivable. The $37.5 million increase in inventories is mainly due to the impact of higher cost inflation particularly on the re-supply of sealift inventory in Canadian Operations. A substantial portion of the increase in inventories is in center store grocery and categories such as transportation, specifically snow machines, boats and motors, and home furnishings and appliances that continue to be impacted by supply chain disruptions. Higher inventories in other categories such as apparel and seasonal categories were also a factor but to a lesser extent. The $12.3 million or 12.8% increase in accounts receivable is partially due to the reclassification of a portion of the promissory note receivable due in 2023. The impact of foreign exchange on the translation of the International Operations balance sheet also contributed to the increase in working capital as the exchange rate at July 31 was 1.2796 compared to 1.2472 last year.

Share Capital

The Company's share capital is comprised of Variable Voting Shares and Common Voting Shares. The two classes of shares have equivalent rights as shareholders except for voting rights. Holders of Variable Voting Shares are entitled to one vote per share except where (i) the number of outstanding Variable Voting Shares exceeds 49% of the total number of all issued and outstanding Variable Voting Shares and Common Voting Shares, or (ii) the total number of votes cast by or on behalf of the holders of Variable Voting Shares at any meeting on any matter on which a vote is to be taken exceeds 49% of the total number of votes cast at such meeting.

If either of the above-noted thresholds is surpassed at any time, the vote attached to each Variable Voting Share will decrease automatically without further act or formality. Under the circumstances described in paragraph (i) above, the Variable Voting Shares as a class cannot carry more than 49% of the total voting rights attached to the aggregate number of issued and outstanding Variable Voting Shares and Common Voting Shares of the Company. Under the circumstances described in paragraph (ii) above, the Variable Voting Shares as a class cannot, for the given Shareholders' meeting, carry more than 49% of the total number of votes cast at the meeting.

Variable Voting Shares may only be held, beneficially owned or controlled, directly or indirectly, by persons who are not Canadians (within the meaning of the Canada Transportation Act "CTA"). An issued and outstanding Variable Voting Share is converted into one Common Voting Share automatically and without any further act of the Company or the holder, if such Variable Voting Share becomes held, beneficially owned and controlled, directly or indirectly, otherwise than by way of security only, by a Canadian, as defined in the CTA. Further information on the Company's Variable Voting Shares and Common Voting Shares is provided in the April 13, 2022 Management Information Circular which is available on the Company's website at *www.northwest.ca* or on SEDAR at *www.sedar.com*.

At July 31, 2022, there were 14,213,371 Variable Voting Shares, representing 29.7% of the total shares issued and outstanding. Further information on the Company's share capital is provided in Note 7 to the Company's Interim Condensed Consolidated Financial Statements.

Outstanding Shares

The weighted-average basic shares outstanding for the quarter decreased to 47,940,000 shares compared to 48,382,000 shares last year due to shares purchased under the Company's Normal Course Issuer Bid ("NCIB"). The weighted-average fully diluted shares outstanding for the quarter were 48,714,000 shares compared to 49,163,000 shares last year. The decrease in fully diluted shares outstanding compared to last year is due to the NCIB and redemptions under the Director Deferred Share Unit Plan partially offset by the dilutive impact of share-based compensation. 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.

Normal Course Issuer Bid

On November 10, 2021, the TSX approved the renewal of the NCIB. The maximum number of shares that can be purchased under the NCIB over the next 12 months is 4,773,508 which is approximately 10% of the Company's public float at October 31, 2021. The NCIB will be made in accordance with applicable regulations and the requirements of the TSX. In connection with the NCIB, the Company has established an automatic securities purchase plan (the "Plan") with its designated broker to facilitate the purchase of shares under the NCIB at times when the Company would ordinarily not be permitted to purchase its shares due to regulatory restrictions or self-imposed blackout periods. Under the Plan, before entering a self-imposed blackout period, the Company may, but is not required to, ask the designated broker to make purchases under the NCIB within specific parameters. During the six months ended July 31, 2022, the Company purchased 48,009 common shares (July 31, 2021 - 390,136) for cash consideration of $1.7 million (July 31, 2021 - $13.6 million) with the excess of the purchase price over the book value of the shares charged to retained earnings. All shares purchased were cancelled. Further information on share capital and the NCIB is provided in Note 7 to the Company's Interim Condensed Consolidated Financial Statements.

LIQUIDITY AND CAPITAL RESOURCES

The following table summarizes the major components of cash flow:

($ in thousands)	**Three Months Ended July 31, 2022**	Three Months Ended July 31, 2021	Change	**Six Months Ended July 31, 2022**	Six Months Ended July 31, 2021	Change
Cash flows from (used in):						
Operating activities	**$ 37,282**	$ 87,156	$ (49,874)	**$ 37,322**	$ 97,659	$ (60,337)
Investing activities	**(13,860)**	(29,675)	15,815	**(26,805)**	(33,309)	6,504
Financing activities	**(20,599)**	(49,341)	28,742	**1,120**	(71,477)	72,597
Effect of changes in foreign exchange rates on cash	**(157)**	241	(398)	**152**	(773)	925
Net change in cash	**$ 2,666**	$ 8,381	$ (5,715)	**$ 11,789**	$ (7,900)	$ 19,689

Operating Activities Cash from operating activities in the quarter decreased $49.9 million compared to last year and was down $60.3 million for the year-to-date largely due to the change in non-cash working capital and lower net earnings. The $43.7 million change in non-cash working capital in the quarter and $46.4 million for the year-to-date, is primarily related to a change in inventories compared to the prior year mainly due to higher cost inflation, particularly on the re-supply of sealift inventory in Canadian Operations. The change in accounts payable, accrued liabilities and accounts receivable compared to the prior year were also factors.

Investing Activities Cash used in investing activities in the quarter decreased to $13.9 million compared to $29.7 million last year due to a $7.4 million decrease in purchases of property and equipment this year compared to last year which included the purchase of an ATR-72 500 series aircraft. The impact of the $9.8 million in proceeds received from the promissory note receivable was also a factor. For the year-to-date, cash used in investing activities decreased $6.5 million compared to last year primarily due to the previously noted purchase of the ATR aircraft last year. The purchase of property and equipment in the quarter and for the year-to-date included investments in stores, fixtures and equipment. Further information on planned capital expenditures is included in the Outlook section.

Financing Activities Cash used in financing activities in the quarter was $20.6 million compared to $49.3 million last year substantially due to changes in long-term debt related to amounts drawn on revolving loan facilities, net of the repayment of US$70.0 million (CAD$85.4 million) senior notes that matured last year. A decrease in shares purchased under the Company's NCIB was also a factor. For the year-to-date, cash from financing activities was $1.1 million compared to cash used in financing activities of $71.5 million last year due to the changes in long-term debt and decrease in share purchases as previously noted. 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.

Sources of Liquidity

In March 2022, the Company extended the maturity date on its committed, revolving loan facilities in Canadian Operations to March 1, 2027 and increased the amount available by $100.0 million. The Company has $400.0 million in loan facilities at July 31, 2022 compared to $300.0 million at July 31, 2021, that bear a floating rate of interest based on Bankers Acceptances rates plus a stamping fee or the Canadian prime interest rate. At July 31, 2022, the Company had drawn $85.9 million on these facilities (July 31, 2021 - $77.8 million). The Canadian Operations also have committed, revolving loan facilities of US$52.0 million that bear interest at U.S. LIBOR or an alternative reference rate plus a spread. At July 31, 2022, the Company had drawn US$NIL on these facilities (July 31, 2021 - US$NIL). These loan facilities mature March 1, 2027 and are secured by certain assets of the Company on a *pari passu* basis with the Company's senior notes.

The Company has outstanding $100.0 million 3.74% senior notes that mature September 26, 2029, US$35.0 million 2.88% senior notes that mature on June 16, 2027 and US$35.0 million 3.09% senior notes that 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 $400.0 million Canadian Operations loan facilities and the US$52.0 million loan facilities.

The International Operations have a US$40.0 million committed, revolving loan facility which matures February 12, 2025. This loan facility 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, 2022, the Company had drawn US$14.2 million on these facilities (July 31, 2021 - US$1.3 million).

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, 2022, lease liabilities reflect a weighted-average risk-free rate of 3.7% (July 31, 2021 – 3.7%) and weighted-average remaining lease term of 9.9 years (July 31, 2021 – 9.9 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, 2022, 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 Company's 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, maturing debt obligations, pension plan contributions, planned sustaining and growth-related capital expenditures as well as anticipated dividends during 2022.

SHAREHOLDER DIVIDENDS

The Board of Directors declared a quarterly dividend of $0.38 per share, an increase of $0.01 or 2.7% per share, to shareholders of record on September 30, 2022, to be paid on October 14, 2022.

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.

OTHER HIGHLIGHTS

- A Quickstop convenience store was opened in Coral Harbour, Nunavut on July 17, 2022.
- The Company opened a retail store and a Quickstop convenience store in Metlakatla, Alaska on July 18, 2022 .

STRATEGY

The Company is focused on building an expanded range of essential products and services that help our customers to live better and that sustain and grow our business in a socially responsible manner, 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 are set out below:

1. Our first and ongoing priority is continuing to provide a safe shopping environment for our customers and employees and remaining in-stock on essential products that our customers rely on within global supply chain disruptions.
2. Investing to grow our business through new store openings, store renovations and expanded products and services, including pursuing wholesale opportunities, consistent with our core capability as an essential everyday products and services provider in remote markets.
3. Completing the multi-year roll-out of next generation merchandise and store systems and continuing to enhance our logistics capability by optimizing our air cargo business.
4. Ensuring that we attract, develop, and retain top talent that is inclusive of the diverse peoples and cultures that are represented within the communities we serve.
5. Delivering on the priorities aligned within our diversity, equity and inclusion and ESG frameworks.

Further information on the Company's strategy is provided in the 2021 Annual Report.

OUTLOOK

The Company's near-term outlook continues to be influenced by global supply chain disruptions, inflationary cost pressures and ongoing uncertainty related to the COVID-19 pandemic. In spite of global supply chain disruptions, the Company's overall in-stock position on essential food and general merchandise items remains healthy however in the current environment these conditions can change rapidly. The transition to reduced COVID-19-related risk conditions compared to 2021 and the elimination of COVID-19-related consumer income support payments and programs such as the USDA Farmers to Families Food Box Program are expected to result in lower sales in 2022 compared to last year however, same store sales are expected to be meaningfully higher than pre-pandemic same store sales in 2019. There is uncertainty to this outlook related to the impact of inflation, labour shortages, supply chain disruptions and the availability of merchandise. The impact of inflation may contribute to higher sales but may also result in a lower gross profit rate if the full impact of inflationary cost increases is not passed through in retail prices. Uncertainty regarding the economy, particularly within tourism-dependent countries, is also difficult to forecast. The impact of these factors and $13.3 million in after-tax insurance-related gains on the settlement of fire insurance claims in 2021, is expected to result in lower earnings in 2022 compared to 2021 but meaningfully above pre-pandemic (2019) levels.

Beyond the duration of the current environment as previously noted, the medium and longer-term outlook for the Company is favourable based on the expected impact of government transfer payments and higher infrastructure spending in Indigenous communities, the resiliency of our essential everyday product and service focus and changes in customer relationships and in-community shopping patterns established during COVID-19, and the anticipated improved economy in tourism-dependent countries. The Company also continues to assess new store opportunities, acquisitions and other business venture opportunities within its different businesses and retail divisions.

In 2022, the Company expects that capital expenditures will be in the $100 million range (2021 - $75.9 million, net of insurance proceeds) with potential for additional store acquisitions and growth investments. The timing and amount of store-based capital expenditures are expected to continue to be impacted by the availability of building materials and labour shortages, in addition to other delays that can occur with remote location capital projects.

RISK FACTORS AND ENTERPRISE RISK MANAGEMENT

Information on risk factors inherent within the business and enterprise risk management are included in the Company's 2021 Annual Report and 2021 Annual Information Form, which are hereby incorporated by reference. These documents are available on the Company's website at *www.northwest.ca* or on Sedar at *www.sedar.com*. Those risks and risk management strategies remain unchanged.

QUARTERLY RESULTS OF OPERATIONS

The following is a summary of selected quarterly financial information:

Operating Results - Consolidated

	Second Quarter		First Quarter		Fourth Quarter		Third Quarter	
	92 days	92 days	89 days	89 days	92 days	92 days	92 days	92 days
($ in millions, except per share)	2022	2021	2022	2021	2021	2020	2021	2020
Sales	**$ 578.9**	$ 565.1	$ 552.0	$ 551.0	$ 579.0	$ 565.2	$ 553.7	$ 553.0
EBITDA(1)	**70.4**	81.1	64.9	78.7	73.0	71.4	78.6	75.7
Earnings from operations	**46.1**	58.5	41.4	56.3	49.6	49.1	56.1	52.9
Net earnings	**32.4**	42.4	28.2	40.3	35.6	32.8	39.2	35.9
Net earnings attributable to shareholders of the Company	**31.4**	41.9	27.4	39.7	34.6	32.1	38.7	34.6
Net earnings per share:								
Basic	**0.66**	0.86	0.57	0.82	0.72	0.66	0.81	0.71
Diluted	**0.64**	0.86	0.57	0.80	0.71	0.63	0.79	0.71
Adjusted EBITDA(1)	**72.6**	84.1	68.7	75.7	67.1	69.0	78.2	83.6
Adjusted net earnings(1)	**34.0**	44.7	31.2	37.9	32.3	30.5	38.4	42.8

(1) 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, 2022 that have materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting.

ACCOUNTING STANDARDS IMPLEMENTED IN 2022

The significant accounting policies are set out in the Company's 2021 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.

FUTURE ACCOUNTING STANDARDS TO BE IMPLEMENTED

In May 2021, the International Accounting Standards Board issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction, which amended IAS 12, *Income Taxes*. The amendments are effective for periods beginning on or after January 1, 2023, with early adoption permitted. The amendments narrow the scope of the recognition exemption so that it no longer applies on initial recognition to transactions that give rise to equal taxable and deductible temporary differences, such as leases. The Company does not expect adoption of the standard to have a material impact on the Company's consolidated financial statements.

There are no further 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 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 earnings from operations (EBIT) to EBITDA and adjusted EBITDA:

	Consolidated					
	Second Quarter			Year-to-Date		
($ in thousands)	**2022**	2021	2019	**2022**	2021	2019
Earnings from operations (EBIT)	**$ 46,095**	$ 58,462	$ 29,596	**$ 87,526**	$ 114,774	$ 66,629
Add: Amortization	**24,349**	22,638	22,019	**47,863**	44,995	43,234
EBITDA	**$ 70,444**	$ 81,100	$ 51,615	**$ 135,389**	$ 159,769	$ 109,863
Adjusted for:						
Insurance gains	**—**	—	(4,309)	**—**	(8,632)	(14,965)
Share-based compensation expense(1)	**2,180**	2,966	6,330	**5,917**	8,647	3,810
Adjusted EBITDA	**$ 72,624**	$ 84,066	$ 53,636	**$ 141,306**	$ 159,784	$ 98,708

	Canada	
	Second Quarter	
($ in thousands)	**2022**	2021
Earnings from operations (EBIT)	**$ 28,740**	$ 39,476
Add: Amortization	**16,581**	15,547
EBITDA	**$ 45,321**	$ 55,023
Adjusted for:		
Insurance gains	**—**	—
Share-based compensation expense(1)	**1,818**	2,517
Adjusted EBITDA	**$ 47,139**	$ 57,540

	International (Stated in U.S. dollars)	
	Second Quarter	
($ in thousands)	**2022**	2021
Earnings from operations (EBIT)	**$ 13,505**	$ 15,444
Add: Amortization	**6,041**	5,779
EBITDA	**$ 19,546**	$ 21,223
Adjusted for:		
Share-based compensation expense(1)	**281**	368
Adjusted EBITDA	**$ 19,827**	$ 21,591

(1) Further information on share-based compensation expense is provided in Note 11 and Note 14 to the Company's Interim Condensed Consolidated Financial Statements.

Reconciliation of consolidated net earnings to adjusted net earnings:

	Consolidated					
	Second Quarter			Year-to-Date		
($ in thousands)	**2022**	2021	2019	**2022**	2021	2019
Net earnings	**$ 32,371**	$ 42,400	$ 17,947	**$ 60,532**	$ 82,688	$ 44,172
Adjusted for:						
Insurance gains, net of tax	**—**	—	(3,148)	**—**	(7,123)	(11,547)
Share-based compensation expense, net of tax	**1,589**	2,348	5,921	**4,589**	7,091	3,190
Adjusted net earnings	**$ 33,960**	$ 44,748	$ 20,720	**$ 65,121**	$ 82,656	$ 35,815

The Company recorded gains on the partial settlement of insurance claims. These gains were due to the difference between the replacement cost of the assets destroyed and their book value.

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.

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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 7, 2022.

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 a normal course issuer bid, the anticipated impact of the COVID-19 pandemic on the Company's operations, supply chain and the Company's related business continuity plans, the realization of expected savings from 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 changes in economic conditions, political and market factors in North America and internationally. These factors include, but are not limited to, the duration and the impact of the COVID-19 pandemic, changes in inflation, interest and foreign exchange rates, the Company's ability to maintain an effective supply chain, 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 and realize benefits from capital projects, E-Commerce investments, strategic transactions and the integration of 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 that the foregoing list of important factors is not exhaustive. Other risks are outlined in the Risk Management section of the 2021 Annual Report and in the Risk Factors sections of the Annual Information Form and Management Information Circular, material change reports and news releases. 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, 2022	July 31, 2021	January 31, 2022
CURRENT ASSETS			
Cash	**$ 61,215**	$ 63,636	$ 49,426
Accounts receivable (Note 5)	**108,788**	96,464	99,241
Inventories (Note 6)	**283,590**	246,099	247,988
Prepaid expenses	**14,307**	13,241	6,703
	467,900	419,440	403,358
NON-CURRENT ASSETS			
Property and equipment	**555,513**	535,148	554,457
Right-of-use assets	**102,979**	105,449	100,844
Promissory note receivable	**25,847**	39,754	40,283
Goodwill	**48,705**	47,377	48,502
Intangible assets	**32,601**	34,616	34,094
Deferred tax assets	**22,616**	8,876	21,746
Other assets	**22,847**	13,342	15,989
	811,108	784,562	815,915
TOTAL ASSETS	**$ 1,279,008**	$ 1,204,002	$ 1,219,273
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	**$ 199,000**	$ 201,525	$ 221,319
Current portion of long-term debt (Note 9)	**256**	1,149	46,262
Current portion of lease liabilities (Note 10)	**18,484**	17,654	18,055
Income tax payable (Note 13)	**6,654**	9,371	8,854
	224,394	229,699	294,490
NON-CURRENT LIABILITIES			
Long-term debt (Note 9)	**293,932**	267,183	189,378
Lease liabilities (Note 10)	**94,685**	100,277	96,015
Defined benefit plan obligation (Note 19)	**16,849**	25,517	21,714
Deferred tax liabilities	**13,764**	12,014	14,483
Other long-term liabilities	**22,792**	24,858	22,989
	442,022	429,849	344,579
TOTAL LIABILITIES	**666,416**	659,548	639,069
SHAREHOLDERS' EQUITY			
Share capital (Note 7)	**176,640**	174,144	173,081
Contributed surplus	**9,691**	9,721	12,530
Retained earnings	**386,990**	326,930	355,674
Accumulated other comprehensive income	**23,217**	18,873	22,350
Equity attributable to The North West Company Inc.	**596,538**	529,668	563,635
Non-controlling interests	**16,054**	14,786	16,569
TOTAL EQUITY	**612,592**	544,454	580,204
TOTAL LIABILITIES & EQUITY	**$ 1,279,008**	$ 1,204,002	$ 1,219,273

See accompanying notes to condensed consolidated financial statements.

Consolidated Statements of Earnings

(unaudited, $ in thousands, except per share amounts)	**Three Months Ended July 31, 2022**	Three Months Ended July 31, 2021	**Six Months Ended July 31, 2022**	Six Months Ended July 31, 2021
SALES	**$ 578,874**	$ 565,109	**$ 1,130,890**	$ 1,116,097
Cost of sales	**(394,817)**	(375,410)	**(770,793)**	(743,826)
Gross profit	**184,057**	189,699	**360,097**	372,271
Selling, operating and administrative expenses (Notes 11, 17)	**(137,962)**	(131,237)	**(272,571)**	(257,497)
Earnings from operations	**46,095**	58,462	**87,526**	114,774
Interest expense (Note 12)	**(3,429)**	(3,240)	**(6,452)**	(6,703)
Earnings before income taxes	**42,666**	55,222	**81,074**	108,071
Income taxes (Note 13)	**(10,295)**	(12,822)	**(20,542)**	(25,383)
NET EARNINGS FOR THE PERIOD	**$ 32,371**	$ 42,400	**$ 60,532**	$ 82,688
NET EARNINGS ATTRIBUTABLE TO				
The North West Company Inc.	**$ 31,395**	$ 41,850	**$ 58,775**	$ 81,506
Non-controlling interests	**976**	550	**1,757**	1,182
TOTAL NET EARNINGS	**$ 32,371**	$ 42,400	**$ 60,532**	$ 82,688
NET EARNINGS PER SHARE				
Basic	**$ 0.66**	$ 0.86	**$ 1.23**	$ 1.68
Diluted	**$ 0.64**	$ 0.86	**$ 1.21**	$ 1.66
WEIGHTED-AVERAGE NUMBER OF SHARES OUTSTANDING (000's)				
Basic	**47,940**	48,382	**47,921**	48,452
Diluted	**48,714**	49,163	**48,697**	49,229

See accompanying notes to condensed consolidated financial statements.

Consolidated Statements of Comprehensive Income

(unaudited, $ in thousands)	**Three Months Ended July 31, 2022**	Three Months Ended July 31, 2021	**Six Months Ended July 31, 2022**	Six Months Ended July 31, 2021
NET EARNINGS FOR THE PERIOD	**$ 32,371**	$ 42,400	**$ 60,532**	$ 82,688
Other comprehensive income/(loss), net of tax:				
Items that may be reclassified to net earnings:				
Exchange differences on translation of foreign controlled subsidiaries	**(884)**	2,073	**961**	(3,059)
Items that will not be subsequently reclassified to net earnings:				
Remeasurements of defined benefit plans (Note 19)	**—**	—	**9,513**	10,373
Total other comprehensive income/(loss), net of tax	**(884)**	2,073	**10,474**	7,314
COMPREHENSIVE INCOME FOR THE PERIOD	**$ 31,487**	$ 44,473	**$ 71,006**	$ 90,002
OTHER COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO				
The North West Company Inc.	**$ (800)**	$ 1,845	**$ 10,380**	$ 7,641
Non-controlling interests	**(84)**	228	**94**	(327)
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS)	**$ (884)**	$ 2,073	**$ 10,474**	$ 7,314
COMPREHENSIVE INCOME ATTRIBUTABLE TO				
The North West Company Inc.	**$ 30,595**	$ 43,695	**$ 69,155**	$ 89,147
Non-controlling interests	**892**	778	**1,851**	855
TOTAL COMPREHENSIVE INCOME	**$ 31,487**	$ 44,473	**$ 71,006**	$ 90,002

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, 2022	$ 173,081	$ 12,530	$ 355,674	$ 22,350	$ 563,635	$ 16,569	$ 580,204
Net earnings for the period	—	—	58,775	—	58,775	1,757	60,532
Other comprehensive income	—	—	9,513	867	10,380	94	10,474
Comprehensive income	—	—	68,288	867	69,155	1,851	71,006
Shares Purchased and cancelled (Note 7)	(173)	—	(1,488)	—	(1,661)	—	(1,661)
Equity settled share-based payments, net of tax	(204)	(731)	—	—	(935)	—	(935)
Dividends (Note 8)	—	—	(35,484)	—	(35,484)	(2,366)	(37,850)
Issuance of shares (Note 7)	3,936	(2,108)	—	—	1,828	—	1,828
	3,559	(2,839)	(36,972)	—	(36,252)	(2,366)	(38,618)
Balance at July 31, 2022	**$ 176,640**	**$ 9,691**	**$ 386,990**	**$ 23,217**	**$ 596,538**	**$ 16,054**	**$ 612,592**
Balance at January 31, 2021	$ 174,213	$ 13,394	$ 282,088	$ 21,605	$ 491,300	$ 13,931	$ 505,231
Net earnings for the period	—	—	81,506	—	81,506	1,182	82,688
Other comprehensive income	—	—	10,373	(2,732)	7,641	(327)	7,314
Comprehensive income	—	—	91,879	(2,732)	89,147	855	90,002
Shares Purchased and cancelled (Note 7)	(1,398)	—	(12,178)	—	(13,576)	—	(13,576)
Equity settled share-based payments, net of tax	(29)	(3,160)	—	—	(3,189)	—	(3,189)
Dividends (Note 8)	—	—	(34,859)	—	(34,859)	—	(34,859)
Issuance of shares (Note 7)	1,358	(513)	—	—	845	—	845
	(69)	(3,673)	(47,037)	—	(50,779)	—	(50,779)
Balance at July 31, 2021	$ 174,144	$ 9,721	$ 326,930	$ 18,873	$ 529,668	$ 14,786	$ 544,454

(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, 2022**	Three Months Ended July 31, 2021	**Six Months Ended July 31, 2022**	Six Months Ended July 31, 2021
CASH FROM (USED IN):				
Operating activities				
Net earnings for the period	**$ 32,371**	$ 42,400	**$ 60,532**	$ 82,688
Adjustments for:				
Amortization (Note 17)	**24,349**	22,638	**47,863**	44,995
Provision for income taxes (Note 13)	**10,295**	12,822	**20,542**	25,383
Interest expense (Note 12)	**3,429**	3,240	**6,452**	6,703
Equity settled share-based compensation, net of tax (Note 14)	**1,618**	82	**(935)**	(3,189)
Insurance proceeds, property and equipment (Note 17)	**—**	—	**—**	(8,632)
Taxes paid	**(17,100)**	(17,468)	**(27,780)**	(27,045)
Gain on disposal of property and equipment	**(37)**	—	**(24)**	(35)
	54,925	63,714	**106,650**	120,868
Change in non-cash working capital	**(19,017)**	24,713	**(69,993)**	(23,606)
Change in other non-cash items	**1,374**	(1,271)	**665**	397
Cash from operating activities	**37,282**	87,156	**37,322**	97,659
Investing activities				
Purchase of property and equipment	**(20,897)**	(28,338)	**(32,841)**	(39,526)
Intangible asset additions	**(2,897)**	(1,337)	**(3,899)**	(2,460)
Proceeds from disposal of property and equipment	**134**	—	**135**	45
Proceeds from promissory note receivable	**9,800**	—	**9,800**	—
Insurance proceeds, property and equipment (Note 17)	**—**	—	**—**	8,632
Cash used in investing activities	**(13,860)**	(29,675)	**(26,805)**	(33,309)
Financing activities				
Net increase in long-term debt (Note 9)	**12,111**	70,273	**57,857**	78,407
Debt repayment (Note 9)	**—**	(85,393)	**—**	(85,393)
Payment of lease liabilities, principal	**(7,768)**	(4,764)	**(12,386)**	(9,931)
Payment of lease liabilities, interest	**(1,032)**	(1,075)	**(2,048)**	(2,170)
Dividends (Note 8)	**(17,735)**	(17,405)	**(35,484)**	(34,859)
Dividends to non-controlling interests (Note 8)	**(2,366)**	—	**(2,366)**	—
Interest paid	**(2,333)**	(2,814)	**(4,620)**	(4,800)
Net issuance of common shares	**(15)**	182	**1,828**	845
Common shares purchased and cancelled (Note 7)	**(1,461)**	(8,345)	**(1,661)**	(13,576)
Cash from / (used in) financing activities	**(20,599)**	(49,341)	**1,120**	(71,477)
Effect of foreign exchange rates on cash	**(157)**	241	**152**	(773)
NET CHANGE IN CASH	**2,666**	8,381	**11,789**	(7,900)
Cash, beginning of period	**58,549**	55,255	**49,426**	71,536
CASH, END OF PERIOD	**$ 61,215**	$ 63,636	**$ 61,215**	$ 63,636

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.

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 7, 2022.

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 2021 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 (Note 19)
- 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 2021 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 2021 Annual Audited Consolidated Financial Statements. These policies have been applied to all periods presented in these 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.

Future Standards and Amendments In May 2021, the International Accounting Standards Board issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction, which amended IAS 12, *Income Taxes*. The amendments are effective for periods beginning on or after January 1, 2023, with early adoption permitted. The amendments narrowed the scope of the recognition exemption so that it no longer applies on initial recognition to transactions that give rise to equal taxable and deductible temporary differences, such as leases. The Company does not expect adoption of the standard to have a material impact on the Company's consolidated financial statements.

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

Use of Estimates The preparation of the condensed 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 condensed 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 condensed 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 condensed 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, valuation of 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, measurement of income taxes, measurement of contingent consideration, valuation of promissory note receivable and defined benefit plan obligations.

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 retail stores 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, 2022	Three Months Ended July 31, 2021	**Six Months Ended July 31, 2022**	Six Months Ended July 31, 2021
Sales				
Canada				
Food	**$ 221,850**	$ 223,426	**$ 439,039**	$ 441,100
General merchandise and other	**101,465**	99,936	**199,567**	202,727
Canada	**$ 323,315**	$ 323,362	**$ 638,606**	$ 643,827
International				
Food	**$ 229,384**	$ 213,728	**$ 444,032**	$ 419,152
General merchandise and other	**26,175**	28,019	**48,252**	53,118
International	**$ 255,559**	$ 241,747	**$ 492,284**	$ 472,270
Consolidated	**$ 578,874**	$ 565,109	**$ 1,130,890**	$ 1,116,097
Earnings before amortization, interest and income taxes				
Canada	**$ 45,321**	$ 55,023	**$ 88,814**	$ 109,568
International	**25,123**	26,077	**46,575**	50,201
Consolidated	**$ 70,444**	$ 81,100	**$ 135,389**	$ 159,769
Earnings from operations				
Canada	**$ 28,740**	$ 39,476	**$ 56,321**	$ 78,884
International	**17,355**	18,986	**31,205**	35,890
Consolidated	**$ 46,095**	$ 58,462	**$ 87,526**	$ 114,774

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENTED INFORMATION (continued)

Supplemental information

	July 31, 2022	July 31, 2021	January 31, 2022
Assets			
Canada (1)	**$ 809,601**	$ 770,525	$ 775,806
International (1)	**469,407**	433,477	443,467
Consolidated	**$ 1,279,008**	$ 1,204,002	$ 1,219,273

(1) Canadian total assets includes goodwill of $11,025 (July 31, 2021 – $11,025; January 31, 2022 – $11,025); International total assets includes goodwill of $37,680 (July 31, 2021 – $36,352; January 31, 2022 – $37,477).

	Three Months Ended July 31, 2022		Three Months Ended July 31, 2021		**Six Months Ended July 31, 2022**		Six Months Ended July 31, 2021	
	Canada	**International**	Canada	International	**Canada**	**International**	Canada	International
Purchase of property and equipment	**$ 14,920**	**$ 5,977**	$ 25,610	$ 2,728	**$ 23,598**	**$ 9,243**	$ 32,593	$ 6,933
Amortization	**$ 16,581**	**$ 7,768**	$ 15,547	$ 7,091	**$ 32,493**	**$ 15,370**	$ 30,684	$ 14,311

5. ACCOUNTS RECEIVABLE

	July 31, 2022	July 31, 2021	January 31, 2022
Trade accounts receivable	**$ 72,614**	$ 76,530	$ 86,841
Corporate and other accounts receivable	**47,094**	31,105	24,565
Less: allowance for doubtful accounts	**(10,920)**	(11,171)	(12,165)
Total	**$ 108,788**	$ 96,464	$ 99,241

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, 2022, the Company recorded $688 (three months ended July 31, 2021 – $529) 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, 2022, the Company recorded $2,487 (six months ended July 31, 2021 - $1,589) 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, 2022 or 2021.

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, 2022	**Shares**	**Consideration**
Balance at January 31, 2022	**47,878,650**	**$ 173,110**
Purchased and cancelled[1]	**(48,009)**	**(173)**
Issued under share-based compensation plans (Note 14)	**102,224**	**3,936**
Balance at July 31, 2022	**47,932,865**	**$ 176,873**
Shares held in trust, January 31, 2022	**(8,371)**	**$ (29)**
Purchased for future settlement of PSUs	**(87,000)**	**(311)**
Released for settlement of PSUs (Note 14)	**29,849**	**107**
Shares held in trust, July 31, 2022	**(65,522)**	**$ (233)**
Issued and outstanding, net of shares held in trust, July 31, 2022[2]	**47,867,343**	**$ 176,640**

July 31, 2021		
Balance at January 31, 2021	48,613,319	$ 174,213
Purchased and cancelled [1]	(390,136)	(1,398)
Issued under share-based compensation plans (Note 14)	38,892	1,358
Balance at July 31, 2021	48,262,075	$ 174,173
Shares held in trust, January 31, 2021	—	$ —
Purchased for future settlement of PSUs	(85,000)	(304)
Released for settlement of PSUs (Note 14)	76,629	275
Shares held in trust, July 31, 2021	(8,371)	$ (29)
Issued and outstanding, net of shares held in trust, July 31, 2021	48,253,704	$ 174,144

(1) Variable voting shares and common voting shares purchased pursuant to NCIB program. The Company records shares repurchased on a transaction date basis.
(2) At July 31, 2022 there were 14,213,371 Variable Voting Shares representing 29.7% of the total shares issued and outstanding.

Normal Course Issuer Bid

On November 10, 2021, the Company received approval from the Toronto Stock Exchange to renew the Normal Course Issuer Bid ("NCIB"). Under the NCIB, the Company may acquire up to a maximum of 4,773,508 of its shares, or approximately 10% of its float for cancellation over the following 12 months. During the six months ended July 31, 2022, the Company purchased 48,009 common shares having a book value of $173 for cash consideration of $1,661. The excess of the purchase price over the book value of the shares of $1,488 was charged to retained earnings. During the six months ended July 31, 2021, the Company purchased 390,136 common shares having a book value of $1,398 for cash consideration of $13,576. The excess of the purchase price over the book value of the shares of $12,178 was charged to retained earnings. All shares purchased were cancelled.

In connection with the NCIB, the Company has established an automatic securities purchase plan with its designated broker to facilitate the purchase of shares under the NCIB at times when the Company would ordinarily not be permitted to purchase its shares due to regulatory restrictions or self-imposed blackout periods. Under the plan, before entering a self-imposed blackout period, the Company may, but is not required to, ask the designated broker to make purchases under the NCIB within specific parameters.

8. DIVIDENDS

		Six Months Ended July 31, 2022		Six Months Ended July 31, 2021
Dividends recorded in equity and paid in cash	**$**	**37,850**	$	34,859
Less: Dividends paid to non-controlling interests		**(2,366)**		—
Shareholder dividends	**$**	**35,484**	$	34,859
Dividends per share	**$**	**0.74**	$	0.72

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 (Note 20).

9. LONG-TERM DEBT

		July 31, 2022		July 31, 2021		January 31, 2022
Current:						
Revolving loan facility [3]	**$**	**—**	$	—	$	45,107
Promissory notes payable [7]		**256**		1,149		1,155
	$	**256**	$	1,149	$	46,262
Non-current:						
Revolving loan facility [1]	**$**	**18,172**	$	1,601	$	—
Revolving loan facilities [2]		**—**		—		—
Revolving loan facilities [3]		**85,882**		77,763		—
Senior notes [4]		**—**		—		88,869
Senior notes [5]		**89,366**		87,070		—
Senior notes [6]		**100,000**		100,000		100,000
Promissory notes payable [7]		**512**		749		509
	$	**293,932**	$	267,183	$	189,378
Total	**$**	**294,188**	$	268,332	$	235,640

(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, 2022, the International Operations had drawn US$14,201 (July 31, 2021 - US$1,283; January 31, 2022 - US$NIL) on this facility.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. LONG-TERM DEBT (continued)

(2) In March 2022, the Company extended the maturity date of the US$52,000 loan facilities. These facilities mature March 1, 2027 and bear interest at U.S. LIBOR or an alternative reference rate plus a spread. These committed loan facilities are secured by certain assets of the Company and rank *pari passu* with the $100,000 senior notes, the US$70,000 senior notes due in 2027 and 2032 and the $400,000 Canadian Operations loan facilities. At July 31, 2022, the Company had drawn US$NIL (July 31, 2021 – US$NIL; January 31, 2022 - US$NIL) on these facilities.

(3) These committed, revolving loan facilities provide the Company's Canadian Operations with up to $400,000 (July 31, 2021 - $300,000) for working capital and general business purposes. In March 2022, the Company extended the maturity date of these facilities to March 1, 2027. The facilities are secured by certain assets of the Company and rank *pari passu* with 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 matured June 16, 2021 and were repaid. These notes had 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 were secured by certain assets of the Company and ranked *pari passu* with the $400,000 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.

(5) 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 $400,000 Canadian Operations loan facilities, the $100,000 senior notes 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 $400,000 Canadian Operations loan facilities, the US$70,000 senior notes due in 2027 and 2032 and the US$52,000 loan facilities.

(7) 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, 2022, lease liabilities reflect a weighted-average risk-free rate of 3.7% (July 31, 2021 – 3.7%; January 31, 2022 - 3.6%) and weighted-average remaining lease term of 9.9 years (July 31, 2021 – 9.9 years; January 31, 2022 - 9.6 years).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. EMPLOYEE COSTS

	Three Months Ended July 31, 2022	Three Months Ended July 31, 2021	**Six Months Ended July 31, 2022**	Six Months Ended July 31, 2021
Wages, salaries and benefits including bonus	**$ 75,841**	$ 75,581	**$ 148,532**	$ 150,761
Post-employment benefits	**2,265**	2,447	**4,954**	5,654
Share-based compensation (Note 14)	**2,180**	2,966	**5,917**	8,647

12. INTEREST EXPENSE

	Three Months Ended July 31, 2022	Three Months Ended July 31, 2021	**Six Months Ended July 31, 2022**	Six Months Ended July 31, 2021
Interest on long-term debt	**$ 2,537**	$ 2,219	**$ 4,677**	$ 4,625
Interest on lease liabilities	**1,032**	1,072	**2,048**	2,167
Net interest on defined benefit plan obligation	**177**	254	**353**	508
Interest imputed on promissory note receivable	**(291)**	(277)	**(563)**	(544)
Interest capitalized	**(26)**	(28)	**(63)**	(53)
Total	**$ 3,429**	$ 3,240	**$ 6,452**	$ 6,703

13. INCOME TAXES

The estimated effective income tax rate for the three months ended July 31, 2022 is 24.1% (three months ended July 31, 2021 – 23.2%) and for the six months ended July 31, 2022 is 25.3% (six months ended July 31, 2021 – 23.5%). 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, 2022 is $2,180 (three months ended July 31, 2021 – $2,966) and for the six months ended July 31, 2022 $5,917 (six months ended July 31, 2021 - $8,647). 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, 2022	July 31, 2021	January 31, 2022
Accounts payable and accrued liabilities	**$ 4,406**	$ 9,446	$ 7,586
Other long-term liabilities	**12,737**	14,267	12,321
Contributed surplus	**7,890**	7,342	10,933
Total	**$ 25,033**	$ 31,055	$ 30,840

Performance Share Units

The Company has granted Performance Share Units to officers and senior management. Each PSU entitles the participant to receive either a cash payment equal to the market value of the number of notional units granted or 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 and recognized over the vesting period based on the estimated total compensation to be paid. Compensation costs related to the PSUs for the three months ended July 31, 2022 are $1,624 (three months ended July 31, 2021 – $1,138) and for the six months ended July 31, 2022 are $3,409 (six months ended July 31, 2021 – $3,148).

Equity settled PSUs are redeemed with shares transferred from a trust established for this plan or by issuing shares from treasury. There were 60,993 PSUs (six months ended July 31, 2021 - 155,490 PSUs) partially settled by releasing 29,849 shares (six months ended July 31, 2021 - 76,629 shares) from the employee trust. There were 55,903 (six months ended July 31, 2021 - 17,695) partially settled by releasing 27,748 shares issued from treasury (six months ended July 31, 2021 - 12,158).

The total number of PSUs outstanding at July 31, 2022 that may be settled in treasury shares is 283,713 (July 31, 2021 – 232,589).

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. SHARE-BASED COMPENSATION (continued)

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 9.1% of the Company's issued and outstanding shares at July 31, 2022. Fair value of the Company's options is determined using an option pricing model. Share options granted vest on a graduated basis over four years and are exercisable over a period of seven years. The share option compensation costs recorded for the three months ended July 31, 2022 are $43 (three months ended July 31, 2021 – $658) and for the six months ended July 31, 2022 are $1,040 (six months ended July 31, 2021 - $2,897).

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

		July 31, 2022		July 31, 2021
Fair value of options granted	**$**	**5.19**	$	4.67
Exercise price	**$**	**35.83**	$	35.51
Dividend yield		**4.2 %**		4.1%
Annual risk-free interest rate		**2.2 %**		1.1%
Expected share price volatility		**24.1 %**		25.2%

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

	July 31, 2022	July 31, 2021
Dividend yield	**4.3 %**	4.0 %
Annual risk-free interest rate	**2.9 %**	0.5 %
Expected share price volatility	**18.9% to 24.0%**	15.6% to 37.2%

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. SHARE-BASED COMPENSATION (continued)

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, 2022	July 31, 2021	**July 31, 2022**	July 31, 2021
Outstanding options, beginning of period	**589,588**	815,272	**1,274,837**	1,237,366
Granted	**—**	—	**223,283**	286,085
Exercised	**(268,274)**	(96,510)	**(98,782)**	(32,383)
Forfeited or cancelled	**—**	—	**—**	(127,204)
Outstanding options, end of period	**321,314**	718,762	**1,399,338**	1,363,864
Exercisable at end of period	**318,548**	578,612	**659,104**	551,061

Weighted-average exercise price	**Declining Strike Price Options**		**Standard Options**	
	July 31, 2022	July 31, 2021	**July 31, 2022**	July 31, 2021
Outstanding options, beginning of period	**$ 31.06**	$ 30.15	**$ 30.13**	$ 28.51
Granted	**—**	—	**35.83**	35.49
Exercised	**28.27**	25.32	**27.86**	28.14
Forfeited or cancelled	**—**	—	**—**	30.88
Outstanding options, end of period	**$ 31.53**	$ 30.68	**$ 31.20**	$ 29.76
Exercisable at end of period	**$ 27.46**	$ 26.72	**$ 29.19**	$ 28.27

Options outstanding at July 31, 2022 have an exercise price range of $24.21 to $35.83 and a weighted-average remaining contractual life of 4.2 years.

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, 2022 are $339 (three months ended July 31, 2021 – $1,000) and for the six months ended July 31, 2022 are $842 (six months ended July 31, 2021 – $1,858) . The total number of DDSUs outstanding at July 31, 2022 is 317,897 (July 31, 2021 – 332,531). There were 18,743 DDSUs exercised in cash during the period ended July 31, 2022 (July 31, 2021 - 8,521).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. SHARE-BASED COMPENSATION (continued)

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, 2022 are a recovery of $16 (three months ended July 31, 2021 – expense of $25) and for six months ended July 31, 2022 an expense of $1 (six months ended July 31, 2021 - expense of $80).

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, 2022 are $190 (three months ended July 31, 2021 – $145) and for the six months ended July 31, 2022 are $625 (six months ended July 31, 2021 - $664).

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, 2022 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, 2022	Three Months Ended July 31, 2021	**Six Months Ended July 31, 2022**	Six Months Ended July 31, 2021
Employee costs (Note 11)	**$ 80,286**	$ 80,994	**$ 159,403**	$ 165,062
Amortization	**24,349**	22,638	**47,863**	44,995
Operating lease rentals	**1,813**	1,235	**3,157**	2,759
Gain on partial insurance settlement (1)	**—**	—	**—**	(8,632)

(1) The Company recorded a gain due to the partial settlement of an insurance claim for the period ended July 31, 2021. This gain was due to the difference between the replacement cost of the assets destroyed and their net book values.

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, 2022. 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	$ 61,215	$ 61,215
Accounts receivable	Short-term	108,788	108,788
Promissory note receivable	Long-term	25,847	25,847
Other financial assets	Long-term	1,428	1,428
Accounts payable and accrued liabilities	Short-term	(194,594)	(194,594)
Current portion of long-term debt	Short-term	(256)	(256)
Long-term debt	Long-term	(293,932)	(279,462)

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 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.
- The carrying value of the promissory note receivable is a reasonable approximation of fair value. The fair value when recognized was estimated by calculating the present value of the future expected cash flows using an effective interest rate derived from comparable debt issuances.

19. POST-EMPLOYMENT BENEFITS

A remeasurement of the defined benefit pension plan assets and liabilities was performed and an actuarial gain of $9,513, net of tax was recorded for the three months ended April 30, 2022 (three months ended April 30, 2021 - $10,373) in other comprehensive income, which was recognized immediately in retained earnings. This actuarial gain was primarily due to a change in the discount rate used to measure the defined benefit obligation partially offset by lower than expected investment returns. The discount rate used to determine the benefit obligation for the defined benefit pension plan was 4.60% (January 31, 2022 - 3.43%).

There were no further actuarial remeasurements during the three months ended July 31, 2022 and July 31, 2021.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20. SUBSEQUENT EVENTS

Dividends

On September 7, 2022, the Board of Directors declared a dividend of $0.38 per share payable October 14, 2022 to shareholders of record on September 30, 2022.