THE NORTH WEST COMPANY INC.

Report to Shareholders

Quarterly Period Ended April 30, 2023

2023 FIRST QUARTER REPORT TO SHAREHOLDERS

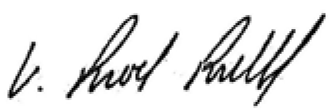
Report to Shareholders

The North West Company Inc. reports its results for the first quarter ended April 30, 2023. Sales increased 7.5% to $593.6 million as a result of sales gains in Canadian Operations and the impact of foreign exchange on the translation of International Operations sales. Excluding the foreign exchange impact, sales increased 5.1% compared to last year and were up 0.9%[1] on a same store basis.

First quarter net earnings decreased to $22.2 million compared to $28.2 million last year and net earnings attributable to shareholders were $20.9 million or $0.43 per share compared to $0.57 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 $5.1 million or 16.4% 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 sales blend, an increase in markdowns on general merchandise and cost inflation that was not fully passed through in retail prices combined with higher expenses.

The Board of Directors has approved a quarterly dividend of $0.38 per share, to shareholders of record on June 30, 2023.

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 2023 first quarter unaudited interim period condensed consolidated financial statements for the period ended April 30, 2023 ("Interim Condensed Consolidated Financial Statements") and the audited annual consolidated financial statements and accompanying notes included in the 2022 Annual Report.

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

First Quarter Highlights

CONSOLIDATED RESULTS FIRST QUARTER

Key Performance Indicators and Selected First Quarter Information:

($ in thousands, except per share)	Three Months Ended April 30, 2023	April 30, 2022
Sales	**$ 593,564**	$ 552,016
Same store sales %[1]		
Food	**2.2 %**	2.5 %
General Merchandise	**(6.8)%**	(16.1)%
Total	**0.9 %**	(0.7)%
Gross profit	**$ 184,929**	$ 176,040
Selling, operating and administrative expenses	**151,161**	134,609
EBITDA[2]	**58,952**	64,945
Earnings from operations (EBIT)	**33,768**	41,431
Interest expense	**4,492**	3,023
Income taxes	**7,079**	10,247
Net earnings	**22,197**	28,161
Net earnings attributable to shareholders of the Company	**20,894**	27,380
Net earnings per share - basic	**0.44**	0.57
Net earnings per share - diluted	**0.43**	0.57

Sales First quarter consolidated sales increased 7.5% to $593.6 million led by sales gains in Canadian Operations and the impact of foreign exchange on the translation of International Operations sales. An increase in airline revenue in Canadian Operations and the impact of new stores were also factors. The exchange rate used for the translation of International Operations sales increased to 1.3545 compared to 1.2664 last year. Excluding the foreign exchange impact, consolidated sales increased 5.1%, with food sales increasing 3.4% and general merchandise sales decreasing 4.5% compared to last year. Similar to previous quarters, the impact of higher merchandise and freight cost inflation continued to result in changes in product sales blend as consumers allocated more of their spending to food and reduced purchases of general merchandise, although to a lesser extent than the first quarter last year. On a same store basis, sales increased 0.9%[1] compared to the first quarter last year, as a 2.2% increase in food same store sales more than offset a 6.8% decrease in general merchandise same store sales.

Gross Profit Gross profit increased 5.0% as sales gains were partially offset by a 73 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.

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") increased $16.6 million or 12.3% compared to last year and were up 109 basis points as a percentage to sales. The increase in Expenses is mainly due to cost inflation impacts including higher staff costs and fuel-based utility expenses, the impact of foreign exchange on the translation of International Operations Expenses and new store expenses. An increase in share-based compensation primarily due to mark-to-market adjustments resulting from changes in the Company's share price was also a factor. Further information on share-based compensation is provided in Note 14 to the Interim Condensed Consolidated Financial Statements. These factors were partially offset by the impact of $0.9 million in COVID-19-related costs last year.

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

Earnings From Operations Earnings from operations (EBIT) decreased to $33.8 million compared to $41.4 million last year and earnings before interest, income taxes, depreciation and amortization ("EBITDA[2]") decreased to $59.0 million compared to $64.9 million last year due to the gross profit and Expense factors previously noted. Adjusted EBITDA[2], which excludes share-based compensation costs, decreased $4.9 million compared to last year and as a percentage to sales was 10.7% compared to 12.4% last year.

Interest Expense Interest expense increased to $4.5 million compared to $3.0 million last year mainly due to higher borrowing costs. 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 $7.1 million compared to $10.2 million last year due to lower earnings and the impact of a decrease in the consolidated effective tax rate to 24.2% compared to 26.7% last year.

Net Earnings Net earnings decreased to $22.2 million compared to $28.2 million last year. Net earnings attributable to shareholders were $20.9 million and diluted earnings per share were $0.43 per share compared to $0.57 per share last year. Adjusted net earnings[2], which excludes the after-tax impact of the share-based compensation costs, decreased $5.1 million compared to the COVID-19-related driven earnings last year due to the gross profit, Expense and interest factors previously noted, net of a lower effective tax rate.

Comprehensive Income Comprehensive income decreased to $25.2 million compared to $39.5 million last year due to a decrease in net earnings of $6.0 million and the impact of a $9.5 million net actuarial gain on the remeasurement of defined benefit pension plan assets and liabilities last year, partially offset by an increase of $1.2 million in the foreign exchange impact on the translation of International Operations. Further information on defined benefit pension plan obligations is provided in Note 19 to the Interim Condensed Consolidated Financial Statements.

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

CANADIAN OPERATIONS FIRST QUARTER

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

Key Performance Indicators:

	Three Months Ended	
($ in thousands)	**April 30, 2023**	April 30, 2022
Sales	**$ 341,718**	$ 315,291
Same store sales %		
Food	**3.4 %**	(1.0)%
General Merchandise	**(3.4)%**	(16.5)%
Total	**2.2 %**	(4.2)%
EBITDA(2)	**$ 38,673**	$ 43,493
Earnings from operations (EBIT)	**22,079**	27,581

Sales Canadian Operations sales increased 8.4% to $341.7 million compared to $315.3 million in the first quarter last year and were up 2.2% on a same store basis primarily due to higher inflation, an increase in airline revenue and the impact of new stores. Food sales increased 5.3% and were up 3.4% on a same store basis but general merchandise sales decreased 0.6% and were down 3.4% on a same store basis compared to last year due to the previously noted inflation-related shift in consumer spending from general merchandise to food. The increase in airline revenue was largely related to higher third party cargo volumes and higher passenger revenues compared to last year.

Gross Profit Gross profit increased 2.5% as sales gains were partially offset by a decrease in gross profit rate primarily related to changes in sales blend as previously noted, the impact of higher freight and merchandise cost inflation that was not fully passed through in retail prices and an increase in markdowns compared to last year due to lower sell-through of general merchandise.

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") increased 9.9% and were up 38 basis points as a percentage to sales compared to last year mainly due to cost inflation impacts including higher staff costs and fuel-based utility expenses. These factors were partially offset by the impact of COVID-19-related expenses last year.

Earnings From Operations Earnings from operations (EBIT) decreased $5.5 million or 19.9% to $22.1 million compared to $27.6 million last year and EBITDA[2] decreased to $38.7 million compared to $43.5 million last year due to the impact of the sales, gross profit and Expense factors previously noted. These factors were partially offset by higher earnings in North Star Air from third party cargo and improved passenger volumes. Adjusted EBITDA[2], which excludes the impact of share-based compensation costs, decreased $3.9 million compared to last year.

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

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

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

Key Performance Indicators:

	Three Months Ended	
($ in thousands)	**April 30, 2023**	April 30, 2022
Sales	**$ 185,932**	$ 186,928
Same store sales % increase		
Food	**0.6 %**	7.2 %
General Merchandise	**(16.5)%**	(15.2)%
Total	**(0.9)%**	4.7 %
EBITDA[(2)]	**$ 14,972**	$ 16,939
Earnings from operations (EBIT)	**8,630**	10,937

Sales International Operations sales decreased 0.5% to $185.9 million compared to $186.9 million in the first quarter last year as the impact of new stores in Alaska was more than offset by lower same store sales and the impact of the closure of a Cost-U-Less store in Curacao, Netherlands early in the first quarter this year. Same store sales decreased 0.9% compared to a 4.7% same store sales gain last year that was positively impacted by COVID-19-related income support payments, including an increase in Supplemental Nutrition Assistance Program ("SNAP") benefits within Alaska and the U.S. Territories served by Cost-U-Less. Food sales increased 0.9% and were up 0.6% on a same store basis compared to last year but general merchandise sales decreased 15.5% and were down 16.5% 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 increased 2.3% compared to last year due to an increase in the gross profit rate largely related to a higher pass through of freight and merchandise cost inflation in retail prices compared to last year.

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") increased 8.6% compared to last year mainly due to inflationary cost pressures, including higher staff costs and fuel-based utility costs.

Earnings From Operations Earnings from operations (EBIT) decreased $2.3 million or 21.1% to $8.6 million compared to $10.9 million in the first quarter last year and EBITDA[2] decreased 11.6% to $15.0 million compared to $16.9 million last year due to the sales, gross profit and Expense factors previously noted.

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

FINANCIAL CONDITION

Financial Ratios

The Company's debt-to-equity ratio at the end of the first quarter was 0.52:1 compared to 0.47:1 last year.

Working capital increased $73.3 million compared to last year substantially due to an increase in inventories and accounts receivable, partially offset by higher accounts payable. The impact of foreign exchange on the translation of the International Operations balance sheet was also a large factor contributing to the increase in working capital as the exchange rate at April 30, 2023 was 1.3544 compared to 1.2855 at April 30, 2022. The $38.1 million increase in inventories is mainly due to the impact of higher cost inflation, particularly on the re-supply of winter road inventory, and an increase in general merchandise inventories in Canadian Operations. The increase in general merchandise inventories in Canadian Operations is largely in categories such as transportation, specifically snow machines, ATV's, boats and motors, and home furnishings and appliances that were impacted by supply chain disruptions last year. Higher inventories in other categories such as apparel and seasonal categories were also a factor but to a lesser extent. The increase in accounts receivable and accounts payable is mainly related to the timing of payments.

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 5, 2023 Management Information Circular which is available on the Company's website at *www.northwest.ca* or on SEDAR at *www.sedar.com*.

At April 30, 2023, there were 15,419,825 Variable Voting Shares, representing 32.2% 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 47,768,000 shares compared to 47,902,000 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 48,510,000 shares compared to 48,376,000 shares last year. The increase in fully diluted shares outstanding compared to last year is substantially due to 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, 2022, 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 4,740,895 which is approximately 10% of the Company's public float at October 31, 2022. 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 three months ended April 30, 2023, the Company did not purchase any common shares. During the three months ended April 30, 2022 the Company purchased 5,300 common shares for cash consideration of $0.2 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 April 30, 2023**	Three Months Ended April 30, 2022	Change
Cash flows from (used in):			
Operating activities	**$ 9,461**	$ 40	$ 9,421
Investing activities	**(13,128)**	(12,945)	(183)
Financing activities	**23,262**	21,719	1,543
Effect of changes in foreign exchange rates on cash	**483**	309	174
Net change in cash	**$ 20,078**	$ 9,123	$ 10,955

Operating Activities Cash from operating activities in the quarter increased $9.4 million compared to the first quarter last year substantially due to the change in non-cash working capital compared to last year. The $13.0 million change in non-cash working capital is primarily related to the change in inventories, accounts receivable and accounts payable compared to the prior year.

Investing Activities Cash used in investing activities in the quarter was $13.1 million compared to $12.9 million last year. The purchase of property and equipment in the quarter included investments in stores, fixtures and equipment. Further information on planned capital expenditures is included in the Outlook section.

Financing Activities Cash from financing activities in the quarter increased to $23.3 million compared to $21.7 million last year largely due to changes in long-term debt related to amounts drawn on revolving loan facilities. 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

Canadian Operations have $400.0 million in committed, revolving loan facilities that bear a floating rate of interest based on Bankers Acceptances rates plus a stamping fee or the Canadian prime interest rate. At April 30, 2023, the Company had drawn $135.5 million on these facilities (April 30, 2022 - $76.9 million). The Canadian Operations also have committed, revolving loan facilities of US$52.0 million that bear interest at U.S. LIBOR or an alternative reference rate plus a spread. At April 30, 2023, the Company had drawn US$NIL on these facilities (April 30, 2022 - 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.

International Operations have a US$50.0 million committed, revolving loan facility which matures January 25, 2028. This loan facility bears a floating rate of interest based on SOFR plus a spread and is secured by certain accounts receivable and inventories of the International Operations. At April 30, 2023, the Company had drawn US$8.1 million on these facilities (April 30, 2022 - US$11.1 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 April 30, 2023, lease liabilities reflect a weighted-average risk-free rate of 3.8% (April 30, 2022 – 3.6%) and weighted-average remaining lease term of 9.6 years (April 30, 2022 – 9.4 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, a leverage test and a minimum net worth test. At April 30, 2023, 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 2023.

SHAREHOLDER DIVIDENDS

The Board of Directors declared a quarterly dividend of $0.38 per share, to shareholders of record on June 30, 2023, to be paid on July 14, 2023.

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 store acquired in Arviat, Nunavut offering motorsports, furniture, appliances and other general merchandise opened on February 1, 2023.
- A QuickStop convenience store was opened in Taloyoak, Nunavut on Feburary 6, 2023.
- The Company acquired Nickel City Motors, a full-service motorsports dealer, located in Thompson, Manitoba on April 17, 2023.
- A store was acquired in Point Hope, Alaska on April 17, 2023.

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 strives to deliver sustainable, total returns through earnings growth and dividends with a commitment to disciplined capital allocation, cash flow optimization and downside risk management. These priorities are integrated within our three-year business plan which includes the following:

1. Striving for operational excellence in all facets of our business with a priority on ensuring in-stock availability on essential products that our customers rely on and reducing costs to help offset the impact of higher cost inflation and provide value to our customers;
2. Investing to grow our business through store openings in new and existing markets, store renovations, expanded product categories and services, including pursuing wholesale and B-to-B opportunities, consistent with our core capability as an essential everyday products and service provider in remote markets;
3. Building a superior logistics and supply chain capability with an ongoing focus on optimizing our transportation mix and air cargo capability to provide faster, more reliable and lower cost service to our stores and customers in remote markets;
4. Optimizing our IT infrastructure including the implementation of next generation information technology for our stores and support offices that deliver efficiencies and more streamlined processes and drive improvements in category management, pricing, data analytics and inventory management; and
5. Delivering on the priorities aligned within our Environmental, Social and Governance ("ESG") framework including 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 and that we are responsible towards communities and other stakeholder interests.

Further information on the Company's strategy is provided in the 2022 Annual Report.

OUTLOOK

The Company expects to begin comparing to more normalized post-COVID impacted earnings in the second quarter however, the near-term outlook continues to be influenced by inflationary cost pressures and there is uncertainty related to the economy and the impact of inflation and labour shortages. The impact of inflation may contribute to higher sales but may also result in changes in sales blend and 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 and countries that do not have strong government income support programs for individuals is difficult to forecast however, the resiliency of the Company's essential everyday product and service offering is expected to help mitigate some of this uncertainty.

In the second quarter, the Company expects to record a pre-tax expense in the range of $4 million for the write-off of assets as a result of the wild fire that destroyed the Company's store in Fox Lake, Alberta. Capital expenditures, net of expected proceeds from the promissory note receivable are expected to be in the $125 million range in 2023 compared to $106.8 million, net of $9.8 million in proceeds from the promissory note receivable in 2022. The timing and amount of store-based capital expenditures in 2023 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.

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 value offer and the upside expected from enhancing our core capabilities to deliver operational excellence and sustainable earnings growth aligned with our strategic priorities.

RISK FACTORS AND ENTERPRISE RISK MANAGEMENT

Information on risk factors inherent within the business and enterprise risk management are included in the Company's 2022 Annual Report and 2022 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

($ in millions, except per share)	First Quarter 89 days 2023	First Quarter 89 days 2022	Fourth Quarter 92 days 2022	Fourth Quarter 92 days 2021	Third Quarter 92 days 2022	Third Quarter 92 days 2021	Second Quarter 92 days 2022	Second Quarter 92 days 2021
Sales	**$ 593.6**	$ 552.0	$ 635.2	$ 579.0	$ 586.7	$ 553.7	$ 578.9	$ 565.1
EBITDA(1)	**59.0**	64.9	73.5	73.0	69.8	78.6	70.4	81.1
Earnings from operations	**33.8**	41.4	47.8	49.6	45.0	56.1	46.1	58.5
Net earnings	**22.2**	28.2	35.1	35.6	30.2	39.2	32.4	42.4
Net earnings attributable to shareholders of the Company	**20.9**	27.4	33.9	34.6	29.5	38.7	31.4	41.9
Net earnings per share:								
Basic	**0.44**	0.57	0.71	0.72	0.61	0.81	0.66	0.86
Diluted	**0.43**	0.57	0.69	0.71	0.61	0.79	0.64	0.86
Adjusted EBITDA(1)	**63.8**	68.7	77.3	67.1	73.2	78.2	72.6	84.1
Adjusted net earnings(1)	**26.1**	31.2	38.1	32.3	32.8	38.4	34.0	44.7

(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 April 30, 2023 that have materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting.

ACCOUNTING STANDARDS AND AMENDMENTS

The significant accounting policies are set out in the Company's 2022 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.

In September 2022, the IASB issued amendments to IFRS 16, *Leases* (IFRS 16) related to sale leaseback transactions for lessees. The amendments require that subsequent remeasurement of the lease liability does not result in a gain or loss that relates to the right of use asset the lessee retains. The amendments are effective for periods beginning on or after January 1, 2024, with early adoption permitted.

The Company does not expect adoption of this standard to have a material impact on the Company's consolidated financial statements.

There are no further IFRS or IFRIC interpretations that are either newly effective or 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 First Quarter	
($ in thousands)	**2023**	2022
Earnings from operations (EBIT)	**$ 33,768**	$ 41,431
Add: Amortization	**25,184**	23,514
EBITDA	**$ 58,952**	$ 64,945
Adjusted for:		
Share-based compensation expense(1)	**4,834**	3,737
Adjusted EBITDA	**$ 63,786**	$ 68,682

	Canada First Quarter	
($ in thousands)	**2023**	2022
Earnings from operations (EBIT)	**$ 22,079**	$ 27,581
Add: Amortization	**16,594**	15,912
EBITDA	**$ 38,673**	$ 43,493
Adjusted for:		
Share-based compensation expense(1)	**4,209**	3,283
Adjusted EBITDA	**$ 42,882**	$ 46,776

	International (Stated in U.S. dollars) First Quarter	
($ in thousands)	**2023**	2022
Earnings from operations (EBIT)	**$ 8,630**	$ 10,937
Add: Amortization	**6,342**	6,002
EBITDA	**$ 14,972**	$ 16,939
Adjusted for:		
Share-based compensation expense(1)	**459**	359
Adjusted EBITDA	**$ 15,431**	$ 17,298

(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:

($ in thousands)	Consolidated First Quarter **2023**	2022
Net earnings	**$ 22,197**	$ 28,161
Adjusted for:		
Share-based compensation expense, net of tax	**3,860**	3,000
Adjusted net earnings	**$ 26,057**	$ 31,161

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 June 6, 2023.

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), ongoing business strategies or prospects, the Company's intentions regarding a normal course issuer bid, the potential impact of a 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, 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 2022 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)	**April 30, 2023**	April 30, 2022	January 31, 2023
CURRENT ASSETS			
Cash	**$ 78,887**	$ 58,549	$ 58,809
Accounts receivable (Note 5)	**116,673**	93,699	113,798
Inventories (Note 6)	**304,218**	266,083	293,835
Prepaid expenses	**18,413**	17,001	8,402
	518,191	435,332	474,844
NON-CURRENT ASSETS			
Property and equipment	**601,210**	551,812	606,310
Right-of-use assets	**102,628**	99,220	102,632
Promissory note receivable	**26,523**	40,555	26,299
Goodwill	**50,908**	48,879	50,431
Intangible assets	**31,290**	32,940	30,694
Deferred tax assets	**23,021**	20,163	21,707
Other assets	**22,812**	16,335	23,973
	858,392	809,904	862,046
TOTAL ASSETS	**$ 1,376,583**	$ 1,245,236	$ 1,336,890
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	**$ 209,452**	$ 192,634	$ 225,481
Current portion of long-term debt (Note 9)	**271**	1,157	268
Current portion of lease liabilities (Note 10)	**18,724**	18,334	18,644
Income tax payable (Note 13)	**3,681**	10,478	4,213
	232,128	222,603	248,606
NON-CURRENT LIABILITIES			
Long-term debt (Note 9)	**341,386**	281,417	289,782
Lease liabilities (Note 10)	**93,715**	93,988	93,833
Defined benefit plan obligation (Note 19)	**18,232**	8,714	18,232
Deferred tax liabilities	**13,944**	14,277	14,311
Other long-term liabilities	**21,239**	23,173	24,226
	488,516	421,569	440,384
TOTAL LIABILITIES	**720,644**	644,172	688,990
SHAREHOLDERS' EQUITY			
Share capital (Note 7)	**177,629**	176,730	176,091
Contributed surplus	**12,447**	8,152	13,017
Retained earnings	**409,924**	374,637	407,182
Accumulated other comprehensive income	**35,730**	24,017	32,931
Equity attributable to The North West Company Inc.	**635,730**	583,536	629,221
Non-controlling interests	**20,209**	17,528	18,679
TOTAL EQUITY	**655,939**	601,064	647,900
TOTAL LIABILITIES & EQUITY	**$ 1,376,583**	$ 1,245,236	$ 1,336,890

See accompanying notes to unaudited condensed consolidated financial statements.

Consolidated Statements of Earnings

(unaudited, $ in thousands, except per share amounts)		**Three Months Ended April 30, 2023**		Three Months Ended April 30, 2022
SALES	**$**	**593,564**	$	552,016
Cost of sales		**(408,635)**		(375,976)
Gross profit		**184,929**		176,040
Selling, operating and administrative expenses (Notes 11, 17)		**(151,161)**		(134,609)
Earnings from operations		**33,768**		41,431
Interest expense (Note 12)		**(4,492)**		(3,023)
Earnings before income taxes		**29,276**		38,408
Income taxes (Note 13)		**(7,079)**		(10,247)
NET EARNINGS FOR THE PERIOD	**$**	**22,197**	$	28,161
NET EARNINGS ATTRIBUTABLE TO				
The North West Company Inc.	**$**	**20,894**	$	27,380
Non-controlling interests		**1,303**		781
TOTAL NET EARNINGS	**$**	**22,197**	$	28,161
NET EARNINGS PER SHARE				
Basic	**$**	**0.44**	$	0.57
Diluted	**$**	**0.43**	$	0.57
WEIGHTED-AVERAGE NUMBER OF SHARES OUTSTANDING (000's)				
Basic		**47,768**		47,902
Diluted		**48,510**		48,376

See accompanying notes to unaudited condensed consolidated financial statements.

Consolidated Statements of Comprehensive Income

(unaudited, $ in thousands)		**Three Months Ended April 30, 2023**		Three Months Ended April 30, 2022
NET EARNINGS FOR THE PERIOD	**$**	**22,197**	$	28,161
Other comprehensive income, net of tax:				
Items that may be reclassified to net earnings:				
Exchange differences on translation of foreign controlled subsidiaries		**3,026**		1,845
Items that will not be subsequently reclassified to net earnings:				
Remeasurements of defined benefit plans (Note 19)		**—**		9,513
Total other comprehensive income, net of tax		**3,026**		11,358
COMPREHENSIVE INCOME FOR THE PERIOD	**$**	**25,223**	$	39,519
OTHER COMPREHENSIVE INCOME ATTRIBUTABLE TO				
The North West Company Inc.	**$**	**2,799**	$	11,180
Non-controlling interests		**227**		178
TOTAL OTHER COMPREHENSIVE INCOME	**$**	**3,026**	$	11,358
COMPREHENSIVE INCOME ATTRIBUTABLE TO				
The North West Company Inc.	**$**	**23,693**	$	38,560
Non-controlling interests		**1,530**		959
TOTAL COMPREHENSIVE INCOME	**$**	**25,223**	$	39,519

See accompanying notes to unaudited 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, 2023	$ 176,091	$ 13,017	$ 407,182	$ 32,931	$ 629,221	$ 18,679	$ 647,900
Net earnings for the period	—	—	20,894	—	20,894	1,303	22,197
Other comprehensive income	—	—	—	2,799	2,799	227	3,026
Comprehensive income	—	—	20,894	2,799	23,693	1,530	25,223
Equity settled share-based payments, net of tax	218	74	—	—	292	—	292
Dividends (Note 8)	—	—	(18,152)	—	(18,152)	—	(18,152)
Issuance of shares (Note 7)	1,320	(644)	—	—	676	—	676
	1,538	(570)	(18,152)	—	(17,184)	—	(17,184)
Balance at April 30, 2023	**$ 177,629**	**$ 12,447**	**$ 409,924**	**$ 35,730**	**$ 635,730**	**$ 20,209**	**$ 655,939**
Balance at January 31, 2022	$ 173,081	$ 12,530	$ 355,674	$ 22,350	$ 563,635	$ 16,569	$ 580,204
Net earnings for the period	—	—	27,380	—	27,380	781	28,161
Other comprehensive income	—	—	9,513	1,667	11,180	178	11,358
Comprehensive income	—	—	36,893	1,667	38,560	959	39,519
Shares Purchased and cancelled (Note 7)	(19)	—	(181)	—	(200)	—	(200)
Equity settled share-based payments, net of tax	(233)	(2,320)	—	—	(2,553)	—	(2,553)
Dividends (Note 8)	—	—	(17,749)	—	(17,749)	—	(17,749)
Issuance of shares (Note 7)	3,901	(2,058)	—	—	1,843	—	1,843
	3,649	(4,378)	(17,930)	—	(18,659)	—	(18,659)
Balance at April 30, 2022	$ 176,730	$ 8,152	$ 374,637	$ 24,017	$ 583,536	$ 17,528	$ 601,064

(1) Accumulated Other Comprehensive Income

See accompanying notes to unaudited condensed consolidated financial statements.

Consolidated Statements of Cash Flows

(unaudited, $ in thousands)	**Three Months Ended April 30, 2023**	Three Months Ended April 30, 2022
CASH FROM (USED IN):		
Operating activities		
Net earnings for the period	**$ 22,197**	$ 28,161
Adjustments for:		
Amortization (Note 17)	**25,184**	23,514
Provision for income taxes (Note 13)	**7,079**	10,247
Interest expense (Note 12)	**4,492**	3,023
Equity settled share-based compensation, net of tax (Note 14)	**292**	(2,553)
Taxes paid	**(9,196)**	(10,680)
Loss on disposal of property and equipment	**9**	13
	50,057	51,725
Change in non-cash working capital	**(37,980)**	(50,976)
Change in other non-cash items	**(2,616)**	(709)
Cash from operating activities	**9,461**	40
Investing activities		
Purchase of property and equipment	**(10,283)**	(11,944)
Intangible asset additions	**(2,938)**	(1,002)
Proceeds from disposal of property and equipment	**93**	1
Cash used in investing activities	**(13,128)**	(12,945)
Financing activities		
Net increase in long-term debt (Note 9)	**50,419**	45,746
Payment of lease liabilities, principal	**(4,820)**	(4,618)
Payment of lease liabilities, interest	**(1,088)**	(1,016)
Dividends (Note 8)	**(18,152)**	(17,749)
Interest paid	**(3,773)**	(2,287)
Net issuance of common shares	**676**	1,843
Common shares purchased and cancelled (Note 7)	**—**	(200)
Cash from financing activities	**23,262**	21,719
Effect of foreign exchange rates on cash	**483**	309
NET CHANGE IN CASH	**20,078**	9,123
Cash, beginning of period	**58,809**	49,426
CASH, END OF PERIOD	**$ 78,887**	$ 58,549

See accompanying notes to unaudited 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 June 6, 2023.

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 2022 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 2022 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 2022 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.

Standards and Amendments In September 2022, the IASB issued amendments to IFRS 16, *Leases* (IFRS 16) related to sale leaseback transactions for lessees. The amendments require that subsequent remeasurement of the lease liability does not result in a gain or loss that relates to the right of use asset the lessee retains. The amendments are effective for periods beginning on or after January 1, 2024, with early adoption permitted.

The Company does not expect adoption of this standard to have a material impact on the Company's consolidated financial statements.

There are no further IFRS or IFRIC interpretations that are either newly effective or 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 April 30, 2023	Three Months Ended April 30, 2022
Sales		
Canada		
Food	**$ 228,681**	$ 217,189
General merchandise and other	**113,037**	98,102
Canada	**$ 341,718**	$ 315,291
International		
Food	**$ 231,708**	$ 214,648
General merchandise and other	**20,138**	22,077
International	**$ 251,846**	$ 236,725
Consolidated	**$ 593,564**	$ 552,016
Earnings before amortization, interest and income taxes		
Canada	**$ 38,673**	$ 43,493
International	**20,279**	21,452
Consolidated	**$ 58,952**	$ 64,945
Earnings from operations		
Canada	**$ 22,079**	$ 27,581
International	**11,689**	13,850
Consolidated	**$ 33,768**	$ 41,431

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENTED INFORMATION (continued)

Supplemental information

	April 30, 2023	April 30, 2022	January 31, 2023
Assets			
Canada (1)	**$ 863,848**	$ 781,863	$ 841,543
International (1)	**512,735**	463,373	495,347
Consolidated	**$ 1,376,583**	$ 1,245,236	$ 1,336,890

(1) Canadian total assets includes goodwill of $11,025 (April 30, 2022 – $11,025; January 31, 2023 – $11,025); International total assets includes goodwill of $39,883 (April 30, 2022 – $37,854; January 31, 2023 – $39,406).

	Three Months Ended April 30, 2023		Three Months Ended April 30, 2022	
	Canada	**International**	Canada	International
Purchase of property and equipment	**$ 7,364**	**$ 2,919**	$ 8,861	$ 3,083
Amortization	**$ 16,594**	**$ 8,590**	$ 15,912	$ 7,602

5. ACCOUNTS RECEIVABLE

	April 30, 2023	April 30, 2022	January 31, 2023
Trade accounts receivable	**$ 88,891**	$ 77,623	$ 92,573
Corporate and other accounts receivable	**39,329**	27,261	32,610
Less: allowance for doubtful accounts	**(11,547)**	(11,185)	(11,385)
Total	**$ 116,673**	$ 93,699	$ 113,798

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 April 30, 2023, the Company recorded $1,258 (three months ended April 30, 2022 – $1,799) 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 three months ended April 30, 2023 or 2022.

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.

April 30, 2023	**Shares**	**Consideration**
Balance at January 31, 2023	**47,750,605**	**$ 176,323**
Issued under share-based compensation plans (Note 14)	**77,054**	**1,320**
Balance at April 30, 2023	**47,827,659**	**$ 177,643**
Shares held in trust, January 31, 2023	**(65,522)**	**$ (232)**
Purchased for future settlement of PSUs	**(35,000)**	**(124)**
Released for settlement of PSUs (Note 14)	**95,036**	**342**
Shares held in trust, April 30, 2023	**(5,486)**	**$ (14)**
Issued and outstanding, net of shares held in trust, April 30, 2023[2]	**47,822,173**	**$ 177,629**

April 30, 2022		
Balance at January 31, 2022	47,878,650	$ 173,110
Purchased and cancelled [1]	(5,300)	(19)
Issued under share-based compensation plans (Note 14)	97,955	3,872
Balance at April 30, 2022	47,971,305	$ 176,963
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, April 30, 2022	(65,522)	$ (233)
Issued and outstanding, net of shares held in trust, April 30, 2022	47,905,783	$ 176,730

(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 April 30, 2023 there were 15,419,825 Variable Voting Shares representing 32.2% of the total shares issued and outstanding.

Normal Course Issuer Bid

On November 10, 2022, 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 4,740,895 of its shares, or approximately 10% of its float for cancellation over the following 12 months. During the three months ended April 30, 2023, the Company purchased no common shares. During the three months ended April 30, 2022, the Company purchased 5,300 common shares having a book value of $19 for cash consideration of $200. The excess of the purchase price over the book value of the shares of $181 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. DIVIDENDS

		Three Months Ended April 30, 2023		Three Months Ended April 30, 2022
Dividends recorded in equity and paid in cash	**$**	**18,152**	$	17,749
Dividends per share	**$**	**0.38**	$	0.37

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

		April 30, 2023		April 30, 2022		January 31, 2023
Current:						
Promissory notes payable [6]		**271**		1,157		268
Non-current:						
Revolving loan facility [1]	**$**	**10,951**	$	14,209	$	—
Revolving loan facilities [2]		**—**		—		—
Revolving loan facilities [3]		**135,540**		76,922		96,032
Senior notes [4]		**94,624**		89,772		93,483
Senior notes [5]		**100,000**		100,000		100,000
Promissory notes payable [6]		**271**		514		267
	$	**341,386**	$	281,417	$	289,782
Total	**$**	**341,657**	$	282,574	$	290,050

(1) The committed, revolving U.S. loan facility provides the International Operations with up to US$50,000 (April 30, 2022 – US$40,000) for working capital requirements and general business purposes. This facility matures January 25, 2028, bears a floating rate of interest based on SOFR plus a spread and is secured by certain accounts receivable and inventories of the International Operations. As at April 30, 2023, the International Operations had drawn US$8,086 (April 30, 2022 – US$11,053; January 31, 2023 – US$NIL) on this facility.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. LONG-TERM DEBT (continued)

(2) The US$52,000 loan 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 $400,000 Canadian Operations loan facilities. At April 30, 2023, the Company had drawn US$NIL (April 30, 2022 – US$NIL; January 31, 2023 – US$NIL) on these facilities.

(3) These committed, revolving loan facilities provide the Company's Canadian Operations with up to $400,000 for working capital and general business purposes. 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 mature March 1, 2027 and bear a floating interest rate based on Bankers Acceptances rates plus stamping fees or the Canadian prime interest rate.

(4) 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.

(5) 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.

(6) 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 April 30, 2023, lease liabilities reflect a weighted-average risk-free rate of 3.8% (April 30, 2022 – 3.6%; January 31, 2023 - 3.8%) and weighted-average remaining lease term of 9.6 years (April 30, 2022 – 9.4 years; January 31, 2023 – 9.8 years).

11. EMPLOYEE COSTS

	Three Months Ended April 30, 2023	Three Months Ended April 30, 2022
Wages, salaries and benefits including bonus	**$ 81,348**	$ 72,691
Post-employment benefits	**2,451**	2,689
Share-based compensation (Note 14)	**4,834**	3,737

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. INTEREST EXPENSE

	Three Months Ended April 30, 2023	Three Months Ended April 30, 2022
Interest on long-term debt	$ 3,593	$ 2,140
Interest on lease liabilities	1,088	1,016
Net interest on defined benefit plan obligation	133	176
Interest imputed on promissory note receivable	(224)	(272)
Interest capitalized	(98)	(37)
Total	$ 4,492	$ 3,023

13. INCOME TAXES

The estimated effective income tax rate for the three months ended April 30, 2023 is 24.2% (three months ended April 30, 2022 – 26.7%). The Company estimates its effective income tax rate on a weighted-average basis by determining the income tax rate applicable to each taxing jurisdiction and applying it to its pre-tax earnings.

14. SHARE-BASED COMPENSATION

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

The total expense relating to share-based payment plans for the three months ended April 30, 2023 was $4,834 (three months ended April 30, 2022 – $3,737). 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:

	April 30, 2023	April 30, 2022	January 31, 2023
Accounts payable and accrued liabilities	$ 3,944	$ 4,693	$ 4,793
Other long-term liabilities	11,380	12,935	12,552
Contributed surplus	9,924	6,351	11,217
Total	$ 25,248	$ 23,979	$ 28,562

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. SHARE-BASED COMPENSATION (continued)

Performance Share Units

The Company has granted Performance Share Units to officers and senior management. Each PSU entitles the participant to receive 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 April 30, 2023 are $2,010 (three months ended April 30, 2022 – $1,785).

Equity settled PSUs are redeemed with shares transferred from a trust established for this plan or by issuing shares from treasury. There were 193,525 PSUs (three months ended April 30, 2022 – 60,993 PSUs) partially settled by releasing 95,036 shares (three months ended April 30, 2022 – 29,849 shares) from the employee trust. There were no PSUs (three months ended April 30, 2022 – 55,903) partially settled by releasing shares issued from treasury (three months ended April 30, 2022 – 27,748).

The total number of PSUs outstanding at April 30, 2023 that may be settled in treasury shares is 306,016 (April 30, 2022 – 336,153).

Share Option Plan

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

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

The maximum number of shares available for issuance is a fixed number set at 4,354,020, representing 9.1% of the Company's issued and outstanding shares at April 30, 2023. 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 April 30, 2023 are $1,193 (three months ended April 30, 2022 – $997).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. SHARE-BASED COMPENSATION (continued)

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

	April 30, 2023	April 30, 2022
Fair value of options granted	**$ 6.05**	$ 5.19
Exercise price	**$ 39.05**	$ 35.83
Dividend yield	**4.2 %**	4.2%
Annual risk-free interest rate	**2.7 %**	2.2%
Expected share price volatility	**24.6 %**	24.1%

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

	April 30, 2023	April 30, 2022
Dividend yield	**4.2 %**	4.1 %
Annual risk-free interest rate	**3.6% to 3.7%**	2.6 %
Expected share price volatility	**18.1% to 23.2%**	17.5 % to 24.7%

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.

14. SHARE-BASED COMPENSATION (continued)

The following continuity schedules reconcile the movement in outstanding options during the three months ended April 30:

Number of options outstanding	Declining Strike Price Options		Standard Options	
	April 30, 2023	April 30, 2022	**April 30, 2023**	April 30, 2022
Outstanding options, beginning of period	**301,683**	589,588	**1,383,056**	1,274,837
Granted	**—**	—	**211,484**	223,283
Exercised	**(111,214)**	(265,471)	**(213,061)**	(81,380)
Outstanding options, end of period	**190,469**	324,117	**1,381,479**	1,416,740
Exercisable at end of period	**190,469**	186,732	**637,668**	567,123

Weighted-average exercise price	Declining Strike Price Options		Standard Options	
	April 30, 2023	April 30, 2022	**April 30, 2023**	April 30, 2022
Outstanding options, beginning of period	**$ 31.71**	$ 31.06	**$ 31.22**	$ 30.13
Granted	**—**	—	**39.05**	35.83
Exercised	**26.28**	28.26	**28.73**	28.12
Outstanding options, end of period	**$ 32.40**	$ 31.54	**$ 32.80**	$ 31.14
Exercisable at end of period	**$ 27.87**	$ 30.92	**$ 30.43**	$ 29.03

Options outstanding at April 30, 2023 have an exercise price range of $27.77 to $39.05 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 April 30, 2023 are $1,154 (three months ended April 30, 2022 – $503). The total number of DDSUs outstanding at April 30, 2023 is 239,995 (April 30, 2022 – 303,783). There were 25,000 DDSUs exercised in cash during the period ended April 30, 2023 (April 30, 2022 - 11,622).

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 April 30, 2023 are $60 (three months ended April 30, 2022 – $17).

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 April 30, 2023 are $417 (three months ended April 30, 2022 – $435).

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 April 30, 2023 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 April 30, 2023	Three Months Ended April 30, 2022
Employee costs (Note 11)	**$ 88,633**	$ 79,117
Amortization	**25,184**	23,514
Operating lease rentals	**1,364**	1,344

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 April 30, 2023. 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	$ 78,887	$ 78,887
Accounts receivable	Short-term	116,673	116,673
Promissory note receivable	Long-term	26,523	26,523
Other financial assets	Long-term	1,316	1,316
Accounts payable and accrued liabilities	Short-term	(205,508)	(205,508)
Current portion of long-term debt	Short-term	(271)	(271)
Long-term debt	Long-term	(341,386)	(321,936)

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 for the three months ended April 30, 2022 and the Company recorded a net actuarial gain of $9,513, net of tax. This actuarial gain was recorded in other comprehensive income and recognized immediately in retained earnings and 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 4.6%.

There was no actuarial remeasurement during the three months ended April 30, 2023.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20. SUBSEQUENT EVENTS

Dividends

On June 6, 2023, the Board of Directors declared a dividend of $0.38 per share payable July 14, 2023 to shareholders of record on June 30, 2023.