THE NORTH WEST COMPANY INC.

Report to Shareholders

Quarterly Period Ended October 31, 2023

2023 THIRD QUARTER REPORT TO SHAREHOLDERS

Report to Shareholders

The North West Company Inc. reports its results for the third quarter ended October 31, 2023. Sales increased 5.1% to $616.9 million led by same store sales gains in Canadian Operations and the impact of new stores. Excluding the foreign exchange impact, sales increased 4.9% compared to last year and were up 4.6%[1] on a same store basis.

Third quarter net earnings increased 26.1% to $38.0 million compared to $30.2 million last year and net earnings attributable to shareholders were $37.2 million or $0.77 per share compared to $0.61 per share last year on a diluted earnings per share basis as sales gains and an increase in gross profit rate offset higher expenses.

The Board of Directors has approved a quarterly dividend of $0.39 per share to shareholders of record on December 29, 2023.

On behalf of the Board of Directors:

Brock Bulbuck
Chair of the Board

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 third quarter unaudited interim period condensed consolidated financial statements for the period ended October 31, 2023 ("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

Third Quarter Highlights

CONSOLIDATED RESULTS THIRD QUARTER

Key Performance Indicators and Selected Third Quarter Information:

($ in thousands, except per share)	Three Months Ended October 31, 2023	Three Months Ended October 31, 2022
Sales	**$ 616,910**	$ 586,706
Same store sales %(1)		
Food	**4.5 %**	1.5 %
General Merchandise	**4.8 %**	(13.2)%
Total	**4.6 %**	(0.7)%
Gross profit	**$ 205,354**	$ 186,641
Selling, operating and administrative expenses	**149,608**	141,686
EBITDA(2)	**82,977**	69,829
Earnings from operations ("EBIT")	**55,746**	44,955
Interest expense	**5,053**	4,192
Income taxes	**12,655**	10,588
Net earnings	**38,038**	30,175
Net earnings attributable to shareholders of the Company	**37,228**	29,485
Net earnings per share - basic	**0.78**	0.61
Net earnings per share - diluted	**0.77**	0.61

Sales Third quarter consolidated sales increased 5.1% to $616.9 million led by same store sales gains in Canadian Operations. The impact of new stores in Canadian and International Operations and an increase in other sales in Canadian Operations largely related to higher airline revenue were also factors. These factors were partially offset by the loss of our store in Fox Lake, Alberta in the second quarter due to wildfire and the closure of our Cost-U-Less store in Curacao, Netherlands early in the first quarter this year. Excluding the foreign exchange impact, consolidated sales increased 4.9%, with food sales increasing 3.1% and general merchandise and other sales increasing 11.2% compared to last year. On a same store basis, sales increased 4.6%[1] compared to the third quarter last year as a 10.1% increase in same store sales in Canadian Operations more than offset a 2.7% decrease in same store sales in International Operations.

Gross Profit Gross profit increased 10.0% due to sales gains and a 148 basis point increase in gross profit rate compared to last year. The increase in gross profit rate was largely due to changes in sales blend, an increase in the airline gross profit rate in Canadian Operations resulting from higher third party cargo and passenger business, and lower inventory shrink and markdowns compared to last year. A higher pass through of cost inflation in retail prices compared to last year primarily in International Operations and a lower blend of Cost-U-Less sales which have a lower gross profit rate consistent with a discount warehouse format were also factors.

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") increased $7.9 million or 5.6% compared to last year and were up 10 basis points as a percentage to sales. The increase in Expenses is mainly due to cost inflation impacts, new store expenses and an increase in depreciation. Higher share-based compensation costs primarily due to mark-to-market adjustments resulting from changes in the Company's share price and an increase in annual incentive plan costs were also factors. These increases were partially offset by the previously noted Fox Lake and Curacao store closures. Further information on share-based compensation is provided in Note 14 to the Condensed Consolidated Financial Statements.

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

Earnings From Operations Earnings from operations ("EBIT") increased 24.0% to $55.7 million compared to $45.0 million last year and earnings before interest, income taxes, depreciation and amortization ("EBITDA[2]") increased to $83.0 million compared to $69.8 million last year due to the sales, gross profit and Expense factors previously noted. Higher earnings in North Star Air from an increase in third party cargo and passenger volumes and improved aircraft utilization was also a factor. Adjusted EBITDA[2], which excludes share-based compensation costs increased 19.2% to $87.2 million compared to $73.2 million last year and as a percentage to sales was 14.1% compared to 12.5% last year.

Interest Expense Interest expense increased to $5.1 million compared to $4.2 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 increased to $12.7 million compared to $10.6 million last year due to higher earnings partially offset by a lower effective tax rate. The consolidated effective tax rate decreased to 25.0% compared to 26.0% last year mainly due to the blend of earnings across the various tax rate jurisdictions.

Net Earnings Net earnings increased 26.1% to $38.0 million compared to $30.2 million last year. Net earnings attributable to shareholders were $37.2 million and diluted earnings per share were $0.77 per share compared to $0.61 per share last year. Adjusted net earnings[2], which excludes the after-tax impact of the share-based compensation costs, increased $8.6 million or 26.1% to $41.4 million compared to $32.8 million last year due to the gross profit, Expense, interest and income tax factors previously noted.

Comprehensive Income Comprehensive income was $57.9 million compared to $49.8 million last year due to the impact of higher net earnings as previously noted and a $2.0 million increase in net actuarial gains on the remeasurement of defined benefit pension plan assets and liabilities. Further information on defined benefit pension plan obligations is provided in Note 19 to the Condensed Consolidated Financial Statements. These factors were partially offset by the impact of the change in 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 October 31, 2023 Information:

	Year-to-date	
($ in thousands, except per share)	**October 31, 2023**	October 31, 2022
Sales	**$ 1,828,569**	$ 1,717,596
Same store sales %(1)		
Food	**3.8 %**	0.9 %
General Merchandise	**0.7 %**	(16.2)%
Total	**3.4 %**	(1.8)%
Gross profit	**$ 594,727**	$ 546,738
Selling, operating and administrative expenses	**450,527**	414,257
EBITDA(2)	**222,037**	205,218
Earnings from operations (EBIT)	**144,200**	132,481
Interest expense	**14,157**	10,644
Income taxes	**31,763**	31,130
Net earnings	**98,280**	90,707
Net earnings attributable to shareholders of the Company	**94,899**	88,260
Net earnings per share - basic	**1.99**	1.84
Net earnings per share - diluted	**1.96**	1.82

Sales Year-to-date sales increased 6.5% to $1.829 billion driven by same store sales gains in Canadian Operations, the impact of foreign exchange on the translation of International Operations sales and new store sales. The exchange rate used for the translation of International Operations sales increased to 1.3502 compared to 1.2951 last year. Excluding the foreign exchange impact, consolidated sales increased 5.1% compared to last year with food sales increasing 3.8% and general merchandise and other sales increasing 9.5%. The increase in general merchandise and other sales was due to higher general merchandise sales and airline revenue in Canadian Operations, partially offset by lower general merchandise sales in International Operations. Same store sales were up 3.4%[1] compared to last year with a 3.8% increase in food sales and a 0.7% increase in general merchandise sales.

Gross Profit Gross profit increased 8.8% due to the impact of higher sales and a 69 basis point increase in the gross profit rate. The increase in gross profit rate was primarily due to changes in sales blend and an increase in the airline gross profit rate in Canadian Operations resulting from higher third party cargo and passenger business. A higher pass through of cost inflation in retail prices compared to last year and a lower blend of Cost-U-Less sales which have a lower gross profit rate consistent with a discount warehouse format were also factors. These factors were partially offset by higher markdowns and inventory shrink compared to last year.

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") increased $36.3 million or 8.8% and were up 52 basis points as a percentage to sales. The increase in Expenses is largely 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, new store expenses, an increase in depreciation and the $3.7 million asset write-off from the loss of our store in Fox Lake, Alberta that was destroyed by wildfire in the second quarter. These factors were partially offset by a $0.6 million decrease in share-based compensation costs. Excluding the share-based compensation and Fox Lake wildfire-related loss, Expenses increased $33.2 million or 8.2% compared to last year primarily due to the cost inflation, foreign exchange and new store factors previously noted.

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

Earnings From Operations Earnings from operations ("EBIT" increased 8.8% to $144.2 million compared to $132.5 million last year and earnings before interest, income taxes, depreciation and amortization ("EBITDA[2]" increased 8.2% to $222.0 million compared to $205.2 million last year due to the sales, gross profit and Expense factors noted above including higher earnings in North Star Air from an increase in third party cargo and passenger volumes. Adjusted EBITDA[2], which excludes the impact of share-based compensation and the Fox Lake fire loss, increased $19.8 million or 9.3% to $234.3 million compared to $214.5 million last year and as a percentage to sales was 12.8% compared to 12.5% last year.

Interest Expense Interest expense increased 33.0% to $14.2 million compared to $10.6 million last year due to higher borrowing costs and higher average debt.

Income Tax Expense Income tax expense increased $0.6 million to $31.8 million as the impact of higher earnings was partially offset by a decrease in the consolidated effective tax rate to 24.4% compared to 25.6% last year. Changes in the effective tax rate can occur as a result of various factors, including the blend of earnings across the various tax rate jurisdictions, the taxation of items such as share-based compensation, and changes in tax estimates.

Net Earnings Net earnings increased 8.3% to $98.3 million compared to $90.7 million last year. Net earnings attributable to shareholders were $94.9 million and diluted earnings per share were $1.96 per share compared to $1.82 per share last year due to the factors noted above. Adjusted net earnings[2], which excludes the impact of share-based compensation and the Fox Lake fire loss, increased $9.5 million or 9.7% to $107.5 million compared to $98.0 million last year.

Comprehensive Income Comprehensive income decreased $6.7 million to $114.1 million compared to $120.8 million as the impact of higher net earnings was more than offset by the impact of foreign exchange on the translation of the International Operations which resulted in a gain of $9.3 million this year compared to a gain of $15.9 million last year and the remeasurement of defined benefit pension plan assets and liabilities which resulted in a net actuarial gain of $6.6 million this year compared to a $14.1 million gain last year.

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

CANADIAN OPERATIONS THIRD QUARTER

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

Key Performance Indicators:

	Three Months Ended	
($ in thousands)	**October 31, 2023**	October 31, 2022
Sales	**$ 353,940**	$ 323,182
Same store sales %		
Food	**9.0 %**	1.0 %
General Merchandise	**16.0 %**	(15.2)%
Total	**10.1 %**	(1.8)%
EBITDA(2)	**$ 58,079**	$ 46,093
Earnings from operations (EBIT)	**39,404**	29,352

Sales Canadian Operations sales increased 9.5% to $353.9 million compared to $323.2 million in the third quarter last year driven by a 10.1% same store sales gain, an increase in airline revenue and the impact of new stores. These factors were partially offset by the loss of our store in Fox Lake, Alberta that was destroyed by wildfire in the second quarter. Food sales increased 6.5% as same store sales gains, mainly due to higher cost inflation, were partially offset by the Fox Lake store closure and lower wholesale sales. General merchandise and other sales increased 16.6% due to general merchandise same store sales gains and an increase in airline revenue due to higher third party cargo volumes and passenger revenues compared to last year. On a same store basis, food sales increased 9.0% and general merchandise sales increased 16.0% compared to last year. Sales were positively impacted by government inflation relief payments to individuals to help mitigate higher cost of living and a strong in-stock position.

Gross Profit Gross profit increased 15.2% driven by higher sales and an increase in gross profit rate primarily related to changes in sales blend and lower inventory shrink and markdowns compared to last year and an increase in airline gross profit.

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") increased 8.4% but were down 25 basis points as a percentage to sales compared to last year mainly due to cost inflation impacts, higher depreciation and the impact of new stores. An increase in share-based compensation costs due to mark-to-market adjustments resulting from changes in the Company's share price and higher annual incentive plan costs were also factors. These factors were partially offset by the closure of our Fox Lake store.

Earnings From Operations Earnings from operations (EBIT) increased $10.0 million or 34.2% to $39.4 million compared to $29.4 million last year and EBITDA[2] increased 26.0% to $58.1 million compared to $46.1 million last year due to the impact of the sales, gross profit and Expense factors previously noted including higher earnings in North Star Air. An increase in earnings from our investment in Transport Nanuk, an Arctic shipping company, was also a factor. Adjusted EBITDA[2], which excludes the impact of share-based compensation costs, increased $12.8 million or 26.2% to $61.7 million compared to $48.9 million last year.

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

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

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

Key Performance Indicators:

	Three Months Ended	
($ in thousands)	**October 31, 2023**	October 31, 2022
Sales	**$ 192,950**	$ 198,000
Same store sales % increase		
Food	**(1.1)%**	2.1 %
General Merchandise	**(17.1)%**	(8.9)%
Total	**(2.7)%**	0.9 %
EBITDA(2)	**$ 18,502**	$ 17,820
Earnings from operations (EBIT)	**11,995**	11,700

Sales International Operations sales decreased 2.6% to $193.0 million compared to $198.0 million in the third quarter last year due to a 2.7% decrease in same store sales and the closure of a Cost-U-Less store in Curacao, Netherlands in the first quarter this year, partially offset by the impact of new stores in Alaska. Food sales decreased 1.2% and were down 1.1% on a same store basis compared to last year and general merchandise sales decreased 14.2% and were down 17.1% on a same store basis compared to last year. Sales were negatively impacted by lower Supplemental Nutrition Assistance Program ("SNAP") benefits within Alaska and the U.S. Territories served by Cost-U-Less compared to last year. Sales in Alaska stores were also negatively impacted by a 60% decrease in the Permanent Fund Dividend ("PFD") to $1,312 this year compared to $3,284 last year. The impact of lower SNAP benefits and PFD payments combined with higher inflation also contributed to a shift in consumer spending from general merchandise to food.

Gross Profit Gross profit decreased 0.2% compared to last year as the impact of lower sales was partially offset by an increase in the gross profit rate mainly related to a lower blend of Cost-U-Less sales which have a lower gross profit rate consistent with a discount warehouse format and 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") decreased 0.9% compared to last year mainly due to the impact of the previously noted Curacao store closure and lower annual incentive plan costs. These factors were partially offset by the impact of new stores.

Earnings From Operations Earnings from operations ("EBIT") increased $0.3 million or 2.5% to $12.0 million compared to $11.7 million in the third quarter last year and EBITDA[2] increased 3.8% to $18.5 million compared to $17.8 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 third quarter was 0.47:1 consistent with last year.

Working capital increased $37.4 million compared to last year substantially due to an increase in inventories, accounts receivable, and cash, partially offset by higher accounts payable and accrued liabilities. The impact of foreign exchange on the translation of the International Operations balance sheet was also a factor contributing to the increase in working capital as the exchange rate at October 31, 2023 was 1.3852 compared to 1.3633 at October 31, 2022. The $15.9 million increase in inventories is mainly due to an increase in sealift inventory in Canadian Operations to leverage lower freight costs. The impact of higher cost inflation on the re-supply of sealift inventory was also a factor. The change in accounts receivable is due to an increase in the current portion of the promissory note receivable and timing of collection on accounts. The increase in 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 October 31, 2023, there were 17,103,602 (October 31, 2022 - 15,552,804) Variable Voting Shares, representing 35.9% (October 31, 2022 - 32.6%) of the total shares issued and outstanding. Further information on the Company's share capital is provided in Note 7 to the Company's Condensed Consolidated Financial Statements.

Outstanding Shares

The weighted-average basic shares outstanding for the quarter decreased to 47,690,004 shares compared to 47,872,191 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 48,359,254 shares compared to 48,136,782 shares last year. The increase in fully diluted shares outstanding compared to last year is due to the dilutive impact of share-based compensation net of shares purchased under the Company's NCIB. Further information on share capital and share-based compensation plans is provided in Note 7 and Note 14 respectively to the Company's Condensed Consolidated Financial Statements.

Normal Course Issuer Bid

On November 15, 2023, 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 4,733,380 which is approximately 10% of the Company's public float at November 9, 2023. 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 nine months ended October 31, 2023, the Company purchased 153,998 (October 31, 2022 - 236,075) common shares for cash consideration of $5.0 million (October 31, 2022 - $7.8 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 October 31, 2023**	Three Months Ended October 31, 2022	Change	**Nine Months Ended October 31, 2023**	Nine Months Ended October 31, 2022	Change
Cash flows from (used in):						
Operating activities	**$ 71,151**	$ 45,286	$ 25,865	**$ 139,946**	$ 82,608	$ 57,338
Investing activities	**(38,310)**	(28,090)	(10,220)	**(66,095)**	(54,895)	(11,200)
Financing activities	**(37,135)**	(30,918)	(6,217)	**(61,354)**	(29,798)	(31,556)
Effect of changes in foreign exchange rates on cash	**2,143**	1,536	607	**1,544**	1,688	(144)
Net change in cash	**$ (2,151)**	$ (12,186)	$ 10,035	**$ 14,041**	$ (397)	$ 14,438

Operating Activities Cash from operating activities in the quarter increased $25.9 million compared to the third quarter last year and is up $57.3 million for the year-to-date largely due to higher net earnings and the change in non-cash working capital compared to last year. The $18.0 million change in non-cash working capital in the quarter and the $45.1 million change for the year-to-date is primarily related to the change in inventories, accounts receivable and accounts payable and accrued liabilities compared to the prior year. The change in taxes paid compared to last year is due to the timing of income tax installments.

Investing Activities Cash used in investing activities in the quarter was $38.3 million compared to $28.1 million last year and for the year-to-date increased $11.2 million to $66.1 million compared to $54.9 million 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 increased to $37.1 million compared to $30.9 million last year largely due to changes in long-term debt related to amounts drawn on revolving loan facilities. This was partially offset by a $6.2 million decrease in shares purchased under the Company's NCIB compared to last year. For the year-to-date, cash used in financing activities was $61.4 million compared to $29.8 million last year mainly due to the changes in long-term debt 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 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 October 31, 2023, the Company had drawn $113.9 million on these facilities (October 31, 2022 - $105.3 million). The Canadian Operations also have committed, revolving loan facilities of US$52.0 million that bear interest at SOFR plus a spread. At October 31, 2023, the Company had drawn US$NIL on these facilities (October 31, 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 (October 31, 2022 – US$40.0 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 October 31, 2023, the Company had drawn US$9.6 million on these facilities (October 31, 2022 - US$1.2 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 October 31, 2023, lease liabilities reflect a weighted-average risk-free rate of 4.0% (October 31, 2022 – 3.8%) and weighted-average remaining lease term of 10.5 years (October 31, 2022 – 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, a leverage test and a minimum net worth test. At October 31, 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 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 $0.39 per share to shareholders of record on December 29, 2023, to be paid on January 15, 2024.

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

- An expanded and remodeled store was opened in Chisasibi, Quebec on September 19, 2023. The remodeled store includes an expanded assortment of produce, chilled and frozen foods, deli, food service and Tim Hortons.
- The Company opened a new store in Kugaaruk, NU on November 7, 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 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 Company expects to lap the negative impact of the ramp up in inflation on the gross profit rate last year however, there is uncertainty as the impact of inflation 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.

The outlook for the fourth quarter reflects these factors and uncertainty regarding the continuation of government inflation relief payments to individuals, more normalized results in North Star Air compared to the strong third-party cargo and charter-driven results in the third quarter this year and a higher effective tax rate compared to the lower tax rate in the fourth quarter last year. The Canadian Operations may also be impacted in the fourth quarter by increased consumer demand arising from the First Nations Drinking Water Settlement which impacts approximately 30 communities served by the Company's stores, however there is uncertainty regarding the timing of these payments as the period for filing claims has been extended to March 2024. Overall, the results in the fourth quarter are expected to be below the very strong results in the third quarter this year, but in the range of the fourth quarter last year.

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 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

	Third Quarter		Second Quarter		First Quarter		Fourth Quarter	
	92 days	**92 days**	**92 days**	**92 days**	**89 days**	**89 days**	**92 days**	**92 days**
($ in millions, except per share)	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2022**	**2021**
Sales	**$ 616.9**	$ 586.7	$ 618.1	$ 578.9	$ 593.6	$ 552.0	$ 635.2	$ 579.0
EBITDA[1]	**83.0**	69.8	80.1	70.4	59.0	64.9	73.5	73.0
Earnings from operations	**55.7**	45.0	54.7	46.1	33.8	41.4	47.8	49.6
Net earnings	**38.0**	30.2	38.0	32.4	22.2	28.2	35.1	35.6
Net earnings attributable to shareholders of the Company	**37.2**	29.5	36.8	31.4	20.9	27.4	33.9	34.6
Net earnings per share:								
Basic	**0.78**	0.61	0.77	0.66	0.44	0.57	0.71	0.72
Diluted	**0.77**	0.61	0.76	0.64	0.43	0.57	0.69	0.71
Adjusted EBITDA[1]	**87.2**	73.2	83.3	72.6	63.8	68.7	77.3	67.1
Adjusted net earnings[1]	**41.4**	32.8	40.0	34.0	26.1	31.2	38.1	32.3

(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 October 31, 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 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 May 2023, the IASB issued amendments to IAS 12 - *Income Taxes*. The amendments require entities to disclose information relating to income taxes arising from implementation of Pillar Two Model Rules published by the Organization for Economic Co-operation and Development which are expected to be enacted in local tax jurisdictions. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company is assessing the impact of these amendments.

In September 2022, the IASB issued amendments to IFRS 16, *Leases* 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							
	Third Quarter				Year-to-Date			
($ in thousands)		**2023**		2022		**2023**		2022
Earnings from operations (EBIT)	**$**	**55,746**	$	44,955	**$**	**144,200**	$	132,481
Add: Amortization		**27,231**		24,874		**77,837**		72,737
EBITDA	**$**	**82,977**	$	69,829	**$**	**222,037**	$	205,218
Adjusted for:								
Fox Lake wildfire asset write-off(1)		**—**		—		**3,694**		—
Share-based compensation expense(2)		**4,246**		3,336		**8,609**		9,253
Adjusted EBITDA	**$**	**87,223**	$	73,165	**$**	**234,340**	$	214,471

	Canada			
	Third Quarter			
($ in thousands)		**2023**		2022
Earnings from operations (EBIT)	**$**	**39,404**	$	29,352
Add: Amortization		**18,675**		16,741
EBITDA	**$**	**58,079**	$	46,093
Adjusted for:				
Share-based compensation expense(2)		**3,640**		2,833
Adjusted EBITDA	**$**	**61,719**	$	48,926

	International (Stated in U.S. dollars)			
	Third Quarter			
($ in thousands)		**2023**		2022
Earnings from operations (EBIT)	**$**	**11,995**	$	11,700
Add: Amortization		**6,507**		6,120
EBITDA	**$**	**18,502**	$	17,820
Adjusted for:				
Share-based compensation expense(2)		**445**		378
Adjusted EBITDA	**$**	**18,947**	$	18,198

(1) On May 5, 2023, the Company's store in Fox Lake, Alberta was destroyed by wildfire which resulted in a write-off of assets.

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

Reconciliation of consolidated net earnings to adjusted net earnings:

	Consolidated			
	Third Quarter		**Year-to-Date**	
($ in thousands)	**2023**	2022	**2023**	2022
Net earnings	**$ 38,038**	$ 30,175	**$ 98,280**	$ 90,707
Adjusted for:				
Fox Lake wildfire asset write-off, net of tax(1)	**—**	—	**2,551**	—
Share-based compensation expense, net of tax(2)	**3,353**	2,648	**6,654**	7,237
Adjusted net earnings	**$ 41,391**	$ 32,823	**$ 107,485**	$ 97,944

(1) On May 5, 2023, the Company's store in Fox Lake, Alberta was destroyed by wildfire which resulted in a write-off of assets.

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

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 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 Condensed Consolidated Financial Statements and notes to the 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 December 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 cost 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*.

Condensed Consolidated Balance Sheets

(unaudited, $ in thousands)	**October 31, 2023**	October 31, 2022	January 31, 2023
CURRENT ASSETS			
Cash	**$ 72,850**	$ 49,029	$ 58,809
Accounts receivable (Note 5)	**116,949**	103,149	113,798
Inventories (Note 6)	**345,716**	329,795	293,835
Prepaid expenses	**12,575**	10,392	8,402
	548,090	492,365	474,844
NON-CURRENT ASSETS			
Property and equipment	**633,957**	577,208	606,310
Right-of-use assets	**110,704**	104,666	102,632
Promissory note receivable	**4,407**	26,068	26,299
Goodwill	**51,815**	51,170	50,431
Intangible assets	**29,432**	32,178	30,694
Deferred tax assets	**19,664**	16,982	21,707
Other assets	**32,111**	28,601	23,973
	882,090	836,873	862,046
TOTAL ASSETS	**$ 1,430,180**	$ 1,329,238	$ 1,336,890
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	**$ 232,269**	$ 213,842	$ 225,481
Current portion of long-term debt (Note 9)	**277**	273	268
Current portion of lease liabilities (Note 10)	**18,581**	18,486	18,644
Income tax payable (Note 13)	**4,919**	5,082	4,213
	256,046	237,683	248,606
NON-CURRENT LIABILITIES			
Long-term debt (Note 9)	**323,961**	302,745	289,782
Lease liabilities (Note 10)	**101,886**	96,784	93,833
Defined benefit plan obligation (Note 19)	**15,732**	15,149	18,232
Deferred tax liabilities	**13,481**	13,876	14,311
Other long-term liabilities	**21,908**	23,628	24,226
	476,968	452,182	440,384
TOTAL LIABILITIES	**733,014**	689,865	688,990
SHAREHOLDERS' EQUITY			
Share capital (Note 7)	**177,174**	175,960	176,091
Contributed surplus	**9,024**	11,199	13,017
Retained earnings	**449,292**	397,424	407,182
Accumulated other comprehensive income	**41,463**	36,982	32,931
Equity attributable to The North West Company Inc.	**676,953**	621,565	629,221
Non-controlling interests	**20,213**	17,808	18,679
TOTAL EQUITY	**697,166**	639,373	647,900
TOTAL LIABILITIES & EQUITY	**$ 1,430,180**	$ 1,329,238	$ 1,336,890

See accompanying notes to condensed consolidated financial statements.

Condensed Consolidated Statements of Earnings

(unaudited, $ in thousands, except per share amounts)	**Three Months Ended October 31, 2023**	Three Months Ended October 31, 2022	**Nine Months Ended October 31, 2023**	Nine Months Ended October 31, 2022
SALES	**$ 616,910**	$ 586,706	**$ 1,828,569**	$ 1,717,596
Cost of sales	**(411,556)**	(400,065)	**(1,233,842)**	(1,170,858)
Gross profit	**205,354**	186,641	**594,727**	546,738
Selling, operating and administrative expenses (Notes 11, 17)	**(149,608)**	(141,686)	**(450,527)**	(414,257)
Earnings from operations	**55,746**	44,955	**144,200**	132,481
Interest expense (Note 12)	**(5,053)**	(4,192)	**(14,157)**	(10,644)
Earnings before income taxes	**50,693**	40,763	**130,043**	121,837
Income taxes (Note 13)	**(12,655)**	(10,588)	**(31,763)**	(31,130)
NET EARNINGS FOR THE PERIOD	**$ 38,038**	$ 30,175	**$ 98,280**	$ 90,707
NET EARNINGS ATTRIBUTABLE TO				
The North West Company Inc.	**$ 37,228**	$ 29,485	**$ 94,899**	$ 88,260
Non-controlling interests	**810**	690	**3,381**	2,447
TOTAL NET EARNINGS	**$ 38,038**	$ 30,175	**$ 98,280**	$ 90,707
NET EARNINGS PER SHARE				
Basic	**$ 0.78**	$ 0.61	**$ 1.99**	$ 1.84
Diluted	**$ 0.77**	$ 0.61	**$ 1.96**	$ 1.82
WEIGHTED-AVERAGE NUMBER OF SHARES OUTSTANDING (000's)				
Basic	**47,690**	47,872	**47,763**	47,904
Diluted	**48,359**	48,137	**48,427**	48,495

See accompanying notes to condensed consolidated financial statements.

Condensed Consolidated Statements of Comprehensive Income

(unaudited, $ in thousands)	**Three Months Ended October 31, 2023**	Three Months Ended October 31, 2022	**Nine Months Ended October 31, 2023**	Nine Months Ended October 31, 2022
NET EARNINGS FOR THE PERIOD	**$ 38,038**	$ 30,175	**$ 98,280**	$ 90,707
Other comprehensive income, net of tax:				
Items that may be reclassified to net earnings:				
Exchange differences on translation of foreign controlled subsidiaries	**13,275**	14,984	**9,278**	15,945
Items that will not be subsequently reclassified to net earnings:				
Remeasurements of defined benefit plans (Note 19)	**6,580**	4,601	**6,580**	14,114
Total other comprehensive income, net of tax	**19,855**	19,585	**15,858**	30,059
COMPREHENSIVE INCOME FOR THE PERIOD	**$ 57,893**	$ 49,760	**$ 114,138**	$ 120,766
OTHER COMPREHENSIVE INCOME ATTRIBUTABLE TO				
The North West Company Inc.	**$ 18,828**	$ 18,366	**$ 15,112**	$ 28,746
Non-controlling interests	**1,027**	1,219	**746**	1,313
TOTAL OTHER COMPREHENSIVE INCOME	**$ 19,855**	$ 19,585	**$ 15,858**	$ 30,059
COMPREHENSIVE INCOME ATTRIBUTABLE TO				
The North West Company Inc.	**$ 56,056**	$ 47,851	**$ 110,011**	$ 117,006
Non-controlling interests	**1,837**	1,909	**4,127**	3,760
TOTAL COMPREHENSIVE INCOME	**$ 57,893**	$ 49,760	**$ 114,138**	$ 120,766

See accompanying notes to condensed consolidated financial statements.

Condensed 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	—	—	94,899	—	94,899	3,381	98,280
Other comprehensive income	—	—	6,580	8,532	15,112	746	15,858
Comprehensive income	—	—	101,479	8,532	110,011	4,127	114,138
Shares purchased and cancelled (Note 7)	(557)	—	(4,443)	—	(5,000)	—	(5,000)
Equity settled share-based payments, net of tax	(136)	(3,315)	—	—	(3,451)	—	(3,451)
Dividends (Note 8)	—	—	(54,926)	—	(54,926)	(2,593)	(57,519)
Issuance of shares (Note 7)	1,776	(678)	—	—	1,098	—	1,098
	1,083	(3,993)	(59,369)	—	(62,279)	(2,593)	(64,872)
Balance at October 31, 2023	**$ 177,174**	**$ 9,024**	**$ 449,292**	**$ 41,463**	**$ 676,953**	**$ 20,213**	**$ 697,166**
Balance at January 31, 2022	$ 173,081	$ 12,530	$ 355,674	$ 22,350	$ 563,635	$ 16,569	$ 580,204
Net earnings for the period	—	—	88,260	—	88,260	2,447	90,707
Other comprehensive income	—	—	14,114	14,632	28,746	1,313	30,059
Comprehensive income	—	—	102,374	14,632	117,006	3,760	120,766
Shares purchased and cancelled (Note 7)	(854)	—	(6,963)	—	(7,817)	—	(7,817)
Equity settled share-based payments, net of tax	(203)	777	—	—	574	—	574
Dividends (Note 8)	—	—	(53,661)	—	(53,661)	(2,521)	(56,182)
Issuance of shares (Note 7)	3,936	(2,108)	—	—	1,828	—	1,828
	2,879	(1,331)	(60,624)	—	(59,076)	(2,521)	(61,597)
Balance at October 31, 2022	$ 175,960	$ 11,199	$ 397,424	$ 36,982	$ 621,565	$ 17,808	$ 639,373

(1) Accumulated Other Comprehensive Income

See accompanying notes to condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flows

(unaudited, $ in thousands)	**Three Months Ended October 31, 2023**	Three Months Ended October 31, 2022	**Nine Months Ended October 31, 2023**	Nine Months Ended October 31, 2022
CASH FROM (USED IN):				
Operating activities				
Net earnings for the period	**$ 38,038**	$ 30,175	**$ 98,280**	$ 90,707
Adjustments for:				
Amortization (Note 17)	**27,231**	24,874	**77,837**	72,737
Provision for income taxes (Note 13)	**12,655**	10,588	**31,763**	31,130
Interest expense (Note 12)	**5,053**	4,192	**14,157**	10,644
Equity settled share-based compensation, net of tax (Note 14)	**993**	1,509	**(3,451)**	574
Taxes paid	**(12,504)**	(7,546)	**(31,976)**	(35,326)
(Gain)/Loss on disposal of property and equipment	**(216)**	(174)	**315**	(198)
	71,250	63,618	**186,925**	170,268
Change in non-cash working capital	**(142)**	(18,184)	**(43,080)**	(88,177)
Change in other non-cash items	**43**	(148)	**(3,899)**	517
Cash from operating activities	**71,151**	45,286	**139,946**	82,608
Investing activities				
Purchase of property and equipment	**(38,641)**	(28,168)	**(77,262)**	(61,009)
Intangible asset additions	**(45)**	(70)	**(4,481)**	(3,969)
Proceeds from disposal of property and equipment	**376**	148	**648**	283
Proceeds from promissory note receivable	**—**	—	**15,000**	9,800
Cash used in investing activities	**(38,310)**	(28,090)	**(66,095)**	(54,895)
Financing activities				
Net increase/(decrease) in long-term debt (Note 9)	**(7,755)**	2,837	**30,387**	60,694
Payment of lease liabilities, principal	**(5,181)**	(4,890)	**(15,329)**	(17,276)
Payment of lease liabilities, interest	**(1,380)**	(1,134)	**(3,656)**	(3,182)
Dividends (Note 8)	**(18,599)**	(18,177)	**(54,926)**	(53,661)
Dividends to non-controlling interests (Note 8)	**(120)**	(155)	**(2,593)**	(2,521)
Interest paid	**(4,100)**	(3,243)	**(11,335)**	(7,863)
Net issuance of common shares	**—**	—	**1,098**	1,828
Common shares purchased and cancelled (Note 7)	**—**	(6,156)	**(5,000)**	(7,817)
Cash used in financing activities	**(37,135)**	(30,918)	**(61,354)**	(29,798)
Effect of foreign exchange rates on cash	**2,143**	1,536	**1,544**	1,688
NET CHANGE IN CASH	**(2,151)**	(12,186)	**14,041**	(397)
Cash, beginning of period	**75,001**	61,215	**58,809**	49,426
CASH, END OF PERIOD	**$ 72,850**	$ 49,029	**$ 72,850**	$ 49,029

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 December 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 May 2023, the IASB issued amendments to IAS 12 - *Income Taxes*. The amendments require entities to disclose information relating to income taxes arising from implementation of Pillar Two Model Rules published by the Organization for Economic Co-operation and Development which are expected to be enacted in local tax jurisdictions. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company is assessing the impact of these amendments.

In September 2022, the IASB issued amendments to IFRS 16 - *Leases* 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 October 31, 2023	Three Months Ended October 31, 2022	**Nine Months Ended October 31, 2023**	Nine Months Ended October 31, 2022
Sales				
Canada				
Food	**$ 240,787**	$ 226,164	**$ 705,403**	$ 665,203
General merchandise and other	**113,153**	97,018	**337,608**	296,585
Canada	**$ 353,940**	$ 323,182	**$ 1,043,011**	$ 961,788
International				
Food	**$ 238,074**	$ 235,407	**$ 715,485**	$ 679,439
General merchandise and other	**24,896**	28,117	**70,073**	76,369
International	**$ 262,970**	$ 263,524	**$ 785,558**	$ 755,808
Consolidated	**$ 616,910**	$ 586,706	**$ 1,828,569**	$ 1,717,596
Earnings before amortization, interest and income taxes				
Canada	**$ 58,079**	$ 46,093	**$ 148,836**	$ 134,907
International	**24,898**	23,736	**73,201**	70,311
Consolidated	**$ 82,977**	$ 69,829	**$ 222,037**	$ 205,218
Earnings from operations				
Canada	**$ 39,404**	$ 29,352	**$ 96,743**	$ 85,673
International	**16,342**	15,603	**47,457**	46,808
Consolidated	**$ 55,746**	$ 44,955	**$ 144,200**	$ 132,481

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENTED INFORMATION (continued)

Supplemental information

	October 31, 2023	October 31, 2022	January 31, 2023
Assets			
Canada (1)	**$ 879,355**	$ 822,054	$ 841,543
International (1)	**550,825**	507,184	495,347
Consolidated	**$ 1,430,180**	$ 1,329,238	$ 1,336,890

(1) Canadian total assets includes goodwill of $11,025 (October 31, 2022 – $11,025; January 31, 2023 – $11,025); International total assets includes goodwill of $40,790 (October 31, 2022 – $40,145; January 31, 2023 – $39,406).

	Three Months Ended October 31, 2023		Three Months Ended October 31, 2022		**Nine Months Ended October 31, 2023**		Nine Months Ended October 31, 2022	
	Canada	**International**	Canada	International	**Canada**	**International**	Canada	International
Purchase of property and equipment	**$ 23,049**	**$ 15,592**	$ 15,731	$ 12,437	**$ 46,363**	**$ 30,899**	$ 39,329	$ 21,680
Amortization	**$ 18,675**	**$ 8,556**	$ 16,741	$ 8,133	**$ 52,093**	**$ 25,744**	$ 49,234	$ 23,503

5. ACCOUNTS RECEIVABLE

	October 31, 2023	October 31, 2022	January 31, 2023
Trade accounts receivable	**$ 83,950**	$ 82,380	$ 92,573
Corporate and other accounts receivable	**44,963**	31,306	32,610
Less: allowance for doubtful accounts	**(11,964)**	(10,537)	(11,385)
Total	**$ 116,949**	$ 103,149	$ 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 October 31, 2023, the Company recorded $768 (three months ended October 31, 2022 – $572) for the write-down of period end inventories as a result of net realizable value being lower than cost. For the nine months ended October 31, 2023, the Company recorded $2,864 (nine months ended October 31, 2022 - $3,059) 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 nine months ended October 31, 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.

October 31, 2023	**Shares**	**Consideration**
Balance at January 31, 2023	**47,750,605**	**$ 176,323**
Purchased and cancelled(1)	**(153,998)**	**(557)**
Issued under share-based compensation plans (Note 14)	**92,619**	**1,776**
Balance at October 31, 2023	**47,689,226**	**$ 177,542**
Shares held in trust, January 31, 2023	**(65,522)**	**$ (232)**
Purchased for future settlement of PSUs	**(135,000)**	**(481)**
Released for settlement of PSUs (Note 14)	**96,070**	**345**
Shares held in trust, October 31, 2023	**(104,452)**	**$ (368)**
Issued and outstanding, net of shares held in trust, October 31, 2023(2)	**47,584,774**	**$ 177,174**

October 31, 2022		
Balance at January 31, 2022	47,878,650	$ 173,110
Purchased and cancelled (1)	(236,075)	(854)
Issued under share-based compensation plans (Note 14)	102,224	3,936
Balance at October 31, 2022	47,744,799	$ 176,192
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	108
Shares held in trust, October 31, 2022	(65,522)	$ (232)
Issued and outstanding, net of shares held in trust, October 31, 2022(2)	47,679,277	$ 175,960

(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 October 31, 2023 there were 17,103,602 (October 31, 2022 - 15,552,804) Variable Voting Shares representing 35.9% (October 31, 2022 - 32.6%) of the total shares issued and outstanding.

7. SHARE CAPITAL (continued)

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 nine months ended October 31, 2023, the Company purchased 153,998 common shares having a book value of $557 for cash consideration of $5,000. During the nine months ended October 31, 2022, the Company purchased 236,075 common shares having a book value of $854 for cash consideration of $7,817. The excess of the purchase price over the book value of the shares of $4,443 (October 31, 2022 - $6,963) 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.

Subsequent to October 31, 2023, the Company renewed its NCIB to purchase up to 4,733,380 of its shares, representing approximately 10% of its float for cancellation over the following 12 months. In accordance with the rules of the TSX, the Company may purchase its common shares from time to time at their market price.

8. DIVIDENDS

		Nine Months Ended October 31, 2023		Nine Months Ended October 31, 2022
Dividends recorded in equity and paid in cash	**$**	**57,519**	$	56,182
Less: Dividends paid to non-controlling interests		**(2,593)**		(2,521)
Shareholder dividends	**$**	**54,926**	$	53,661
Dividends per share	**$**	**1.15**	$	1.12

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).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. LONG-TERM DEBT

		October 31, 2023		October 31, 2022		January 31, 2023
Current:						
Promissory note payable (6)	**$**	**277**	$	273	$	268
Non-current:						
Revolving loan facility (1)	**$**	**13,235**	$	1,697	$	—
Revolving loan facilities (2)		**—**		—		—
Revolving loan facilities (3)		**113,932**		105,271		96,032
Senior notes (4)		**96,794**		95,232		93,483
Senior notes (5)		**100,000**		100,000		100,000
Promissory note payable (6)		**—**		545		267
	$	**323,961**	$	302,745	$	289,782
Total	**$**	**324,238**	$	303,018	$	290,050

(1) The committed, revolving U.S. loan facility provides the International Operations with up to US$50,000 (October 31, 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 October 31, 2023, the International Operations had drawn US$9,555 (October 31, 2022 – US$1,245; January 31, 2023 – US$NIL) on this facility.

(2) The US$52,000 loan facilities mature March 1, 2027 and bear interest at SOFR 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 $400,000 Canadian Operations loan facilities. At October 31, 2023, the Company had drawn US$NIL (October 31, 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) The promissory note payable is non-interest bearing, has annual principal payments and is secured by certain assets of the Company.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 October 31, 2023, lease liabilities reflect a weighted-average risk-free rate of 4.0% (October 31, 2022 – 3.8%; January 31, 2023 - 3.8%) and weighted-average remaining lease term of 10.5 years (October 31, 2022 – 9.9 years; January 31, 2023 – 9.8 years).

11. EMPLOYEE COSTS

	Three Months Ended October 31, 2023	Three Months Ended October 31, 2022	**Nine Months Ended October 31, 2023**	Nine Months Ended October 31, 2022
Wages, salaries and benefits including bonus	**$ 82,977**	$ 77,566	**$ 246,277**	$ 226,098
Post-employment benefits	**2,163**	2,240	**6,803**	7,194
Share-based compensation (Note 14)	**4,246**	3,336	**8,609**	9,253

12. INTEREST EXPENSE

	Three Months Ended October 31, 2023	Three Months Ended October 31, 2022	**Nine Months Ended October 31, 2023**	Nine Months Ended October 31, 2022
Interest on long-term debt	**$ 3,793**	$ 3,156	**$ 11,017**	$ 7,833
Interest on lease liabilities	**1,380**	1,134	**3,656**	3,182
Net interest on defined benefit plan obligation	**133**	176	**398**	529
Interest imputed on promissory note receivable	**(153)**	(228)	**(630)**	(791)
Interest capitalized	**(100)**	(46)	**(284)**	(109)
Total	**$ 5,053**	$ 4,192	**$ 14,157**	$ 10,644

13. INCOME TAXES

The estimated effective income tax rate for the three months ended October 31, 2023 is 25.0% (three months ended October 31, 2022 – 26.0%) and for the nine months ended October 31, 2023 is 24.4% (nine months ended October 31, 2022 – 25.6%). 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 October 31, 2023 was $4,246 (three months ended October 31, 2022 – $3,336) and for the nine months ended October 31, 2023 was $8,609 (nine months ended October 31, 2022 – $9,253). 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:

	October 31, 2023	October 31, 2022	January 31, 2023
Accounts payable and accrued liabilities	**$ 3,642**	$ 1,985	$ 4,793
Other long-term liabilities	**10,961**	15,516	12,552
Contributed surplus	**9,975**	9,398	11,217
Total	**$ 24,578**	$ 26,899	$ 28,562

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 October 31, 2023 are $1,941 (three months ended October 31, 2022 – $1,824) and for the nine months ended October 31, 2023 are $5,087 (nine months ended October 31, 2022 - $5,233).

Equity settled PSUs are redeemed with shares transferred from a trust established for this plan or by issuing shares from treasury. For the three months ended October 31, 2023 there were 2,227 PSUs (three months ended October 31, 2022 – NIL PSUs) partially settled by releasing 1,034 shares (three months ended October 31, 2022 – NIL shares) from the employee trust. For the nine months ended October 31, 2023 there were 97,263 PSUs (nine months ended October 31, 2022 – 60,993 PSUs) partially settled by releasing 96,070 shares (nine months ended October 31, 2022 – 29,849 shares) from the employee trust.

For the nine months ended October 31, 2023 there were no PSUs (nine months ended October 31, 2022 – 55,903) partially settled by releasing shares issued from treasury (nine months ended October 31, 2022 – 27,748). The total number of PSUs outstanding at October 31, 2023 that may be settled in treasury shares is 306,279 (October 31, 2022 – 293,237).

14. SHARE-BASED COMPENSATION (continued)

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 October 31, 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 October 31, 2023 are $1,013 (three months ended October 31, 2022 – $706) and for the nine months ended October 31, 2023 are $1,156 (nine months ended October 31, 2022 - $1,746).

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

	October 31, 2023	October 31, 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:

	October 31, 2023	October 31, 2022
Dividend yield	**4.4 %**	4.3 %
Annual risk-free interest rate	**4.6 %**	3.9 %
Expected share price volatility	**18.4% to 19.5%**	22.8% to 25.7%

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.

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 nine months ended October 31:

Number of options outstanding	**Declining Strike Price Options**		**Standard Options**	
	October 31, 2023	October 31, 2022	**October 31, 2023**	October 31, 2022
Outstanding options, beginning of period	**301,683**	589,588	**1,383,056**	1,274,837
Granted	**—**	—	**211,484**	238,024
Exercised	**(111,214)**	(278,964)	**(224,923)**	(98,782)
Outstanding options, end of period	**190,469**	310,624	**1,369,617**	1,414,079
Exercisable at end of period	**190,469**	310,624	**742,451**	669,979

Weighted-average exercise price	**Declining Strike Price Options**		**Standard Options**	
	October 31, 2023	October 31, 2022	**October 31, 2023**	October 31, 2022
Outstanding options, beginning of period	**$ 31.71**	$ 31.06	**$ 31.22**	$ 30.13
Granted	**—**	—	**39.05**	35.64
Exercised	**26.28**	28.11	**28.73**	27.86
Outstanding options, end of period	**$ 32.40**	$ 31.62	**$ 32.84**	$ 31.21
Exercisable at end of period	**$ 27.45**	$ 27.37	**$ 30.38**	$ 29.27

Options outstanding at October 31, 2023 have an exercise price range of $27.45 to $39.05 and a weighted-average remaining contractual life of 3.7 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 October 31, 2023 are $1,073 (three months ended October 31, 2022 – $629) and for the nine months ended October 31, 2023 are $1,594 (nine months ended October 31, 2022 - $1,471). The total number of DDSUs outstanding at October 31, 2023 are 258,128 (October 31, 2022 – 301,293). There were 52,214 DDSUs exercised during the nine months ended October 31, 2023 (October 31, 2022 - 43,743) of which 25,000 units were settled in cash. The DDSUs exercised during nine months ended October 31, 2022 were settled in cash.

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 October 31, 2023 are $55 (three months ended October 31, 2022 – $20) and for nine months ended October 31, 2023 are $5 (nine months ended October 31, 2022 - $21).

Employee Share Purchase Plan

The Employee Share Purchase Plan provides participants with the opportunity to acquire an ownership interest in the Company. The Company contributes an additional 33% of the amount invested, subject to a maximum annual contribution of 2% of the participants' base salary. The plan is administered by a trustee who uses the funds received to purchase shares on the TSX on behalf of the participating employees. These shares are registered in the name of the plan trustee on behalf of the participants. The Company's contribution to the plan is recorded as compensation expense. The employee share purchase plan compensation costs recorded for the three months ended October 31, 2023 are $164 (three months ended October 31, 2022 – $157) and for the nine months ended October 31, 2023 are $767 (nine months ended October 31, 2022 - $782).

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 October 31, 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 October 31, 2023	Three Months Ended October 31, 2022	**Nine Months Ended October 31, 2023**	Nine Months Ended October 31, 2022
Employee costs (Note 11)	**$ 89,386**	$ 83,142	**$ 261,689**	$ 242,545
Amortization	**27,231**	24,874	**77,837**	72,737
Operating lease rentals	**1,565**	1,116	**4,455**	4,273

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 October 31, 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	$ 72,850	$ 72,850
Accounts receivable	Short-term	116,949	116,949
Promissory note receivable	Long-term	4,407	4,407
Other financial assets	Long-term	1,880	1,880
Accounts payable and accrued liabilities	Short-term	(228,627)	(228,627)
Current portion of long-term debt	Short-term	(277)	(277)
Long-term debt	Long-term	(323,961)	(295,781)

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 nine months ended October 31, 2023 and the Company recorded a net actuarial gain of $6,580, net of tax (nine months ended October 31, 2022 – $4,601). These actuarial gains were recorded in other comprehensive income and recognized immediately in retained earnings and were 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 5.7% (October 31, 2022 – 5.3%).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20. SUBSEQUENT EVENTS

Dividends

On December 6, 2023, the Board of Directors declared a dividend of $0.39 per share payable January 15, 2024 to shareholders of record on December 29, 2023.