



NORTH WEST COMPANY FUND

ANNUAL INFORMATION FORM

Year Ended January 28, 2006

April 21, 2006

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FORWARD LOOKING STATEMENTS

Certain statements in this Annual Information Form are “forward looking statements” which reflect management’s expectations regarding the North West Company Fund (the “Fund” or “NWF”) and/or The North West Company Inc.’s (the “Company” or “NWC”) future growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect management’s current beliefs and are based on information currently available to management. The Fund’s Annual Report for the financial year ended January 28, 2006 including the Management’s Discussion & Analysis (MD&A), also contain certain forward-looking statements. Such statements relate to, among other things, sales growth, expansion and growth of the Company’s business, future capital expenditures and the Company’s business strategy. Forward-looking statements are subject to inherent uncertainties and risks including but not limited to: general industry and economic conditions, changes in the Company’s relationship within the communities it serves and with its suppliers, pricing pressure and other competitive factors, the availability and cost of merchandise, fuels and utilities, the results of the Company’s ongoing efforts to improve cost effectiveness, the rates of return on the Company’s pension plan assets, changes in regulatory requirements affecting the Company’s business, the availability and terms of financing and the treatment of income trusts for taxation purposes. See “Risk Factors” below. Consequently, actual results and events may vary significantly from those included in, contemplated or implied by such statements.

NORTH WEST COMPANY FUND

General

The full name of the Fund is “North West Company Fund”. The Fund is an unincorporated, open-ended mutual fund trust established under the laws of the Province of Manitoba, on January 31, 1997, pursuant to a Declaration of Trust (the “Declaration of Trust”) dated January 31, 1997, (as amended on March 2, 1997, June 4, 1998, February 25, 2003 and June 9, 2005). The principal head office of the Fund is located at Gibraltar House, 77 Main Street, Winnipeg, Manitoba R3C 2R1.

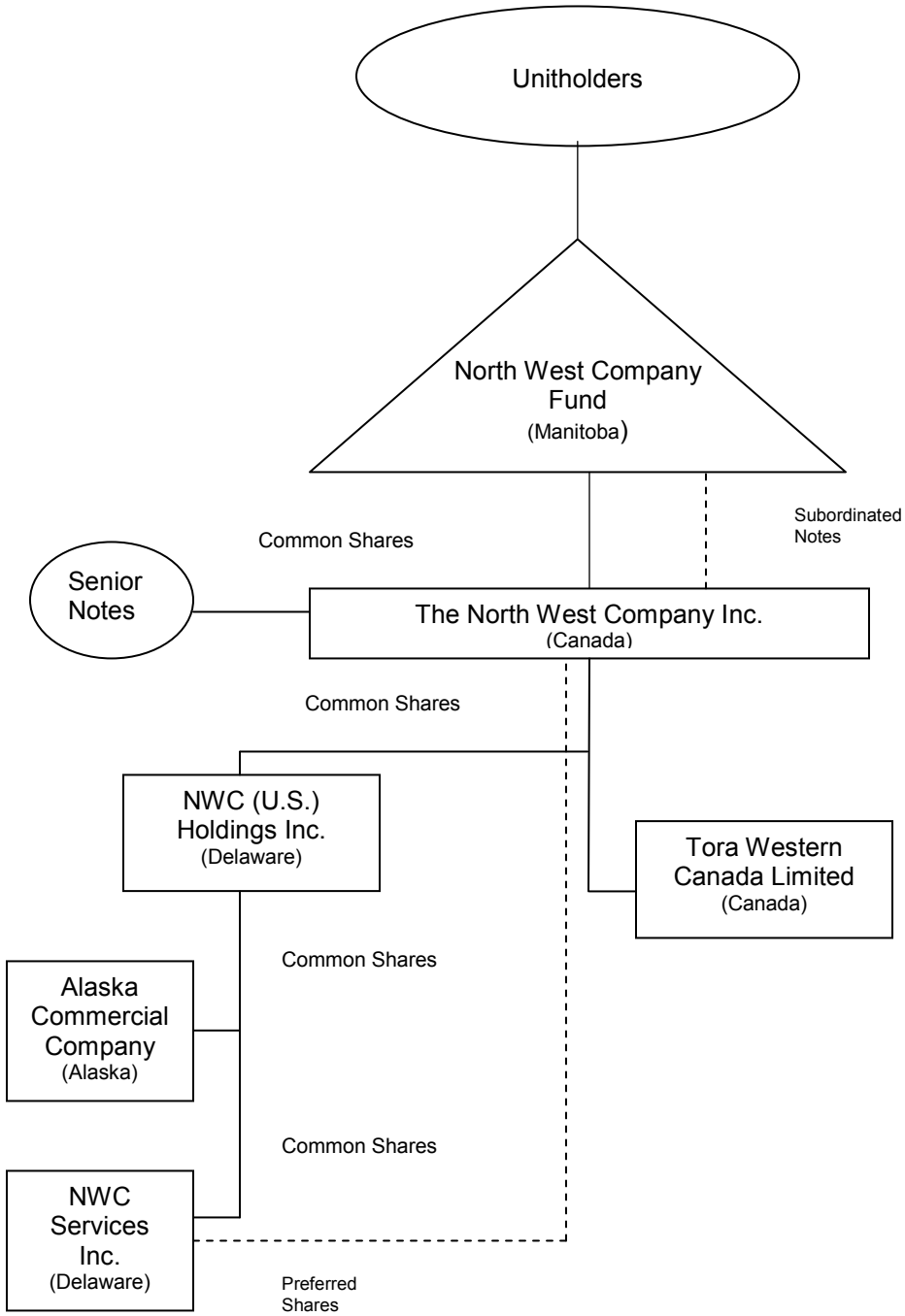
The Fund is a limited purpose trust, the principle activities of which include investing in such securities as may be approved from time to time by the Trustees of the Fund (the “Trustees”) including any securities of the Company or its affiliates, and to the extent possible, to make distributions to holders (“unitholders”) of trust units of the Fund (the “Units”) of distributions or payments made to the Fund.

At January 28, 2006, the Fund held 1,000 Common Shares in the capital stock of the Company (the “Common Shares”) representing 100% of the shares of the Company and principal amount of \$175,000,000 unsecured, subordinated promissory notes of the Company due December 31, 2027 (the “Subordinated Notes”) and \$30,000,000 in notes receivable due December 31, 2031 (the “Notes Receivable”) representing all of the outstanding securities of the Company. The Fund intends to complete an internal reorganization by the end of April 2006 (which does not require Unitholder approval) and is proposing a further reorganization and certain amendments to its Declaration of Trust, subject to, among other things, receipt of a favourable advance tax ruling from Canada Revenue Agency and receipt of Unitholder approval at its 2006 Annual and Special Meeting to be held on June 8, 2006. See “North West Company Fund Reorganization” below.

Structure of the Fund

The following chart illustrates the organizational structure (including jurisdiction of organization or incorporation as the case may be) and the relationship between the Fund and the Company as at January 28, 2006.

Fund Structure as at January 28, 2006



North West Company Fund Reorganization

Background

On December 8, 2005, the Trustees of the Fund and the Directors of the Company approved a two step plan to restructure the business of the Company, Tora Western Canada Limited (Giant Tiger) and Tora Saskatchewan Limited (Giant Tiger) to enable the Fund to increase profitability, to grow its business operations and meet its long term debt commitments and to allow for further growth in distributions to its unitholders.

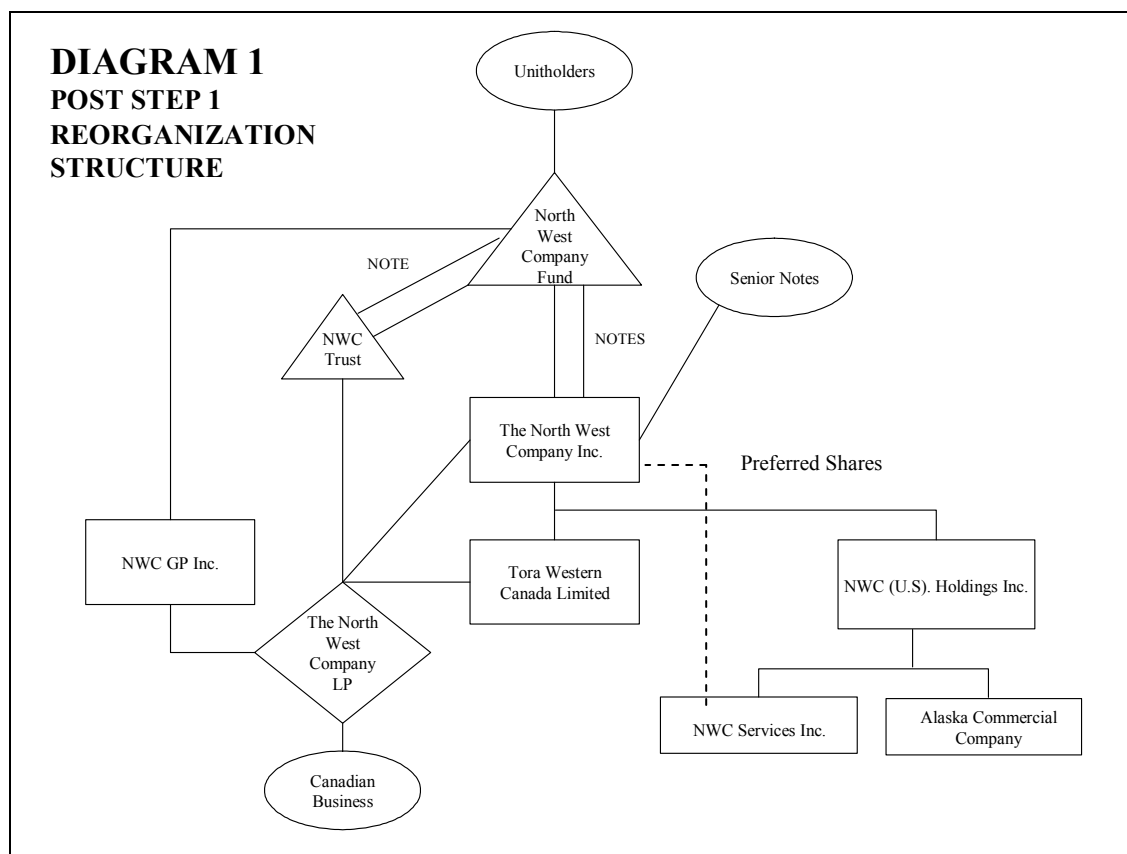
The first step provides for, among other things, the transfer of the northern Canada store assets and most of the Giant Tiger store assets to The North West Company LP.

Step 1 – Reorganization (See Diagram 1 below)

The first step of the restructuring plan is expected to be implemented by the end of April 2006.

The simplified structure at the end of Step 1 will be as follows:

1. The Fund is a mutual fund trust whose units are publicly listed and traded.
2. Among the Fund's assets will be the shares and subordinated notes (the "Notes") of the Company, a corporation that carries on business throughout Canada and Alaska through its direct and indirect subsidiaries, including The North West Company LP (described below).
3. The Company will be a limited partner of The North West Company LP, a limited partnership formed under the laws of Manitoba ("NWCLP"). NWCLP will operate most of the Canadian business of the Company. The Company will also have wholly-owned subsidiaries; the key subsidiaries will be Tora Western Canada Limited ("Tora Canada") and NWC (US) Holdings Inc. ("NWCUS"), the parent company for the U.S. operations. Tora Canada will also be a limited partner of NWCLP.
4. The Fund will also be the sole holder of units in a commercial trust named The NWC Trust ("NWC Trust") via a nominal equity investment and will hold a \$30 million note payable by NWC Trust to the Fund. NWC Trust will also be a limited partner in NWCLP.
5. The Fund has also formed NWC GP Inc. ("NWC GP") as a direct subsidiary. NWC GP will act as the general partner of NWCLP.
6. NWCLP is an operating partnership that has issued three classes of units, Class A units or "common" units, Class B units or "preferred" units and Class C units. The limited partners of NWCLP are: the Company and Tora Canada, and NWC Trust and the general partner is NWC GP which holds a nominal interest.



The Step 1 Reorganization will be entirely internal and does not involve any amendments to the Fund’s Declaration of Trust. Accordingly, approval from the unitholders is not required.

Step 2 - Restructuring (See Diagram 2 below)

The objective of Step 2 of the Restructuring is to complete the reorganization of the current organizational structure of the Fund and its subsidiaries into a structure that (a) is suited to the profitable, expansionary stage that has been reached by the business carried on by the Company and other entities in which the Fund holds investments (the "Business"), and (b) satisfies unitholder expectations regarding returns on their investment in the Fund. Due to the success of the Business, the Fund expects in the near future to have excess funds available to fund additional strategic investments. In order to maximize cash distributions to unitholders, the Fund anticipates making such investments through NWC Trust. Maintaining both a new trust and the existing holding corporation (i.e. the Company) would, however, result in unnecessary administrative cost and effort. Consequently, the Fund’s business purposes would best be met by replacing the current holding corporation structure with a trust-on-trust structure.

The Fund will apply to the Canada Revenue Agency (“CRA”) for an advance income tax ruling (the “Ruling”) confirming the anticipated tax effects of Step 2 of the Restructuring. The Company’s advisors have indicated that it may take from six to twelve months to receive a response from CRA to the request for the Ruling. If obtained, the Ruling will confirm that the Restructuring will occur on a tax deferred rollover basis for: (i) the Fund (ii) its subsidiaries and affiliates, and (iii) the Holders of Units resident in Canada. See “Certain Canadian Federal Income Tax Considerations – Tax Considerations Applicable to the Restructuring” on page 10 of this Annual Information Form.

The following is a summary of the principal steps required to effect Step 2 Restructuring.

1. A new corporation ("MFC") will be formed under the Canada Business Corporations Act (the "CBCA"). The charter documents of MFC will state that its only undertaking will be the activities described in subparagraphs (i), (ii) and (iii) of paragraph 131(8)(b) of the *Income Tax Act* (Canada) (the "Act"). The authorized capital of MFC will consist of three classes of shares, namely Common shares, Class A shares and Class B shares.
2. Following the incorporation of MFC, the Fund will subscribe for 1,000 Common shares for a cash payment of \$1,000.
3. The Fund's Declaration of Trust will be amended to permit the issuance of a second class of Units to be designated as "Special Units", which will be identical to the existing Units in all but one respect. The Declaration of Trust currently provides that a unitholder who tenders Units for redemption in one month is entitled to be paid the redemption price (i) on the last day of the following month if the redemption price is paid *in specie*, and (ii) on or before the last day of the month following the month in which the tender occurred if the redemption price is paid in cash. The Special Units instead will be redeemed within two days of the demand for redemption.
4. The Fund's Declaration of Trust will also be amended in respect of *in specie* redemption rights. Under certain circumstances the Unit redemption price may be paid in certain shares of the Company or Company Notes. Since those securities will cease to exist as a result of these transactions, the *in specie* redemption provision of the Fund's Declaration of Trust will need to be amended to provide that in the event that the redemption price is to be paid *in specie*, then each Unit tendered for redemption shall be redeemed by way of a distribution *in specie* of Series 1 Notes issued by NWC Trust.
5. The Company will be replaced by NWC GP as the Fund's administrator.
6. In addition, certain other amendments may be made at the same time to the Fund's Declaration of Trust that are unrelated to these transactions and that amount to general "housekeeping" or "cleanup" matters.
7. Modifications to the amendments to the Fund's Declaration of Trust described in this section entitled "Step 2 Requirements" may be required to be made as a result of the content of the Ruling.
8. Tora Regina (Tower) Limited ("Tora Regina") will become a limited partner in NWC LP and transfer its assets and business to NWC LP.
9. The Company will form a new wholly-owned corporate subsidiary under the CBCA ("NW Holdco"). The Company will transfer its shares in NWC (US) Holdings Inc. (the parent company for the U.S. operations), Preferred shares of NWC Services Inc. to NW Holdco solely in exchange for Common shares. The Company, in its capacity as transferor, and NW Holdco, in its capacity as transferee, will jointly elect under subsection 85(1) of the Act, in prescribed form and within the time determined under subsection 85(6) or 85(7) of the Act, with respect to such transfer. The elected amount for purposes of the election for each property transferred will be within the limits prescribed by paragraphs 85(1)(c) and (c.1) of the Act.
10. The Company will transfer the Class C units it holds in NWC LP to NWC GP in exchange for a bare assumption by NWC GP of the senior indebtedness of the Company to third party creditors (the "Senior Notes") such that the Senior Notes are not novated under law.
11. The Fund will subscribe for that number of Class A shares of MFC as is equal to the number of its issued and outstanding Units in consideration for a cash payment of \$0.01 per Class A share (the

"Class A Share Subscription Proceeds"). Based on the number of Units currently issued and outstanding, the total subscription price payable by the Fund would be \$161,260.

12. The Fund will undertake a return of capital in respect of its Units held by unitholders who are not "designated beneficiaries" (as defined in the Act; and which term includes generally non-residents of Canada and certain tax-exempt entities), by distributing one Class A share of MFC per Unit held by each such unitholder.

At the time that the Fund distributes the Class A shares of MFC, there will be at least 150 holders of Class A shares, each of which holds Class A shares having an aggregate fair market value of not less than \$500 because the Fund will have at least 150 unitholders each of which holds at least 50,000 Units. The distribution of the Class A shares to the unitholders will comply with provincial securities legislation and regulation.

13. The Fund and MFC will enter into an agreement of purchase and sale under which the Fund will transfer the Common shares of the Company and the Company Notes to MFC for an aggregate purchase price equal to the respective fair market value of each property so transferred. MFC will satisfy the purchase price by issuing to the Fund 1,000,000 Class B shares. The Class B Redemption Amount will be established by reference to the aggregate fair market value of the Common shares of the Company and the Company Notes at that time, which will be based on the trading value of the Units prior to the time of the transfer to MFC. The Fund and MFC will jointly elect under subsection 85(1) of the Act, in prescribed form and within the time determined under subsection 85(6) or 85(7) of the Act, with respect to the transfer of the Common shares of the Company and the Company Notes. The elected amount for purposes of the election for each property transferred will be within the limits prescribed by paragraphs 85(1)(c) and (c.1) of the Act.

14. MFC, the Company, Tora Canada and Tora Regina will undertake a vertical short-form amalgamation to form one corporation (referred to herein as "Amalco"), which amalgamation will be governed by the provisions of section 87 of the Act including subsection 87(1.1).

The charter documents of Amalco will state that its only undertaking will be the activities described in subparagraphs (i), (ii) and (iii) of paragraph 131(8)(b) of the Act.

15. Amalco will transfer the Class A and Class B NWC LP units, all of the issued and outstanding shares of NW Holdco and the Class A Share Subscription Proceeds (collectively, the "NW Properties") to the Fund solely in exchange for:

- (a) that number of Units having an aggregate fair market value equal to the sum of the aggregate redemption amount of the Class A shares, and
- (b) that number of Special Units having an aggregate fair market value equal to the Class B Redemption Amount.

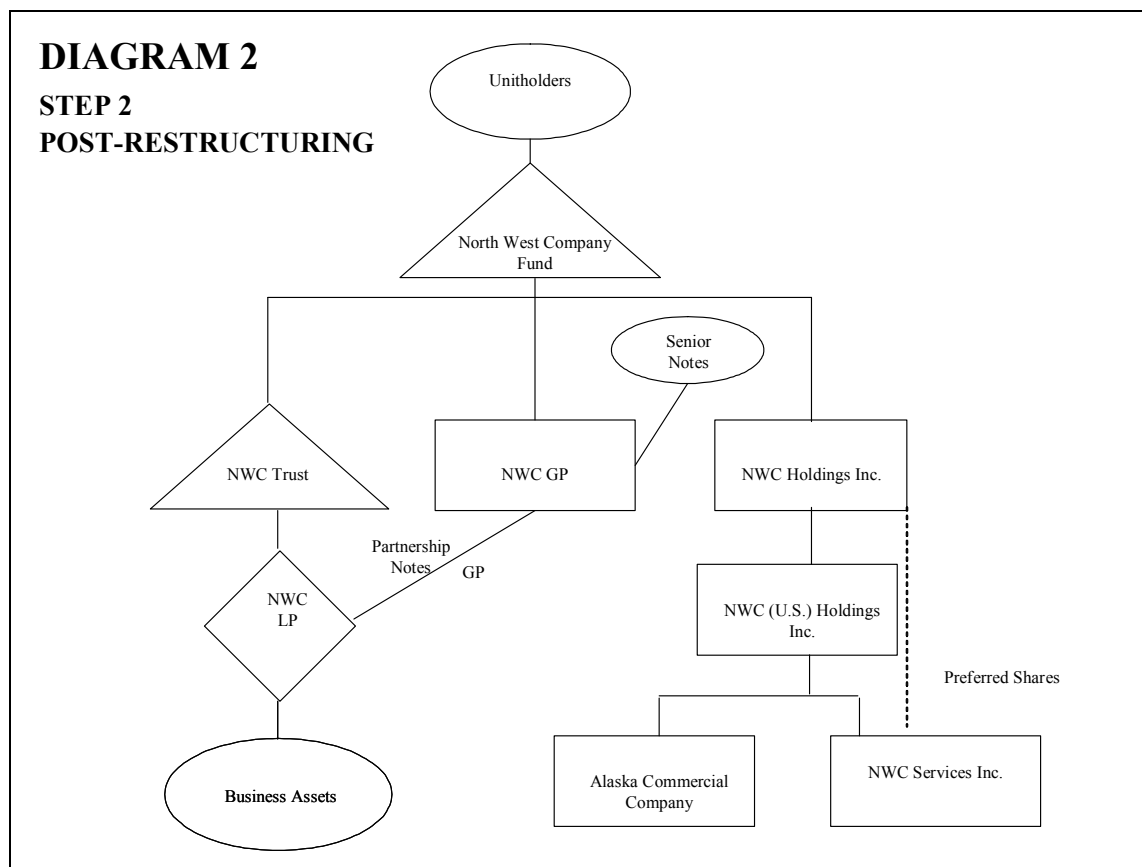
Subsequent to this transfer, Amalco will not have any property other than (i) the \$1,000 of cash subscription proceeds received by MFC (a predecessor of Amalco) on the issuance of the Common shares, (ii) the cash that had remained in the Company, Tora Canada and Tora Regina (predecessors of Amalco) to cover any liabilities that cannot be assumed, such as tax liabilities, and (iii) the Units and Special Units it received (referred to above). The Fund and Amalco will jointly file an election in prescribed form and within the prescribed time in respect of the transfer pursuant to paragraph (c) of the definition of "qualifying exchange" in subsection 132.2(2) of the Act.¹ No election will be filed in respect of the transfer pursuant to Clause 132.2(1)(c)(ii)(B) of the Act.²

¹ If the amendments to section 132.2 proposed by the July 18, 2005 Draft Amendments are enacted as drafted, the election will be that prescribed by paragraph (c) of the definition of "qualifying exchange" in subsection 132.2(1).

² Nor pursuant to clause 132.2(4)(b)(ii)(B) if section 132.2 is amended as proposed by the July 18, 2005 Draft Amendments.

16. Amalco will redeem all the outstanding Class A shares and pay the redemption price with Units, and all the outstanding Class B shares and pay the redemption price with Special Units, in each case as such Units and Special Units were acquired by Amalco in the immediately preceding transaction. The Special Units received by the Fund on the redemption of the Class B shares will be immediately cancelled and, consequently, no Special Units will remain outstanding. No consideration other than Units will be received by the unitholders on the redemption of the Class A shares. No consideration other than Special Units will be received by the Fund on the redemption of the Class B shares.
17. The outstanding Units will be consolidated on a basis such that the number of Units outstanding following such consolidation will be equal to the number of Units that were outstanding immediately before the Restructuring.
18. The Fund will then transfer to NWC Trust, in exchange for 999 additional NWC Trust units, the NW Properties that the Fund received from Amalco in the transaction described in Step 15 (except the Shares of NW Holdco). The Fund will not make the election in subparagraph 107.4(3)(a)(i) of the Act. Following this transfer, the Fund will continue to directly own 100% of the NWC Trust units and will indirectly own 100% of the partnership interests of NWC LP. None of the limited partnership interests of NWC LP transferred by the Fund to NWC Trust will be used to fund a distribution by NWC Trust.
19. Series 1 Notes will be reserved by NWC Trust to be issued exclusively as full or partial payment of the redemption price of NWC Trust units. The Series 1 Notes issued by NWC Trust to the Fund would, in turn, be distributed by the Fund in satisfaction of the redemption price of Units in the event in which a unitholder is entitled to *in specie* redemption.
20. Amalco will be amalgamated with NWC GP.

The structure following the proposed restructuring is shown in the diagram below entitled "Diagram 2 – Post-Restructuring".



As noted above, the completion of the Restructuring is contingent on the receipt of a favourable tax ruling from the CRA and approvals from the Board of Trustees of the Fund, approvals from the Board of Directors of the Company and the approval of the unitholders of certain amendments to the Declaration of Trust.

Also, certain aspects of the Restructuring will require several approvals and consents, some or all of which may not be obtainable and some of which, if not obtainable, may preclude or constrain the Restructuring. For example, approvals or consents may be required from bankers and other third parties.

Notwithstanding that the special resolution referred to below may be passed by the unitholders of the Fund at the Meeting, the Trustees may, in their sole discretion, elect not to proceed with the Restructuring or the amendments to the Fund Declaration of Trust.

Subject to obtaining the Ruling and the required approvals and consents referred to above and those determined to be necessary or advisable in connection with the Restructuring, the Fund presently plans to effect the Restructuring during calendar 2006 or calendar 2007.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Burnet, Duckworth & Palmer LLP, special counsel to the Fund and its affiliates in connection with the Restructuring, the following summary fairly describes, as of the date of this Information Circular, the principal Canadian federal income tax considerations relating to the Restructuring pursuant to the *Income Tax Act* (Canada) ("Tax Act") generally applicable to a unitholder who, at all relevant times and for the purposes of the Tax Act, holds Units as capital property and who deals at arm's length, and is not affiliated, with the Fund or its affiliates. Generally, Units will constitute capital property to a holder thereof unless such Units are held in the course of carrying on a business of buying and selling securities or have been acquired in a transaction or transactions considered to be an adventure or concern in the nature of trade. Certain unitholders whose Units might not otherwise qualify as capital property may, in certain circumstances, be entitled to make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have such Units deemed to be capital property. Unitholders who do not hold their Units as capital property should consult their own tax advisors regarding their particular circumstances.

This summary is not applicable to a unitholder that is a "financial institution" or a "specified financial institution" or a unitholder with an interest in which would be a "tax shelter investment", as defined in the Tax Act.

This summary is based upon the current provisions of the Tax Act and the regulations thereunder (the "Regulations") and counsel's understanding, based on publicly available published materials, of the current administrative practices of the CRA, all in effect as of the date of this Information Circular. This summary takes into account all specific proposals to amend the Tax Act and the Regulations announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof, (the "Proposals"), and assumes that such Proposals will be enacted as proposed, but no assurance can be given that this will be the case. This summary does not otherwise take into account or anticipate any changes in the law or administrative practice, whether by judicial, regulatory or legislative action or decision, nor does it take into account provincial, territorial or foreign tax legislation or considerations, which may differ significantly from those discussed herein.

This summary is of a general nature only and is not exhaustive of all Canadian federal income tax considerations applicable to unitholders. This summary is not intended to be, and should not be construed to be, legal, business or tax advice to any particular unitholder and no representation with respect to the tax consequences to any particular unitholder are made. Unitholders should consult their own tax advisors to determine the tax consequences to them of the Restructuring having regard to their particular circumstances, including the application and effect of the income and other tax laws of any country, province, territory, state or local tax authority.

Tax Considerations Applicable to the Restructuring

The Fund and its Subsidiaries & Affiliates

None of the Fund or any of its subsidiaries or affiliates will be required to include in its income any material amount as a result of the Restructuring.

Unitholders Resident in Canada

The following portion of the summary is applicable to unitholders who at all relevant times are, or are deemed to be, resident in Canada for the purposes of the Tax Act and any applicable tax treaty or convention.

Participation of Unitholders in the Restructuring

Unitholders will not be required to include in computing income for the year the nominal value of the Class A shares of MFC received from the Fund as a return of capital. A unitholder will be required to reduce the adjusted cost base of his Units by the amount of the return of capital. To the extent that the adjusted cost base of a Unit would otherwise be a negative amount, the negative amount will be deemed to be a capital gain and the adjusted cost base of the Unit to the unitholder will then be nil. The cost to a unitholder of a Class A share of MFC distributed to such holder will be equal to the fair market value of such share at the time of the distribution.

A unitholder holding Class A shares of Amalco will not be considered to have received a dividend and will not realize a capital gain or a capital loss as a result of the receipt of Units of the Fund on the redemption of such shares. The cost to a unitholder of Units of the Fund received by such holder on the redemption will be equal to the cost amount of the redeemed Class A shares to the holder immediately prior to the redemption. The cost of these Units will be required to be averaged with the adjusted cost base of all other Units held by the unitholder as capital property immediately before the acquisition in order to determine the adjusted cost base of each Unit.

The consolidation of Units of the Fund occurring as part of the Restructuring will not be considered to result in a disposition of Units by unitholders. The aggregate adjusted cost base of Units owned by a unitholder after the Restructuring will be equal to the aggregate adjusted cost base of the Units owned by the unitholder immediately prior to the Restructuring.

Eligibility for Investment

The Class A shares of MFC and Amalco will be qualified investments for purposes of the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans (collectively, "Deferred Income Plans") and registered education savings plans ("RESPs").

Provided the Fund is a mutual fund trust within the meaning of the Tax Act, the Units will be qualified investments for Deferred Income Plans and RESPs. If the Fund ceases to qualify as a mutual fund trust, the Units will cease to be qualified investments for such plans. Any Series 1 Notes received upon the redemption of Units may not be qualified investments for Deferred Income Plans and RESPs, and this could give rise to adverse consequences to such plans or the annuitants under such plans. Accordingly, Deferred Income Plans and RESPs that own Units should consult their own tax advisors before deciding to exercise the redemption rights attached to the Units.

Tax Considerations Following the Restructuring

Status of the Fund

Mutual Fund Trust

This summary is based on the assumption that the Fund qualifies, and will continue to qualify, as a "mutual fund trust" as defined in the Tax Act. If the Fund were not to qualify as a mutual fund trust, the income tax considerations described in this summary (including the summary of the tax considerations applicable to the Restructuring) would, in some respects, be materially different.

Taxation of the Fund

The taxation year-end of the Fund is December 31 of each year. In each taxation year, the Fund is subject to tax under Part I of the Tax Act on its income for tax purposes for the year, including net realized taxable capital gains, computed in accordance with the Tax Act, less the portion thereof that it deducts in respect of the amounts paid or payable in the year to unitholders. An amount will be considered to be

payable to a unitholder in a taxation year if it is paid to the unitholder in the year by the Fund or if the unitholder is entitled in that year to enforce payment of the amount.

Income Inclusion

The Fund will include in its income for each taxation year such amount of NWC Trust's income for tax purposes, including net taxable capital gains, as is paid or becomes payable to the Fund in the year in respect of the NWC Trust Units and all interest on the NWC Trust Notes that accrues to the Fund to the end of the year, or that becomes receivable or is received by it before the end of the year, except to the extent that such interest was included in computing its income for a preceding year. The Fund will not be subject to tax on any amount received as a payment of principal in respect of the NWC Trust Notes or any amount received as a return of capital from NWC Trust (provided that the capital returned, if any, does not exceed the cost amount of the NWC Trust Units held by the Fund).

A distribution by the Fund of its property upon a redemption of Units will be treated as a disposition by the Fund of the property so distributed for proceeds of disposition equal to their fair market value. The Fund's proceeds of disposition of NWC Trust Notes will be reduced by any accrued but unpaid interest in respect thereof, which interest will generally be included in the Fund's income in the year of disposition to the extent that it was not included in the Fund's income in a previous year. The Fund will realize a capital gain (or a capital loss) to the extent that the proceeds of disposition exceed (or are less than) the adjusted cost base of the relevant property and any reasonable costs of disposition. The Fund currently intends to treat as payable to and designate to a redeeming unitholder any capital gain realized by the Fund as a result of the distribution of such property to the unitholder.

Income Deduction

In computing its income for purposes of the Tax Act, the Fund may deduct reasonable administrative costs, interest and other expenses incurred by it for the purpose of earning income. The Fund may also deduct from its income for the year a portion of the expenses incurred by it in connection with the issuance of Units. The portion of such issue expenses deductible by the Fund in a taxation year is 20% of such issue expenses.

Counsel has been advised that the Fund intends to make distributions in each year that are not less than its income for purposes of the Tax Act, including net realized taxable capital gains, so that the Fund will generally not be liable in such year for income tax under Part I of the Tax Act. Income of the Fund that is used to fund redemptions of Units for cash or is otherwise unavailable for distribution in cash will be paid to Unitholders in the form of additional Units. Income of the Fund payable to unitholders, whether in cash, additional Units or otherwise, will generally be deductible by the Fund in computing its taxable income. Losses incurred by the Fund cannot be allocated to unitholders, but may be deducted by the Fund in future years in accordance with the Tax Act.

In the event the Fund is otherwise liable for tax on its net realized taxable capital gains for a taxation year, it will be entitled for such taxation year to reduce (or receive a refund in respect of) its liability for such tax by an amount determined under the Tax Act based on the redemption of Units during the year (the "Capital Gains Refund"). In certain circumstances, the Capital Gains Refund in a particular taxation year may not completely offset the Fund's tax liability for such taxation year arising as a result of the distribution of Trust Notes in connection with the redemption of Units. Thus, the Declaration of Trust provides, and the Amended Fund Declaration of Trust will provide, that any capital gains realized by the Fund as a result of such redemption may be allocated to the unitholders redeeming their Units. The taxable portion of such capital gains must be included in the income of the redeeming unitholder.

Taxation of NWC Trust

NWC Trust will be taxable on its income determined under the Tax Act for each taxation year (which will be the calendar year), which will include its allocated share of the income of NWC LP for its fiscal period

ending on or before the year-end of the NWC Trust, except to the extent such income is paid or payable in such year to the Fund and is deducted by the NWC Trust in computing its income for tax purposes. The NWC Trust will generally be entitled to deduct its expenses incurred to earn such income provided such expenses are reasonable and otherwise deductible, subject to the relevant provisions of the Tax Act. Under the NWC Trust Declaration of Trust, all of the income of the NWC Trust for each year, together with the taxable and non-taxable portion of any capital gains realized by the NWC Trust in the year, will generally be payable in the year to the Fund and will generally be deductible by the NWC Trust in computing its taxable income. As a result, Counsel has been advised that the Fund does not expect the NWC Trust to be liable for any material amount of tax under Part I of the Tax Act.

Taxation of NWC LP

NWC LP will not be subject to tax under the Tax Act. Each partner of NWC LP, including the NWC Trust, will be required to include in computing the partner's income for a particular taxation year the partner's share of the income or loss of NWC LP, as the case may be, for its fiscal year ending in, or coincidentally with, the partner's taxation year, whether or not any of that income is distributed to the partner in the taxation year. For this purpose, the income or loss of NWC LP will be computed for each fiscal year as if NWC LP was a separate person resident in Canada. In computing the income or loss of NWC LP, deductions may be claimed in respect of its administrative and other expenses incurred to earn income from its business or investments. The income or loss of NWC LP for a fiscal year will be allocated to the partners of NWC LP, including the NWC Trust, on the basis of their respective share of that income or loss subject to the detailed rules in the Tax Act in that regard.

Each partner of NWC LP will be deemed to realize a capital gain to the extent the adjusted cost base of its partnership units is negative at the end of a fiscal year.

If NWC LP incurs losses for tax purposes, NWC Trust will be entitled to deduct in the computation of its income for tax purposes its share of any such losses for any fiscal year to the extent that NWC Trust's investment is "at risk" within the meaning of the Tax Act. In general, the amount "at risk" for an investor in a partnership for any taxation year will be the adjusted cost base of the investor's partnership interest at the end of the year, plus any undistributed income allocated to the limited partner for the year, less any amount owing by the limited partner (or a person with whom the limited partner does not deal at arm's length) to NWC LP (or to a person with whom NWC LP does not deal at arm's length) and less the amount of any benefit that a limited partner (or a person with whom the limited partner does not deal at arm's length) is entitled to receive or obtain for the purpose of reducing, in whole or in part, any loss of the limited partner from the investment.

Taxation of Unitholders

Fund Distributions

A unitholder will generally be required to include in income for a particular taxation year the portion of the net income for tax purposes of the Fund for a taxation year, including net realized taxable capital gains, that is paid or payable to the unitholder in the particular taxation year, whether the amount is received in cash, additional Units or otherwise.

The non-taxable portion of any net realized capital gains of the Fund that is paid or payable to a unitholder in a taxation year will not be included in computing the unitholder's income for the year. Any other amount in excess of the net income of the Fund that is paid or payable to a unitholder in that year (other than as proceeds in respect of the redemption of Units) will not generally be included in the unitholder's income for the year, but will reduce the adjusted cost base of the Units by that amount. To the extent the adjusted cost base of a Unit would otherwise be a negative amount, the negative amount will be deemed to be a capital gain realized by the unitholder from the disposition of the Unit and will be added to the adjusted cost base of the Unit so that the adjusted cost base will be nil. The taxation of capital gains is described below.

Disposition of Units

On a disposition or deemed disposition of a Unit, the unitholder will realize a capital gain (or a capital loss) equal to the amount by which the unitholder's proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base of the Unit to the unitholder and any reasonable costs of disposition. Proceeds of disposition will not include an amount that is otherwise required to be included in the unitholder's income. The taxation of capital gains and capital losses is described below.

For the purpose of determining the adjusted cost base to a unitholder of Units, when a Unit is acquired, the cost of the newly acquired Unit will be averaged with the adjusted cost base of all of the Units owned by the unitholder as capital property immediately before that time.

Where Units are redeemed by the distribution of Series 1 Notes to the unitholder, the proceeds of disposition to the unitholder of the Units will be equal to the fair market value of the property so distributed less any income or capital gain realized by the Fund as a result of the redemption of such Units which is designated by the Fund to the unitholder. Where income or capital gain realized by the Fund as a result of the distribution of NWC Trust Notes on a redemption of Units is made payable and designated by the Fund to a redeeming Unitholder, the unitholder will be required to include in income the income or taxable portion of the capital gain so designated.

The redeeming unitholder will be required to include in income, interest on any Series 1 Notes acquired, (including interest that accrued prior to the date of the acquisition of such debt by the unitholder that is designated as income to the unitholder by the Fund), if any, in accordance with the provisions of the Tax Act.

The cost of any NWC Trust Notes distributed by the Fund to a unitholder upon a redemption of Units will be equal to the fair market value of the NWC Trust Notes at the time of the distribution less any accrued interest thereon. The unitholder will thereafter be required to include in income interest on the NWC Trust Notes, if any, in accordance with the provisions of the Tax Act. To the extent that the unitholder is required to include in income interest accrued on the NWC Trust Notes to the date of acquisition, an offsetting deduction may be available. Unitholders are advised to consult their own tax advisors prior to exercising their redemption rights.

Taxation of Capital Gains and Capital Losses

One-half of any capital gain realized by a unitholder and the amount of any net taxable capital gain designated by the Fund in respect of a unitholder will be included in the unitholder's income as a taxable capital gain. One-half of any capital loss realized by a unitholder in excess of capital gains in a particular year may be carried back and deducted in any of the three preceding years or carried forward and deducted in any following year against taxable capital gains realized in such year to the extent and under the circumstances described in the Tax Act.

Where a unitholder that is a corporation or a trust (other than a mutual fund trust) disposes of a Unit, the unitholder's capital loss from the disposition will generally be reduced by the amount of any dividends, previously designated by the Fund to the unitholder except to the extent that a loss on a previous disposition of a Unit has been reduced by those dividends. Analogous rules apply where a corporation or a trust (other than a mutual fund trust) is a member of a partnership that disposes of Units.

In general terms, net income of the Fund paid or payable to a unitholder that is an individual or a trust that is designated as taxable dividends or capital gains, and capital gains realized on the disposition of Units, may increase the unitholder's liability for minimum tax.

Unitholders Not Resident in Canada

The following portion of the summary is generally applicable to unitholders who, for purposes of the Tax Act and any applicable tax treaty or convention, are not, and are not deemed to be, resident in Canada and whose Units are not taxable Canadian property (as defined in the Tax Act and the Tax Proposals). Generally, such Units will not be taxable Canadian property provided that the Fund is a mutual fund trust at the time of a disposition of such Units, and such unitholder does not use or hold, and is not deemed to use or hold, such Units in connection with carrying on a business in Canada and such unitholder has not, either alone or in combination with persons with whom such unitholder does not deal at arm's length, owned (or had an option to acquire) 25% or more of the issued Units of the Fund any time within 60 months preceding the date of disposition, and provided the unitholder is not carrying on an insurance business in Canada or elsewhere.

Participation in the Restructuring

Generally, a unitholder who is not resident in Canada will not participate in the Restructuring and hence will have no tax consequences.

Tax Considerations Following the Restructuring

Where the Fund makes distributions to a non-resident unitholder, the same considerations as those discussed above with respect to a unitholder who is resident in Canada will generally apply, except that any distribution of income (excluding capital gains) paid or credited by the Fund to a non-resident unitholder, including any income or accrued interest arising in connection with a redemption of Units, will be subject to Canadian withholding tax at the time such distribution is paid or credited at the rate of 25%, subject to reduction of such rate under an applicable tax treaty or convention. As discussed above, distributions of trust capital paid or credited by the Fund to a non-resident Unitholder will be subject to Canadian withholding tax at the time such distribution is paid or credited at the rate of 15%. In addition, interest paid to a non-resident unitholder on the Series 1 Notes will be subject to Canadian withholding tax at a rate of 25%, subject to reduction under an applicable treaty or tax convention.

SUMMARY OF THE DECLARATION OF TRUST

The following is a summary of certain material attributes and characteristics of the Units and provisions of the Declaration of Trust, a copy of which is available upon request from the Secretary of the Fund. This summary does not purport to be complete.

Activities of the Fund

The Fund does not conduct an active business but rather distributes to the Unitholders the income (net of expenses) it receives from the Company and its other affiliates. The Declaration of Trust limits the activities of the Fund to:

- (a) investing in such securities as may be approved from time to time by the Trustees, including any securities of the Company or its affiliates, provided that the Trustees may not invest in any security, asset, or investment which is defined as "foreign property" or is a "small business security" under the *Income Tax Act* (Canada) (the "Tax Act");
- (b) disposing of any part of the assets of the Fund;
- (c) temporarily holding cash and investments for the purpose of paying the expenses and liabilities of the Fund, paying amounts payable by the Fund in connection with the redemption of any Units and making distributions to holders of the Units (the "unitholders"); and
- (d) undertaking such other business and activities as shall be approved by the Trustees from time to time provided that such business or activity does not result in the Fund not being considered either a "unit trust" or a "mutual fund trust" for purposes of the Tax Act.

The Declaration of Trust may be amended or altered from time to time by at least 66 2/3% of the votes cast at a meeting of the unitholders called for such purpose.

The Trustees may, without the approval of the unitholders, make certain amendments to the Declaration of Trust, including amendments:

- (a) for the purpose of ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental or other authority having jurisdiction over the Trustees or over the Fund;
- (b) which, in the opinion of the Trustees, provide additional protection for the unitholders;
- (c) to remove any conflicts or inconsistencies in the Declaration of Trust or to make minor corrections which are, in the opinion of the Trustees, necessary or desirable and not prejudicial to the unitholders; and
- (d) which, in the opinion of the Trustees, are necessary or desirable as a result of changes in taxation laws.

Description of Units

An unlimited number of Units may be created and issued pursuant to the Declaration of Trust. As of April 21, 2006 there were 16,126,000 Units issued and outstanding including Units held by management under the Unit Purchase Loan Plan. Each Unit represents an equal fractional undivided beneficial interest in any distribution from and in any net assets of the Fund in the event of termination or winding-up of the Fund. All Units are of the same class with equal rights, privileges and ranking. Each Unit is transferable and entitles the holder thereof to participate equally in distributions, including the distributions of net income and net realized capital gains of the Fund and distributions on termination or winding-up, is not subject to future calls or assessments and entitles the holder thereof to one vote at all meetings of unitholders for each Unit held.

Issuance of Units

The Declaration of Trust provides that Units or rights, warrants or options to acquire Units may be issued at the times, to the persons, for the consideration and on the terms and conditions that the Trustees determine. Existing unitholders have no pre-emptive rights to subscribe for or purchase any Units. The Declaration of Trust also provides that fractional Units shall not be issued except pursuant to a pro rata distribution of additional Units to all unitholders in satisfaction of any non-cash distribution, following which the number of outstanding Units will be consolidated such that each unitholder will hold the same number of Units as the unitholder held before the non-cash distribution. In this case, each certificate representing a number of Units prior to the non-cash distribution is deemed to represent the same number of Units after the non-cash distribution and the consolidation.

Unit Recirculation Right

Units may be re-circulated at any time at the option of the holders thereof upon delivery to the Fund of the certificate or certificates representing such Units, accompanied by a duly completed and properly executed direction and power of attorney authorizing the Trustees or the recirculation agent, appointed from time to time by the Trustees (the "Recirculation Agent"), to sell such Units on the unitholders' behalf ("Recirculation") at such price or prices as may be obtained by the Trustees or the Recirculation Agent in their absolute discretion. The holder of Units tendered for Recirculation shall be entitled to receive payment of the gross proceeds received from the Recirculation sale less applicable selling costs including brokerage commissions of the Recirculation Agent, such payment to be made by the Fund or the Recirculation Agent no later than the 5th business day following the end of the month during which the Recirculation sale is effected.

Unit Redemption Rights

Units are redeemable at any time on demand by the holders thereof upon delivery to the Fund of the certificate or certificates representing such Units, accompanied by a duly completed and properly executed notice requesting redemption. Upon receipt of the redemption request by the Fund, all rights to and under the Units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per Unit (the "Redemption Price") equal to the lesser of: (i) 85% of the "market price" of the Units on the principal market on which the Units are quoted for trading during the ten trading day period commencing immediately after the date on which the Units are surrendered for redemption (the "Redemption Date"); and (ii) the "closing market price" on the principal market on which the Units are quoted for trading on the Redemption Date.

The Trustees

There are currently 10 Trustees. Trustees are reappointed or replaced every year as may be determined by a majority of the votes cast at an annual meeting of the unitholders. The Declaration of Trust provides that, subject to the terms and conditions thereof, the Trustees may, in respect of the Fund assets, exercise any and all rights, powers and privileges that could be exercised by a legal and beneficial owner thereof and shall supervise the investments and conduct the affairs of the Fund. The Trustees are responsible for, among other things: (i) acting for, voting on behalf of and representing the Fund as a shareholder and noteholder of the Company; (ii) maintaining records and providing reports to unitholders; (iii) supervising the activities of the Fund; (iv) managing the affairs of the Fund; (v) ensuring that the restrictions in the Declaration of Trust on non-resident ownership are met; and (vi) declaring distributions from the Fund to unitholders.

Section 8.1 of the Declaration of Trust provides for a Board of Trustees consisting of a minimum of seven Trustees and a maximum of 11 Trustees.

Meetings of Unitholders

The Declaration of Trust provides that meetings of unitholders must be called and held for, among other matters, the election or removal of Trustees, the appointment or removal of the auditors of the Fund, the appointment of an inspector to investigate the performance by the Trustees in respect of their responsibilities and duties in respect of the Fund, the approval of amendments to the Declaration of Trust, the sale of all or substantially all of the assets of the Fund, the termination of the Fund and the direction of the Trustees as to the election of the Directors of the Company. Meetings of unitholders will be called and held annually for, among other things, the election of the Trustees, the appointment of auditors of the Fund and the direction of the Trustees as to the election of the directors of the Company. A resolution appointing or removing a Trustee, the auditors of the Fund or the direction of the Trustees as to the election of the Directors of the Company, must be passed by a simple majority of the votes cast by unitholders. The balance of the foregoing matters must be passed by at least 66 2/3% of the votes cast at a meeting of unitholders called for such purpose.

A meeting of unitholders may be convened at any time and for any purpose by the Trustees and must be convened if requisitioned by the holders of not less than 10% of the Units then outstanding by a written requisition. A requisition must, among other things, state in reasonable detail the business proposed to be transacted at the meeting.

Unitholders may attend and vote at all meetings of unitholders either in person or by proxy and a proxy holder need not be a unitholder. Two persons present in person or represented by proxy and representing in the aggregate at least 10% of the votes attaching to all outstanding Units shall constitute a quorum for the transaction of business at all such meetings.

The Declaration of Trust contains provisions as to the notice required and other procedures with respect to the calling and holding of meetings of unitholders.

THE NORTH WEST COMPANY INC.

General

The Company is a wholly owned subsidiary of the Fund. All of the Company's Common Shares, Subordinated Notes, and Notes Receivable (being all of the issued and outstanding securities of the Company) are held by the Fund.

The history of the Company dates back to 1670, when the Hudson's Bay Company received its Royal Charter and began establishing fur-trading outlets throughout what is now northern Canada. In 1821 Hudson's Bay Company merged with its rival The North West Company, which federation of partners commenced operations in 1779. Over time, the original fur-trading outlets diversified their product lines and eventually became the Northern Stores division of the Hudson's Bay Company ("Northern Stores"). In 1987, Northern Stores was sold to a management and private investor group. Shares of the successor to Northern Stores, The North West Company Inc., were listed for trading on the Toronto Stock Exchange in 1990, and a public offering was made in 1992. Later that year, the Company bought the Alaska Commercial Company that traced its roots back to the Russian American Trading Company that commenced operations in 1778. In 1997, The North West Company Inc. was reorganized pursuant to a Plan of Arrangement and the outstanding shares in The North West Company Inc. were effectively exchanged on a one-for-one basis for Units of the Fund. On January 27, 2005, The North West Company Inc. transferred its interest in Alaska Commercial Company to its newly incorporated wholly owned subsidiary NWC (U.S.) Holdings Inc.

Reorganization

See "North West Company Fund Reorganization" on page four with respect to certain reorganization steps which the Fund and the Company have undertaken or propose to undertake.

DESCRIPTION OF THE BUSINESS

General

The Company is a leading retailer and distributor of everyday consumer goods and services to remote communities, rural towns and urban neighborhoods across northern Canada, rural Alaska and western Canada. The Company operates a network of 193 retail stores, which offer a diverse range of merchandise catering to the northern customer, the urban customer at several locations in southern Canada, as well as a catalogue shopping business. The Company also operates complementary businesses, including fur and Inuit art marketing businesses, which utilize its unique heritage and knowledge of the north.

For the 52 week fiscal year ended January 28, 2006 the Company's total revenues were \$849.7 million, of which Canadian operations accounted for approximately 81% and Alaskan operations accounted for the balance or 19 %. For the 52-week fiscal year ended January 29, 2005, the Company's total revenues were \$788.7million. At January 28, 2006, the Company employed 5,907 people including 732 people in Alaska.

Canadian Operations

The Company's Northern Canadian Retailing operations consist of 131 Northern stores, five NorthMart stores and 10 stand-alone Quickstop convenience stores. These 146 outlets are located in 140 communities across the Canadian north. The communities range in size from small, remote settlements with populations as few as 300 people to larger, regional centers with populations of up to 15,000 people. The average store size has approximately 7,500 square feet of selling space and features a broad assortment of food, general merchandise and services. Food offerings consist of perishable and non-perishable products including groceries, dairy products, meat, produce and convenience/fast-food services. General merchandise consists of family apparel, house wares, health and beauty aids, sporting goods, toys, hardware, furniture, appliances and home entertainment products, boats, outboard motors,

canoes, all-terrain vehicles and snowmobiles. Services include cheque cashing, tax services, ATM's, money transfers, bill payment, and catalogue ordering and gasoline sales. Stores may also feature a post office, fast food franchise or a pharmacy. Store offerings are supported by an established catalogue business, Selections (www.selections.northwest.ca), which is distributed throughout northern Canada.

The Company is pursuing a strategy of entering into alliances with leading specialty retailers, distributors and service providers to broaden its product and service offering while leveraging its convenient locations. To date, the Company has established alliances with *Dufresne Furniture and Appliances*, *TruServ Canada Cooperative Inc.* (in the hardware category), *A. De La Chevrotière Ltée.* (food distribution in eastern Canada), *Rogers Video* and *H&R Block Canada* (in the tax services category). Management believes that these alliances have been positive in delivering stronger product and service offerings to the Company's customers at lower costs.

In July 2002, the Company opened two Giant Tiger discount stores in Manitoba and announced plans to roll-out approximately 72 stores in western Canada over the next 30 years. A third store was opened in 2002. Four stores were opened in 2003 and three opened in 2004. Four stores were opened in 2005 for a total of 14 Giant Tiger stores.

Three Giant Tiger stores to be located in Calgary, Alberta, Grande Prairie, Alberta and Yorkton, Saskatchewan are scheduled to open in early 2006.

The Company operates complementary businesses that apply its unique heritage and knowledge of the north. These include: (i) the Fur Marketing Division, which purchases furs from trappers and sells aboriginal crafts and outerwear to the local and tourist retail market from three trading posts; (ii) the Inuit Art Marketing Service, which procures and markets carvings from Native artisans and is the largest Inuit art marketing service in Canada; (iii) Crescent Multi Foods, which is a full-line produce and fresh meat distributor, serving the Company's stores and third-party customers in Manitoba and northwestern Ontario; and (iv) The Odd Lots Discount Centre, which is used by the Company to dispose of surplus catalogue and store merchandise.

Alaskan Operations

The Company's Alaskan operations are conducted through Alaska Commercial Company ("AC") a wholly owned subsidiary of the Company's wholly owned subsidiary NWC (U.S.) Holdings Inc. AC operates 25 AC Value Center stores and two AC Quickstop convenience store. These store formats are similar to the Company's Canadian stores. The Alaskan operations also include Frontier Expeditors, which provides wholesale services to small independent retailers in Alaska.

Distribution and Infrastructure

The Company operates one distribution centre in each of Winnipeg, Manitoba and Anchorage, Alaska. They are used for both food and general merchandise. Due to the vast geography of the Company's store network, transportation is an important element of the Company's operations. The majority of stores are inaccessible by all-weather roads and the balance are relatively distant from major transportation corridors. As a result, stores are serviced by all available modes of transportation including sealift, barge, trucks including via winter roads, rail and air. The Company owns a 50% interest in Transport Nanuk Inc., a shipping company servicing the eastern Arctic.

In both Canada and Alaska, the Company owns the majority of its stores, in addition to employee residences and staff houses, which are typically located adjacent to the more remote store locations.

In Canada, the Company sources both food and general merchandise through the Company's head office in Winnipeg, a buying office for fashion in Montreal and through its corporate alliances. A buying office in Anchorage, which sources product locally, as well as from the lower 48 states, handles buying for AC.

Financial Services

The Company offers customers convenient, local access to a wide variety of financial services. Northern, NorthMart and AC Value Center stores each offer a revolving credit card for day-to-day purchases, similar to those offered by major department store chains. An extended payment program is also available to finance big-ticket purchases at the stores. As there are relatively few bank branches in markets the Company serves the Company also offers ATM's, cheque cashing, debit card cash withdrawal, cash transfer, bill payment, currency exchange, money order and gift certificate services at its stores.

Many day-to-day credit decisions continue to remain the responsibility of local store managers as management believes that a store manager's knowledge of the local economic conditions and their personal acquaintance with their customers, allows them to make most day to day authorization decisions. Credit provided on the extended payment program for big-ticket purchases are approved at the Company's head office. A central credit management system allows continuous monitoring of account activity and balances at the head office so that credit specialists can provide advice to the store managers. The allowance for doubtful accounts is adjusted monthly to reflect the changes in the currency of outstanding balances. Allowances are adequate to cover projected bad debts.

Markets

The Company operates 131 stores in smaller, remote communities inhabited principally by First Nations, Métis and Inuit. These markets range in population from 300 to 3,700 people and are generally not accessible by all-weather roads. These communities generally have a stable income base, which is dependent on government spending through social assistance and public sector employment in schools, health services, local government and public works projects. Income levels are also influenced by activities such as fishing, resource exploration, pipeline construction, hydro electricity development and related construction activity.

The Company operates 62 stores in less remote, regional communities that are generally accessible by all-weather roads. These markets range in population from 1,000 to 15,000 people. The economies of these communities are more diverse and income levels are higher than those of the more remote locations. Major sources of employment are in government services, transportation, health care, tourism and natural resources. The Company considers that of its total number of regional locations, 24 communities are dependent to varying degrees on natural resource industries.

The Company operates five Giant Tiger stores in Winnipeg, four in Manitoba, Thompson, Morden, Brandon and The Pas, and five in Saskatchewan, Moose Jaw, Regina, Saskatoon, Prince Albert and Yorkton, and two in Alberta, Edmonton and Grande Prairie.

In addition to the above, the Company operates Fur Marketing branches in Grande Prairie, Alberta, Prince Albert, Saskatchewan, North Bay, Ontario and an *Odd Lots Discount Centre* in Winnipeg, Manitoba.

Operations

Net earnings from operations for the 52 week fiscal year ended January 28, 2006, were \$42.9 million or \$2.68 per Unit on a diluted basis versus net earnings from operations for the 52 week fiscal year ended January 29, 2005, of \$37.3 million or \$2.32 per Unit on a diluted basis and net earnings of \$35.7 million or \$2.22 per Unit on a diluted basis for the 53-week fiscal year ended January 31, 2004.

Revenues increased 7.7% for the 52-week fiscal year ended January 28, 2006. Canadian operations experienced a 9.4% increase in revenue while NWC (U.S.) Holdings which includes the Alaskan operations, recorded an 8.3% increase in revenues to US\$133.0 million from US\$122.8 million in the prior year.

Earnings before interest and taxes were \$60.5 million or 7.1% of sales for the year ended January 28, 2006 compared to \$52.7 million or 6.7% of sales for the fiscal year ended January 29, 2005. Canadian earnings before interest and taxes of \$49.5 million or 7.2% of revenues increased from \$42.7 million or 6.8% of revenue for the prior fiscal year ended January 29, 2005. NWC (U.S.) Holdings which includes the Alaskan operations generated earnings before interest and taxes of \$11.0 million or 6.9% of revenue for the fiscal year ended January 28, 2006, compared to \$10.0 million or 6.3% of revenue for the prior fiscal year. Interest expenses for the fiscal year ended January 28, 2006, were \$6.1 million, up from \$5.8 million for the prior fiscal year.

Assets and Cash Flow

At January 29, 2005, net working capital was \$123.3 million, representing an increase of \$3.4 million or 2.8% from \$119.9 million at the prior fiscal year-end. Accounts receivable of \$67.5 million decreased by 2.2% during the fiscal year ended January 28, 2006. Inventories of \$124.6 million increased by 1.6% compared to \$122.6 million the prior fiscal year. Financing activities during the fiscal year ended January 28, 2006 generated a net cash outflow of \$40.9 million compared to \$32.5 million last year. Total assets were \$423.8 million, up 2.3% from \$414.5 million in the prior year.

Stores and Other Facilities

The following table sets forth the number of stores, the location of the stores by region and whether the stores are owned or leased as at January 28, 2006.

| | Number of Stores | Owned (1) | Leased |
|-----------------------|-------------------------|------------------|---------------|
| Alberta | 6 | 4 | 2 |
| British Columbia | 3 | 2 | 1 |
| Labrador/NFLD | 5 | 5 | - |
| Manitoba | 39 | 22 | 17 |
| Nunavut | 27 | 23 | 4 |
| NWT | 19 | 17 | 2 |
| Ontario | 27 | 15 | 12 |
| Quebec | 17 | 16 | 1 |
| Saskatchewan | 20 | 15 | 5 |
| Yukon | 1 | - | 1 |
| Canadian Stores | 164 | 119 | 45 |
| Alaska Commercial Co. | 27 | 14 | 13 |
| TOTAL STORES | 191 | 133 | 58 |

(1) Of these stores, 44 are located on leased land pursuant to ground leases.

The following table summarizes the number of stores and selling square footage under the Company's retail formats as at January 28, 2006.

| | Number of stores | | Selling square footage | |
|-----------------------------|-------------------------|-------------|-------------------------------|------------------|
| | 2005 | 2004 | 2005 | 2004 |
| Northern | 131 | 132 | 771,265 | 771,562 |
| NorthMart | 5 | 5 | 125,084 | 125,084 |
| Quickstops | 12 | 10 | 16,753 | 14,995 |
| Giant Tiger | 14 | 10 | 225,962 | 163,937 |
| Other formats | 4 | 4 | 22,558 | 22,558 |
| AC Value Centres | 25 | 23 | 267,304 | 249,497 |
| Total at end of year | 191 | 184 | 1,428,926 | 1,347,633 |

Selling areas of stores in remote communities range in size from 1,000 sq. ft. to 10,000 sq. ft. In regional communities, selling areas range from 3,000 sq. ft. to 47,000 sq. ft. The Company owns employee residences and staff houses, which are typically located adjacent to the more remote store locations.

Competition

In the majority of the northern and remote communities that it serves, the Company is the dominant provider of food, every day and seasonal general merchandise and commands the largest market share. Local competition consists of stores operated by independent storeowners and local co-operatives, some of which are associated with regional or national buying groups. Many of these stores enjoy strong local loyalties through established customer relationships. The strength of the Company's independent store competition varies considerably depending on the management skills, financial strength and scale of local operators. Additionally, the commitment of local staff to the store and to customer relationships and the ability to maintain consistent standards are other key factors that influence their success. In Canada, all of the communities in which the Company operates have access to mail order catalogue and direct mail services such as those provided by *Sears Canada Inc.*, *Wal-Mart* and smaller regional and specialized competitors. In Alaska, this type of competition is more intense and includes catalogues directed solely at the rural Alaska market by Anchorage retailers such as *Safeway*, *Wal-Mart* and *Sears*.

The Company's stores also face competition (in varying degrees based upon the specific market location) from non-independent stores, including traditional department stores, big box retailers, discount department stores and specialty stores. Specifically, in 15 of the larger communities, the Company competes directly with Canadian secondary market chains such as *True Value*, *Fields*, *SAAN* and *I.G.A./Sobeys* as well as home shopping networks. AC competes directly with *Safeway* or its subsidiaries in three markets and *Wal-Mart* in one market. Furthermore, 42 of the Company's store locations are within three hours driving distance of small to medium sized urban centres offering a variety of shopping alternatives.

The Company's Giant Tiger stores are located in larger rural and urban markets. They compete against discount chains, food stores and department store formats.

Capital Expenditures

For the 52-week fiscal year ended January 28, 2006 total net capital expenditures amounted to \$24.0 million compared to \$21.6 million for the fiscal year ended January 29, 2005. Net capital expenditures for the 52-week fiscal year ending January 27, 2007, are expected to be in the range of \$35 to \$40 million and will be financed out of cash flow from operations and from the Company's bank operating facilities.

Management of Sales and Operations

In Canada, each store employs a full-time manager who has primary responsibility to monitor daily operations, maximize selling opportunities and safeguard Company assets. The organizational structure of Northern Canada Retailing headed by the Executive Vice-President, Northern Canada Retailing includes four Regions, each of which is managed by a General Manager. Two regions are led by a General Manager and a support team. The remaining two regions are segregated into nine districts, with each district led by a District Manager and a support team reporting to a General Manager.

The General Managers are responsible for the store level execution of corporate strategies, policies and programs. The regional General Managers contribute to the development of these initiatives by providing front line feedback from daily contact with staff, customers and communities. In Alaska, Sales & Operations report to a Vice President, Sales & Operations and a Director of Store Operations. Support for Sales & Operations is provided directly by AC's Accounting, Human Resources and Marketing departments in Anchorage and with selected additional support from Winnipeg based service departments.

As at April 21, 2006 the Company operates 16 Giant Tiger stores that report to the Vice-President and General Manager, Giant Tiger West. Support service responsibilities are divided between the Company and Giant Tiger Stores Limited.

Employees

At January 28, 2006, the Company employed 5,907 people, including 732 in Alaska. Of these, 1840 are aboriginal and of the aboriginal employees, 195 hold managerial positions. The Company is active in the recruitment of aboriginal people for positions in stores, corporate and distribution centers.

Training and development of employees is also a major focus across the Company. Particular attention is being paid toward enhancing food expertise within store operations and with those who have category management responsibilities. As part of a "Best Practice" training initiative new operational processes have been identified and documented. These are being used to guide work methods and comprehensive training programs at store training sites across the country. In Alaska, the focus is on industry-sponsored training materials. Canada and Alaska are also recruiting more senior people for store operations positions through the Manager In Training program. This provides training to experienced store managers as to the Company's processes prior to operating a store.

Customers

The Company's core customer group consists of lower-income shoppers residing in remote communities across the Canadian north and Alaska. This typical customer's income depends largely on direct and non-discretionary government transfer payments and regional government program funding. This group's spending is also influenced by the availability of seasonal employment opportunities, which are typically created by government-funded construction and infrastructure projects. The shopping needs of the Company's core customer group mainly consist of necessity food and everyday basic general merchandise and are influenced by the challenging climate and logistics conditions that exist in these communities.

The Company's urban Giant Tiger customers are somewhat less dependent upon government funding but still exhibit similar shopping needs.

The Company's target customers also include quality and selection-driven shoppers and younger, "trend-driven shoppers". Management believes that these shoppers have become increasingly aware of consumer trends in urban markets. The Company's food and general merchandise assortments have evolved to reflect this change and include more fresh (highly perishable) departments in foods, as well as fashion and lifestyle products similar to those offered by retailers in more competitive urban markets.

Environment

The Company is subject to environmental regulation pursuant to federal, provincial and state legislation. Environmental legislation provides for restrictions and prohibitions on releases or emissions of various substances handled by the Company. A breach of such legislation may result in the imposition of fines and penalties. To ensure that the Company is in compliance with applicable environmental laws, the Director, Real Estate and Store Planning has been appointed as its Environmental Officer and he reports quarterly to the Board of Directors of the Company.

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

RISK FACTORS

Risks affecting the Company, its business and the Units of the Fund include but are not limited to the following:

Risks Relating to the Units

Income Tax Matters

There can be no assurance that Canadian federal income tax laws respecting the treatment of mutual fund trusts will not be changed in a manner that adversely affects the holders of Units.

The Fund is an inter vivos trust for income tax purposes. All income of the Fund is distributed to unitholders and, as such, no income tax is payable by the Fund.

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

The Canada Revenue Agency (CRA) has been conducting an audit on the years 1996 to 1999. It is the opinion of management that the pending reassessments will not have a material effect on the consolidated financial statements. Also see "Risks Relating to the Business – Income Taxes" on page 27 hereof.

Nature of Units

The Units do not represent a direct investment in the Company's business and should not be viewed by investors as shares in the Company. Holders of Units will not have the statutory rights normally associated with ownership of common shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The Units represent a fractional interest in the Fund. The Fund's primary assets are equity securities and debt instruments of the Company and post reorganization NWC Trust. The market price per Unit is expected to be a function of the Fund's anticipated distributable income and the growth in earnings per Unit generated by the Company various post restructuring entities as set forth in Diagram 2 on page 9 hereof and general investment market conditions.

Redemption Right

It is anticipated that the redemption right will not be the primary mechanism for holders of Units to liquidate their investments. Subordinated Notes or notes, which may be distributed to holders of Units in connection with a redemption ("Redemption Notes"), will not be listed on any stock exchange and no established market is expected to develop for such securities. In addition, Subordinated Notes and Redemption Notes received as a result of a redemption of Units will not be qualified investments for registered retirement savings plans, deferred profit sharing plans, registered retirement income funds and registered education savings plans. Cash redemptions are subject to limitations.

Distribution of Shares and Notes on Termination of the Fund

Upon termination of the Fund, the Trustees may distribute the assets of the Fund directly to the holders of Units, subject to obtaining all required regulatory approvals. The primary assets of the Fund prior to the proposed reorganization are shares and notes of the Company, which are not freely tradable and are not currently listed on any stock exchange. In addition, the shares and notes of the Company are not qualified investments for registered retirement savings plans, deferred profit sharing plans, registered retirement income funds or registered education savings plans.

Cash Distributions Are Not Guaranteed and May Fluctuate with the Company's Performance

Although the Fund must distribute its net income to unitholders (except net income which is determined by the Trustees to be required to satisfy any tax liability of the Fund), there can be no assurance regarding the amounts of income generated by the Fund or the Company, or that such distributions will be payable in cash. The Fund depends on interest and other payments from the Company, post reorganization NWC Trust and the NWC LP to make its cash distributions. The Company's ability to service its debt and make other payments to the Fund will depend upon numerous factors, including profitability, third party debt service payments, fluctuations in working capital, interest rates, foreign currency exchange rates and capital expenditures and other factors beyond the control of the Fund and the Company. Cash distributions are not guaranteed and may fluctuate with the Company's performance.

Risks Relating to the Business

Government Spending

The Company's financial performance is dependent upon the prosperity of communities in northern Canada and Alaska. The economy in northern Canada is highly dependent on government spending through social benefits programs, health care, education and public works. The Alaskan economy also benefits from annual payments to residents from a permanent fund created from oil revenues over the past 21 years. These payments are expected to stabilize near 2005 levels. If this occurs it should have a positive impact on general merchandise sales and provide for a modest sales growth.

Retail Industry and Economic Downturns

Approximately 26% of the Company's sales are in the general merchandise category. Although the Company's core customer is a lower income shopper with relatively stable income sources, the general merchandise category is sensitive to general economic conditions, consumer confidence and weather fluctuations. External factors which affect customer demand, and over which the Company exercises no influence, include general economic growth, interest rates, personal debt levels, unemployment rates and levels of personal disposable income. In an economic downturn, discounting by major retailers may affect the pricing levels achievable by the Company in respect of general merchandise products. A recession or significant and prolonged decline in consumer spending could have a material adverse effect on the Company's business, financial condition and results of operations.

In addition, approximately 13% of the Company's stores are located in communities, which are dependent on a single industry, such as fishing, mining or oil and gas extraction. A decline in the fortunes of the relevant industry would have a material adverse effect on the communities in which those stores are located and, in the aggregate, could have a material adverse effect on the Company's business, financial condition and results of operations.

Aboriginal Consumer Environment

About 34% of the Company's sales are derived from communities and regions that restrict commercial land ownership and usage by non Aboriginal-owned businesses or which have enacted policies and regulations to support Aboriginal-owned businesses. We successfully operate within these environments through initiatives that promote positive community and customer relations. These include joint venture and store lease arrangements with community-based development organizations, affirmative steps taken to recruit local residents into management positions, increased Aboriginal participation at our Board level and direct investment in the Fund by Aboriginal-owned entities.

Competitive Environment

Despite the remoteness of its markets, the Company faces significant competition. The Company's outlets compete with stores operated by local village corporations, independent storeowners and co-operatives, some of which are associated with regional or national buying groups. These independent

merchants maintain market share due to strong local loyalties and established customer relationships. All of the communities in which the Company operates have access to mail order catalogue, direct mail and internet services such as those provided by *Sears Canada Inc.* and *Wal-Mart*. In the larger communities in which the Company operates, the Company competes directly with other national or regional retailers such as *True Value*, *Fields*, and *I.G.A./Sobeys*. Moreover, approximately 22% of the Company's stores are located within three hours driving distance of small and medium sized urban centers that offer expanded shopping alternatives. The Company's financial performance and results from operations depend on its ability to continue to develop and implement strategies to compete with other retailers and to anticipate and respond to changing consumer preferences and merchandising trends in a timely manner.

Dependence on Key Personnel

The Company's success depends to a significant degree on its ability to attract and retain employees. Due to the vast geography and remoteness of the stores in which the Company operates, there is significant competition and limited numbers of experienced personnel, particularly at the store management level. At the store level, the Company, like many other retailers, faces the challenge of high employee turnover. The Company's ability to minimize employee turnover is an important competitive factor and directly relates to the effectiveness of its store operations. The Company's failure to attract, motivate and retain qualified personnel could have a material adverse effect on the Company's business, financial condition and results of operations.

In addition, the Company is dependent upon its officers and the loss of services of any number of the Company's officers could have a material adverse effect on the business, financial condition and results of operations.

New Business Strategies

The success of the Company's store expansion is dependent on a number of factors, including the availability of suitable store locations or acquisition opportunities, the successful negotiation of acceptable leases or acquisitions, the ability to manage the expansion of the store base, the ability to source inventory which meets the needs of the new stores, the development of adequate management information systems, the ability to recruit and train new managers and employees, the availability of capital and general economic and business conditions. The success of the Company's alliance strategy is dependent on a number of factors, such as the ability of the Company's alliance partners to source suitable merchandise, obtain volume discounts, manage inventory and deliver products in a timely manner and on the relationship between the Company and its alliance partners.

There can be no assurance that the Company will successfully implement its new business strategies or that, if implemented, the strategies will increase the Company's profitability.

Financial Services Business

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

Supplier Arrangements

The Company is dependent on third parties for the manufacturing and supply of the products it sells. The Company places all of its orders for merchandise and food products by purchase order or personal data terminal and does not have any long-term agreements with any manufacturer or supplier. The Company's

failure to maintain favourable relationships with manufacturers or suppliers could have an adverse effect on the Company's business, financial condition and results of operations.

Under the Company's alliance initiative, it is outsourcing major buying and distribution activities through partnerships with non-competing retailers and distributors. The benefit is lower product sourcing costs, improved product sourcing knowledge, a reduction in our inventory investment, sales growth and, over the long term, lower overhead expenses. Each alliance the Company enters into requires that it connect effectively with another organization. The cultural, technology and strategic fit with each partner and the disruption created by the transition to each alliance are risks of this initiative. The Company also assumes increased risks as volume of business increases with alliance partners with less direct control over assurance of their performance than internally controlled processes.

Interest Rate and Currency Fluctuations

The Company is exposed to fluctuations in interest rates and currency exchange rates under its borrowings. Through the use of certain financial instruments during the financial year ended January 28, 2006, US\$36 million of the Company's Senior Notes were effectively converted from fixed interest rate debt to floating interest rate debt and US\$43 million of the Company's Senior Notes were maintained in US dollar obligations to hedge the Company's investment in AC. Increases in interest rates would increase the Company's cost of borrowing. Interest rate and exchange rate fluctuations are beyond the Company's control and there can be no assurance that such fluctuations will not have a material effect on the Company's business, financial condition and results of operations.

Income Taxes

The Fund and the Company have complex corporate structures and financing arrangements. Provisions for income taxes and filings are based on assumptions that management and its tax advisors believe are appropriate but can be subject to review and challenge by tax authorities in Canada and the United States. Tax audits can be completed for periods of up to six years after the filing of returns. The tax provisions and assumptions may not be adequate if the tax authorities disagree with the positions taken by the Fund and the Company and could result in reassessments of prior years which could have a material adverse effect on the Company's business and consequently the Fund's, financial condition and results of operations. Also see "Risks Relating to the Units – Income Tax Matters" on page 24 hereof.

Risks of Refinancing

The Company's Senior Notes, having an aggregate principal amount of US\$65 million, with 20% repayable June 15, 2007 and June 15, 2008 and the balance due on June 15, 2009. In addition, the Company's operating lines of credit are renewed annually. There can be no assurance that the Company will be able to refinance such borrowings on favourable terms or at all.

Management of Inventory

Success in the retail industry is dependent upon a company's ability to manage its inventory of merchandise in proportion to the demand for such merchandise. A miscalculation of consumer demand for its products could result in the Company having excess inventory for some products and missed sales opportunities for others. Weak sales and resulting markdowns and/or write-offs could impair the Company's profitability and have a material adverse effect on the Company's business, financial condition and results of operations.

Information Systems

Information systems play an important role in the support of the Company's core business processes, including merchandising, marketing and advertising, logistics, store operations, finance, human resources and store planning. The Company has made significant investments to implement a new point of sale computer system and intends to enhance existing management information systems. The Company's

ability to maintain and upgrade its information systems capabilities and to maximize the benefits from corresponding process changes will be important to its future business, financial condition and results of operations.

Dependence on Key Facilities

The Company currently operates two major distribution centres, one in Winnipeg and one in Anchorage. A serious disruption at any of these facilities or those of any of its corporate alliance partners due to fire, tornado or otherwise would have a material adverse effect on the Company's business, financial condition and results of operations.

Leases

The Company owns, directly or indirectly, the land and buildings associated with 133 stores. The remaining stores are generally held under long-term leases. The long-term nature of the leases may limit the Company's and post reorganization, NWC LP's ability to respond in a timely manner to changes in the demographic or retail environment at any location.

Crude Oil and Other Energy Prices

Due to the vast geography of the Company's store network, transportation is an important element of its operations. The majority of stores are inaccessible by all-weather roads and the balance is relatively distant from major transportation corridors. As a result, stores are serviced by all available modes of transportation including sealift, barge, trucks including via winter roads, rail and air. In addition, heating costs comprise a relatively significant portion of the Company's general overhead costs. An increase in the price of crude oil and other energy prices would increase the cost of supplying and heating the Company's stores. If these increased costs cannot be passed along to customers, such increases may have an adverse effect on the Company's business, financial condition and results of operations.

DISTRIBUTIONS AND DISTRIBUTION POLICY

The Declaration of Trust provides that the Trustees may declare payable to the unitholders, on a quarterly basis, all or any part of the net income of the Fund (except net income of the Fund which is determined by the Trustees to be required to satisfy any tax liability of the Fund) and net realized capital gains for the period, and that, to the extent not previously declared payable by the Trustees, on December 31 of each year, an amount equal to the Fund's net income (except net income of the Fund which is determined by the Trustees to be required to satisfy any tax liability of the Fund) and net realized capital gains shall be payable automatically. The Fund's distributions generally must be made in cash, but all or part of a distribution may be payable in the form of additional Units where: (i) the Fund does not have cash in an amount sufficient to pay the full amount of the distribution in cash; (ii) cash distributions are not permitted by virtue of subordination agreements made with senior debt holders; or (iii) cash is payable in respect of Units tendered for redemption.

Quarterly cash distributions of \$0.54 per Unit are expected for 2006 payable to unitholders of record at March 31, June 30, September 30 and December 31 and distributable on the fifteenth of the following month.

The Fund's net income to date has been derived primarily from its holding of the Subordinated Notes, which have an aggregate principal amount of \$175 million and bear interest at the rate of 12.5% per year, Notes Receivable which have an aggregate principal amount of \$30 million and bear interest at the rate of 13.0% per year and dividends from Common Shares of the Company. In 2005, dividends of \$5,160,320 were declared by the Company to the Fund and distributed to unitholders.

The Directors of the Company have the discretion, but are not obligated, to distribute available cash by redemption of Preferred Shares or declaration of dividends on the Preferred Shares or Common Shares. In exercising their discretion, it is expected that the Directors may consider, among other things: (i) the

Company's targeted debt-to-equity ratio; (ii) the Company's debt rating; (iii) the Company's cash flow requirements for expansion and/or acquisition; and (iv) their assessment of the Company's business prospects.

DESCRIPTION OF CAPITAL STRUCTURE

Description of Capital Structure of the Fund

Units

The Fund has a single class of trust units, referred to herein as "Units". For details regarding the rights of unitholders, see "Summary of Declaration of Trust" above.

Unitholders' Rights Plan

In order to provide unitholders with protection from unfair, abusive or coercive takeover strategies and to afford unitholders and the Trustees adequate time to assess an offer made for the Units and to pursue, explore and develop alternative courses of action in an attempt to maximize Unitholder value, a unitholder rights plan (the "Unitholder Rights Plan") was approved on March 27, 1997, and amended as of March 13, 2002, and ratified by the unitholders May 30, 2002 so as to extend the term of the Unitholder Rights Plan to June 30, 2005. The Unitholder Rights Plan was again amended and ratified by the unitholders on June 9, 2005 and extended to the close of business on June 30, 2008.

The following is a summary of the terms of the Unitholder Rights Plan, which is qualified in its entirety by reference to the text thereof. All terms referred to herein, where not specifically defined, have the meanings ascribed to them in the Unitholder Rights Plan, a copy of which is available upon request to the Secretary of the Fund.

General

The Rights (as defined in the Unitholder Rights Plan) are issued on the basis of one Right in respect of each Unit, pursuant to the Unitholder Rights Plan agreement entered into between the Fund and the Rights Agent. Each Right entitles the registered holder to purchase from the Fund one Unit at a price of \$50.00 per Unit, subject to adjustments. If a Flip-in Event (as herein defined) occurs, each Right will entitle the registered holder to receive, upon payment of the Exercise Price, that number of Units that have a market value at the date of such occurrence equal to twice the Exercise Price. The Rights are not exercisable until the Separation Time (as herein defined). The Rights will expire at the close of business on June 30, 2008, unless earlier terminated by the Trustees.

Trading of Rights

Until the Separation Time (or the earlier termination or expiration of the Rights), the Rights will be transferred with and only with the Units. Each new Unit certificate issued after the Record Time (as defined in the Unitholder Rights Plan), upon transfer of existing Units or the issuance of additional Units, will contain a notation that the Unit certificate also evidences Rights as described in the Unitholder Rights Plan. Until the Separation Time (or the earlier termination or expiration of the Rights), the surrender for transfer of any certificates representing Units outstanding as of the Record Time will also constitute the transfer of the Rights associated with the Units represented by such certificate.

Separation Time

The Rights will separate and trade apart from the Units and become exercisable from and after the Separation Time. "Separation Time" means the close of business eight trading days following the earlier to occur of (i) the date of acknowledgment by the Fund ("Stock Acquisition Date") that a person or group or affiliated or associated persons ("Acquiring Persons") has acquired, other than as a result of a reduction of the number of Units then outstanding, a Permitted Bid or Exempt Acquisition (as herein

defined), Beneficial Ownership (as defined in the Unitholder Rights Plan) of 20% or more of the outstanding Units (the calculation of both the 20% figure and the outstanding Units to include any unissued Units Beneficially Owned by such Acquiring Persons) or (ii) the commencement of, or first public announcement of the intention of any person (other than the Fund or any subsidiary of the Fund) to commence a Takeover Bid (other than a Permitted Bid) or such earlier or later time as may be determined by the Trustees.

Flip-in Event

Following a transaction in or pursuant to which a person becomes an Acquiring Person (a "Flip-in Event") a Right will convert into the right to purchase at a 50% discount, upon exercise, Units of the Fund having an aggregate acquisition cost equal to the Exercise Price. However, in such event, any Rights Beneficially Owned by Acquiring Persons (including such person's associates and affiliates and persons with whom he is acting in concert) or by any direct or indirect transference of such a person will be void. A Flip-in Event would not include Exempt Acquisitions or acquisitions pursuant to a Permitted Bid.

Permitted Bid

A "Permitted Bid" is a Take-over Bid made in compliance with and not on a basis which is exempt from or otherwise not subject to the provisions of sections 95 through 100, inclusive, of the *Securities Act* (Ontario) and in compliance with all other applicable securities laws, subject to any exemptions ordered or granted for purposes of uniformity, and which also complies with the following additional provisions:

- (i) the Take-over Bid is made for all Units to all holders of record of Units as registered on the books of the Fund;
- (ii) the person making the Take-over Bid does not at the commencement of, or during the currency of, the Take-over Bid Beneficially Own more than 10% of the Units, unless such person was the Beneficial Owner of 10% or more but less than 20% of the outstanding Units determined as at the Effective Date and did not increase such Beneficial Ownership by an additional 2% of the outstanding Units determined as at the Effective Date;
- (iii) the Take-over Bid contains and the take up and payment for securities tendered or deposited is subject to, an irrevocable and unqualified provision that no Units will be taken up or paid for pursuant to the Take-over Bid prior to the close of business on a date which is not less than 60 days following the date of the Take-over Bid;
- (iv) the Take-over Bid contains irrevocable and unqualified provisions that all Units may be deposited pursuant to the Take-over Bid at any time prior to the close of business on the date referred to in clause (iii) and that all Units deposited pursuant to the Take-over Bid may be withdrawn at any time prior to the close of business on such date;
- (v) the Take-over Bid contains an irrevocable and unqualified condition that not less than 50% of the then outstanding Units, other than the Units Beneficially Owned by the offer or, must be deposited to the Take-over Bid and not withdrawn at the close of business on that date referred to in clause (iii); and
- (vi) the Take-over Bid contains an irrevocable and unqualified provision that, should the condition referred to in clause (v) be met, the Take-over Bid will be extended on the same terms for a period of not less than 10 days from the date referred to in clause (iii).

Exchange Option

If the Trustees determine that conditions exist which would eliminate or otherwise materially diminish in any respect the benefits intended to be afforded to the holders of Rights pursuant to the Unitholder Rights Plan, the Trustees may at any time after a Flip-in Event, authorize the Fund to issue or deliver, in respect

of each Right which is not void, either (i) in return for the Exercise Price and the Right, debt or equity securities or assets of the Fund (or a combination thereof) having a value equal to twice the Exercise Price, or (ii) in return for the Right, subject to any amounts that may be required to be paid under applicable law, debt or equity securities or assets of the Fund (or a combination thereof) having a value equal to the value of the Right, in full and final settlement of all rights attached to the Right. In either case, the value of such debt or equity securities or assets (or a combination thereof) and in the case of any issue of debt or equity securities or assets (or a combination thereof) pursuant to clause (ii), the value of the Right shall be determined by the Trustees, who may rely upon the advice of a nationally or internationally recognized firm of investment dealers or investment bankers selected by them.

Redemption

At any time prior to a Flip-in Event, the Trustees may redeem the Rights in whole (but not in part) at a redemption price of \$0.001 per Right, subject to appropriate adjustment in certain events. In addition, the Trustees shall be deemed to have elected to redeem the Rights at such redemption price on the date of expiry of a Permitted Bid pursuant to which Units have been purchased.

Waiver

The Trustees may until the occurrence of a Flip-in Event, waive the application of the Flip-in Event provisions to a transaction (an "Exempt Acquisition") that would otherwise be subject to those provisions. The Trustees may also, prior to the Stock Acquisition Date (as defined in the Unitholder Rights Plan), waive the application of the Flip-in Event provisions to a Flip-in Event, where the Acquiring Person became such by inadvertence and where such Acquiring Person has reduced his Beneficial Ownership of Units such that at the time of waiver he is no longer an Acquiring Person.

Amendments

Subject to the prior written consent of The Toronto Stock Exchange, in certain situations more particularly defined in the Unitholder Rights Plan, the Trustees may from time to time supplement or amend the Unitholder Rights Plan agreement without the approval of any holders of Rights to make any changes which the Trustees may deem necessary or desirable.

Protection against Dilution

The Exercise Price, the number and kind of securities subject to purchase upon the exercise of each Right and the number of Rights outstanding are subject to adjustment in certain situations from time to time to prevent dilution.

Rightholder not a Unitholder

Until a Right is exercised, the holder thereof, as such, will have no rights as a unitholder of the Fund including, without limitation, the right to vote or to receive distributions.

Declaration as to Non-Canadian Holders

If in the opinion of the Trustees (who may rely upon the advice of counsel) any action or event contemplated by the Rights Agreement would require compliance with the laws of a jurisdiction outside of Canada, the Trustees acting in good faith may take such actions as they deem appropriate to ensure that such compliance is not required.

Description of Capital Structure of the Company

The Company is authorized to issue an unlimited number of Common Shares and an unlimited number of Preferred Shares. The Fund is the beneficial owner of all of the issued and outstanding Common Shares of the Company. There are no issued and outstanding Preferred Shares.

Common Shares

Each Common Share entitles the holder thereof to receive notice of and to attend all meetings of the shareholders of the Company and to one vote at such meetings. The holders of Common Shares are entitled to receive any dividends declared by the Board of Directors on the Common Shares. In the event of the liquidation, dissolution, bankruptcy or winding-up of the Company or other distribution of its assets among its shareholders, the holders of the Common Shares will be entitled to share equally in all remaining assets of the Company.

Preferred Shares

Each Preferred Share entitles the holder thereof to receive non-cumulative cash dividends as and when declared by the Board of Directors of the Company, at a rate equal to 10% of the stated issue price per share per annum payable semi-annually on March 15 and September 15.

Except as required by applicable law, the holders of the Preferred Shares are not entitled as such to any voting rights or to receive notice of or to attend meetings of shareholders of the Company.

In the event of the liquidation, dissolution or winding-up of the Company or other distribution of its assets among its shareholders, the holders of the Preferred Shares will be entitled to receive the stated issue price per share together with an amount equal to all declared and unpaid dividends thereon to the date of commencement of any such liquidation, dissolution, winding-up or distribution. After payment to the holder of the Preferred Shares of the amounts payable to them, they shall not be entitled to share in any further distribution of the property or assets of the Company.

Subordinated Notes

The Company issued the Subordinated Notes to the Fund on March 27, 1997, and June 4, 1998, pursuant to the terms of a note indenture dated March 27, 1997 (the "Note Indenture"). No additional Subordinated Notes may be issued under the terms of the Note Indenture. The Subordinated Notes have an aggregate principal amount of \$175.0 million; bear interest at 12.5% per annum, payable quarterly on the last day of March, June, September and December.

The Subordinated Notes may not be redeemed by the Company or by the Fund prior to maturity.

See "North West Company Fund Reorganization" with respect to certain transfers of a portion of the Subordinated Notes.

Notes Receivable

The Company issued the Notes Receivable to the Fund on December 31, 2001. The Notes Receivable in the principal amount of \$30.0 million bear interest at 13.0% per annum, payable quarterly on the last day of March, June, September and December and mature on December 31, 2031. Pursuant to the Reorganization, the Fund intends to assign its interest in the note to NWC Trust in exchange for a note of equal value in NWC Trust. See "North West Company Fund Reorganization" on page four hereof.

The Notes Receivable are subordinate to the Subordinated Notes above and may not be redeemed by the Company or by the Fund prior to maturity.

Senior Notes

In August 2002, the Company issued US\$65.0 million of 5.89% senior notes (the "Senior Notes"). Repayments of 20% of the principal amount of the Senior Notes are required on June 15, 2007 and June 15, 2008 with the balance due June 15, 2009. The Senior Notes were placed with three large U.S.-based life insurance and pension funds, including one previous lender. The net proceeds of the Senior Notes offering, together with funds drawn from the Company's secured credit facilities referenced below, were used to retire Senior Bonds of the Company that matured on August 28, 2002.

Other Senior Indebtedness

The Company has \$85.0 million in secured operating lines of credit with banks in Canada and US\$4.0 million in secured operating lines of credit with banks in the United States, of which CDN\$25.1 million was drawn as at April 1, 2006.

Security for Senior Notes and Other Senior Indebtedness

The Senior Notes and Other Senior Indebtedness are secured by the following: (i) a general security interest upon the assets of the Company, including a pledge of shares of significant subsidiaries, to secure the payment and performance of the obligations of the Company in respect of the facilities; (ii) a guarantee by the Fund of the Company's obligations in respect of the facilities and a pledge of all securities (including the Company's Common Shares, Preferred Shares, Subordinated Notes and Notes Receivable) of the Company owned by the Fund to secure such obligations; (iii) a subordination agreement between the Fund and the holders of the facilities prohibiting any payments in respect of the Subordinated Notes and Other Senior Indebtedness other than regularly scheduled payments of interest (when Senior Notes or Other Senior Indebtedness are not in default and such payments are not otherwise required to be suspended in accordance with the terms of such subordination agreement or the Note Indenture) until payment in full of the facilities, including prior payment in full of Senior Notes and Other Senior Indebtedness in any liquidation, bankruptcy or reorganization proceedings; and (iv) guarantees by the Company's significant subsidiaries and a general security agreement upon the assets of such subsidiaries to secure payment and performance of the obligations of the Company in respect of the Senior Notes and Other Senior Indebtedness. The Senior Notes and Other Senior Indebtedness are subject to the satisfaction of certain conditions, which are usual and customary for loans of this nature. Both the holders of the Senior Notes and Other Senior Indebtedness have appointed Bank of Montreal as security agent to hold all security jointly on behalf of both.

MARKET FOR SECURITIES

Units of the Fund are listed on The Toronto Stock Exchange, trading as NWF.UN. The following table shows the trading prices and the trading volume of units by month for the year.

| 2005 Trading Price and Volume | | | |
|--------------------------------------|-------------|------------|---------------|
| MONTH | HIGH | LOW | VOLUME |
| Feb-05 | \$32.22 | \$29.70 | 456,500 |
| Mar-05 | 33.74 | 29.03 | 645,500 |
| Apr-05 | 30.35 | 28.65 | 515,400 |
| May-05 | 30.74 | 29.01 | 423,900 |
| Jun-05 | 33.25 | 29.80 | 403,300 |
| Jul-05 | 34.45 | 32.23 | 282,300 |
| Aug-05 | 34.00 | 30.80 | 367,100 |
| Sep-05 | 33.20 | 30.35 | 727,600 |
| Oct-05 | 31.63 | 26.65 | 1,085,800 |
| Nov-05 | 33.31 | 27.40 | 638,155 |
| Dec-05 | 38.49 | 32.25 | 823,183 |
| Jan-06 | 37.50 | 33.76 | 586,970 |

TRUSTEES AND OFFICERS OF THE FUND

The name, municipality of residence, position and principal occupation of the Trustees and Officers of the Fund are as follows:

| Name and Municipality of Residence | Trustee Since | Position Held | Principal Occupation |
|---|----------------------|---|--|
| Ian Sutherland Oro Medonte, Ontario | 1997 | Trustee | Chairman, The North West Company Inc. |
| David G. Broadhurst (1) Toronto, Ontario | 1997 | Trustee | President, Poynton Investments Limited |
| Frank J. Coleman Corner Brook, Newfoundland | 2005 | Trustee | President & Chief Executive Officer Coleman Group of Companies |
| Wendy F. Evans (1) Toronto, Ontario | 2005 | Trustee | President, Evans and Company Consultants Inc. |
| R.J. (Bob) Kennedy Winnipeg, Manitoba | 2005 | Trustee | Chief Executive Officer WiBand Communications Corp. |
| Gary J. Lukassen (1) Mississauga, Ontario | 2005 | Trustee | Corporate Director |
| Keith G. Martell (1) Saskatoon, Saskatchewan | 2005 | Trustee | Chairman First Nations Bank of Canada |
| James G. Osborne (1) Winnipeg, Manitoba | 2005 | Trustee | Chairman Westgate Capital Management Corp. |
| H. Sanford (Sandy) Riley Winnipeg, Manitoba | 2005 | Trustee | President & Chief Executive Officer Richardson Financial Group Limited |
| Edward S. Kennedy Winnipeg, Manitoba | 2005 | Trustee & President & Chief Executive Officer | President & Chief Executive Officer of the Company |
| Léo P. Charrière Winnipeg, Manitoba | n/a | Executive Vice President, Chief Financial Officer and Secretary | Executive Vice President, Chief Financial Officer and Secretary of the Company |
| Reinhard Sedlacek Ste. Anne, Manitoba | n/a | Treasurer | Director, Planning and Treasury Services and Assistant Secretary of the Company |

(1) = Member of Audit Committee

DIRECTORS AND OFFICERS OF THE COMPANY

The name, municipality of residence, position and principal occupation of each of the Directors and officers of the Company as at April 21, 2006 are as follows:

Directors

| Name and Principal Occupation | Committees | Municipality of Residence | Director Since |
|--|------------|-------------------------------|----------------|
| David G. Broadhurst President, Poynton Investments Limited | 3 | Toronto, Ontario | 2005 |
| Frank J. Coleman President & Chief Executive Officer Coleman Group of Companies | 2,3 | Corner Brook, Newfoundland | 1999 |
| Wendy F. Evans President, Evans and Company Consultants Inc. | 2 | Toronto, Ontario | 2005 |
| R.J. (Bob) Kennedy, Chief Executive Officer WiBand Communications Corp. | 1,2 | Winnipeg, Manitoba | 2003 |
| Edward S. Kennedy,* President and Chief Executive Officer, The North West Company Inc. | - | Winnipeg, Manitoba | 1996 |
| Gary J. Lukassen Corporate Director | 2 | Mississauga, Ontario | 1987 |
| Keith G. Martell, Chairman First Nations Bank of Canada | 1 | Saskatoon, Saskatchewan | 2000 |
| James G. Osborne Chairman, Westgate Capital Management Corporation | 3 | Winnipeg, Manitoba | 1987 |
| H. Sanford (Sandy) Riley President and CEO, Richardson Financial Group Limited | 1,2 | Winnipeg, Manitoba | 2003 |
| Ian Sutherland * Chairman, The North West Company Inc. | - | Oro Medonte, Ontario | 1978 |

[1] Member of Corporate Governance and Nominating Committee

[2] Member of the Human Resources and Compensation Committee

[3] Member of the Pension Committee

* The Chairman of the Board and President & Chief Executive Officer attend all board meetings in an ex officio capacity.

Additional Disclosure Relating to Trustees and Directors

The following Directors of the Company have made the following declarations.

Mr. James G. Osborne was a Director and founding member along with five others of Futureview Inc. that went public in January 2001 on the Winnipeg Stock Exchange using its Keystone Company program and subsequently became listed on the TSX – Venture Exchange. The shares were suspended from trading in 2003 due to the Company's failure to complete a required qualifying transaction as required by TSX Venture Exchange policy. The company was wound up in April 2004 after the external public shareholders had been returned 100 percent of their original investment and all corporate liabilities have been paid.

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

Mr. R.J. (Bob) Kennedy was a Director and officer of WiBand Corporation. In Dec 2001 WiBand Communications Corp. was sold to OA Group Inc. an issuer on the TSX Venter Exchange. Shares were exchanged and the shareholders of WiBand Communications Corp. received shares in OA Group Inc. As a condition of the share exchange, Mr. Kennedy was to be included on the management slate of the Board of Directors of OA Group Inc. He was elected to the OA Group Inc. Board on June 20, 2002. Upon seeing the financial condition of OA Group Inc. Mr Kennedy resigned on July 8, 2002. OA Group Inc. went into receivership on July 15, 2002. Mr. Kennedy bought certain assets from the receiver and continues the business under the WiBand name.

The information set forth above and the information concerning the number of Units beneficially owned or over which control or direction is exercised, not being within the direct knowledge of management of the Fund, has been provided to the Fund by the persons referenced in the preceding paragraphs.

Officers

| Name and Principal Occupation | Municipality of Residence | Officer Since |
|--|----------------------------------|----------------------|
| Ian Sutherland, Chairman of the Board | Oro Medonte, Ontario | 1978 |
| Edward S. Kennedy, President and Chief Executive Officer | Winnipeg, Manitoba | 1989 |
| Léo P. Charrière, Executive Vice-President, Chief Financial Officer and Secretary | Winnipeg, Manitoba | 2003 |
| Kenneth M. Claudel, Vice-President, Logistics and Supply Chain Services | Winnipeg, Manitoba | 2002 |
| Gerald L. Mauthe, Vice-President, Information Services | Ste. Adolphe, Manitoba | 2005 |
| Scott A. McKay, Vice-President & General Manager, Giant Tiger, West Store Division | Winnipeg, Manitoba | 2004 |
| Karen J. Milani, Vice-President, Human Resources | Winnipeg, Manitoba | 2000 |
| Russell J. Zwanka, Executive Vice-President, Food Procurement & Wholesale | Winnipeg, Manitoba | 2005 |

All of the Trustees and officers of the Fund and all of the Directors and officers of the Company have held their present positions or other executive positions with the same or associated firms or organizations during the past five (5) years, except as follows:

David G. Broadhurst is President of *Poynton Investments Limited*; President and C.O.O. of *Reeve Court Insurance Limited (Bermuda)* from 1998 to 2001; Investment Banker with *First Marathon Securities Limited* from 1996 to 1998. Previously he spent his entire career with *PriceWaterhouse Canada* retiring in 1996 as the Senior Tax Partner.

H. Sanford (Sandy) Riley is President and C.E.O. of *Richardson Financial Group Limited* since 2002; Chairman of Investors Group Inc. from 2001 to 2002; President and C.E.O. of *Investors Group Inc.* from 1992 to 2001. Chancellor of the *University of Winnipeg*; Chairman, *University of Winnipeg Foundation*. Director, *Molson Coors Brewing Company* and *James Richardson & Sons* affiliated companies. NWC Director since 2003.

Wendy F. Evans is President of Evans and Company Consultants Inc. In 1987 she formed Evans and Company Consultants Inc., which provides marketing, financial and management services. Ms. Evans is an Adjunct Professor in the School of Retail Management at Ryerson University.

She led the retail portion of the “Doing Business in the United States” research program at the National Centre for Management Research and Development. Ms. Evans is a Director on the Board of Sun Life Financial Trust, and has served on the Advisory Board of the Ontario Retail Sector Strategy.

Léo P. Charrière became Executive Vice-President, Chief Financial Officer and Secretary effective May 29, 2003. Prior to this appointment Léo was President and CEO of *TruServ Canada Cooperative Inc.*, a distributor of general merchandise in Winnipeg.

Kenneth M. Claudel became Vice-President, Logistics and Supply Chain Services effective October 15, 2002. Ken previously held the position of Director, Retail Service Centre and Northcan, responsible for Winnipeg based distribution Centre operations.

Scott A. McKay became Vice-President and General Manager, Giant Tiger, West Store Division on October 19th, 2004. Prior to this appointment Scott was the General Manager of *Plug-Ins Electronix* a Dubai based electronics retailer in the Middle East. His previous background includes Vice President of Retail Operations with *Intrawest Retail Group* in Golden Colorado and General Manager, Western Canada with *Toys R Us Canada*.

Gerald L. Mauthe joined North West Company on March 21, 2005 as Vice President of Information Services. Prior to this appointment Gerry was the Director / CIO of the Information Technology Group of *TruServ Canada Cooperative Inc.*, a distributor of general merchandise in Winnipeg. His previous background includes various Senior Consultant and Project Manager positions.

Russell J. Zwanka joined the company on August 8, 2005 as Executive Vice President, Food Procurement and Wholesale. Prior to this appointment, Russell was Vice President of Merchandising for Bozzuto’s, a \$1.5B Wholesaler/ Retailer located in Cheshire, CT. His previous background includes senior roles in Merchandising Planning, C-Stores, Procurement, and Category Management.

The term of office of each of the Trustees and the Directors expires at the next Annual Meeting of the Fund.

Trustees and officers of the Fund and Directors and officers of the Company as a group beneficially own, directly or indirectly, or exercise control or direction over 830,820 units or 5.2% of the outstanding Units of the Fund as of the date of this report.

Audit Committee Information

The Audit Committee Charter as approved by the Board of Trustees on March 16, 2006 is included in Appendix A. All members of the Audit Committee are independent and financially literate within the meaning of National Instrument 52-110 Audit Committees and have the education and experience as shown below which is relevant to their roles as Audit Committee Members. External audit service fees are provided on page 38 hereof.

Audit Committee Members

| Name and Principal Occupation | Municipality of Residence | Director Since |
|--------------------------------------|----------------------------------|-----------------------|
| Gary J. Lukassen, Committee Chair | Mississauga, Ontario | 1987 |
| David G. Broadhurst | Toronto, Ontario | 2005 |
| Wendy F. Evans | Toronto, Ontario | 2005 |
| Keith G. Martell | Saskatoon, Saskatchewan | 2000 |
| James G. Osborne | Winnipeg, Manitoba | 1987 |

Gary J. Lukassen, CA retired as Executive Vice-President and Chief Financial Officer, *The Hudson's Bay Company* in March 2001. He is currently a Director and the Chair of the Audit Committee of both Abitibi Consolidated Inc. and of Spinrite Income Fund.

David G. Broadhurst is President of *Poynton Investments Limited*; President and C.O.O. of *Reeve Court Insurance Limited (Bermuda)* from 1998 to 2001; Investment Banker with *First Marathon Securities Limited* from 1996 to 1998. Previously he spent his entire career with *PriceWaterhouse Canada* retiring in 1996 as the Senior Tax Partner.

Keith G. Martell, CA is the Chairman of the *First Nations Bank of Canada* since 1997; Executive Director of Finance of the *Federation of Saskatchewan Indian Nations* from 1994 to 1997; Chartered Accountant with *KPMG* from 1985 to 1994. Director, *Saskatchewan Institute of Applied Sciences and Technology*, *Public Sector Pension Investment Board of Canada*, *Flying Dust First Nation TLE Trust* and *Primrose Lake Settlement Trust*.

James G. Osborne, B.A. has 25 years experience as an investment dealer working in research, corporate finance, sales and branch management with two national firms and is the Chairman of the *Westgate Capital Group* and Managing Partner of the *Vision Capital Fund LP* since 1990. Chairman, *Institute of Classical Homeopathy Inc.*, the *University of Winnipeg* Pension Committee. Director, *Jazz Golf Equipment Inc.*, *Faneuil Group Inc.* and *MDS Capital Corporation*. Mr. Osborne is a member of four other audit committees, two of which he chairs.

Wendy F. Evans is President of Evans and Company Consultants Inc. In 1987 she formed Evans and Company Consultants Inc., which provides marketing, financial and management services, and research to a variety of clients largely within the retail, government and wholesale sectors. Ms. Evans has taught retail marketing, is an Adjunct Professor in the School of Retail Management at *Ryerson University* and is a Research Associate with the *Centre for the Study of Commercial Activity*. She led the retail portion of the "Doing Business in the United States" research program at the *National Centre for Management Research and Development* dealing with issues of cross border retailing between Canada, the U.S. and Mexico.

External Audit Service Fees

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

| | 2005 | 2004 |
|------------------------|------------------|------------------|
| Audit fees | \$283,882 | \$202,427 |
| Audit related fees (1) | 12,297 | 40,000 |
| Tax fees (2) | 253,342 | 143,950 |
| Other fees (3) | 19,441 | 3,472 |
| Total | \$568,962 | \$389,849 |

1. 2005 attendance at on site store audits; 2004 review of procedures for the Fund and confirmation of compliance with senior debt covenants. These procedures are included in the audit fees for 2005.
2. 2005 & 2004 quarterly tax compliance services and tax planning advice; 2005 \$150,000 one time expense related to tax planning and advice.
3. 2005 CEO and CFO Certification advice and Canadian Public Accountability Board fees; 2004 Canadian Public Accountability Board fees.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Fund is CIBC Mellon Trust Company, 600 Dome Tower 6th Floor, 33-7th Ave. S. W., Calgary Alberta T2P 2Z1

ADDITIONAL INFORMATION

The Fund will provide to any persons, upon request to the Executive Vice President, Chief Financial Officer and Secretary of the Fund, Gibraltar House, 77 Main Street, Winnipeg, Manitoba, R3C 2R1, when the securities of the Fund are in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus has been filed in respect of a distribution of the Fund's securities, the following:

- (i) one copy of the most recent Annual Information Form of the Fund, together with one copy of any document or the pertinent pages of any document, incorporated by reference into such Annual Information Form;
- (ii) one copy of the comparative financial statements of the Fund for its most recently completed financial year together with the accompanying report of the auditor and one copy of any interim financial statements of the Fund subsequent to the financial statements for its most recently completed financial year;
- (iii) one copy of the Information Circular of the Fund in respect of its most recent annual meeting of unitholders that involved the election of Trustees of the Fund and Directors of the Company, or one copy of any annual filing prepared in lieu of that Information Circular, as appropriate;
- (iv) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under paragraphs (i), (ii) or (iii) above; and
- (v) Additional information relating to the company is on SEDAR at www.sedar.com.
- (vi) additional information relating to the Company can be found on the Company's website at www.northwest.ca

At any other time, one copy of the above documents referred to in paragraphs (i), (ii), (iii) and (iv) shall be provided upon request to the Executive Vice President, Chief Financial Officer and Secretary of the Fund, Gibraltar House, 77 Main Street, Winnipeg, Manitoba, R3C 2R1, provided that the Fund may require the payment of a reasonable charge if the request is made by a person who is not a security holder of the Fund.

Additional information including Trustees', Directors' and officers' remuneration and indebtedness, principal holders of the Fund's securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the Fund's Information Circular for its most recent annual meeting of unitholders that involved the election of Trustees and additional financial information is provided in the Company's comparative financial statements for its most recently completed financial year.

The Auditor of the Fund is PricewaterhouseCoopers LLP, Richardson Building, One Lombard Place
Winnipeg, Manitoba, R3B 0X6

APPENDIX "A"

NORTH WEST COMPANY FUND

AUDIT COMMITTEE CHARTER

Approved by the Board of Directors and the Board of Trustees on March 16, 2006

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1. Introduction

The Audit Committee will assist the Board of Trustees (the Trustees) in fulfilling their oversight responsibilities. The Audit Committee will review the integrity of the financial reporting process, the system of internal control and the management of financial risks, the audit process, and the company's process for monitoring compliance with laws and regulations and its own code of business conduct. In performing its duties, the committee will maintain effective working relationships with the Trustees, the Board of Directors, management, and the internal and external auditors. To perform his or her role effectively, each committee member will obtain an understanding of the detailed responsibilities of committee membership as well as the company's business, operations, and risks.

2. Reporting

The committee shall report to the Board of Trustees of the North West Company Fund.

3. Composition

The Audit Committee will consist of at least three and no more than six members of the Board of Trustees. The Trustees or their Corporate Governance and Nominating Committee will appoint committee members and the committee Chair. Each committee member will be both independent and financially literate and at least one member shall have accounting or related financial expertise. For this purpose "financial literacy" means the ability to read and understand a balance sheet, an income statement and a cash flow statement at the level of complexity of the Company and "accounting or related financial expertise" means the ability to analyze and interpret a full set of financial statements, including the notes attached thereto, in accordance with Canadian generally accepted accounting principles.

4. Appointment

Members of the committee shall be appointed at the meeting of the Trustees immediately following the Annual Meeting of Unitholders and shall hold office until the Annual Meeting in the following year, provided that any member may be removed or replaced at any time by the Trustees and shall in any event cease to be a member of the committee upon ceasing to be a Trustee.

5. Vacancies

Where a vacancy occurs at any time in the membership of the committee, it may be filled by the Trustees.

6. Chairman

The Trustees shall designate one of the members of the committee to be Chairman.

If the Chairman of the committee is not present at any meetings of the committee, one of the other members of the committee present at the meeting shall be chosen by the committee to preside.

The Chairman presiding at any meeting shall have a casting vote.

The responsibilities of the Chairman include:

- (i) chairs meetings of the committee and ensures that the committee meets on a regular basis
- (ii) provides leadership to enhance the effectiveness of the committee
- (iii) sets with management the agenda for the meetings
- (iv) ensures that the committee has access to timely and relevant information and resources to support its mandate
- (v) ensures that the committee fulfills its mandate, and
- (vi) acts as liaison between the committee and the Board and the committee and management

7. Meetings

The committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require. All committee members are expected to attend each meeting, in person or via conference call. The committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. It will hold private meetings with auditors and executive sessions. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes of the committee meetings will be prepared.

8. Secretary

The committee shall appoint a Secretary who need not be a member of the committee.

9. Notice of Meeting

Notice of the time and place of every meeting shall be given in writing, email or facsimile to each member of the committee at least seven days prior to the time fixed for such Meeting.

In addition to being given to the members, notice of meeting shall also be given to the Chairman, the President & CEO, the CFO, the external auditors and the internal auditor.

A member may in any manner waive notice of a meeting. Attendance of member at any meeting shall constitute waiver of notice.

10. Quorum

A majority of the committee, present in person or by telephone, shall constitute a quorum.

11. Attendance

The President and CEO, the CFO, the external auditors and the internal auditor shall, in normal circumstances, be expected to attend.

The committee may, by specific invitation, have other resource persons in attendance.

The committee shall have the right to determine who shall and who shall not be present at any time during a meeting of the Committee. It is expected that the committee will meet with the external auditors at least once each year without the presence of management.

12. Decisions

All decisions of the committee shall be made by a majority vote of the representatives at the meeting in which such vote is taken; provided, however that where the majority of representatives consent to a decision in writing, in lieu of a meeting, such written decision shall be of the same force and effect as if a majority vote was taken at a meeting of the committee.

13. Minutes

Minutes of committee meetings shall be sent to all Trustees.

14. Authority

The Audit Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- (a) Recommend the appointment, compensation, and oversee the work of the external auditors.
- (b) Resolve any disagreements between management and the auditor regarding financial reporting.
- (c) Set a policy that establishes appropriate guidelines for approval of non-audit services to be provided by external auditors.
- (d) If necessary, retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation.
- (e) Seek any information it requires from employees—all of whom are directed to cooperate with the committee's requests—or external parties.
- (f) Meet with company officers, external auditors, or outside counsel, as necessary.

15. Responsibilities

- (a) The committee will carry out the following responsibilities:
- (b) Financial Statements
- (c) Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, tax liabilities and issues, recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- (d) Review with management and the external auditors the results of the audit, including any difficulties encountered.
- (e) Review the annual audited financial statements, and consider whether they are accurate, complete, represent fairly the Fund's and its subsidiaries' financial position and performance and are in accordance with GAAP and recommend approval of the financial statements to the Board of Trustees.
- (f) Review other sections of the annual report, related regulatory filings and earnings press releases before release and consider the accuracy and completeness of the information.
- (g) Review with management and the external auditors all matters required to be communicated to the committee under generally accepted auditing standards.
- (h) Understand how management develops interim financial information, and the nature and extent of internal and external auditor involvement.
- (i) Review interim financial reports with management and the external auditors prior to their release, and consider whether they are complete and consistent with the information known to committee members.

16. Internal Control

- (a) Consider the effectiveness of the Fund's and its Subsidiaries' internal control systems, including information technology security and control.
- (b) Understand the scope of internal and external auditor's review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

17. Internal Audit

- (a) Review with management and the Manager, Internal Audit, the mandate, plans, activities, staffing, and organizational structure of the internal audit function.
- (b) Ensure that the internal audit function is structured in a manner that achieves independence.
- (c) Review and concur in the appointment, replacement, or dismissal of the Manager, Internal Audit.
- (d) Review the performance and effectiveness of the internal audit function.
- (e) On a regular basis, meet separately with the Manager, Internal Audit to discuss any matters that the committee or internal audit believes should be discussed privately.

18. External Audit

- (a) Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
- (b) Review the external auditors' qualifications, performance and the firm's internal quality control procedures, and exercise final approval on the appointment or discharge of the auditors.
- (c) Review with the external auditors the quality of the Fund's and its subsidiaries' accounting policies.
- (d) Approve the external audit fee.
- (e) Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the company, including non-audit services, and discussing the relationships with the auditors.
- (f) Review any unadjusted errors in the financial statements.
- (g) On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.
- (h) Review with the external auditors Report to Unitholders and letters to management on deficiencies in internal control and other matters of concern and management's response thereto.
- (i) Set clear hiring policies for employees or former employees of the external auditors.
- (j) Pre-approve any non-audit services to be performed by the external auditor and set a fee budget for such services.

19. Compliance

- (a) Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.

- (b) Review the findings of any examinations by regulatory agencies, and any auditor observations.
- (c) Review the process for communicating the code of conduct to company personnel, and for monitoring compliance therewith.
- (d) Obtain regular updates from management and company legal counsel regarding compliance matters.
- (e) Reviewing all incidents of fraud, illegal acts and conflict of interest.

20. Reporting Responsibilities

- (a) Regularly report to the Board of Directors about committee activities, issues, and related recommendations.
- (b) Provide an open avenue of communication between internal audit, the external auditors, and the board of directors.
- (c) Report annually to the unitholders, describing the committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.
- (d) Review any other reports the Fund issues that relate to committee responsibilities.
- (e) Review annually the Fund's policy on public disclosures.

21. Other Responsibilities

- (a) Review and assess the adequacy of the committee mandate annually, requesting Board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- (b) Confirm annually that all responsibilities outlined in this mandate have been carried out.
- (c) Annual assessment to determine how effectively the committee is meeting its responsibilities.
- (d) Review annually the Fund's and its subsidiaries' insurance program.
- (e) Review and approve the procedures for the receipt, retention and treatment of complaints received by the Company or Fund regarding accounting, internal controls or auditing matters, including procedures for employees' confidential anonymous submissions. Ensure that all such complaints are presented to the committee
- (f) Review process followed in CEO/CFO certification of financial statements.