



NORTH WEST COMPANY FUND

ANNUAL INFORMATION FORM

Year Ended January 29, 2005

April 22, 2005

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NORTH WEST COMPANY FUND

FORWARD LOOKING STATEMENTS

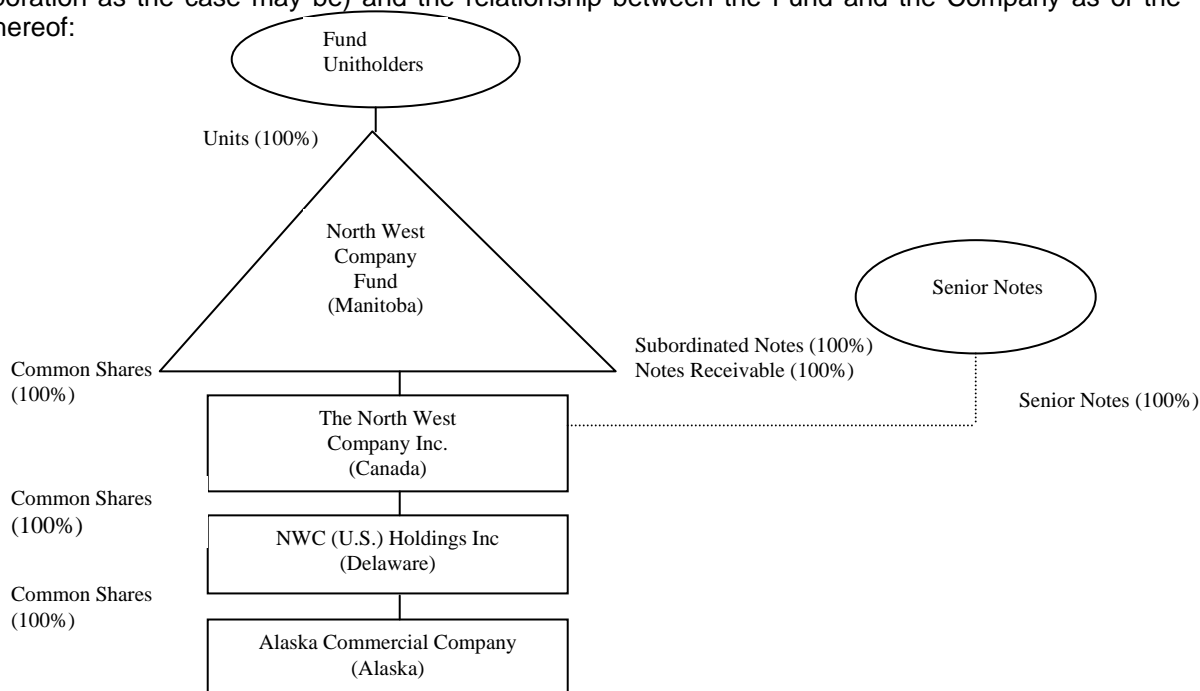
Certain statements in this Annual Information Form are “forward looking statements” which reflect management’s expectations regarding the North West Company Fund (the “Fund”) and/or The North West Company Inc.’s (the “Company”) future growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect management’s current beliefs and are based on information currently available to management. The Annual Report, including the Management’s Discussion & Analysis (MD&A), contains 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 costs 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 and the availability and terms of financing. Other risks are outlined in the Risk Management sections of the MD&A. Consequently, actual results and events may vary significantly from those included in, contemplated or implied by such statements.

The 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 and February 25, 2003). 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 are to invest in all of the securities of the Company and to the extent possible, to make distributions to holders (“Unitholders”) of trust units of the Fund (the “Units”) of distributions made by the Company to the Fund. The Fund currently holds 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.

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 of the date hereof:



Activities of the Fund

The Fund is an open-ended mutual fund trust established under the laws of the Province of Manitoba pursuant to 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.

The Fund does not conduct an active business but rather distributes to Unitholders the income (net of expenses) it receives from the Company. 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 the Common Shares, the Preferred Shares, the Subordinated Notes and Notes Receivable of the Company and any other securities of the Company 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 22, 2005 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 three 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.

A special resolution will be presented at the June 9, 2005 Annual and Special Meeting of Unitholders to consider and if deemed advisable, confirm and approve the amendment to the Declaration of Trust and to pass the special resolution, meaning the affirmative vote of not less than 66 2/3% of the votes cast by Unitholders with respect to the amendments to section 8.1 of the Declaration of Trust.

Section 8.1 of the Declaration of Trust provides for a board of Trustees consisting of a minimum of three Trustees and a maximum of seven Trustees. The three current Trustees have determined that it would be in the best interests of the Fund and the Unitholders for the minimum number of Trustees to be

increased to seven and the maximum number of Trustees increased to eleven. The current Trustees and the Company's Board of Directors believe that the increased size of the board of Trustees will provide greater resources to the Fund.

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.

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.

A resolution will be presented at the June 9, 2005 Annual and Special Meeting of Unitholders to consider and if deemed advisable, confirm and approve the amendment to and extension of the Fund's Unitholder Rights Plan to the close of business on June 30, 2008. This resolution is being recommended by both the Trustees of the Fund and the Board of Directors of the Company.

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 on June 30, 2005, 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 un-issued 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 offeror, 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.

Rightsholder 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.

THE NORTH WEST COMPANY INC. (the "Company")

The Company is a wholly owned subsidiary of the Fund and is the only 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.

Share and Loan Capital

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.

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.

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\$31.9 million was drawn as at April 1, 2005.

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.

Business Description

The Company is a leading retailer and distributor of everyday consumer goods and services to remote communities, rural towns and urban neighbourhoods across northern Canada, rural Alaska and western Canada. The Company operates a network of 183 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 29, 2005 the Company's total revenues were \$788.7 million, of which Canadian operations accounted for approximately 79.9% and Alaskan operations accounted for the balance or 20.1%. For the 53-week fiscal year ended January 31, 2004, the Company's total revenues were \$782.7 million. At January 29, 2005, the Company employed approximately 5522 people including approximately 692 people in Alaska.

Canadian Operations

The Company's Northern Canadian Retailing operations consist of 133 Northern stores, five NorthMart stores and six stand-alone Quickstop convenience stores. These 144 outlets are located in 139 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, 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), *Pratt's Wholesale Ltd* (slower moving and specialty food), *A. De La Chevrotière Ltée.* (food distribution in eastern Canada), *Rogers Video* (video rentals and sales) 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. The Company's alliance with *Giant Tiger Stores Limited* (for general merchandise) was discontinued on February 28, 2005, which enables the company to procure merchandise with lead times that satisfy the northern environment and access the breadth of merchandise required to meet our customer demands. The discontinuation of the general merchandise purchasing alliance does not impact the Master Franchise Agreement signed with *Giant Tiger Stores Limited*. The Company has begun sourcing directly from offshore sources.

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 more stores were opened in 2003, with three new stores opened in 2004 for a total of ten Giant Tiger stores. All stores except for one are meeting expectations.

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 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 24 AC Value Center stores and one 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 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 124 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.

NWC operates 44 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 four Giant Tiger stores in Winnipeg, one in Thompson, one in Morden, Manitoba, three in Saskatchewan, Moose Jaw, Regina and Saskatoon, and one in Edmonton, Alberta.

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 29, 2005, were \$37.3 million or \$2.32 per Unit on a diluted basis versus net earnings from operations for the 53-week fiscal year ended January 31, 2004, of \$35.7 million or \$2.22 per Unit on a diluted basis and net earnings of \$34.5 million or \$2.14 per Unit on a diluted basis for the 52-week fiscal year ended January 25, 2003.

Revenues increased 0.8% for the 52-week fiscal year ended January 29, 2005 (2.6% on an equivalent 52-week basis). Canadian operations experienced a 2.3% increase in revenue (4.2% on an equivalent 52-week basis). Alaskan operations recorded a 1.6 % increase in revenue to US\$122.8 million (3.3% on an equivalent 52-week basis).

Earnings before interest and taxes were \$52.7 million or 6.7% of sales for the year ended January 29, 2005 versus earnings before interest and taxes of \$50.4 million or 6.4% of sales for the fiscal year ended January 31, 2004. Canadian earnings before interest and taxes of \$42.7 million or 6.8% of revenue increased from \$39.3 million or 6.4% of revenue for the prior fiscal year ended January 31, 2004. Alaskan operations generated earnings before interest and taxes of \$10.0 million or 6.3% of revenue for the fiscal year ended January 29, 2005, compared to \$11.2 million or 6.7% of revenue for the prior fiscal year. Included in 2003 Alaska earnings was a gain from insurance before tax of \$2.0 million. Interest expenses for the fiscal year ended January 29, 2005, were \$5.8 million, down from \$6.3 million for the prior fiscal year.

Liquidity and Capital Resources

At January 29, 2005, net working capital was \$120.2 million, representing an increase of \$6.5 million or 5.7% from \$113.7 million at the prior fiscal year-end. Accounts receivable of \$69.0 million increased 16.2% during the fiscal year ended January 29, 2005. Inventories of \$122.0 million increased by 6.3% compared to \$114.8 million the prior fiscal 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 29, 2005.

	Number of Stores	Owned (1)	Leased
Alberta	7	5	2
British Columbia	3	2	1
Labrador/NFLD	5	5	0
Manitoba	36	20	16
Nunavut	24	22	2
NWT	18	16	2
Ontario	27	15	12
Quebec	17	16	1
Saskatchewan	20	15	5
Yukon	1	0	1
Canadian Stores	158	116	42
Alaska Commercial Co.	25	13	12
TOTAL STORES	183	129	54

(1) Of these stores, 41 are located on leased land pursuant to ground leases.

The following table summarizes the number of stores and selling square footage under NWC's retail formats.

	Number of stores		Selling square footage	
	2004	2003	2004	2003
Northern	133	133	772,301	785,213
NorthMart	5	7	125,565	186,833
Quickstops	7	6	11,272	10,229
Giant Tiger	10	7	163,937	103,427
Other formats	4	4	22,558	22,558
AC Value Centres	24	24	252,000	251,469
Total at end of year	183	181	1,347,633	1,359,729

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 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 17 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, 41 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 29, 2005 total net capital expenditures amounted to \$21.6 million compared to \$30.2 million for the 53-week fiscal year ended January 31, 2004. Net capital expenditures for the 52-week fiscal year ending January 27, 2006, are expected to be approximately \$27.2 million and will be financed out of cash flow from operations.

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.

Giant Tiger Stores

The Company operates 10 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 29, 2005, the Company employed approximately 5,522, people, including 692 in Alaska. Of these, approximately 2,926 are aboriginal and of the aboriginal employees, 217 hold managerial positions.

The Company is active in the recruitment of aboriginal people for positions in stores, corporate and distribution centres.

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 and the recruitment of more senior people for store operations positions.

Customers

The Company's core customer group consists of lower-income shoppers residing in remote communities across the Canadian north and Alaska. This 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 trust 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 17 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. 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 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 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 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 decrease over the next several years. If this occurs it may lead to decreased incomes and spending in local communities, which could in turn have a material adverse effect on the Company's business, financial condition and results of operations.

Retail Industry and Economic Downturns

Approximately 26.0% 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 37% 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, 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 14.

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 129 stores. The remaining stores are generally held under long-term leases. The long-term nature of the leases may limit the Company'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.

SELECTED CONSOLIDATED FINANCIAL INFORMATION OF THE FUND

2004 (52-weeks) compared to 2003 (53-weeks)

In the fiscal year ended, January 29, 2005, sales and other revenue increased to \$788.7 million from \$782.7 million in the prior fiscal year.

Canadian operations experienced a 2.3% increase with food sales gaining 3.4% and general merchandise sales increasing 0.5%. Revenues from Alaskan operations for the fiscal year ended January 29, 2005 were \$158.9 million representing a decrease of 4.9% from \$167.1 million in the prior fiscal year.

The Canadian dollar's appreciation versus the U.S. dollar in 2004 reduced sales by \$10.9 million.

Earnings

Net earnings were \$37.3 million for the fiscal year ended January 29, 2005, compared to \$35.7 million in the prior fiscal year. Earnings per Unit on a diluted basis were \$2.32 for the fiscal year ended January 29, 2005, compared to earnings per Unit on a diluted basis of \$2.22 in the prior fiscal year. Net earnings were negatively impacted by \$0.4 million or \$0.02 per unit in 2004 due to the stronger Canadian dollar.

Canadian operations generated earnings before interest and taxes ("EBIT") of \$42.7 million in the fiscal year ended January 29, 2005, an 8.7% increase compared to \$39.3 million in the prior fiscal year. Alaskan operations generated an EBIT of \$10.0 million in the fiscal year ended January 29, 2005 compared to \$11.2 million in the prior fiscal year. EBIT was negatively impacted by \$0.7 million due to a stronger Canadian dollar.

Liquidity and Capital Resources

At the fiscal year ended January 29, 2005, net working capital was \$120.2 million representing an increase of 5.7% from \$113.7 million at the prior fiscal year end. Accounts receivable of \$69.0 million increased 16.2% during the fiscal year ended January 29, 2005. Inventories of \$122.0 million in the fiscal year ended January 29, 2005 increased 6.3% from the prior fiscal year. Financing activities during the fiscal year ended January 29, 2005 generated a net cash outflow of \$32.5 million compared to \$30.4 million last year. Total assets were \$413.6 million, up 1.0% from \$409.6 million in the prior year. Long-

term debt at \$88.8 million was down 8.4% from \$96.9 million a year earlier due to the repayment of two Alaska loans of \$4.5 million and as a result of the weakening of the US dollar during the year which had a favorable impact on US\$43.0 million denominated senior notes.

Distributions

Distributions in the amount of \$29.1 million were declared during the fiscal year ended January 29, 2005, up from \$25.1 million in distributions that were declared a year earlier. In 2003 an extra distribution of \$0.34 or \$5.5 million was declared.

2003 (53-weeks) compared to 2002 (52-weeks)

In the fiscal year ended, January 31, 2004, sales and other revenue increased to \$782.7 million from \$749.7 million in the prior fiscal year.

Canadian operations experienced an 8.8% increase with food sales gaining 11.9% and general merchandise sales increasing 2.4%. Revenues from Alaskan operations for the fiscal year ended January 31, 2004 were \$167.1 million representing a decrease of 9.2% from \$184.0 million in the prior fiscal year.

The Canadian dollar's appreciation versus the U.S. dollars in 2003 reduced sales by \$22.1 million.

Earnings

Net earnings were \$35.7 million for the fiscal year ended January 31, 2004, compared to \$34.5 million in the prior fiscal year. Earnings per Unit on a diluted basis were \$2.22 for the fiscal year ended January 31, 2004, compared to earnings per Unit on a diluted basis of \$2.14 in the prior fiscal year. Net earnings were negatively impacted by \$763,000 or \$0.05 per unit in 2003 due to the stronger Canadian dollar.

Canadian operations generated earnings before interest and taxes ("EBIT") of \$39.3 in the fiscal year ended January 31, 2004, a 1.3% decrease compared to \$40.2 million in the prior fiscal year. Alaskan operations generated an EBIT of \$11.2 million in the fiscal year ended January 31, 2004 compared to \$9.4 million in the prior fiscal year.

Liquidity and Capital Resources

At the fiscal year ended January 31, 2004, net working capital was \$113.7 million representing a decrease of 3.6% from \$117.9 million at the prior fiscal year end. Accounts receivable of \$59.4 million decreased 8.3% during the fiscal year ended January 31, 2004. Inventories of \$114.8 million in the fiscal year ended January 31, 2004 decreased 9.1% from the prior fiscal year. The foreign exchange impact of a stronger Canadian dollar accounts for 2.4% of the inventory decrease. Financing activities during the fiscal year ended January 31, 2004 generated a net cash outflow of \$30.4 million compared to \$40.7 million last year. Total assets were \$409.6 million, down 2.1% from \$418.2 million in the prior year. Long-term debt at \$96.9 million was down 9.2% from \$106.8 million a year earlier, primarily as a result of the weakening of the US\$ during the year which had a favorable impact on US\$43.0 million denominated senior notes.

Distributions

Distributions in the amount of \$25.1 million were declared during the fiscal year ended January 31, 2004 down from \$31.4 million in distributions declared a year earlier as 2002 included a special distribution in the amount of \$6.3 million that was declared in order to adjust the accumulated declarations of the Fund to the accumulated earnings of the Fund.

2002 compared to 2001

Sales and other Revenue

In the fiscal year ended January 25, 2003, sales and other revenue increased to \$749.8 million from \$704.0 million in the prior fiscal year.

Canadian operations experienced a 6.3% increase with food sales gaining 7.6% and general merchandise sales increasing 5.4%. Revenues from Alaskan operations for the fiscal year ended January 25, 2003 were \$184.0 million representing an increase of 7.2% over \$171.7 million in the prior fiscal year.

Earnings

Net earnings were \$34.5 million in the fiscal year ended January 25, 2003, compared to \$29.0 million in the prior fiscal year. Earnings per Unit on a diluted basis were \$2.14 in the fiscal year ended January 25, 2003, compared to earnings per Unit on a diluted basis of \$1.95 in the prior fiscal year.

Canadian operations generated earnings before interest and taxes ("EBIT") of \$40.2 in the fiscal year ended January 25, 2003, a 2.1% decrease compared to \$41.0 million in the prior fiscal year. Alaskan operations generated an EBIT of \$9.4 million in the fiscal year ended January 26, 2002 compared to \$6.8 million in the prior fiscal year.

Liquidity and Capital Resources

At the fiscal year ended January 25, 2003, net working capital was \$117.9 million representing a decrease of 7.8% from \$127.9 million (excluding \$112.0 million in bonds due in less than one year) at the prior fiscal year. Accounts receivable of \$64.8 million decreased 1.8% during the fiscal year ended January 25, 2003. Inventories of \$127.4 million in the fiscal year ended January 25, 2003 decreased 5.2% over the prior fiscal year. Financing activities during the fiscal year ended January 25, 2003 generated a net cash outflow of \$40.7 million compared to \$27.5 million last year. Total assets were \$418.2 million down 3.5% from \$433.2 million in the prior year. Long-term debt at \$106.8 million had increased substantially from \$9.6 million from a year earlier, primarily due to \$112.0 million in bonds that were maturing within a year and subsequently refinanced with US\$65.0 senior notes.

Distributions

Distributions in the amount of \$31.4 million were declared during the fiscal year ended January 25, 2003 compared to \$21.4 million in distributions declared a year earlier. In 2002, a special distribution in the amount of \$6.3 million was declared in order to adjust the accumulated declarations of the Fund to the accumulated earnings of the Fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Fund's Management's Discussion and Analysis (MD&A) relating to the Fund's financial statements for the year ended January 29, 2005, which is contained in a separate booklet of the Fund's 2004 Annual Report, is incorporated by reference and forms an integral part of this Annual Information Form. The Fund's 2004 Annual Report and MD&A can be found on www.sedar.ca.

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.

2004 Trading Price and Volume			
MONTH	HIGH	LOW	VOLUME
Feb-04	\$24.99	\$23.20	561,942
Mar-04	25.00	24.30	1,490,922
Apr-04	25.25	23.20	659,664
May-04	24.77	23.10	284,443
Jun-04	26.34	24.60	733,800
Jul-04	25.45	23.61	589,278
Aug-04	25.15	23.50	523,946
Sep-04	25.15	24.58	518,913
Oct-04	27.00	24.77	401,115
Nov-04	28.69	26.21	756,966
Dec-04	29.18	27.15	523,232
Jan-05	31.74	28.25	348,373

FUND 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 Company'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 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 \$0.47 per Unit are expected for 2005 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 2004, dividends of \$3,870,240 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.

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.
Kevin R. Bolt Winnipeg, Manitoba	1997	Trustee	Partner, Aikins, MacAulay & Thorvaldson LLP
David G. Broadhurst Toronto, Ontario	1997	Trustee	President, Poynton Investments Limited
Edward S. Kennedy Winnipeg, Manitoba		President & Chief Executive Officer	President & Chief Executive Officer of the Company
Léo P. Charrière Winnipeg, Manitoba		Executive Vice President, Chief Financial Officer and Secretary	Executive Vice President, Chief Financial Officer and Secretary of the Company
Reinhard Sedlacek Ste. Anne, Manitoba		Treasurer	Director, Planning and Treasury Services of the Company

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 22, 2005 are as follows:

Directors

Name and Principal Occupation	<u>Committees</u>	Municipality of Residence	Director Since
Donald A. Beaumont, President Beaumont & Associates	1, 3	Don Mills, Ontario	1996
Frank J. Coleman, President & Chief Executive Officer Coleman Group of Companies	3, 4	Corner Brook, Newfoundland	1999
R.J. (Bob) Kennedy, Chief Executive Officer, WiBand Communications Corp.	2, 3	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, 3	Mississauga, Ontario	1987
Keith G. Martell, Chairman First Nations Bank of Canada	1, 2	Saskatoon, Saskatchewan	2000
James G. Osborne, Chairman, Westgate Capital Management Corporation	1, 2, 4	Winnipeg, Manitoba	1987
H. Sanford (Sandy) Riley, President and CEO, Richardson Financial Group Limited	1, 2, 4	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 Audit Committee
- [3] Member of the Human Resources and Compensation Committee
- [4] Member of the Pension Committee

Declaration of Directors

Subject to the requirements of section 10.2 of Form 51-102F2, the following directors 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 has been a director of Stelco Inc from 2002 to present. Stelco Inc. is currently undergoing a court supervised restructuring under the Company Creditors Arrangement Act.

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, 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
Carl A. McKay, Executive Vice-President, Northern Canada Retailing	Winnipeg, Manitoba	1998
Kenneth M. Claudel, Vice-President, Logistics and Supply Chain Services	Winnipeg, Manitoba	2002
Scott F. Findlay, Vice-President & General Manager, Food Procurement & Wholesaling	Winnipeg, Manitoba	1999
Leonard G. Flett, Vice-President, Store Development and Public Affairs	Winnipeg, Manitoba	1998
Gerald L. Mauthe, Vice-President, Information Services	Ste. Adolphe, Manitoba	2005
Scott A. McKay, Vice-President & General Manager, Giant Tiger West Retail	Winnipeg, Manitoba	2004
Karen J. Milani, Vice-President, Human Resources	Winnipeg, Manitoba	2000

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:

Ian Sutherland was President of *MCAP Inc.* from September 1998 to August 2000.

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. Mr. Broadhurst has been a NWF Trustee since 1997.

Gary J. Lukassen was Executive Vice-President and Chief Financial Officer of the *Hudson's Bay Company (HBC)* from 1989 until his retirement in 2001; Director of the HBC from 1987 to 2001; Senior Vice-President, Finance and Administration of the HBC from 1987 to 1989. Director, *Stelco Inc.*, *Abitibi Consolidated Inc.* and *Spinrite Income Fund.* NWC Director since 1987.

H. Sanford Riley is President and C.E.O. of *Richardson Financial Group Limited* since 2003; Chairman of *Investors Group Inc.* from 2001 to 2003; 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.

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.*

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.

Carl A. McKay became Executive Vice-President, Northern Canada Retail on January 21, 2005. Prior to his appointment he held the position of Vice President, General Merchandise Marketing since October 24, 2003 and before that was Vice-President, Sales & Operations, Traders Division.

Scott A. McKay became Vice-President and General Manager, Giant Tiger West Retail 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*.

Gerry 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*, a distributor of general merchandise in Winnipeg. His previous background includes various Senior Consultant and Project Manager positions.

The term of office of each of the Trustees of the Fund and the Directors of the Company 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 884,172 units or 5.5% 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 and the Board of Directors on June 2, 2004 is included in Appendix A. All members of the Audit Committee are independent and financially literate 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 in the table below.

Audit Committee Members

Name and Principal Occupation	Municipality of Residence	Director Since
Gary J. Lukassen, Corporate Director	Mississauga, Ontario	1987
R.J. (Bob) Kennedy, Chief Executive Officer, WiBand Communications Corp.	Winnipeg, Manitoba	2003
Keith G. Martell, Chairman First Nations Bank of Canada	Saskatoon, Saskatchewan	2000
James G. Osborne, Chairman, Westgate Capital Management Corporation	Winnipeg, Manitoba	1987
H. Sanford (Sandy) Riley, President and CEO, Richardson Financial Group Limited	Winnipeg, Manitoba	2003

Gary J. Lukassen, CA retired as Executive Vice-President and Chief Financial Officer, *The Hudson's Bay Company* in March 2001.

R.J. (Bob) Kennedy, B.Sc, is the Chief Executive Officer of *WiBand Communications Corporation*, a position he has held since January 1999. He previously held positions as Worldwide Business Development Executive – *IBM Corporation* – Education and Training in 1998, and Chief Executive Officer – *PBSC Computer Training Centres* in 1991.

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, *Rupertsland Holdings Inc.*, *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 four other audit committees, two of which he chairs.

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

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:

	2004	2003
Audit fees	\$202,427	\$199,322
Audit related fees (1)	40,000	2,500
Tax fees (2)	143,950	108,000
Other fees (3)	3,472	8,255
Total	\$389,849	\$318,077

1. 2004 & 2003 review procedures for NWF and confirmation of compliance with senior debt covenants.
2. 2004 & 2003 quarterly tax compliance services and tax planning advice.
3. 2004 Canadian Public Accountability Board fees and in 2003, Technical advice.

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.

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 transfer agent and registrar for the Fund is CIBC Mellon Trust Company, One Lombard Place, Suite 750, Winnipeg, Man. R3B 0X3

The Auditor of the Fund is Price Waterhouse Coopers, 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 June 2, 2004

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1. Introduction

The Audit Committee will assist the Board and 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 board of directors, the trustees, 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. Establishment

The Audit Committee of the Directors known as the Audit Committee was established in July 1987.

3. Reporting

The Committee shall report to the Board.

4. Composition

The Audit Committee will consist of at least three and no more than six members of the board of directors. The board or its governance 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.

A majority of Audit Committee members shall constitute a quorum.

5. Appointment

Members of the Audit Committee shall be appointed at the meeting of the Board 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 Board and shall in any event cease to be a member of the Committee upon ceasing to be a member of the Board.

6. Vacancies

Where a vacancy occurs at any time in the membership of the Audit Committee, it may be filled by the Board.

7. Chairman

The board shall designate one of the members of the Audit Committee to be Chairman.

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

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

8. Meetings

The Audit 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 conduct 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 Audit Committee meetings will be prepared.

9. Secretary

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

10. Notice of Meeting

Notice of the time and place of every meeting shall be given in writing or facsimile to each member of the Audit 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 a member at any meeting shall constitute waiver of notice.

11. Quorum

Three members of the Audit Committee, present in person or by telephone, shall constitute a quorum.

12. Attendance

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

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

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

Minutes of Audit Committee meetings shall be sent to all Board Members.

13. Authority

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

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

14. Responsibilities

The committee will carry out the following responsibilities:

(a) Financial Statements

- 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.
- Review with management and the external auditors the results of the audit, including any difficulties encountered.
- Review the annual audited financial statements, and consider whether they are accurate, complete, represent fairly the Company's financial position and performance and are in accordance with GAAP and recommend to the Board of Directors the approval of the financial statements.
- 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.
- Review with management and the external auditors all matters required to be communicated to the committee under generally accepted auditing standards.
- Understand how management develops interim financial information, and the nature and extent of internal and external auditor involvement.
- 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.

(b) Internal Control

- Consider the effectiveness of the Company's internal control system, including information technology security and control.
- Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

(c) Internal Audit

- Review with management and the Manager, Internal Audit, the mandate, plans, activities, staffing, and organizational structure of the internal audit function.
- Ensure that the internal audit function is structured in a manner that achieves independence.
- Review and concur in the appointment, replacement, or dismissal of the Manager, Internal Audit.
- Review the performance and effectiveness of the internal audit function.
- 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.

(d) External Audit

- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
- 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.
- Review with the external auditors the quality of the Company's accounting policies.

- Approve the external audit fee.
- 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.
- Review any unadjusted errors in the financial statements.
- On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.
- 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.
- Set clear hiring policies for employees or former employees of the external auditors.
- Pre-approve any non-audit services to be performed by the external auditor and set a fee budget for such services.

(e) Compliance

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

(f) Reporting Responsibilities

- Regularly report to the Board about committee activities, issues, and related recommendations.
- Provide an open avenue of communication between internal audit, the external auditors, and the Board.
- 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.
- Review any other reports the Company issues that relate to committee responsibilities.
- Review annually the Fund's policy on public disclosures.

15. Other Responsibilities

- Perform other activities related to this mandate as requested by the Board.
- Institute and oversee special investigations as needed.
- 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.
- Confirm annually that all responsibilities outlined in this mandate have been carried out.

- Annual assessment to determine how effectively the Committee is meeting its responsibilities.
- Review annually the Company's insurance program.
- 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
- Review process followed in CEO/CFO certification of financial statements.