Indigo Books & Music Inc.

Annual Information Form

For the fiscal year ended March 28, 2015

May 26, 2015

TABLE OF CONTENTS

FORWARD-LOOKING INFORMATION

This document contains forward-looking information within the meaning of Canadian provincial and territorial securities laws. All statements other than statements of historical facts included in this Annual Information Form, including statements regarding the prospects of the industries in which Indigo Books & Music Inc. ("Indigo" or the "Company") operates, future plans, expected financial position and business strategy of the Company may constitute forward-looking information. The words "believe," "intend," "scheduled," "plan," "focus," and "expect" and other expressions of similar import, or the negative variations thereof, and similar expressions of future verbs such as "will," "would," and "could," are predictions of or indicate future events and trends and identify forward-looking statements. Forward-looking information is based on reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable at the date that such statements are made. The forward-looking information contained in this Annual Information Form is presented for the purpose of assisting the Company's security holders in understanding its financial position and results of operations as at and for the periods ended on the dates presented and the Company's strategic priorities and objectives, and may not be appropriate for other purposes. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making forward-looking statements, and actual results may differ materially from those expressed or implied in such statements. Information about material factors that could cause actual results to differ materially from expectations and information about material factors or assumptions applied in making forward-looking statements may be found in this document under "Risk Factors" as well as under "Risks and Uncertainties" in the Company's Management Discussion & Analysis (the "MD&A") (52 weeks ended March 28, 2015 compared to the 52 weeks ended March 29, 2014) and elsewhere in the Company's filings with Canadian securities regulators. The Company does not undertake any obligation to update publicly or to revise any of the forward-looking information contained or incorporated by reference in this document, whether as a result of new information, future events or otherwise, except as required by law.

Indigo Books & Music Inc.

CORPORATE STRUCTURE

Name, Address and Incorporation

Indigo Books & Music Inc. ("Indigo" or the "Company" as the context requires) was formed upon the amalgamation of Chapters Inc. and Indigo Books & Music, Inc. under the *Business Corporations Act* (Ontario), pursuant to a Certificate of Amalgamation dated August 16, 2001. Subsequently, Indigo was amalgamated with Chapters Online Inc. ("Chapters Online") under the *Business Corporations Act* (Ontario) pursuant to Articles of Amalgamation dated April 3, 2004, and with CCBC Holdings (2001) Inc. and 1526656 Ontario Limited under the *Business Corporations Act* (Ontario), pursuant to Articles of Amalgamation dated April 3, 2005. Previously, Chapters Inc. was formed upon the amalgamation of Coles Book Stores Limited and FICG Inc., under the *Business Corporations Act* (Ontario), pursuant to a Certificate of Amalgamation dated April 11, 1995. Indigo's head and registered office is located at 468 King Street West, Toronto, Ontario, M5V 1L8.

Principal Subsidiaries

The following table sets forth the names of the principal subsidiaries (including limited partnerships) of Indigo as of May 26, 2015, the percentage of voting shares (or interest) owned by Indigo and the jurisdiction of incorporation or continuance of each such subsidiary (or limited partnership).

Name of Subsidiary	Percentage Owned	Jurisdiction of Formation, Incorporation or Continuance
Calendar Club of Canada Limited Partnership	50.0%	Delaware, USA
Soho Studios, Inc.	100.0%	Delaware, USA

GENERAL DEVELOPMENT OF THE BUSINESS

It has been 18 years since Indigo launched its first superstore with a commitment to enriching Canadians' lives through books and complementary products. Much has changed since then in both the book industry and the larger retail landscape that serves Indigo's customers. The online channel has expanded dramatically, offering consumers an increased number of titles at a lower cost than a traditional physical bookstore along with a broad range of general merchandise. In addition, the digital and mobile channels have provided consumers with a completely new reading platform with instant accessibility, huge selection, and lower costs.

Indigo continues to be proactive in an industry that is undergoing dramatic change and is well underway to establishing itself as the world's first cultural department store, a digital and physical place inspired by and filled with books, ideas, beautifully designed products, and the creative people who make it all happen. As such, the Company remains committed to its transformational agenda and continues to invest in Indigo's brand and the customer experience which will position the Company for sustained growth. More specifically, the Company's priorities remain focused on advancing the core retail business through adapting its physical stores, improving productivity, driving employee engagement, and expanding the Company's online and digital presence.

Indigo's entry into the digital book market began with the launch of Shortcovers in February 2009 as a new digital destination offering online and mobile service with instant access to books, articles and

blogs. In December 2009, Indigo transferred the net assets of Shortcovers to a new company, Kobo Inc. ("Kobo"). During fiscal 2011 and 2012, Kobo expanded to become a global digital book leader and subsequently, in January 2012, the Company sold all its outstanding shares of Kobo to Rakuten, Inc. Notwithstanding the sale, Indigo continues to maintain a strong relationship with Kobo, supporting the products, including eInk devices and tablets, and eReading services customers have come to love, and directly benefitting from the growth of the Canadian eReading market.

Indigo has a loyal customer base. The Company has two loyalty programs; *irewards* is a fee-based loyalty program and the *plum rewards* program is a free points-based loyalty program. Both programs offer discounts, and *plum rewards* also offers points on virtually all products in the stores. Combined, the *irewards* and *plum rewards* programs have a total of 7.5 million members. The success of these programs creates a rich understanding of the Company's customers, as well as direct marketing and communication opportunities with Indigo's best customers.

The Company's key strategies over the last three years and going forward are outlined below.

1. Optimizing Physical Stores

To ensure that Indigo's physical stores offer a rich and compelling product assortment, the Company continues to adjust and expand its product mix. Print books remain the core focus of the business. Following a decline in fiscal 2013 and 2014, fiscal 2015 saw a resurgence in physical book sales for both Indigo and the overall market. On the strength of this growth, Indigo will continue to adapt and improve its physical book offering in fiscal 2016 and beyond. Store-specific layout and optimization decisions will be made to achieve the appropriate mix between books and complementary growth categories based on current and projected sales productivity.

Concurrently, Indigo remains committed to becoming the premier year-round gifting destination in Canada. The Company's main growth categories are lifestyle, paper, toys, and electronics. Indigo continues to adapt and improve its physical stores to support these growth categories. Retail stores and their display fixtures are continuously being renovated and refreshed as part of the Company's transformation. During fiscal 2014, Indigo launched 37 Indigotech® shops inside select superstores to showcase an expanded offering of electronic products. The Company continues to expand its lifestyle and paper offerings, as well as its assortment of toys and games with either dedicated toy sections or expanded toy offerings in all of its superstores. In fiscal 2015, the Company launched three American Girl®[(1)] specialty boutiques inside select superstores. These locations marked the first international retail presence for the iconic brand and reinforced the Company's commitment to the importance of creative play for children. Indigo continues to expand the brand and will be opening new American Girl® specialty boutiques in select locations during fiscal 2016.

The Company also remains committed to expanding its proprietary product development capability, which primarily includes home, paper merchandise, and fashion accessories. This initiative is part of the Company's focus on providing customers with increasingly meaningful and life-enriching merchandise while improving operating margins. To support this initiative, Indigo operates a New York design office and all stores carry a variety of proprietary merchandise developed by this team.

2. Driving Productivity Improvement

While a key focus of the Company's business is evolving to meet the emerging needs of customers, the Company is also focused on driving productivity improvements. The challenge for the Company is to continually look for innovative ways to drive costs down while improving what Indigo delivers to customers. In particular, over the last three years, the Company has focused on implementing an integrated planning system to improve merchandise management and on implementing supply chain

[(1)] American Girl is a registered trademark of American Girl, LLC.

productivity initiatives designed to further reduce costs, deliver improved operating margins, and improve service to customers.

During fiscal 2015, Indigo focused on driving end-to-end productivity, including supply chain projects to improve the flow of merchandise and margin rates. Specifically, the Company drove improved assortment productivity and captured efficiencies in the physical book supply chain. This initiative generated cost savings and will continue to be a focus in fiscal 2016.

In fiscal 2014, the Company implemented an integrated planning system to improve the merchandise and financial planning for all its categories. The new integrated planning system simplified and eliminated manual work associated with managing all categories. The Company also re-engineered its entire core general merchandising processes and streamlined employees into cross-functional category teams in order to align objectives, accelerate growth of key categories, and improve cross-functional collaboration.

The Company continues to identify productivity opportunities and initiatives as part of its Galileo project. All employees can interact with the internal Galileo social media platform. This platform is designed to cultivate innovation by providing the opportunity for employees to submit, review, vote, and comment on ideas for improving the employee and customer experience. To date, under the umbrella of Galileo, the Company has implemented hundreds of initiatives that have improved operating efficiency while also enhancing employee and customer engagement. These initiatives support continued investments in the Company's overall business transformation. One of the key Galileo projects in fiscal 2014 was systematically organizing retail store backrooms, which drove retail productivity and improved merchandise management.

Going forward, the Company continues to target processes for re-engineering, cost rationalization, and improving customer value. Fiscal 2016 will focus on continuing to drive end-to-end productivity and process efficiency, both in the supply chain and across the Company.

3. Employee Engagement

Indigo’s strategic efforts continue to focus on building and maintaining high levels of employee engagement. In fiscal 2014, the Company conducted an employee engagement survey which showed year-over-year increases in engagement. In April 2015, Indigo's employee engagement focus was also recognized outside of the Company, with Indigo being named as the top Canadian retail employer brand by Randstad Canada for the third year in a row. The award is based on the polling of job seekers in search of employment opportunities in Canada’s leading organizations.

The Company realizes that sustaining high levels of employee engagement is an ongoing responsibility and continues to commit resources to specific initiatives designed to make Indigo one of the best places to work. Efforts to boost employee satisfaction include the continuous improvement of core work process design and the implementation of systems upgrades; improvements to communication, training and development, and performance management are also ongoing. In fiscal 2014 and 2015, the Company’s employee engagement efforts focused on improving the core work processes, tools, and structure of Indigo’s general merchandising teams. During fiscal 2014, the Company also launched a new training module to all new and seasonal store staff to accelerate sales and service capabilities.

In addition to identifying productivity opportunities, the Galileo project, discussed above, also drives employee engagement by empowering all employees to participate in improving the customer and employee experience. The Galileo project and social media platform have been embraced by employees, and project successes are recognized and celebrated internally. Based on employee feedback, improvements to the Galileo processes and social media platform were implemented in fiscal 2014 and

will continue to be implemented going forward. The Galileo social media platform continued to grow in membership in fiscal 2015, giving a voice to employees with ideas for improvement and an opportunity to unleash their creativity.

In fiscal 2015, Indigo expanded its employee engagement efforts to include a focus on wellness. A key undertaking was a series of national fitness campaigns and competitions focused on maintaining high levels of daily physical activity, eating healthy at work, and managing stress. The combination of the Company's efforts in this area has led to Indigo's employment brand ranking increasing for the third consecutive year.

4. Omni-Channel Customer Experience

The distinction between physical and online retail is becoming increasingly blurred as customers expect to have a similar experience with a brand regardless of channel. Recognizing this, Indigo has focused on improving the omni-channel customer experience with initiatives that better integrate retail and online. In fiscal 2013, Indigo launched "buy online, ship to store," an initiative that allows customers to buy products online and have the items shipped to one of the Company's stores for free. This service provides customers with additional flexibility to decide where and when purchases are picked up and reduces Indigo's shipping costs.

In addition to reshaping Indigo's physical store offerings, the Company's online store has continued to adapt and change. In fiscal 2015, the Company launched a new payment option, allowing customers to choose PayPal when making purchases. The Company also improved upon the French language version of its website. In fiscal 2013, Indigo completed a website redesign which included much richer visual presentations of lifestyle, paper, and toy categories, a simplified checkout experience, a much enhanced mobile experience, a comprehensive gift finder, and an innovative drag and drop capability to ease online shopping. Social media integration, including Facebook, Pinterest, Instagram, and Twitter, also remains a priority. Subsequent to year end, the Company further expanded its payment options by allowing customers to choose Visa Checkout when making purchases.

In fiscal 2014, the Company launched a new mobile application for the iOS and Android platforms to offer a truly integrated and rich experience across Indigo's retail and online channels. Customers can use the mobile application to shop-on-the-go by making purchases online or to check retail inventory prior to visiting a store. Additionally, the application allows customers to scan a product barcode in-store, purchase the product online, and have it shipped to the location of their choice. Personalization is also a key feature of the application, allowing users to create wish lists and access their *plum rewards* data. In fiscal 2016, Indigo will explore new opportunities to improve its mobile offering and build on the strong core base of app users it has fostered in the last 18 months.

Optimizing Indigo's loyalty program will also be a primary focus in fiscal 2016. The success of the existing *plum rewards* and *irewards* programs has created a rich understanding of customer behavior and interests across both retail and online. Going forward, Indigo will become increasingly sophisticated at using this data to personalize each touchpoint with customers across channels and provide a rich omni-channel shopping experience.

DESCRIPTION OF INDIGO

Overview of the Business

Indigo is Canada's largest book, gift and specialty toy retailer, operating stores in all ten provinces and one territory in Canada and offering online sales through its indigo.ca website. The Company sells books, toys, and paper products, along with lifestyle products such as home and fashion accessories. Indigo operates its stores under the names Indigo, Chapters, Coles, Indigospirit, SmithBooks, and The Book Company. The online channel, indigo.ca, features expanded book title selections, eBooks, lifestyle products, and a broad assortment of toys.

The Company also has a 50% interest in Calendar Club of Canada Limited Partnership, which sells calendars, games, and gifts through seasonal kiosks and year-round stores in shopping malls across Canada. Calendar Club of Canada Limited Partnership operates approximately 200 seasonal calendar kiosks and in line game stores each year.

Retail Channels

As at March 28, 2015, Indigo operated 218 stores comprised of 91 superstores and 127 small format stores, and the online channel, indigo.ca.

Superstores

Indigo operates its superstores in all ten provinces of Canada under the names Indigo Books & Music, Indigo Books • Gifts • Life, Indigo Books • Gifts • Kids, and Chapters.

Indigo superstores are designed to be an inspiring destination for consumers, offering a unique environment that becomes part of the local community. Management believes that as a result of superior title selection, unique general merchandise offerings, ambiance, convenient hours (generally 10:00 a.m. to 10:00 p.m., seven days per week), competitive pricing, and knowledgeable staff, Indigo is well-positioned to be the premier year-round gifting destination in Canada.

Featuring wide aisles, warm lighting, and soft colours, superstores are designed to encourage browsing for extended periods. Floor plans partition the stores into manageable areas and lead customers to popular categories of interest. As part of the Company's transformation, floor plans have been redesigned to create a "store within a store" concept for popular gifting areas such as the !ndigoKids® and Indigotech® shops and American Girl® boutiques.

Indigo believes that superstore sales are driven by customers browsing through different departments of interest. The extensive on-hand book selection and growth of general merchandise categories provide a large assortment of inspiring choices to the superstore customer. Computer kiosks in the superstores further enhance the customer experience by providing access to all online merchandise, with free delivery to stores.

In the 52 weeks ended March 28, 2015, these superstores accounted for sales of $625.2 million, representing 69.9% of total revenues. In the 52 weeks ended March 29, 2014, these stores accounted for sales of $607.2 million, representing 70.0% of total revenues.

As at March 28, 2015, Indigo operated 91 superstores. The size of an Indigo superstore is dependent upon the size of the local population and the potential draw of such a store, the demographics of the market, and the availability of other locations. Currently, superstores range in size from 10,000 to 52,000 square feet, with the majority being between 20,000 and 30,000 square feet, compared to an average of

approximately 2,600 square feet for small format stores. Total superstore selling footage was 2,055,900 square feet as at March 28, 2015.

Small Format Stores

Indigo operates its small format stores in all ten provinces and one territory in Canada under the banners Coles, Indigospirit, SmithBooks, and The Book Company.

These stores are located in retail shopping centres, street-front retail areas, major airports, a hospital, and central business districts. Coles is the leading shopping centre bookstore chain in Canada in terms of both sales and number of stores.

Small format stores are built on service, convenient locations, and selection. In addition to carrying a wide range of popular books, the product mix in these stores has expanded to include a larger selection of general merchandise.

Small format stores are generally open during the operating hours of the shopping centres in which they are located and rely heavily on impulse and walk-in business. Indigo believes that its recognized national banner names are valuable in attracting walk-by traffic into its stores and that its portfolio of locations in core retail locations across Canada is the most significant factor contributing to ongoing sales performance.

Indigo's small format stores generated combined sales of $127.8 million in the 52 weeks ended March 28, 2015, representing 14.3% of total revenues. In the 52 weeks ended March 29, 2014, these stores accounted for sales of $127.4 million, representing 14.7% of total revenues.

As at March 28, 2015, Indigo operated 127 small format stores. All of these small format stores offer an expanded general merchandise offering. There were four small format store closures between March 29, 2014 and March 28, 2015, compared to the three small format store closures between March 31, 2013 and March 29, 2014. Although the Company has closed a number of under-performing stores in the past several years, it is management's belief that profitable opportunities exist for the small format stores within certain markets.

Digital Channels

The Indigo online channel, indigo.ca, is a leading Canadian online destination for shoppers. The website offers an extension of the in-store shopping experience, featuring an expanded selection of book titles and general merchandise. All items are listed in Canadian prices, with a focus on products of interest to Canadians. The online channel merchandises effectively through a mixture of price competitiveness, storytelling, curation, and a wide selection of products, including many books that offer discounts from publishers' list prices and general merchandise exclusive to Indigo.

Indigo regularly invests in its website and mobile experience to better integrate online and retail activities and to support the Company's ongoing transformation. As part of the Company's transformation, website improvements are continually being made to better resonate with Indigo's curated in-store environments and to simplify the online shopping experience. Integrations with best-in-class Ecommerce partners, such as payment platforms (PayPal and Visa Checkout), personalization engines, and on-site search technology, have been optimized to create a rich user experience for the Company's online visitors. As site traffic continues to migrate to mobile devices, optimizing the Company's smartphone and tablet experiences alongside Indigo's native applications continues to be an ongoing focus.

Indigo promotes customer loyalty and repeat purchases by providing an engaging digital experience that encourages customers to return frequently. Visitors to the website are given the ability to view personal product recommendations powered by Indigo's customer relationship management system, along with personalized offers and promotions. Indigo also offers numerous forms of content to enhance a customer's shopping experience including: cover art; synopses; annotations; reviews by other customers; and gift ideas. As Indigo continues to ensure its offering is relevant to all Canadians, increased focus has been placed on optimizing the French language version of the site, offering distinct merchandising and better site navigation.

Other special features include curated product boutiques and bestseller lists, along with video, audio, and digital content. Customer service and support are critical to establishing and maintaining long-term relationships with customers. Indigo seeks to achieve frequent communications with, and feedback from, its customers in order to improve customer satisfaction. The Company offers an email address and a toll-free telephone number to enable customers to request information, to provide customer service, and to encourage feedback and suggestions. Indigo's customer service representatives are available by telephone seven days per week, excluding holidays.

Product Categories

Books

Indigo currently has an active list of approximately 500,000 book titles purchased from more than 25 major publishers. Indigo's category managers have significant book industry experience, each specializing in one or more subject areas such as fiction, history, architecture and science. Each year, category managers use their knowledge and experience to choose which new titles to include on the title list (approximately 25,000 per year) and which titles to remove (approximately 20,000 to 25,000 per year). The category managers are presented with 60,000 to 75,000 new titles for consideration. In addition, Indigo offers up to two million titles online through indigo.ca and, when requested by a customer, Indigo will special order any book currently in print.

Indigo typically plans to keep new book titles in stock for at least nine months. Initial orders are usually placed in larger quantities to ensure impactful displays and availability. After 45 days, sales are analyzed and, if appropriate, anticipated excess stocks are returned to suppliers. Approximately 85% of all titles Indigo purchases are eligible for return to suppliers for full credit. Indigo is responsible only for transportation and labour costs associated with these returns. Historically, Indigo has returned approximately 25% to 30% of the books purchased under these arrangements.

eBooks

Indigo anticipates the eBook market to continue growing, although at a slower pace than in previous years. The Company expects to continue to invest in the transformation of its retail stores and digital experience to accelerate the growth of other merchandise categories with higher gross margins to mitigate the impact of eBook sales.

Indigo continues to support eReading via the Kobo service on a variety of devices available to Canadians. Indigo customers can find eBooks on the Indigo website, which links them directly to the Kobo site for purchase. These eBook purchases generate income for Indigo through a revenue-sharing agreement with Kobo.

General Merchandise

In order to offset the impact of eBook sales, Indigo is focusing on accelerating the expansion of its gift products with a wide variety of home, paper, electronics, kids, and baby merchandise, and is also offering a selection of fashion accessories. While the sale of books and book-related products are expected to continue to be the most important product line for Indigo, management believes that the expansion of these other product lines will effectively add incremental revenues and gross margin to existing in-store and online sales. The product line expansion also underlines Indigo's commitment to becoming the premier year-round gifting destination in Canada.

Indigo's category managers are experienced in managing the sourcing process including product choices, product flow, product quality control, and vendor selection. The purchasing and price-setting activities for general merchandise (non-book) products sold in Indigo's retail locations and online at indigo.ca are centralized at its home office in Toronto, Ontario. The majority of Indigo's general merchandise is globally-sourced.

Indigo has established a product development team in New York to design and develop proprietary products. This team continues to build upon its successes and experiences from previous years to improve the breadth and quality of products offered exclusively by Indigo. The Toronto merchandising team works closely with the product development team to create products which are unique to Indigo and serve to differentiate the Company from other retailers.

Loyalty Programs

Indigo has two loyalty programs: the *irewards* program, an annual fee-based program; and the *plum rewards* program, a free points-based program. Indigo believes that loyalty programs are important in generating significant customer commitment and value. In addition, the transaction and demographic information collected by the programs provides a means to understand customer behaviour and to respond with a variety of sophisticated marketing and service strategies that generate measurable contributions to the business.

Indigo's *irewards* program, for which customers pay an annual fee, operates at its superstores, small format stores, and online at indigo.ca to provide members with a discount on virtually everything in stores and on book purchases made online. The *irewards* program had a combined total enrollment of approximately 108,000 members at the end of March 2015, compared to 134,000 members at the end of March 2014. The decline in membership was expected and is primarily attributable to the continued migration of members to the free *plum rewards* program which was launched in April 2011.

Indigo's *plum rewards* program is a free points-based loyalty program intended as an alternative to the fee-based *irewards* program. The *plum rewards* program supports Indigo's evolution to a more diverse merchandise mix by offering benefits that apply across most products available in-store. When used online, the program provides customers with member pricing on books in lieu of points. The *plum rewards* program had a total enrollment of approximately 7.4 million members at the end of March 2015, compared to approximately 6.6 million members at the end of March 2014.

Trade Names and Trademarks

Protection of the Indigo and Chapters trademarks and associated design presentation is very important to Indigo, and the Company has established procedures to protect the trademarks integral to its business. It is Indigo's policy to defend all of its intellectual property vigorously where appropriate. Procedures are in place to ensure timely renewals of Indigo's trademark and domain name registrations.

Indigo is the owner of numerous trademarks and trade names that are used and registered in Canada. The principal trademarks of the Company include:

INDIGO®; !NDIGO™; INDIGO BOOKS MUSIC & MORE®; INDIGOBABY®; !NDIGOKIDS®; !NDIGOHOME™; INDIGOLIFE®; INDIGO LOVE OF READING FOUNDATION®; INDIGOSPIRIT®; INDIGOSWEETS®; CHAPTERS®; CHAPTERS.INDIGO.CA®; INDIGO.CA®; CULTURAL DEPARTMENT STORE®; COLES®; !NDIGO ENRICH YOUR LIFE®; ENRICHISSEZ VOTRE VIE®; PLUM®; PRIMES PRIVILÈGE®; IREWARDS®; HEATHER'S PICKS®; SMITHBOOKS®; THE BOOK COMPANY & Design®; THE WORLD NEEDS MORE CANADA™; GREAT BOOKS ARE JUST THE BEGINNING™; and !NDIGOTECH™.

Indigo also owns various domain names incorporating its marks and names, including www.indigo.ca and www.chapters.indigo.ca, which are used in connection with its online business and presence.

Employees

As at March 28, 2015, Indigo employed a total of approximately 6,200 people (on a full-time and part-time basis). The number of part-time customer experience representatives employed by Indigo fluctuates based upon seasonal demand. Employee development has been focused on training, improving work processes, working tools and systems, cross-functional collaboration, career development, and leadership development. Indigo does not have any collective agreements in place.

Information Systems

Indigo continues to invest in information technology to ensure compliance and controls remain solid and to deliver solutions that improve customer service and process efficiencies. During fiscal 2015, Indigo invested in a number of information technology initiatives. These initiatives included supply chain improvements to enable more sophisticated forecasting and replenishment capabilities, increase supply chain visibility, and reduce the time it takes to move inventory from the retail distribution centre to stores. Indigo has also made significant investments to grow its eCommerce channel by improving the customer experience and technology platforms. Technology investments were also made to improve the efficiency of tasking processes in the stores.

Previous significant investments include the systems to enable Indigo's introduction of general merchandise categories, the systems that support the *plum rewards* program, and compliance with Payment Card Industry ("PCI") standards.

Properties

Indigo currently leases all of its retail facilities. The average unexpired lease term for Indigo's superstores is approximately 3.4 years, compared to small format stores, which have an average unexpired lease term of approximately 1.8 years. Indigo has implemented a shorter-term leasing strategy for its small format stores in order to maximize flexibility and hedge against the possibility of shopping centre deterioration.

Indigo leases its main headquarters at 468 King Street West, Toronto, Ontario, M5V 1L8. Indigo's headquarters building is approximately 65,000 square feet. Indigo also leases approximately 7,000 square feet of space at 441 King Street West in Toronto, all of which has been sublet, and 12,750 square feet of space at 539 King Street West in Toronto.

Indigo also leases approximately 4,000 square feet of space at 48-50 Walker Street, New York, NY 10013 U.S. where it houses its design and product development office.

Indigo leases its retail and online distribution centre premises, both located in Brampton, Ontario.

Indigo Distribution Centres

Indigo maintains a 306,600 square foot retail distribution facility and a 162,880 square foot online distribution facility. In fiscal 2013, the Company upgraded the warehouse management systems in both the retail and online distribution facilities along with the material handling equipment in its retail distribution facility. In fiscal 2015, the Company implemented supply chain projects which improved the flow of merchandise and margin rates.

Environmental Sustainability

Indigo has identified the following goals to achieve Company sustainability:

1. Reduce Indigo's operational impacts on the environment by improving performance in the areas of energy conservation and waste management;
2. Improve the sustainability of the Company's products through product design and packaging, and through responsible purchasing practices and policies; and
3. Work collaboratively with Indigo's partners to strengthen the Company's sustainability commitment by increasing awareness and building engagement among Indigo's vendors, employees and customers.

Greening Indigo's Operations

Greening the Company's operations includes various initiatives set to help Indigo reach its sustainability goals. These initiatives include:

Waste Management

Indigo has control of the waste management practices at 70 store locations. The recycling programs at these locations have an average waste diversion rate of 57%. The Company's remaining stores use shared waste facilities which are subject to landlord control. As such, Indigo's control over waste management at stores with shared facilities is limited.

Provincial Blue Bin Programs

Indigo pays fees into the funds of all existing provincial Blue Bin programs to help fund the costs of collecting, transporting, recycling, and safely disposing of consumer waste that results from the Company's selling activities. These fee contributions are a growing cost to Indigo as well as all other retailers. Fees vary across provinces and are highest in British Columbia.

Gift Card Program

Indigo continues to reduce the amount of plastic going to landfills with the introduction of gift cards made from recycled materials. Additionally, Indigo collects used gifts cards from its customers at point-of-sale and ensures that they are properly recycled.

Paper Consumption and Purchasing

Since 2006, Indigo has been using Forest Stewardship Council ("FSC") certified paper in many of the Company's marketing pieces. In order to improve paper practices, Indigo continues to increase the use of FSC-certified paper in the Company's marketing and other printed materials.

Indigo also implemented a number of paper reduction initiatives including using 100% recycled photocopier paper, ensuring double-sided printing, and eliminating fax machines in favor of desktop faxing.

Energy Efficiency

Energy efficiency is a key component to reducing environmental impacts and operating costs. Indigo has a comprehensive energy management program in which energy use is closely monitored to allow for the targeted identification of opportunities to implement conservation strategies. This includes the use of energy efficient technologies in the Company's stores and distribution centres.

Distribution Centres

Indigo recognizes the value of ensuring energy efficient practices at its distribution and support centres. To minimize consumption, Indigo installed energy efficient commercial lighting and aisle occupancy sensors that are expected to reduce energy use by more than 1.3 million kWh annually.

Social Responsibility

As Indigo continues to diversify its product mix and to source certain products from global markets, Indigo obtains factory social accountability audits in accordance with international standard SA8000. This will remain a focus for Indigo as it continues to transform its business.

Indigo's sustainability programs and policies have no material impact on earnings or capital expenditures.

Children's Literacy and Community Outreach

Through its Indigo Love of Reading Foundation (the "Foundation"), the Company is committed to addressing the underfunding of Canadian elementary school libraries and the resulting literacy challenges the children face in such schools. The Foundation's goal is to raise awareness of the lack of funding in Canadian schools and close the budget gap by providing new books and educational resources. The Foundation accomplishes this goal through its annual Literacy Fund grant of $1.5 million and its grassroots Adopt a School program which unites Indigo staff, local schools, and their communities to raise money for new library books. With the support of Indigo, its customers, employees, and suppliers, the Foundation has invested over $19.5 million into more than 2,000 elementary schools across Canada since 2004.

In addition to the Company's children's literacy cause, Indigo hosts in-store and online FUNdraisers to support schools and community groups in their fundraising efforts. In fiscal 2015, the two programs supported an additional 438 local not-for-profit organizations in their efforts to fundraise over $139,000 for educational and extracurricular resources.

Seasonality

Indigo's business is highly seasonal and follows quarterly sales and profit (loss) fluctuation patterns, which are similar to those of other retailers that are highly dependent on the December holiday sales season. A disproportionate amount of revenues and profits are earned in the Company's third quarter. As a result, quarterly performance is not necessarily indicative of the Company's performance for the rest of the year.

Regulatory Environment

The Book Importation Regulations (the "Regulations") to the *Copyright Act* (Canada) came into force on September 1, 1999. The *Copyright Act* (Canada) and Regulations limit the "parallel importation" of books legitimately produced in another country, which may be imported without the consent of the Canadian copyright owner or exclusive distributor. The Regulations establish notice requirements and distribution criteria that must be met by an exclusive distributor. Where the specified criteria are met, orders may be placed for books only through the Canadian exclusive distributor. The *Copyright Act* (Canada) provides that the parallel importation of books without consent of the Canadian copyright owner or through the exclusive Canadian distributor constitutes copyright infringement.

The *Investment Canada Act* regulates the acquisition by a non-Canadian of control over a Canadian business, including a business engaged in the publication, distribution or sale of books. Currently, foreign investments to acquire control of an existing Canadian-controlled book publishing, distribution, or retailing business are generally not permitted. Acquisitions of a non-Canadian controlled business and indirect acquisitions are subject to review by the Department of Canadian Heritage ("Heritage Canada"), the government agency responsible for determining whether the acquisition is likely to be of net benefit to Canada. As part of that determination, Heritage Canada will typically seek from the foreign investor one or more commitments, such as a commitment to the development of Canadian authors, a commitment to support the infrastructure of the book distribution system in Canada, accessibility of the company's Canadian marketing and distribution infrastructure to interested and compatible Canadian-controlled publishers, and a commitment to education and research through financial and professional assistance to Canadian institutions offering programs in publishing studies. In addition, where the business is Canadian-controlled, other Canadians must be given a full and fair opportunity to acquire the business. In practice, these provisions have not generally been applied to businesses in which bookselling forms only an ancillary component of the business, such as mass merchandisers. A foreign investment to establish a book publishing, distribution, or retailing business will generally not be permitted other than as a joint venture controlled by Canadians.

In December 2011, the Government of Canada issued a one-time ruling to allow the sale of Kobo to Rakuten, a non-Canadian controlled business. In April 2010, the Government of Canada issued a one-time ruling to allow U.S. online retailer, Amazon.com Inc., to operate a distribution centre in Canada. Amazon had previously operated in Canada via a third-party operated distribution centre.

Material Transactions with Directors or Officers

The Company purchased goods and services from companies in which Mr. Gerald W. Schwartz, who is the controlling shareholder of Indigo, holds a controlling or significant interest. Indigo paid $3.2 million for these goods and services in fiscal 2015 and $5.3 million in fiscal 2014. As at March 28, 2015, Indigo had $0.2 million payable to these companies under standard payment terms and $2.8 million of restricted cash pledged as collateral for letter of credit obligations issued to support the Company's purchases of merchandise from these companies. All transactions were in the normal course of business for both Indigo and the related companies.

RISK FACTORS

The Company is exposed to a variety of risk factors and has identified the principal risks inherent in its business. The relative severity of these principal risks is impacted by the external environment and the Company's business strategies and, therefore, will vary from time to time.

The Company cautions that the following discussion of risk factors that may affect future results is not exhaustive. The Company's performance may also be affected by other specific risks that may be

highlighted from time to time in other public filings of the Company available on the Canadian securities regulatory authorities' website at www.sedar.com. When relying upon forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider these factors, as well as other uncertainties, assumptions, potential events, industry, and Company-specific factors that may adversely affect future results. The Company assumes no obligation to update or revise previously filed public documents to reflect new events or circumstances, except as required by law.

Competition

The retail book selling business is highly competitive and continues to experience fundamental changes. Specialty bookstores, independents, other book superstores, regional multi-store operators, supermarkets, drug stores, warehouse clubs, mail order clubs, Internet booksellers, mass merchandisers, and other retailers continue to sell and even expand physical book offerings, often at substantially discounted prices. This increased competition may negatively impact the Company's revenues and margins.

The highly competitive digital book industry continues to evolve and grow. The number of retailers selling eBooks has increased, as have the number of retailers selling eReaders. The technology continues to change, with eReader technology widely available on tablets and mobile devices and new eReading devices being released with expanded capabilities. Growth of the digital book industry has had a negative impact on physical book sales and the continued evolution and expansion of this industry may have an adverse effect on the Company's revenues if consumers further reduce their future purchases of physical books in favour of eBooks.

The general merchandise retail landscape contains a significant amount of competition from established retailers and there can be no assurances that the Company will be able to gain market share. The Company competes with local, regional, national, and international retailers that sell gift and specialty toy products in stores and online. New competitors frequently enter the market and existing competitors may enter or increase market presence, expand merchandise offerings, add new sales channels, or change their pricing methods, all of which increase competition for customers. If the Company is unable to gain market share, Indigo's revenues could be adversely affected.

Aggressive merchandising or discounting by competitors in the retail, online, or digital sectors could reduce the Company's revenues, market share, and operating margins.

Company Transformation

To offset the continued decline of physical book sales, the Company continues to adjust its merchandise mix to grow general merchandise categories. The Company's expansion into new markets and general merchandise could place a significant strain on Indigo's management, operations, technical performance, financial resources, and internal financial control and reporting functions. Additionally, the Company continues to invest in optimizing its physical stores while also refining its website and digital application. The Company will continue to change and modify this strategy and there can be no assurances that the Company's strategy will be successful.

Relationships with Suppliers

The Company relies heavily on suppliers to provide book and general merchandise at appropriate margins and in accordance with agreed-upon terms and timelines. Failure to maintain favorable terms and relationships with suppliers, the absence of key suppliers, or delays in Indigo's ability to acquire books or merchandise on time may affect the Company's ability to compete in the marketplace. As the Company continues to source a greater portion of its products from overseas, events causing disruptions of imports,

changes in restrictions, or currency fluctuations could negatively impact revenues and margins of the Company.

Inventory Management

The Company must manage its inventory levels to successfully operate the business. Inability to respond to changing customer preferences may result in excess inventory which must be sold at lower prices or an inventory shortage. Additionally, as a result of purchasing more general merchandise, the Company has an increasing amount of non-returnable inventory. The Company monitors the impact of customer trends on inventory turnover and obsolescence, but inappropriate inventory levels could negatively impact the Company's revenues and financial performance.

Product Quality and Product Safety

The Company sells products produced by third party manufacturers. Some of these products may expose the Company to potential liabilities and costs associated with defective products, product handling, and product safety. These risks could expose the Company to product liability claims, damage the Company's reputation, and lead to product recalls. The Company has policies and controls in place to manage these risks, including providing third party manufacturers with product safety guidance and maintaining liability insurance.

As part of its growth in general merchandise, the Company sells food products and is subject to risks associated with food safety. A significant outbreak of food-borne illness or other public health concerns related to food products could result in harm to the Company's customers, negative publicity, and product liability claims. The Company has processes in place to identify risks, communicate to employees and consumers, and ensure that potentially harmful products are not available for sale. The Company also applies quality management procedures to ensure it meets all food safety and regulatory requirements.

Although the Company has policies and procedures in place to manage these risks, liabilities and costs related to product quality and product safety may have a negative impact on the Company's revenues and financial performance.

Leases

The average unexpired lease term of Indigo's superstores and small format stores is approximately 3.4 years and 1.8 years, respectively. The Company attempts to renew these leases as they come due on favourable terms and conditions, but is susceptible to volatility in the market for supercentre and shopping mall space. Unforeseen increases in occupancy costs, or costs incurred as a result of unanticipated store closing and relocation could unfavourably impact the Company's performance.

Technology and Online

Information management and technology are key components to the ongoing competitiveness and daily operation of the business. If the Company's investment in technology fails to support Indigo's growth initiatives or to keep pace with technological changes, Indigo's competitiveness may be compromised. The Company has also increased its investment in developing improvements to the digital customer experience, but there can be no assurances that the Company will be able to recoup its investment costs. Furthermore, if systems are damaged or cease to function properly, capital investment may be required and the Company may suffer business interruptions in the interim. Such systems and controls are pervasive throughout Indigo's business, and failures in their maintenance or development could have a significant adverse effect on the business.

Cybersecurity

A failure in, or breach of, the Company's operational or security systems or infrastructure, or those of Indigo's third party vendors and other service providers, including as a result of cyber attacks, could disrupt the business, result in the disclosure or misuse of confidential or proprietary information, damage Indigo's reputation, increase the Company's costs, and cause losses. Although Indigo has business continuity plans and other safeguards in place, along with robust information security procedures and controls, the Company's business operations may be adversely affected by significant and widespread disruption to Indigo's physical infrastructure or operating systems that support the Company's business and customers. As cyber threats continue to evolve, the Company may be required to expend significant additional resources to continue to modify or enhance Indigo's protective measures, or to investigate and remediate any information security vulnerabilities.

Dependence on Key Personnel

Indigo's continued success will depend to a significant extent upon its management group, which has developed specialized skills and an in-depth knowledge of the business. The loss of the services of key personnel, particularly Ms. Reisman, could have a material adverse effect on Indigo. To mitigate the risk of personnel loss, the Company has implemented a number of employee engagement and retention strategies.

Economic Environment

Traditionally, retail businesses are highly susceptible to market conditions in the economy. A decline in consumer spending, especially over the December holiday season, could have an adverse effect on the Company's financial condition. Other variables, such as unanticipated increases in merchandise costs, higher labour costs, increases in shipping rates or interruptions in shipping service, foreign exchange fluctuations, or higher interest rates or unemployment rates, could also unfavourably impact the Company's financial performance.

Disaster Recovery and Business Continuity

Weather conditions, as well as events such as political or social unrest, natural disasters, disease outbreaks, or acts of terrorism, could have a material adverse effect on the Company's financial performance. Moreover, if such events were to occur at peak times in the Company's annual business cycle, the impact of these events on operating performance could be significantly greater than they would otherwise have been. The Company has procedures in place to reduce the impact of business interruptions, crises, and potential disasters, but there can be no assurance that these procedures can fully eliminate the negative impact of such events.

Regulatory Environment

The distribution and sale of products, along with communications to customers, are regulated by a number of laws and regulations. Changes to statutes, laws, regulations or regulatory policies, or changes in their interpretation, implementation or enforcement, could adversely affect the Company's operations and performance. The Company may also incur significant costs in the course of complying with any changes to applicable regulations. Failure to comply with applicable regulations could result in judgment, sanctions, or financial penalties that could adversely impact the Company's reputation and financial performance. The Company believes that it has taken reasonable measures designed to ensure compliance with applicable regulations, but there is no assurance that the Company will always be deemed to be in compliance.

Additionally, the distribution and sale of books is a regulated industry in which foreign ownership is generally not permitted under the *Investment Canada Act*. As well, the sourcing and importation of books is governed by the Book Importation Regulations to the *Copyright Act* (Canada). There is no assurance that the existing regulatory framework will not change in the future or that it will be effective in preventing foreign-owned retailers from competing in Canada. An increased number of competitors could have an adverse effect on the Company's financial performance.

Credit, Foreign Exchange, and Interest Rate Risks

The Company's maximum exposure to credit risk at May 26, 2015, is equal to the carrying value of accounts receivable. Accounts receivable primarily consists of receivables from retail customers who pay by credit card, recoveries of credits from suppliers for returned or damaged products, and receivables from other companies for sales of products, gift cards, and other services. Credit card payments have minimal credit risk and the limited number of corporate receivables is closely monitored.

The Company's foreign exchange risk is largely limited to currency fluctuations between the Canadian and U.S. dollars. Decreases in the value of the Canadian dollar relative to the U.S. dollar could negatively impact net earnings since the purchase price of some of the Company's products are negotiated with vendors in U.S. dollars, while the retail price to Indigo's customers is set in Canadian dollars. Historically, the Company has purchased U.S. dollars at the spot rate in order to fund inventory purchases. However, given the recent volatility of the Canadian dollar and the increasing volume of Indigo's U.S. dollar purchases, the Company is reviewing its hedging methodology to implement a more formal policy for mitigation of foreign exchange risk.

The Company's interest rate risk is limited to its long-term debt (finance leases), for which interest rates are fixed at the time a contract is finalized. The Company's interest income is also sensitive to fluctuations in Canadian interest rates, which affect the interest earned on the Company's cash and cash equivalents. The Company has minimal interest rate risk and does not use any interest rate swaps to manage its risk.

Legal Proceedings

In the normal course of business, Indigo becomes involved in various claims and litigation. While the final outcome of such claims and litigation pending as at March 28, 2015 cannot be predicted with certainty, management believes that any such amount would not have a material impact on the Company's financial position.

Trademark and Brand Protection

The Company has developed, and continues to develop, a line of proprietary products as well as various digital innovations. Infringement on the intellectual property developed by Indigo may have a negative effect on the Company's financial position. In order to protect the competitive advantage provided by these products and innovations, the Company has processes in place to secure and defend its intellectual property.

Workplace Health and Safety

The failure of the Company to adhere to appropriate health and safety procedures and to ensure compliance with applicable laws and regulations could result in employee injuries, productivity loss, and liabilities to Indigo. To reduce the risk of workplace incidents, the Company has health and safety programs in place and has established policies and procedures aimed at ensuring compliance with applicable legislative requirements.

Compliance with Privacy Laws

The *Personal Information Protection and Electronic Documents Act* ("PIPEDA") applies to all organizations that collect, use, or disclose personal information in Canada over the course of commercial activities, except to the extent that provincial privacy legislation has been enacted and declared substantially similar to the federal legislation. To date, certain provinces have enacted "substantially similar" private sector privacy legislation. The federal privacy legislation also regulates the inter-provincial collection, use, and disclosure of personal information. Applicable Canadian privacy laws create certain obligations on organizations that handle personal information, including obligations relating to obtaining appropriate consent, limitations on use and disclosure of personal information, and ensuring appropriate security safeguards are in place. In the course of its business, the Company maintains records containing sensitive information identifying or relating to individual customers and employees. Although the Company has implemented systems to comply with applicable privacy laws in connection with the collection, use, and disclosure of such personal information, if a significant failure of such systems was to occur, the Company's business and reputation could be adversely affected.

DIVIDENDS

In fiscal 2015, Indigo did not pay any dividends. In fiscal 2014, the Company's Board of Directors approved the suspension of quarterly dividend payments beyond December 3, 2013 in order to maintain sufficient capital resources to fund the Company's transformation. Indigo paid a total of $0.33 per share in dividends in fiscal 2014 and a total of $0.44 per share in dividends in fiscal 2013.

Indigo has no contractual restrictions that would limit its ability to pay dividends in the future. Future declaration of quarterly dividends and the establishment of future record and payment dates are subject to the final determination of the Company's Board of Directors.

DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of Indigo consists of an unlimited number of common shares, of which 25,495,289 common shares are issued and outstanding as at May 26, 2015.

Each common share entitles the holder thereof to one vote at meetings of shareholders of Indigo and to participate equally and rateably in any dividends declared on the common shares by the Board of Directors of Indigo, and in any remaining property or assets of Indigo that may be distributed in the event of voluntary or involuntary liquidation, dissolution, or winding-up of Indigo.

CONSTRAINTS

For a discussion of constraints imposed on the ownership of Indigo's securities, please refer to the section "Description of Indigo – Overview of the Business – Regulatory Environment".

MARKET FOR SECURITIES

Common shares in the capital of Indigo are listed and posted for trading on the Toronto Stock Exchanges (the "TSX") under the symbol IDG. There are currently no other classes of shares in the capital of Indigo issued or outstanding.

The following table sets out the price ranges and volumes traded for Indigo's common shares on the TSX on a monthly basis for each calendar month in fiscal 2015.

	OPEN ($)	HIGH($)	LOW ($)	CLOSE ($)	VOLUME
April 2014	9.31	9.99	9.26	9.80	248,433
May 2014	9.79	10.51	9.66	10.40	394,264
June 2014	10.38	10.60	10.04	10.55	254,655
July 2014	10.43	10.55	10.00	10.45	116,323
August 2014	10.25	10.85	10.25	10.85	422,811
September 2014	10.75	11.87	10.75	11.70	182,189
October 2014	11.74	12.87	10.63	12.66	375,804
November 2014	12.64	12.64	11.23	12.50	52,882
December 2014	12.06	12.50	11.52	11.90	106,531
January 2015	11.90	11.90	9.75	10.52	49,692
February 2015	10.52	11.82	10.51	11.61	148,569
March 2015	11.71	11.80	11.01	11.60	19,051

DIRECTORS AND OFFICERS

The following table and notes thereto state the names and provinces or states of residence of all the directors and officers of Indigo as at May 26, 2015, their respective principal occupations, business or employment within the five preceding years, their beneficial ownership of common shares and, with respect to the directors, the year in which they became directors of Indigo. Each director will hold office until the next annual meeting of shareholders of Indigo, or until such director's successor is duly elected, unless the office is earlier vacated in accordance with the by-laws of Indigo.

Name, Province or State and Country of Residence	Position and/or office with Indigo	Present principal occupation, if different from office held	Director Since	Common Shares Beneficially Owned, Controlled or Directed as at May 26, 2015[1]
HEATHER REISMAN Ontario, Canada	Chair and Chief Executive Officer and Director	n/a	February 4, 2001	98,391 common shares
FRANK CLEGG[2][4] Ontario, Canada	Director	Volunteer Chairman and Chief Executive Officer for C4ST (mission to raise awareness of harmful effects from unsafe use of wireless technology)	February 1, 2005	nil common shares
JONATHAN DEITCHER[3] Quebec, Canada	Director	Investment Advisor, RBC Dominion Securities (wealth management company)	August 7, 2001	60,000 common shares
MITCHELL GOLDHAR Ontario, Canada	Director	President and Chief Executive Officer, SmartCentres (commercial real estate development company)	February 2, 2006	nil common shares
JAMES HALL[2][3][4][5] Ontario, Canada	Director	Vice President, Callidus Capital Corporation (asset-based lender) and President and Chief Executive Officer, James Hall Advisors Inc. (financial advisory company)	August 7, 2001	nil common shares
MICHAEL KIRBY[2][3][4] Ontario, Canada	Lead Director	Corporate Director Chair of Partners for Mental Health (non-profit organization created to focus national attention on mental health issues)	February 4, 2001	nil common shares
ANNE MARIE O'DONOVAN[2][3][4][6] Ontario, Canada	Director	Corporate Director and President, O'Donovan Advisory Services Ltd. (advisory and consulting services company)	December 27, 2009	nil common shares
GERALD SCHWARTZ Ontario, Canada	Director	Chairman, President and Chief Executive Officer, Onex Corporation (diversified company)	February 4, 2001	15,218,474 common shares [7]
JOEL SILVER[8] Ontario, Canada	Director	Managing Partner, TrilogyGrowth (investment firm specializing in media, technology and retail opportunities)	April 19, 2011	3,100 common shares
LAURA CARR[9] Ontario, Canada	Executive Vice President and Chief Financial Officer	n/a	n/a	nil common shares
KIRSTEN CHAPMAN[10] Ontario, Canada	Chief Marketing Officer and Executive Vice President, E-Commerce	n/a	n/a	nil common shares
LAURA DUNNE[11] Ontario, Canada	Senior Vice President, Human Resources and Organizational Development	n/a	n/a	nil common shares
KATHLEEN FLYNN Ontario, Canada	General Counsel and Corporate Secretary	n/a	n/a	nil common shares
TOD MOREHEAD[12] Ontario, Canada	Executive Vice President and Group General Merchandise Manager	n/a	n/a	nil common shares
KRISHNA NIKHIL[13] Ontario, Canada	Executive Vice President, Print and Chief Strategy Officer	n/a	n/a	nil common shares
SUMIT OBERAI[14] Ontario, Canada	Chief Technology Officer and Executive Vice President, Loyalty	n/a	n/a	800 common shares
MICHAEL TAN[15] Ontario, Canada	Executive Vice President, Supply Chain, Logistics and Global Sourcing	n/a	n/a	nil common shares

(1) As at May 26, 2015, the Company's directors and executive officers as a group, beneficially owned, directly or indirectly, or exercised direction or control over 15,380,765 common shares, representing approximately 60.33% of the outstanding common shares.

(2) Member of Human Resources and Compensation Committee.

(3) Member of Corporate Governance Committee.

(4) Member of Audit Committee.

(5) Mr.Hall was a director of Journal Register Company (a newspaper and multi-media news company) from August 2003 to March 2009. On February 21, 2009, while Mr. Hall was Chairman and Chief Executive Officer, the company filed a voluntary petition for relief under the U.S. Bankruptcy Code. The company emerged from bankruptcy on August 7, 2009.

(6) Ms. O'Donovan became President of O'Donovan Advisory Services Ltd. in January 2015. Ms. O'Donovan held the position of Executive Vice President and Chief Administration Officer, Global Banking and Markets for Scotiabank until December 2014.

(7) Mr. Schwartz is the principal of Trilogy Retail Enterprises Inc., the general partner of Trilogy Retail Enterprises L.P. ("Trilogy"). Trilogy owns directly or indirectly 13,028,167 common shares (which includes the common shares owned by Trilogy Investments L.P.). representing approximately 51.1% of the outstanding common shares of Indigo. Mr. Schwartz also holds, directly or indirectly, an additional 2,190,307 common shares for a total of 15,218,474 common shares. Ms. Reisman, who owns directly or indirectly, 98,391 common shares, is Mr. Schwartz' spouse.

(8) Mr. Silver has been with Trilogy Growth since April 2011. From 2003 to 2011, Mr. Silver held several executive positions at Indigo, including President from October 2009 to April 2011.

(9) Ms. Carr joined Indigo in November 2013. She was appointed as Executive Vice President and Chief Financial Officer in June 2014. Prior to joining Indigo, Ms. Carr was Regional Chief Financial Officer, Americas (October 2011 to October 2013) and Chief Financial Officer, United Kingdom (August 2006 to September 2011) for JT International.

(10) Ms. Chapman was appointed Executive Vice President, Online and Mobile of Indigo in January 2013. She became the Company's Chief Marketing Officer and Executive Vice President, E-Commerce in May 2014. From 2007 to 2009, Ms. Chapman was Co-President of Pistachio. From 2010 to 2012, Ms. Chapman was a consultant to Joe Jackman Brands.

(11) Ms. Dunne has been Senior Vice President, Human Resources and Organizational Development of Indigo since October 2010. From August 2005 to January 2009, Ms. Dunne was the Senior Vice President, Human Resources with Canadian Tire Corporation Ltd., a Canadian retail and financial services firm. From 2009 to 2010, Ms. Dunne was an independent consultant.

(12) Mr. Morehead has been Executive Vice President and Group General Merchandise Manager of Indigo since October 2012. From 2007 to 2012, Mr. Morehead held the role of Executive Vice President, Merchandising at Martha Stewart Living Omnimedia Inc.

(13) Mr. Nikhil was appointed Executive Vice President, Print and Chief Strategy Officer of Indigo in September 2014. Prior to joining Indigo, Mr. Nikhil was at McKinsey & Company, a global management consulting firm from March 2003 to August 2014.

(14) Effective September 2014, Mr. Oberai was appointed the Company's Chief Technology Officer and Executive Vice President, Loyalty.

(15) Mr. Tan joined Indigo in February 2015 as Executive Vice President, Supply Chain, Logistics and Global Sourcing. From 2009 to 2015, Mr. Tan worked at Hudson's Bay Company overseeing supply chain and logistics operations for the company's five banners including Hudson's Bay in Canada and Lord & Taylor and Saks Fifth Avenue in the U.S.

Heather Reisman – *Chair and Chief Executive Officer.* Ms. Reisman has been Chief Executive Officer of Indigo since February 4, 2001. She has also been Chair, Director, and Chief Executive Officer of Indigo and its predecessors. Prior to the merger of Indigo and Chapters, Ms. Reisman was Chief Executive of Indigo Books & Music, Inc. Ms. Reisman was inducted into the Canadian Business Hall of Fame in 2015.

Frank Clegg – *Director*. Frank Clegg was President of Microsoft Canada Co. from September 2000 to January 2005. Prior to that, he was Vice President, Central Region of Microsoft Corporation. Mr. Clegg is a member of Indigo's Audit and Human Resources and Compensation Committees and is the Technology Advisor to the Indigo Board of Directors.

Jonathan Deitcher – *Director.* Jonathan Deitcher is an investment advisor with RBC Dominion Securities Inc. ("RBC") where he has been employed since 1974. He served as a member of the Board of Directors of RBC from November 2000 to September 2003. Mr. Deitcher has been a Vice President at RBC since August 2004. Mr. Deitcher is a member of Indigo's Corporate Governance Committee.

Mitchell Goldhar – *Director*. Mitchell Goldhar is the owner of SmartCentres, a private real estate development company. SmartCentres has developed over 250 shopping centres across Canada in the last 21 years. Mr. Goldhar holds a B.A. degree in Political Science from York University and for 11 years has been an adjunct professor with the Joseph L. Rotman School of Management, University of Toronto. He

is also a member of the Board of Directors of the Calloway Real Estate Investment Trust and is a Director Emeritus with the Sick Kids Foundation.

James Hall – *Director*. Mr. Hall, a Chartered Accountant (CPA, CA), is Vice President of Callidus Capital Corporation which provides capital for companies in need of creative financing solutions. Mr. Hall is a director of Atomic Energy of Canada Limited, Immunovaccine Inc. and was, until March 2009, Chairman and Chief Executive Officer of Journal Register Company. Mr. Hall is Chair of Indigo's Human Resources and Compensation Committee and is a member of the Audit Committee and the Corporate Governance Committee. Mr. Hall holds an HBA degree from the Richard Ivey School of Business at Western University. Mr. Hall has advised Indigo's Board of Directors that he will not be standing for re-election at the next Annual Meeting of Shareholders scheduled for June 29, 2015.

Michael Kirby – *Director*. From 1984 to 2006, Michael Kirby was a member of the Senate of Canada. From 1994 to 1999, he was the Chairman of the Standing Senate Committee on Banking, Trade and Commerce. From 1999 to 2006, Mr. Kirby was the Chairman of the Standing Senate Committee on Social Affairs, Science and Technology. Mr. Kirby is the Chair of the Audit Committee of Just Energy Group Inc., and the Audit Committee of MDC Partners Inc. Mr. Kirby is Indigo's Lead Director, the Chair of the Audit and Corporate Governance Committees, and a member of the Human Resources and Compensation Committee.

Anne Marie O'Donovan – *Director*. Anne Marie O'Donovan, FCA, is a Corporate Director and President, O'Donovan Advisory Services Ltd. Ms. O'Donovan previously held the positon of Executive Vice President and Chief Administration Officer, Global Banking and Markets for Scotiabank until December 2014. Prior to joining Scotiabank in 2004, Ms. O'Donovan was a partner with Ernst & Young LLP. She holds an HBA degree from the Richard Ivey School of Business at the University of Western Ontario and is a Fellow of the Institute of Chartered Accountants of Ontario. Ms. O'Donovan is a member of Indigo's Audit Committee, Human Resources and Compensation Committee, and Corporate Governance Committee.

Gerald Schwartz – *Director*. Gerald Schwartz founded Onex Corporation, one of North America's oldest and largest private equity firms, in 1984. Mr. Schwartz is presently the Chairman and Chief Executive Officer of Onex and a director of Celestica Inc. Mr. Schwartz was inducted into the Canadian Business Hall of Fame in 2004 and was appointed an Officer of the Order of Canada in 2006.

Joel Silver – *Director*. Joel Silver is the Managing Partner of Trilogy Growth, a limited partnership between Gerald Schwartz and Mr. Silver. Trilogy Growth makes direct investments in early stage innovative packaged goods, retail, online, and media companies. Prior to this, Mr. Silver served as President of Indigo, driving the growth and profitability of the core print business, guiding the launch and development of the kids' toy business, significantly expanding the lifestyle business, as well as spearheading IndigoGreen, a key initiative that won several awards. Mr. Silver also served on the Kobo Board of Directors when it took on external financing. Mr. Silver began his career at Procter & Gamble as a brand manager working on the Cover Girl, Pantene, and Ivory businesses. He also co-founded Salesdriver, a web-based company sold to Carlson in 2002. Mr. Silver holds an MBA degree from the Harvard Business School.

Laura Carr – ***Executive Vice President and Chief Financial Officer*.** Ms. Carr joined Indigo in November 2013 as Senior Vice President, Finance and was promoted to Executive Vice President and Chief Financial Officer in June 2014. Ms. Carr is responsible for Indigo's Finance, Accounting, Merchandise Financial Planning and Allocation, Business Intelligence, Internal Audit, Store Planning and Construction, Loss Prevention, and Indirect Procurement teams. She also serves as a Board Director of the Indigo Love of Reading Foundation and of the Calendar Club joint venture. Laura qualified as a

Chartered Accountant with PricewaterhouseCoopers. While at PwC in London, England and Sydney, Australia, she worked mainly with retail clients. Prior to joining Indigo, Ms. Carr was Regional Chief Financial Officer, Americas (October 2011 to October 2013) and Chief Financial Officer, United Kingdom (August 2006 to September 2011) for JT International. Ms. Carr holds a BSc (Hons) in Accounting in Cardiff University in Wales.

Kirsten Chapman – ***Chief Marketing Officer and Executive Vice President, E-Commerce.*** Kirsten Chapman is responsible for the omni-channel marketing activities for Indigo, driving the brand experience across all platforms. Kirsten is also responsible for e-commerce and driving the end-to-end experience across desktop, tablet, and mobile. Ms. Chapman was part of Indigo's founding team in 1996, in the role of Senior Vice President, Marketing. From 2000 to 2010, Ms. Chapman held positions at Watt Design Group, Cott Corporation, Roots and Pistachio. From 2010 to 2012, Ms. Chapman was a retail strategist for the specialty retail consulting firm, Joe Jackman Brands. Ms. Chapman rejoined Indigo in January 2013 as Executive Vice President, Online and Mobile. Ms. Chapman holds a Bachelor of Economics degree from McGill University.

Laura Dunne – ***Senior Vice President, Human Resources and Organizational Development.*** Laura Dunne joined Indigo in October 2010 and is responsible for the Company's human resources and organizational development. Ms. Dunne came to Indigo after almost a decade at Canadian Tire where she most recently served as Senior Vice President, Human Resources and sat on the retailer's Executive Committee. Laura brings a broad range of experience in all aspects of Human Resources, including HR strategy development, organization design, change management, employee communications, talent management and development, succession planning, employee and labour relations, total rewards design and delivery, talent acquisition, and employee engagement strategies. Ms. Dunne holds a Bachelor of Arts degree from the University of Toronto.

Kathleen Flynn – ***General Counsel and Corporate Secretary.*** Ms. Flynn joined Indigo in February 2000 as Corporate Counsel of Chapters Online, then Corporate Counsel of Chapters Inc. and now holds the position of General Counsel and Corporate Secretary of Indigo with responsibility for legal and corporate governance matters; she also oversees Indigo's real estate portfolio. Ms. Flynn also serves as a Board Director of the Indigo Love of Reading Foundation and of the Calendar Club joint venture. Previously, Ms. Flynn was corporate counsel with Sears Canada Inc. Ms. Flynn holds an LLB degree from Queen's Law School and a Masters Degree in law from Osgoode Hall.

Tod Morehead — ***Executive Vice President and Group General Merchandise Manager.*** Tod Morehead joined Indigo in October 2012 and is head merchant for all general merchandise categories in the store. He is accountable for identifying and building the general merchandise categories as Indigo transforms its assortments for the future. Mr. Morehead started his merchandising career at Macys West in San Francisco. After ten years with Macys, Mr. Morehead started his own women's apparel business in San Francisco called Mike & Tod, which was sold in many of the best catalogs and through specialty retailers in the U.S. Since then, he has taken on increasing responsibility with several respected companies in the U.S. including roles as Vice President of Merchandising at Bath and Body Works, General Merchandise Manager of Dean and Deluca, and most recently as Executive Vice President, Merchandising at Martha Stewart Living Omnimedia. Mr. Morehead has a wealth of experience and success in building great retail brands and developing new retail business. Mr. Morehead holds a Bachelor of Science degree from Pepperdine University in Malibu, California.

Krishna Nikhil – ***Executive Vice President, Print and Chief Strategy Officer.*** Krishna Nikhil joined Indigo in September 2014 and is responsible for the Print business, which includes all books and magazines, as well as the overall strategic direction of the Company. From March 2003 to August 2014, Mr. Nikhil was at McKinsey & Company, a global management consulting firm, where he was a Partner

based in the Toronto office and a leader in the North American Retail Practice. Mr. Nikhil began his career in e-commerce, first in the e-commerce business development group at Capital One and subsequently at dot-com start-up, Skulogix. He is the Chair of the Board of Street Kids International and a Vice Chair of the Toronto East General Hospital Foundation. Mr. Nikhil holds Master's and Bachelor's degrees in Engineering from the University of Toronto.

Sumit Oberai – *Chief Technology Officer and Executive Vice President, Loyalty*. Sumit Oberai joined Indigo in April 2006 and is responsible for all Information Technology functions at Indigo. Additionally, Mr. Oberai has responsibility for Indigo's Loyalty and Customer Intelligence functions including the *irewards* and *plum rewards* loyalty programs. Prior to joining Indigo, Mr. Oberai was Senior Vice President, Engineering at Eloqua, a software company acquired by Oracle in 2013, and a consultant for McKinsey & Company where he focused on strategy and operations for technology and telecom clients. Before that, he held various technology leadership roles at Critical Path, DocSpace, and Nortel Networks. Mr. Oberai holds a Masters of Business Administration degree from INSEAD, a Masters of Computer Engineering degree from University of Toronto, and a Bachelors of Mathematics and Engineering degree from Queen's University where he graduated as the Gold Medalist.

Michael Tan – *Executive Vice President, Supply Chain, Logistics and Global Sourcing*. Mr. Tan joined Indigo in February 2015 and is responsible for Supply Chain Management, Global Sourcing, Process Engineering, Retail and E-commerce Fulfillment and Transportation. From 2009 and 2015, Mr. Tan worked at Hudson's Bay Company overseeing supply chain and logistics operations for the company's five banners including Hudson's Bay in Canada and Lord & Taylor and Saks Fifth Avenue in the U.S. His career began in Southeast Asia working on marine-based logistics solutions and has spanned over various industries inclusive of automotive, pharmaceuticals and consumer products across North America. Mr. Tan holds a Masters of Business Administration from The Richard Ivey School of Business at The University of Western Ontario and a Bachelors of Business from The University of Ottawa.

AUDIT COMMITTEE

The text of the Audit Committee Charter is attached hereto in Appendix A.

Composition of the Audit Committee and Relevant Education and Experience of the Members

The Audit Committee is composed of Frank Clegg, James Hall, Michael Kirby and Anne Marie O'Donovan, all of whom are independent and financially literate within the meaning set out in National Instrument 52-110 - *Audit Committees*.

Mr. Clegg was the President of Microsoft Canada Co. from September 2000 to January 2005. Mr. Clegg brings his extensive information technology background to the Audit Committee at a point in time when the oversight of IT governance has become an important responsibility for boards and audit committees.

Mr. Hall is a Chartered Accountant (CPA, CA) and a director and member of the audit committee of Atomic Energy of Canada Limited, a director and chair of the audit committee of Immunovaccine Inc. and was, until March 2009, Chairman and Chief Executive Officer of Journal Register Company. He previously served as chair of the audit committees of International Datacasting Corporation, Terravest Income Fund and General Donlee Income Fund, and was a member of the audit committees of Global Credit Pref Corp. and Journal Register Company. Mr. Hall is Chair of Indigo's Human Resources and Compensation Committee and is a member of the Audit Committee and the Corporate Governance Committee.

Mr. Kirby is Chairman of Partners for Mental Health and a corporate director. Mr. Kirby was a member of the Senate of Canada from 1984 until 2006. He holds B.Sc. and M.A. degrees in mathematics from Dalhousie University and a PhD degree in Applied Mathematics from Northwestern University.

Mr. Kirby is a member of the Board of Directors of MDC Partners Inc. and Just Energy Group Inc. Mr. Kirby is chair of the audit committee and a member of the risk committee of Just Energy Group Inc. He is also the chair of the audit committee of MDC Partners Inc. Mr. Kirby was the Vice Chair of the Accounting Standards Oversight Council. Previously, Mr. Kirby was Chair of the Standing Senate Committee on Banking, Trade and Commerce, the Senate Committee which handles all business legislative and regulatory issues, and was Chair of the Standing Senate Committee on Social Affairs, Science and Technology. In addition, at different times during the period from 2002 to 2007, Mr. Kirby served as a director of the following publicly-traded companies: Immunovaccine Inc., Brainhunter Inc., Maxxcom Inc., and CPI Plastics Group Ltd.

Mr. Kirby is Indigo's Lead Director, the chair of the Audit and Corporate Governance Committees and is a member of the Human Resources and Compensation Committee.

Ms. O'Donovan is a Chartered Accountant and President of O'Donovan Advisory Services Ltd. Ms. O'Donovan has held numerous financial management roles including her former position of Executive Vice President and Chief Administration Officer, Global Banking and Markets for Scotiabank, which she held until December 2014. Ms. O'Donovan also brings experience in governance, internal control and risk management from her previous positions as the Chief Auditor for Scotiabank and a partner at Ernst & Young LLP.

Pre-Approval Policies and Procedures

All decisions regarding the engagement of Indigo's auditor for the provision of non-audit services are approved by the Audit Committee of the Board of Directors.

External Auditor Service Fees

The following table summarizes the Audit, Audit Related, Tax Related and Other Fees (excluding expenses and taxes) of Indigo's Auditor, Ernst & Young LLP, for the two most recently completed fiscal years.

	2015	**2014**
Audit Fees	$317,250	$308,000
Audit-Related Fees	$56,500	$56,500
Tax Fees	$51,500	$52,350
All Other Fees	$3,200	$3,200
TOTAL	$428,450	$417,550

The foregoing fees and expenses relate to services rendered from April through March of the fiscal year, notwithstanding when the fees and expenses were billed.

In both 2015 and 2014, Audit-Related Fees incurred related to translation services, review of quarterly financial statements and accounting consultations on International Financial Reporting Standards. In both 2015 and 2014, Tax Fees related to tax compliance and tax planning/consulting services, and All Other Fees related to tax research costs.

TRANSFER AGENT AND REGISTRAR

Indigo's transfer agent and registrar is CST Trust Company and Indigo's common share register is located at their offices at 320 Bay Street, B1 Level, Toronto, Ontario, M5H 4A6.

EXPERTS

As at the date hereof, Ernst & Young LLP, Indigo's auditor, is independent of the Company in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Indigo's securities and options to purchase securities is contained in Indigo's most recent Management Information Circular as filed with Canadian securities regulatory authorities on SEDAR on May 26, 2015. Further information can also be found on SEDAR at www.sedar.com. Additional financial information is provided in Indigo's comparative financial statements and MD&A for the fiscal year ended March 28, 2015, which are included on pages 5 through 54 of Indigo's 2015 Annual Report.

Copies of the following documents may be obtained, upon request, from Indigo's Secretary at 468 King Street, Suite 500, Toronto, Ontario, M5V 1L8:

a) one copy of this Annual Information Form, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in this Annual Information Form;

b) one copy of Indigo's consolidated financial statements for its most recently completed financial year together with the accompanying report of the auditor and one copy of any of Indigo's interim financial statements subsequent to the financial statements for its most recently completed financial year; and

c) one copy of the Indigo's most recent Management Information Circular as filed with Canadian securities regulatory authorities on SEDAR on May 26, 2015.

APPENDIX A

AUDIT COMMITTEE CHARTER
(as at February 3, 2015)

1. PURPOSE

The primary function of the Audit Committee (the "Committee") is to assist the Board of Directors (the "Board") of the Corporation in fulfilling its oversight responsibilities for: (i) the integrity of the Corporation's financial statements; (ii) the Corporation's compliance with legal and regulatory requirements as they relate to the Corporation's financial statements; (iii) internal controls over financial reporting and disclosure controls and procedures; (iv) risk management; (v) the qualifications, independence and performance of the external auditor; and (vi) the performance of the Corporation's internal audit function. This also includes the audit and financial reporting process for the Corporation's subsidiaries.

The Committee will, at all times, be given full access to the Corporation's management and records and to the external auditors as necessary to carry out these responsibilities.

2. COMPOSITION

The Committee shall be comprised of a minimum of three directors, each of whom will be an independent, as contemplated by *Multilateral Instrument 52-110 - Audit Committees*. Members of the Committee, as well as its Chair, shall be recommended by the Corporate Governance Committee and appointed by the Board annually. In any year that the Board does not make an appointment of the Chair, the incumbent Chair shall continue in office until his/her success has been appointed.

3. MEMBER QUALIFICATIONS

All members of the Committee shall be financially literate and thus be able to read and understand fundamental financial statements including a balance sheet, an income statement and a cash flow statement that presents a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the issuer's financial statements.

4. MEETINGS

The Committee will meet at least four times a year, or more frequently as circumstances dictate. The timing of the meetings shall be determined by the Committee.

A quorum for the transaction of business at any Committee meeting shall be a majority of Committee members.

In the absence of the Committee Chair, the Committee members shall appoint an Acting Chair.

5. RELATIONSHIP WITH EXTERNAL AUDITORS

The external auditor shall report directly to the Committee. The Committee is authorized to recommend the replacement of the external auditor, where appropriate.

6. RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties, the Committee shall:

I. Financial Reporting and Disclosure

(a) review the accounting principles, policies and practices followed by the Corporation and its subsidiaries in accounting for and reporting its financial results of operations, satisfying itself that such policies and practices are prudent and appropriate;

(b) review and discuss with management and external auditors as required, the Corporation's audited annual consolidated financial statements, unaudited quarterly financial statements, and management's discussion and analysis prior to Board approval and disclosure to the public, satisfying itself that the financial statements are accurate, complete and present fairly, in all material respects in accordance with International Financial Reporting Standards (IFRS), the financial condition and performance of the Corporation, and together with management's discussion and analysis, the annual information form and associated officer certifications constitute a fair presentation of the Corporation's financial condition; discussions with management and external auditors should include significant issues regarding accounting principles, practices and significant management estimates and judgments;

(c) review and recommend the Corporation's annual information form to the Board for approval;

(d) review certifications of the Chief Executive Officer and Chief Financial Officer on the integrity of the quarterly and annual consolidated financial statements;

(e) review and recommend to the Board for approval the annual and interim earnings press releases and all other material financial press releases prior to public disclosure;

(f) review and, if appropriate, recommend to the Board for approval, prospectuses, take-over bids circulars, issuer bid circulars and directors' circulars; and

(g) satisfy itself that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements and periodically assess the adequacy of those procedures.

II. External Auditors

(a) recommend to the Board the selection of the external auditors in connection with preparing or issuing an auditor's report or with performing other audit, review or attesting services for the Corporation;

(b) recommend to the Board the compensation of the external auditors;

(c) oversee the work of the external auditors engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditors regarding financial reporting;

(d) review and determine the independence of the external auditor, including obtaining, on an annual basis, a formal written statement from the external auditors delineating the relationship between the audit firm and the Corporation, and reviewing and discussing with the external auditors such relationship to determine their "independence";

(e) review any management letter prepared by the external auditors concerning the Corporation's internal financial controls, record keeping and other matters and management's response thereto;

(f) discuss with the external auditors their views about the quality of the implementation of International Financial Reporting Standards, with a particular focus on the accounting estimates and judgments made by management and management's selection of accounting principles. Meet in private with appropriate members of management and separately with the external auditors on a regular basis to share perceptions on these matters, discuss any potential concerns and agree upon appropriate action plans. Review with the external auditors their views on the adequacy of the Corporation's financial personnel;

(g) approve the scope of the annual audit, the audit plan, the access granted to the Corporation's records and the co-operation of management in any audit and review function;

(h) receive from the external auditors reports on their review of the annual and quarterly financial statements;

(i) receive from management a copy of the management representation letter provided to the external auditors and any additional representations required by the Committee;

(j) review the effectiveness of the external auditor, including the annual audit and any quarterly reviews assess the effectiveness of the working relationship of the external auditors with management;

(k) review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation; and

(l) determine the nature of non-audit services the external auditors are prohibited from providing to the Corporation and pre-approve all non-audit services provided by the external auditors to the Corporation.

III. Financial Risk Management

(a) review the financial risk management policies implemented by the Corporation in operating its business activities and the completeness and fairness of any disclosure thereof;

(b) review the use of derivative financial instruments by the Corporation; and

(c) assess and monitor all significant risks to the Corporation.

IV. Internal Auditors

(a) review the effectiveness and independence of the internal auditor, ensuring an appropriate segregation of duties is maintained; and

(b) review the annual plan and quarterly reports of the internal auditor.

V. Complaints/Concerns

(a) establish procedures for: (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and (ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

VI. Internal Controls/Compliance

(a) assess the Corporation's system of internal financial controls and the Corporation's control environment to satisfy itself that such controls are effective and efficient;

(b) satisfy itself that management has developed and implemented a process to ensure compliance with continuous disclosure obligations;

(c) review reports from management and internal/external auditors with respect to the Corporation's compliance with laws and regulations having a material impact on the financial statements;

(d) review reports from management or others regarding the Corporation's compliance with applicable governing legislation and whether the Corporation's policies and procedures are operating effectively in this regard; and

(e) review reports on material litigation matters, as applicable.

VII. Other

(a) review in advance the appointment of the Chief Financial Officer;

(b) review annually this Committee Charter for adequacy and recommend any changes to the Board;

(c) meet in-camera with (i) external auditors; (ii) internal auditors, and (iii) management at each meeting of the Committee, as required;

(d) report to the Board on the major items covered at each Committee meeting and make recommendations to the Board and management concerning these matters at the next scheduled Board meeting.

(e) report to the Board on the effectiveness of the Committee annually; and

(f) perform any other activities consistent with this Charter, the Corporation's By-laws and governing law as the Committee or the Board deems necessary or appropriate.

7. AUTHORITY

The Committee has the authority:

(a) to engage independent counsel and other advisors as it determines necessary to carry out its duties;

(b) to set and pay the compensation for any advisors employed by the audit committee;

(c) to conduct or authorize investigations into matters within its scope of responsibility; and

(d) to communicate directly with the internal and external auditors.